



**SAFARICOM INVESTMENT CO-OPERATIVE**

*The Investment Partner of Choice*

# 20 ANNUAL REPORT & FINANCIAL STATEMENT





# JOIN SIC & ENJOY MEMBER BENEFITS

Invest as an individual, Company or Chama to reach your investment goals.

As a member, you get to:



Enjoy dividends & share value appreciation.



Get first priority & notifications over non-members on projects.



Qualify for discounted prices on projects.



Save & reinvest your savings.



Enjoy fixed deposit plan of up to 12% per annum.

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# Board Members



## ✔ Judy Runo

Chairperson

Judy Runo is a credible assurance expert with over 16 years experience in assurance and governance with vast experience in auditing. She has expertise in the development of audit plans and combined assurance plans and is excellent in entity level risk assessment, audit planning and execution that aligns with the organizational strategy.

Currently, she serves as the Executive Head of Internal Audit at Safaricom Telecommunications Ethiopia PLC where she is in charge of developing the internal audit strategic plan.

Judy holds a Bachelor of Commerce degree in Accounting from the University of Nairobi. She is a graduate of Strathmore Business School with a certificate in Women in Leadership (WIL) and Organizational Leadership from the Strathmore Senior. She is a Certified Public Accountant (CPAK) and a certified productivity coach. She is also a registered member of the Institute of Internal Auditors and the Institute of Certified Public Accountants of Kenya (ICPAK).



## ✔ Tom Macakiage

Board Vice Chairperson

Tom Macakiage is an information technology expert with over 20 years of experience in delivering technological solutions that transform business operations.

Tom is currently the Country Director at Servetech Systems Limited where he is responsible for client stakeholder engagement, projects on-boarding and profit and loss.

He holds a Bachelor of Science in Management Information Systems from Greenwich University, a Master of Business Administration from the University of Free State, South Africa and a Master in Technology Entrepreneurship from the University of Maryland, College of Engineering, USA.



## ✔ Jackson Mulwa

Board Treasurer

Jackson Mulwa is a finance expert with over 14 years of experience in cooperative management and leadership, stakeholder management, financial accounting and management, contract negotiation, tax administration and compliance.

He is currently the Procure to Pay Team Lead at Safaricom PLC where he provides leadership to a team of senior accountants, managing risks, and enforcing adherence to company policies.

Jackson holds a Master of Business Administration in Finance from the University of Nairobi and a Bachelor of Business Administration from Maseno University. He is also a member of the Institute of Certified Public Accountants of Kenya (ICPAK).



## ✔ Mike Akal

Hon. Secretary

Mike Akal is a corporate leader with over 15 years of professional experience in different fields in sales and distribution, trade marketing, channel management, account management, retail and operations management and project management among others.

He currently works at Safaricom PLC as an Area Sales Manager where he is involved in managing distribution channels for airtime and managing and growing the Mpesa business through Mpesa agents and sub-agents among other roles.

He holds a Bachelor of Science degree in Information Technology from Jomo Kenyatta University of Agriculture and Technology.





### ✔ Peter Gichangi

Board Member

Peter Gichangi is an opportunity development specialist with over 15 years of experience in the field with expertise across software development, solutions architecture and design, product and services development, innovation, strategy and business development.

He currently serves as the Head of Strategic Business Execution, CEO's office at Safaricom PLC where he is responsible for supporting the CEO, his senior leadership team and the board in delivery of critical mission imperatives as well as strategic goals across the group.

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 a certified Engagement and Productivity Coach by the International Coach Federation (ICF).



### ✔ Judy Warui - Omurwa

Board Member

Judy is an experienced general legal counsel and corporate secretary. She has 16 years of experience in diverse work environments including private practice, banking, and education sectors. She is also a seasoned corporate governance consultant.

Judy holds a law degree from the University of Nairobi, a postgraduate diploma in law from the Kenya School of Law and a Master of Business Administration from USIU – Africa. She is an advocate of the High Court of Kenya and a member of the Law Society of Kenya. She is also a Certified Public Secretary (CPS-K) and a member of the Institute of Certified Secretaries in good standing. In addition, she is an accredited governance auditor, a commissioner for oaths and notary public. She also holds various certificates including in legal audit from the Kenya School of Law and Managing Environmental and Social Performance from the World Bank Group Open Learning Campus. Judy is a member of the Women on Boards Network (WoBN) in Kenya.



### ✔ Edward Njoroge

Board Member

Edward is a seasoned professional with 17 years of global experience as a consultant in the areas of governance, informational technology, finance, legal compliance, cybersecurity, risk management and business process re-engineering across diverse landscapes in Europe and Africa. A graduate in Computer Science from Kenyatta University, a Fellow of the Association of Chartered Certified Accountants (FCCA), and holding multiple certificates in Audit, Cybersecurity, Projects management and Finance, he excels in governance frameworks, risk management, and controls.

In his current role, Edward leads integrated assurance and consulting teams across multiple countries, ensuring high-quality services aligned with organizational goals. Recognized for driving innovation, championing risk management, and nurturing key client relationships, Edward is a trusted advisor who navigates relationships across leadership levels, bridging management and Boards.



### ✔ Eng. Emily Kilongi

Board Member

Eng. Emily Kilongi is a professionally registered Engineer with the Engineers Board of Kenya (EBK) and a member of the Institute of Engineers of Kenya (IEK). She has over 16 years' experience in the field of Civil Engineering with expertise in Water and Sanitation Infrastructure Development. She has vast experience in project formulation and implementation from both the private and public sector, having overseen implementation of several multibillion projects in the Water and Sanitation sector.

She is currently working with the African Development Bank (AfDB) and manages the Water and Sanitation portfolio in Kenya.

Eng. Kilongi holds a Bachelors and Master's Degree in Civil Engineering. She is a member of the Institute of Directors (IOD) and Women on Boards Network (WOBN).

# Supervisory Committee



## Rebecca Bisanju

Chairperson

Rebecca Bisanju is a certified project manager, leader, mentor and coach. She derives her joy in people development and growth by helping them achieve their personal and career goals.

She has a wealth of experience in customer relations, people and operations management.

She is currently a Team lead in Retail Sales Operations at Safaricom PLC where she supervises operations to ensure excellent customer service delivery.

Rebecca holds a Bachelor of Education degree from Kenyatta University. She is also a certified Internal ISO Auditor.



## CPA Beth Wambui Mwangi

Secretary

Beth Mwangi is a finance expert with over 8 years of experience in customer service, financial management, training and accounting.

Currently, she works as the Director of Operations at East Africa Vision Institute where is she responsible for providing strategic direction in the school system.

She holds a Masters in Finance, a Bachelor of Science degree in Agribusiness Management and is currently pursuing a PhD in Business Management.

Apart from finance and accounting, she is knowledgeable in management curriculum and formulation of research projects. Beth is also a member of the Institute of Certified Public Accountants of Kenya (ICPAK).



## Belsheba Nyabwa

Member

Belsheba is a customer care expert having worked for over two decades in various positions within Safaricom PLC call center. Currently, she is a Social Media Team Leader. She holds a Bachelors degree in Information Technology from JKUAT and an IMIS Higher diploma.

In the past 8 years, she has pursued qualifications as an internal ISO auditor and she has been instrumental in carrying out Energy, Environmental and Quality Management systems internal audits.

Customer satisfaction is one of her areas of interest and she also keeps abreast with digital transformation trends which saw her enroll for an Internet of Things(IoT) course where she excelled.

Belsheba previously served as a Board Member in SIC and prides herself in being part of the committee that oversaw the construction of Bluebells Gardens in Mlolongo.



## Sarah Wahogo

CEO

Sarah Wahogo is a dynamic turn around leader who is very passionate about company performance, team motivation and increasing shareholders wealth. She has over 10 years of experience in accounting and financial management. She is currently tasked with overseeing overall organizational strategy, financial performance, governance, stakeholder management, people leadership and management.

She holds a Higher National Diploma in Management Information Systems (MIS). Bachelor of Business Management degree (Finance and Banking option) from Moi University and is currently persuing a Masters in International Economics and Trade from the same institution. She is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). Sarah is also a licentiate member of the Institute of Management of Information Systems (IMIS).



**Our Vision:** The investment partner of choice



**Our Mission:** Creating impact through diversified investment



**Our Motto:** You dream, we deliver

## Our Core Values



We hunt as a pack



We serve each client as royalty



We value other people's opinion



Our people come first



We are all owners



We do the right things always



We lead from the front

# CEO's Desk

## Dear Investors,

Happy New Year!

We hope you had a lovely and joyous festive season. On behalf of the Safaricom Investment Co-operative fraternity, I would like to thank you all for your continued support and for choosing us as your investment partner of choice. Despite the economic headwinds, we had a great 2023 and are looking forward to having an even greater 2024.

## Our Business Model

Our main objective as a society is to create a model investment Co-operative that generates superior returns to our investors which is in line with our 2023-2027 strategic plan. This was and is still being anchored by our efforts to sustain and grow the existing business units in addition to introducing new ones that help us offer more value to our investors.

In the financial year under review, we put a lot of effort towards operationalizing new business lines, automation, scouting and onboarding of well-priced and strategically located projects, delivery of title deeds, and valuable investor engagements.

## Existing /Active Business Units



### Land Business Unit

This is a business unit that is responsible for the land business income statement. It is in charge of the 360 degrees view from market research, sourcing & acquisition, and value addition.



### Housing Business Unit

This is a business unit that is responsible for the housing business income statement. It is in charge of the 360 degrees view from market research and analysis to construction and project delivery.



### Business Development

#### Key Project – Zaria Village and Building Services

The Business Development arm's aim is to develop a strategy that will enable the delivery of new business pipelines, growth, and market penetration in various industries. The projects on the pipeline are property management and the SIC homes expo.



### SIC Value Added Services

This is a business unit that seeks to tap into the already existing real estate space outside SIC through a one stop shop for buying and selling of properties and services.



### SIC Building Services

This is a demand driven response to a need in the market. With so many fraudulent incidences in this sector we want to fix that gap as a reliable developer in the business of constructing for our investors.



**Sarah Wahogo**  
Chief Executive Officer



## Financial Performance

### 1. Total Return

In the year 2023, we were able to record a gross revenue of KES. 1.5B compared to KES. 1.83B in 2022. This can be attributed to a tough macro-economic environment that resulted in high interest rates, tight monetary policy, currency depreciation, constrained consumer purchasing power impacting businesses, increasing cost of borrowing, high energy tariffs and volatile fuel price. The country also experienced political instability in the first half of the year.

### 2. Liquidity & Debt

Land business remains our cash cow with 90% of the revenues recognized this year coming from this line. Over the last three years, we have improved the overall liquidity profile of the company by increasing capacity and capabilities within our sales workforce and creating a vibrant sales machinery which is our greatest asset. Our liquidity has greatly improved from the year 2020 when the COVID-19 pandemic first struck. We have also significantly reduced our debt with zero new borrowings in the financial year under review.

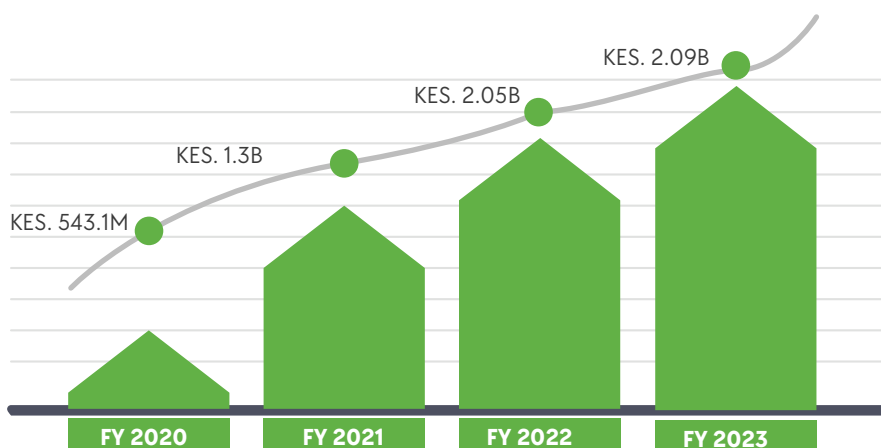


Figure 1: Liquidity Growth Year on Year

## Business Units Performance

Below is a high-level summary of how the business units performed. Further details are in the sub-committee reports.

### 1. Land Business

Our land business unit was able to deliver a gross revenue of KES. 1.44B with a gross profit of KES. 419M against a targeted gross profit of KES 666.6M. These numbers can be attributed to a tough macro-economic environment that resulted in high interest rates, tight monetary policy, currency depreciation, increasing cost of borrowing, high energy tariffs and volatile fuel prices. All these factors led to a constrained consumer purchasing power impacting businesses. Despite the challenges encountered, we were able to effectively on-board a new project - Brookvale Tuala in Rongai which complements our other projects. This project is one of our top three revenue contributors following Kiambu Marina Gardens and Olpajeta Ridge Nanyuki. We have already received the units title numbers, a strategic step aimed at optimizing the processing of subtitles in buyers' names. The price point for the Brookvale Tuala ranges from KES. 1.35M to KES. 1.5M for an eighth acre. In the year under review, we managed to sell phase one of the project and are currently selling the second phase. We expect to clear the project this year.

In 2024 we look to onboard new projects in prime competitive areas like Kisumu, Nakuru, Kiambu and Eldoret counties.

### 2. Titling

In 2023 we were able to process 1,600 titles out of a target of 2,400 titles. The deficit was due to delays in clients signing transfers. During the year, we also successfully handed over 20 projects providing investors with the opportunity to establish communities and develop their parcels.

In 2024 we will be streamlining the processes and addressing gaps identified last year. Through the help of the legal management system, we are automating the conveyancing process to streamline workflows and routine tasks which will lead to customer satisfaction. Early this year (2024) we delivered Juja Green & Kibos Phase 2. The processes for Kiambu Marina, Tuala & Kitengela Milimani is at advanced stages having issued allotment letters to Kiambu Marina Gardens and received title numbers for Brookvale Tuala.

### 3. Housing Business

2023 was a year full of remarkable trends such as the affordable housing program that influenced the housing market in Kenya. On the other hand, it was also a tough economic year that saw the introduction of new taxation rates which eventually led to a significant increase in construction costs. This contributed to the turbulent state of the business unit throughout 2023. However, despite the economic challenges, the SIC housing unit is focused on being a leading real estate developer brand in the affordable housing communities and urban nodes spaces through the development of products that will generate competitive value for our investors and sustainable recurrent cash annuity for the company.

In 2023, we delivered a gross revenue of KES. 51.6M with a gross profit of KES. 11.3M. This translated to us closing the year at 91% performance. Our biggest focus was on clearing the old housing stock that was still being held by the society in Bluebells and Ruaka Ridge projects. I am happy to announce that Ruaka Ridge is now fully sold out and only 4 2-bedroom units are remaining at Bluebells. We hope to finish selling off the remaining Bluebells apartments as we focus on the construction of the first phase of the Miran Residence.

The Miran Residence is a 3-acre master-planned urban community in Ruaka, Kiambu County. This project comprises of 200 units in phase 1 that comprises of studios, studio lofts, one-bedroom and two-bedroom apartments with price points range between KES. 3.2M and KES. 6.5M.

With the Miran Residence, the society decided to explore the use of advanced construction technology to build the housing units. We applied the use of aluminum formwork for this project. The use of this method is highly recommended as it is fast, simple, versatile and it provides high-quality work that requires minimal maintenance.

We imported the formworks from Malaysia but unfortunately experienced some delays in shipment of the materials leading to a substantial construction delay.

This month of (February 2024), we received the formwork on site and we intend to double our manpower to deliver the project within the promised timelines.

Despite the challenges experienced, I am proud to say that in the year under review, we were able to sell 133 of the 200 units in phase one with the studio loft selling out first. In addition, we managed to build the show house and invited investors to an open house viewing in the month of May.

I would like to greatly appreciate our Miran Residence investors for their continued patience, we will continue to provide monthly site progress newsletters, site bazaars, host open days and site tours with the investors to keep them abreast with their investment. We are committed to delivering this project by the end of 2024.

### 4. The Zaria Village

In the year under review, we managed to recognize KES. 69.42M net profit from Zaria. This is a 73% growth from the previous year where we recognized KES. 40.18M. So far, we have sold 95% of the project and recovered our invested capital of KES. 358.6M. We have also issued 133 out of 331 titles in the buyers' names and the rest are in various stages in the transfer process.

### 5.E-Commerce and Value-Added Services

We have expanded our business units to include our e-commerce and Value Added Services platform dubbed SIC Prime which went live in October 2023. The Value Added Services provides a one-stop shop that connects sellers, buyers and professionals within the real estate ecosystem while also offering building services for both commercial and residential properties all in a bid to drive value to our investors.

This is in line with our mission to "create impact through diversified investment". We expect this business line to be our biggest revenue stream this year having achieved a 99% performance against the approved business case in less than 12 months of running the business, showcasing the potential of this new business unit.

We have successfully onboarded three projects namely Olearia Golf Park, Savannah Plains Konza and a Commercial Plot in Westlands. For these three projects, SIC is an agent and selling on behalf of our clients and members. The on-boarding process however mirrors that one of on-boarding SIC own projects .

### 6. SIC Building Services

We aim to provide long-term, safe, quality housing at its best value to our new and existing customers under the Turnkey delivery model. This simply means that the society will construct on behalf of its customers a move greatly informed by numerous requests from diaspora clients as well as local

demand for end-to-end service delivery.

The first show house is currently under construction at the Kiambu Marina Gardens where we are building a 4-bedroom two en-suite maisonette to showcase the type of building services that we are offering. SIC will act as a developer providing human resources capital, project management & administrative services while the homeowner will commit to funding the project at the agreed pre-determined cost.

## Micro-economic Factors

### 1. Strategic Partnerships

In order to make our products affordable to a wider target market, we have partnered with lending institutions to offer our clients flexible and affordable financing for our products. With this regard, we have continued to partner with our sister company Safaricom Sacco, Tower Sacco and other commercial banks to offer tailor-made financing to our clients.

### 2. Historical Problematic Projects

As you will read in the Historical Problematic Lands committee report, in 2023, In the year 2023, the committee managed to close 4 projects and partially closed 3 projects as well as replaced 20 title deeds that had been declared lost

In 2024, we hope to finalize on the following;

- DCI Matters; 5 matters are at the DCI; one has been finalized and forwarded to the ODPP.
- Alternative Dispute Resolution Mechanism: We have partially closed 1 matter and have obtained 65 certificates of titles, finalizing a swap deal being a debt reduction initiative as opposed to court and closure of 62 Juja titles.

### 3. Membership Recruitment & Engagement

In 2023, we were able to recruit new members growing the registered members to 5,367. Our member recruitment plan was anchored on aggressive brand campaigns, planned diaspora & sales activities, enhanced member engagements, new markets and events, foreign markets, increasing SIC knowledge and creating additional value. We have been more deliberate in engaging our members by finding new and more creative ways with the intention of growing the brand love and loyalty.

### 4. Automation

2023 was our best year yet on matters automation. We were able to automate most of our critical activities to drive internal efficiencies and boost customer experience. In the year under review, we were able to launch SIC Prime which is an e-commerce and value-added services platform. We were also able to implement and optimize the Microsoft Navision- Business Central where all other systems in the business are anchored on. We implemented our CRM system and automated our legal systems. The society also implemented a Human Resource Management System that has digitized the departments' processes.

Finally, we completed the development of our online member registration portal which is now live. The platform enables end to end registration of new members, therefore smoothening the on boarding process.

### 5. Diaspora Focus

In 2022, we were deliberate and strategic with our diaspora clientele and we began developing and implementing initiatives that would give us an entry into the diaspora market. In 2023 through our diaspora function in the operations department, we were able to penetrate different markets to add to the USA market that we had entered in 2022. We penetrated Burundi, Uganda, Rwanda, South Sudan, Oman, and UK markets. We had an 81% performance against our target. We are looking to penetrate more markets in the year 2024.

### 6. Risk Management

This is a function established in February 2023 to co-ordinate ERM (Enterprise Risk Management), policy formulation, 2023 – 2027 strategic plan monitoring, insurance management and business resilience.

ERM is enabling us to be proactive rather than reactive in managing the organization's risks. Risk assessments conducted led to success in automation and advisory to rebranding, reputation risk, HPL projects, USP listing and other organization projects and programs.

Under policy formulation, 20 policies were approved and adopted for operations management and strategic direction. We have also formulated interdepartmental service level agreements (SLAs)

The management is working to ensure optimal attainment of the 2023-2027 strategic plan which is anchored on growth opportunity, operational efficiency, organizational capacity development &

customer experience pillars.

We will be renewing the existing insurance policies this February 2024 and are looking forward to explore insurance policies to emerging risks.

On business resilience, we are looking forward to complete the formulation of the Business Continuity Plan (BCP) & Disaster Recovery Plan (DRP) by end H1 2024.

### **7. Human Resources Updates**

The Human Capital (HC) department has seen substantial growth and evolution in 2023. With the rollout of our Corporate Strategy for 2023-2027, this department was tasked with managing one of the key strategic pillars i.e., Capacity to Execute.

In the year 2023, the society managed to set up a leadership bench that has spearheaded the implementation of our strategic plan.

The department has remained steadfast in exploring initiatives to attract and retain top talent, implementing impactful talent development initiatives, and fostering a positive and engaged work environment to deliver SIC's mandate.

### **8. Brand Building Efforts**

In the past two years, SIC has committed to building our brand and ensuring that we are recognized as a thought leader in real estate and investment. This has been achieved through collaborative efforts from the marketing and public relations teams who have encouraged media and digital engagements. These engagements have helped position the SIC brand to the public attracting new clients and members in addition to maintaining the positive brand image to our existing customers.

Our continued focus for 2024 is to grow our business through our strategic plan 2023-2027 that will deliver value to our stakeholders and maximize on invested capital. This strategy calls for a rebrand to give the company a fresh look and feel and to better align with its goals and business growth. With this regard, we are in the process of a rebrand that will entail a change in all of our brand infrastructure.

As we go into this new chapter, we will continue with intense brand building efforts to ensure that we positively communicate the SIC brand, our mission, and our values

### **9. Business Outlook**

We are optimistic about the financial year 2024 with our efforts being geared towards growing the e-commerce and value-added services business unit, penetrating new diaspora markets, introducing prime land projects in different counties, enhancing accountability, and having deliberate member engagements.

### **Conclusion**

Thank you for choosing SIC as your investment partner of choice and being part of our journey in making Safaricom Investment Co-operative a model investment co-operative. We will continue offering great investment experiences to keep you satisfied and happy because, to us, the customer is king.

I would also like to thank our very-able team at SIC and the able Board of Directors and other stakeholders who work tirelessly and relentlessly to ensure that our investors are well served as we seek to achieve our purpose which is to avail diversified investment opportunities to investors that yield superior returns.

God bless you.



**Sarah Wahogo**  
Chief Executive Officer



# Chairperson's Report

## Dear Investors,

On behalf of the Board of Directors of Safaricom Investment Co-operative, I am pleased to reflect on our company's progress and extend my gratitude for your continued support and investment in our vision.

As we reflect on the past year, I want to provide you with an honest and transparent overview of our company's performance, particularly in light of the challenges we faced resulting in reduced profitability.

2023 was a tough year globally and also for our local market but we weathered the tough operating environment and we saw the Kenyan economy expand from 4.8 per cent in 2022 to an estimated 5 per cent in 2023. We witnessed severe drought, political instability, depreciation of the Kenyan Shilling, and high inflation rates.

The year presented us with unexpected hurdles, including economic downturn leading to reduced purchases and payments by our customers, delays in the acquisition of new products and adverse reputation. These challenges significantly impacted our financial results, leading to a reduction in profitability compared to the previous year's.

However, I would like to appreciate my fellow board members for bringing on board their expertise and professionalism to offer governance and guidance to the management. I would like to express gratitude to the Executive Management and staff led by our able CEO Sarah Wahogo who have been working round the clock to ensure that we steer Safaricom Investment Co-operative to greater heights. Lastly, we would not be here without the unwavering support of our investors who have believed in our core purpose.

We thank you immensely for the feedback and your support.

## Review of the Macroeconomic Environment

### 1. Global Economy

The year 2023 was marked by a confluence of challenges and opportunities, shaping the trajectory of economies around the world.

One of the defining features of the global macroeconomic landscape in 2023 was the persistence of inflationary pressures. Rising consumer prices, driven by supply chain disruptions, pent-up demand, and fiscal stimulus measures, challenged central banks and policymakers worldwide. Balancing the imperative of price stability with the need to support economic recovery posed a delicate balancing act, with divergent approaches adopted by different countries.

According to the International Monetary Fund, global growth was projected to fall to 2.9 per cent in 2023 from 3.2 per cent in 2022 but rise to 3.1 per cent in 2024. The decline was attributed to the rising interest rates and the war in Ukraine which continued to weigh on global economic activities. Though on a positive note, China's reopening paved the way for a faster-than-expected recovery. Global inflation fell to 6.6 per cent in 2023 and 4.3 per cent in 2024, still above pre-pandemic levels.

Looking ahead, the global macroeconomic outlook remains subject to considerable uncertainty and risks. Geopolitical tensions, financial market volatility, and the evolution of the pandemic continue to pose challenges to economic stability and growth. However, amidst these challenges lie opportunities for innovation, cooperation, and resilience-building.

The underlying narrative around real estate in 2023, according to PwC, was one of caution although there was some hope for renewed investment activity later in the year following the destabilising impact of high inflation and rising interest rates.

On a global level, though moderately, ESG and hybrid working are among the major trends that influenced the real estate industry in 2023. Developers are



**Judy Runo**  
Chairperson

finding that occupiers prefer green buildings which have a marketing competitive advantage since it is easier to promote a green building as opposed to a traditional one. Additionally, green buildings promote sustainability.

## 2. Sub-Saharan Africa

According to the International Monetary Fund (IMF), the Sub-Saharan economy was projected to grow at a rate of 3.5 per cent in 2023, a 0.3 per cent decline from a growth of 3.8 per cent recorded in 2022. Notably, the projection was an upward revision from the World Bank's Global Economic Prospects report with a projection of 3.2 per cent. The upward revision of regional growth by the IMF was mainly a result of the expected easing of inflationary pressures in line with the reduction of global inflation as the central banks around the world continued to tighten the monetary policies aimed at bringing down the inflation rate to the target ranges.

However, the expected slowdown in the regional economic growth in 2023 from 2022 was mainly on the back of adverse weather conditions that undermined agricultural productivity, weak external demand, tight global financial conditions, and high inflationary pressures across countries in the region. Additionally, public debt remained high due to increased debt-serving costs as a result of continued currency depreciations and increased interest rates in developed economies.

Across the continent, new policy adoptions turned the tide on business-as-usual operations thus influencing the region's real estate outlook. The removal of the decades-old fuel subsidy in Nigeria, the adoption into law of Kenya's finance tax that led to an increase in taxation on core components such as fuel and income tax, as well as Egypt's new tax initiatives focused on components such as income tax and entertainment tax were a few examples of the policy adoptions.

## 3. Kenya's Economy

Kenya's economic performance strengthened in 2023 despite continued challenges, with real GDP growth accelerating from 4.8 per cent in 2022 to an estimated 5 per cent in 2023 according to World Bank's 28th edition of the Kenya Economic Update report. The improved growth performance was attributed to a strong rebound in the agriculture sector in 2023 which had faced a persistent and severe drought as well as a moderate growth in the services sector.

The Kenyan shilling continued facing a depreciation against the dollar in 2023 and with inflation and capital flight risks remaining high, the KES is expected to continue losing value against strong currencies.

According to the Kenya National Bureau of Statistics (KNBS), the Kenyan real estate sector recorded an improvement in its growth in 2023. Notably, the sector emerged as the third largest contributor to GDP with the performance having been driven by various expansion activities by both local and international investors, development activities particularly in the residential, data centers, and industrial submarkets, and an increase in property rates.

## 4. Kenya Real Estate

Real Estate and construction sectors grew by 5.2% and 3.1% respectively in Q1'2023, 2.3% and 0.7% points up from 2.9% and 2.4% growth that was registered in Q1'2022, attributable to increased property transaction volumes in the market, coupled with the increased construction and expansion activities. We expect the sector to continue registering an upward trajectory performance mainly due to; i) the increased investor confidence in the property market hence driving developments, ii) government's continued focus on infrastructure and affordable housing developments, iii) aggressive expansion in the retail sector, and iv) recovery of the hospitality sector.

Inflation and high interest rates have significantly influenced the Kenyan real estate market through:

1. Reduced Purchasing Power and Shifting Demand for Real Estate due to dwindling household budgets leading to defaults in payments for purchased real estate products.
2. Increased construction costs due to high cost of input materials, high interest rates on funding and adverse impact on developers' profitability.

## Key Business Performance Highlights

Key performance matrices for the 2023 financial year are as follows. The detailed financial report can be found in the Treasurer's Report.

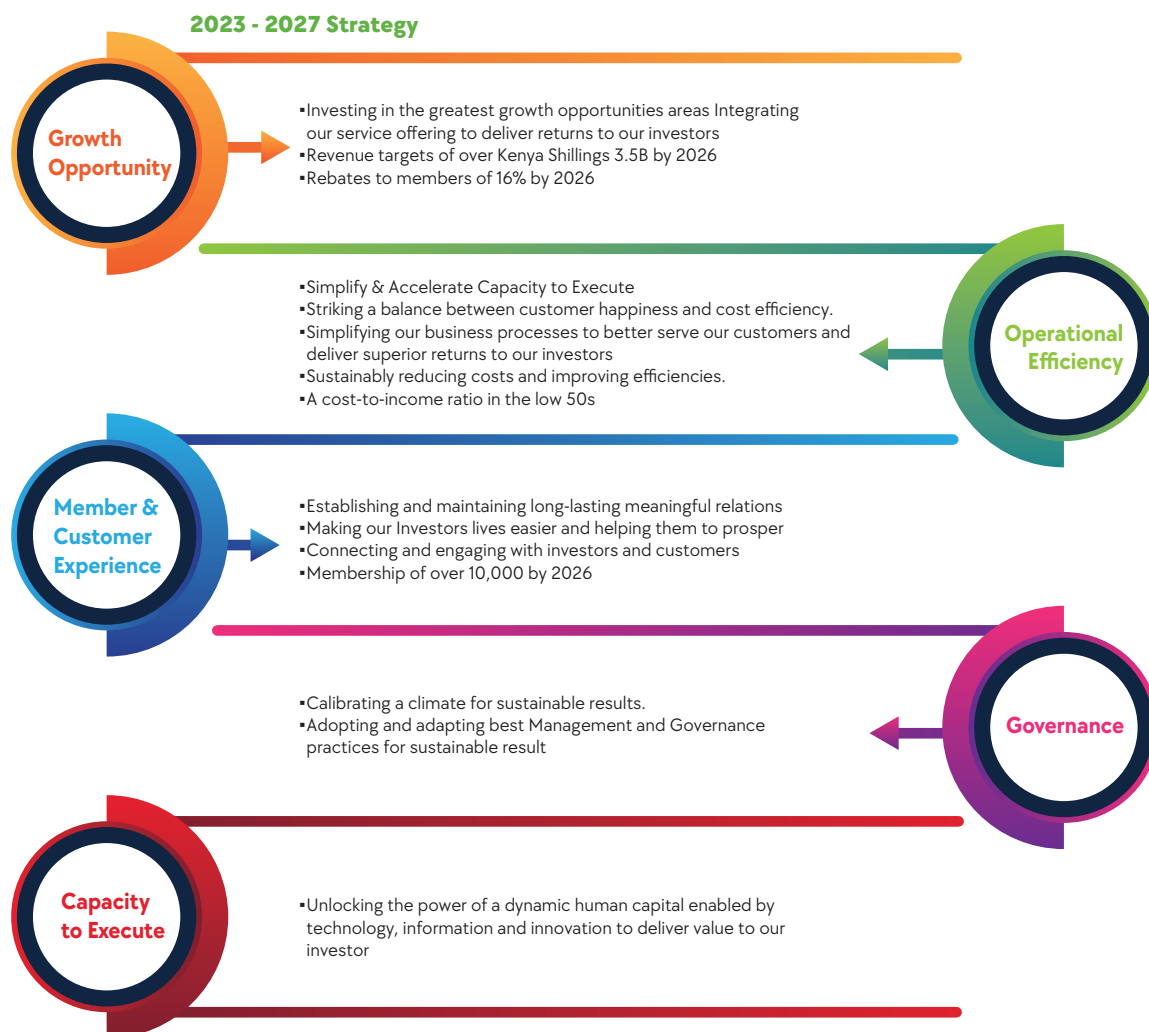
In 2023, we recorded a net profit of KES 203.4M in the year ended 31st December 2023 against KES 268M reported in the same period under review in 2022 (23.6% drop). The net profit represents an 8.1% return on the members capital of 2.5B.

The total revenue from land and housing for the society in the financial year ending 31st December 2023 stood at KES.1.5B, a decline from KES.1.828B recorded in 2022 (18% drop).

The society proposes to distribute rebates of KES.142.38M to our members for the period that ended

31st December 2023, an equivalent of 70 per cent of the net profit.

I am pleased to report that the efforts to rebuild reserves, that were depleted due to losses made in previous years, are bearing fruit. The Society's reserves recorded a 433% growth from KES 11M to KES 48.7M.



## 5 Year Strategy Progress

### 1. Growth Opportunities

In the year 2023, we launched 3 new business lines as below:

- Agency Selling of Prime Properties - Leveraging on a strong brand name, SIC Prime brings to market lucrative and market compelling unencumbered properties that have for long been sorted out by our customers in specific areas of interest. These are brought with competitive prices that appeal to the market at this time when the disposable income has been constrained. The properties are only listed once they pass a thorough due diligence process. In the Year 2023, the Agency revenues achieved was KES 6.2M.
- The SIC Prime E-Commerce platform - allows customers to avail clean properties that have been verified for sale. The platform involves virtual engagements that bring that much-needed convenience to the purchase of properties.
- Offering of Building Services – This is a Turnkey Construction Contract Model product where the customer gets professional guidance and assistance in ensuring the plan, design, costing, and all architectural processes to final finish and handover of a house are done by our team of professionals once they grant the finances fit to kick off the project to completion. The show house to showcase our ability to offer building services is underway in Marina project.

We did not achieve the revenue targets for the year 2023 as we closed at 1.5B but have plans to recover on the same in the year 2024.

Rebates to members also declined by 1.1% against a projected growth of 2.9% and we have plans

to recover in the year 2024.

## 2. Members & Customer Experience

- During the year we managed to process a total of 1600 titles and successfully handed over 20 projects providing investors with the opportunity to establish communities and develop their parcels.
- In 2023, we on-boarded a total of 211 new members, growing the number of registered members to 5367 from 5156 in 2022. This was against a target of 2000 in 2023. Furthermore, we underscored the significance of promoting awareness among investors that the responsibility for securing their parcels lies solely with them.
- We traded 1,660,972 shares in Financial Year 2023 compared to 1,679,694 shares traded in the previous year.

## 3. Governance

**Risk management** - The Board continued to have quarterly review of the organization's top risks and follow-through on resolution of the agreed mitigations. The top risks of SIC were:

- Historical Problematic lands – The HPL committee resolves 15 number of lands projects and we still have 17 resolution ongoing. Until all the HPL matters are resolved, we have an inherent reputation risk for the organization. In 2023, we were able to close on 222 out of the 256 pending transactions for Juja phase 1&2.
- SIC Brand name – The Safaricom Brand name continues to have legal and legitimacy risks which are not sustainable anymore. The Board proposes for a rebrand to have a name that the society has a Legal and legitimate ownership too. This would also allow the organization the agility and flexibility to expand into greatest growth opportunities with no constraints.
- Reputation risk due to the maturity level of the land administration in Kenya – We continue to have an inherent risk of the lands sold having future ownership issues due to various challenges in land registries in Kenya. To mitigate this risk, the organization has continued to update the due diligence processes and also the land onboarding policy to ensure that we seal all loopholes that would increase the risk of our customers not obtaining valid ownership documents for their parcels.

**Macro-economic changes** - Inflation Rate in Kenya increased to 6.90 % in January from 6.60 % in December of 2023. Taxation policies in the year 2023 and 2024 have the impact of dwindling the household budgets and increasing the unemployment rates. We also have seen soaring forex rates which have the impact of increasing the cost of living. The Central Bank of Kenya weighted lending base rate increased from 12.77% in January to 14.63% in December 2023. All these have the impact of a reduced spending capacity and more expensive lending options for the real estate customers.

**Policy Formulation** – 20 policies have been approved and adopted by the society. These policies were on Land onboarding, Procurement, Deposits management, External communications and Information security among others.

**Transparency, accountability and participation** – The Board continues to uphold the culture of transparency, accountability and participation through the quarterly investor forums and having an open door for engagement with all stakeholders.

## 4. Operational Excellence and Capacity to execute:

**Digitization** – In the Year 2023, we embarked on various digitization projects to achieve efficiency, cost saving and enhanced customer experience. We were able to automate most of our critical activities to drive internal efficiencies and boost customer experience. These included:

- SIC Prime which is an e-commerce and value-added services platform.
- Optimized the Microsoft Navision- Business Central Enterprise Resource Planning Systems where all other systems in the business are hinged on.
- Customer Relationship Management system to improve the customer experience.
- Automated our legal systems for efficiency in contracting.
- Human Resource System that will make the processes of performance, talent and reward management efficient.
- Completed the development of our online member registration which is now live. The platform is meant to help members make immediate payments and upload their documents during the registration process, therefore smoothening the registration process.

**Capacity to execute** – As the organization processes get digitized, we continue to review the operating model with a view of optimizing the human capacity leveraging on the digitization investment. Further, we will be scaling up the agency selling model which is more efficient in an ever-growing cost of sales.

## Financial Year 2024 Business Outlook

Looking ahead, we remain cautiously optimistic about the future. We are committed to regaining our momentum and getting back on track with profitability through prudent financial management,



operational efficiency, and strategic investments in areas with growth potential. The core theme of the year 2024 will be on building a sustainable operating model which will include:

- Segmentation of the customers for targeted marketing, improved customer understanding, enhanced customer engagement; optimized resource allocation and to drive product propositioning.
- Cost Reduction and Efficiency Improvement: - We will implement cost-cutting measures to reduce expenses and improve operational efficiency through evaluation of all areas of the business, including cost of sales, operations and staffing levels, to identify opportunities for cost savings and process improvements.
- Revenue Enhancement – This will involve launching new products early in the year (Already launched 3 VAS parcels in January 2024) , expanding into new markets or customer segments, improving sales and marketing efforts, and enhancing customer experience to drive repeat business and referrals.
- Customer Retention and Loyalty: Focus on retaining existing customers and building long-term relationships.
- Employee Engagement and Productivity: Engage employees and empower them to contribute to the company's success. Recognize and reward high performance to motivate employees and boost productivity.
- Monitor and Adapt: Continuously monitor financial performance, market trends, and competitive dynamics, and be prepared to adapt strategies and tactics as needed. Stay agile and responsive to changes in the business environment, and proactively seek opportunities for innovation, growth, and improvement.
- Historical Problematic lands –resolution as we ensure that no new projects are added into the pot of HPL.
- Rebranding of the organization to position it for growth.

### Rebrand Process

Through your unwavering support, we have walked an impactful 15-year journey of remarkable growth for the Safaricom Investment Co-operative (SIC) brand. Through our diversified products and services, we are happy to have created wealth and uplifted the economic status of thousands of Kenyans. As we begin the journey to the next 15 years and beyond, we are pleased to announce that we are ready to undertake a rebranding chapter that will see our name, logo, and brand identity change to reflect the evolution that SIC has gone through and position us for growth to deliver our 5-year strategy.

As the business landscape becomes more dynamic, in 2024 adaptability is key to longevity. Client choices are constantly changing driven by shifts in the world around them, technological advancements and global events. The year 2024 is expected to witness significant changes in consumer behaviour. By rebranding, SIC can align with these emerging trends, ensuring that your image resonates with the values and expectations of your target audience as well as differentiate SIC from competitors giving the brand a cutting edge. The rebranding exercise is a strategic move that can redefine a company's narrative, positioning it for future success.

### Embracing Tomorrow:

#### Embracing Tomorrow: Why 2024 Is the Right Time to Rebrand Your Company for Future Success

##### As the business landscape becomes more dynamic, in 2024 adaptability is key to longevity.

In the transition into the era of AI in mainstream society, SIC has a unique opportunity to refresh the brand identity, which is not just about changing logos and color schemes; it's a strategic move that can redefine a company's narrative, positioning it for future success

##### CLIENTS ARE EVOLVING

Client choices are constantly changing driven by shifts in the world around them, technological advancements and global events. The year 2024 is expected to witness significant changes in consumer behavior. By rebranding, SIC can align with these emerging trends, ensuring that your image resonates with the values and expectations of your target audience.

##### DIGITAL TRANSFORMATION

The pace of digital transformation has accelerated. A rebrand will allow SIC to reflect its commitment to innovation and technology, ensuring that the visual and messaging elements are aligned with the digital era to enhance the company's perception as forward-thinking

##### COMPETITIVE EDGE

In a competitive market, standing out is crucial. Rebranding provides an opportunity to differentiate SIC from competitors. By crafting a fresh, modern image that positions the co-operative as leaders in industry and gain a competitive edge.

## THE RE-BRAND PROCESS

### Stage 1: Feb -March

- Research Internal And External To Clarify Your Vision, Current Position, Competition, Goals & Values,
- Network Infrastructure Architecture And Bandwidth

### Stage 2: Feb - March

- Strategy - Brand And Naming Strategy And Positioning

### Stage 3: March - April

- Concept Stage And Brand Expression Visualize The Future, Brand Identity, Visual Brand Elements
- Software's ( OS, Applications And Licenses
- Document Management

### Stage 4: April - May

- Application - Apply The New Brand Across All Touchpoints And Media Landscape
- By-laws And Election Policy,
- Change Of KRA/Bank Accounts
- Signages, Official Seal
- Titles Deeds For Lands Held For Investments
- Vehicles Logbooks

### Stage 5: June

- Endpoints Antivirus & Security
- E-mails Domain
- ICT Front Facing Systems
- Build Synergy Around Taking The New Brand To Market (Internal Launch, Education)
- Public Launch

### Measurement Aspect

### Description

#### Key Performance Indicators (KPIs)

Monitor a range of KPIs, including website traffic, social media engagement, and customer retention rates, to gauge the success of the rebranding effort.

#### Analyzing Customer Feedback and Sentiment

Utilize customer surveys, online reviews, and social media comments to understand how your audience feels about the rebrand.

#### Sales and Revenue Metrics

Examine sales data and revenue streams before and after the rebrand to determine any positive or negative impact.

#### Brand Recognition and Recall Metrics

Conduct brand recognition and recall studies to see how effectively the new brand identity sticks in the minds of consumers.

#### Future Brand Strategy

Evaluate the rebrand's impact on your long-term brand strategy, ensuring it aligns with company goals and market trends.

**\*The services of a 3rd party research agency will be required to conduct the above.**

## Conclusion

I would like to thank our members, for giving us an opportunity to serve you. We remain committed to ensuring that your wealth grows. We believe that with your patronage, we will be able to go to even greater heights.

As members of SIC, your continued support and dedication are invaluable as we navigate through these challenging times. Your feedback, insights, and collaboration are essential as we chart a course for sustainable growth and prosperity.

In closing, I want to express my gratitude to each and every one of you for your unwavering commitment to our company's mission and vision. Together, we will emerge stronger from this period of adversity and build a brighter future for our organization.

Thank you for your trust and confidence.

I would also like to thank our very-able team at SIC and the able Board of Directors and other stakeholders who work tirelessly and relentlessly to ensure that our investors are well served as we seek offering great investment experiences to keep you satisfied and happy because, to us, the customer is king.

As we start off 2024, I would also like to take this opportunity to announce that our CEO Sarah Wahogo will be leaving Safaricom Investment Co-operative to pursue her personal interests. We would like to recognize her for her outstanding leadership in steering the Society to greater heights. During her tenure, Sarah has been at the forefront in the automation of services, positioned the Society through strategic partnerships and brand-building efforts, re-energized our member engagements and solidified our Diaspora engagements as a key business focus, led the recruitment of a highly skilled management team and drove cost efficiencies across the business lines. We wish her all the best in her next season of life.

I am also pleased to announce that Stephen Mbugua, our current Finance Manager will be the Ag. CEO as we undertake the process of finding a suitable fit for the CEO position. Stephen has the requisite experience to steer the organization as he has had stunts of holding front when the CEO was away. The process of recruitment of the new CEO is already underway.

Through your unwavering support, we have walked an impactful 15-year journey of remarkable growth for both Safaricom Investment Co-operative (SIC) and you - our membership. Through our diversified products and services, we are happy to have created wealth and uplifted the economic status of hundreds of thousands of Kenyans.

Thank you and God bless you.



**Judy Runo**  
Chairperson

# Treasurer's Report

## Dear Investors,

It is my pleasure to present the Annual Report on the performance and financial position of Safaricom Investment Co-operative Society (SIC) for the year 2023.

## Background

2023 was a difficult year for our members and clients. This is the year when the finance act was enacted. The finance act affected the disposable income of our clients adversely. This coupled with the effect of increased prices of various commodities and services, the depreciation of the Kenya shilling to major world currencies and the rise in bank interest rates have only exacerbated the situation. According to The East African newspaper, on a story published on 12th December 2023, the Kenyan shilling shed 19.5% to the US dollar between January and December 2023.

The average annual inflation rate in December 2023 stood at 7.67%. The main drivers of inflation were food and transport (fuel). These on average account for 42.56% of the consumption basket for all households in Kenya.

Kenya's economic performance strengthened in 2023 despite continued challenges, with real GDP growth accelerating from 4.8% in 2022 to an estimated 5% in 2023. This is according to the 28th edition of Kenya Economic Update (KEU) which adds that the improved growth performance is attributed to a strong rebound in agriculture sector in 2023 which had faced a persistent and severe drought as well as a moderate growth in the services sector.

Against this backdrop of tightening financial conditions, Safaricom Investment Co-operative has recorded strong financial results validating the strategies implemented by the board and management.

## Financial Performance Highlights

The total revenue from land and housing for the society in financial year ending 31st December 2023 stood at KES 1.5B. This was a decline of 18% from KES 1.828B in 2022. This was attributable to the fact that we could not recognize revenue for The Miran Residence project in the year 2023 because the houses are still work in progress. This is in line with the society's strategy to gradually reduce its dependency on the land business as a way of managing risks.

Land business continues to be the biggest contributor of the total revenue. This line of business returned 90% of the total revenue delivering KES 1.44B in the period. The main projects that contributed to this income includes Kiambu Marina Gardens (KES 654M), Brookvale Tuala (KES 188M) and Olpajeta (KES 157M). Brookvale Tuala was on-boarded in the year 2023 and is expected to contribute substantially to the 2024 recognizable revenue. We also purpose to fully recognize income from the marina project. SIC also recognized an additional KES 69.4M from the Zaria project, a partnership with Palmridge limited. This is an increase of 73% from the KES 40M recognized in the previous year.

Housing business unit contributed KES 51.6M to the total revenue. This is a decline of 45% from the previous year where we recorded KES 93.5M. We expect the Housing business unit to bring more revenue in the financial year 2024 when we will recognize income from the affordable houses units in Ruaka (Miran residence). SIC recognized KES 6.2M from Value added services – anew business line showing promise and will contribute more significantly this year.

The operating expenses stood at KES 338.8M mainly driven by administration and personnel costs. Other costs include the financing expenses for both PEPEA and interest Earning Deposits, both which are SIC products for members that are designed to help finance our day to day operations. In order to deliver increased sales as well as setup the organization for the future, a deliberate decision was made to increase the size of the sales force and to recruit a strong leadership bench to help steer a sustainable business.



**Jackson Mulwa**  
Treasurer



## Operating Profits and Rebates

The company recorded a net profit of KES 203.4M in the year ended 31st December 2023.

We propose to distribute rebates of KES 142.38M to our members for the period ended 31st December 2023 representing a 70% of the net profit.

## Balance Sheet and Cash Flows

In order to position our Co-operative for future opportunities, we have continued to focus on activities that strengthen our balance sheet, and during the year total assets decreased by 12% to KES 5B.

Our bank balances were KES 225.3M compared to KES 269.5M in the previous year. Our trade receivables grew to KES 1.14B from 1.1B

## Reserves

I am pleased to report that the efforts to rebuild reserves that were depleted due to prior year losses, are bearing fruit. The Societies reserves recorded a 433% growth from KES 11M to KES 48.7M.

## Statistical Highlights

Year	2019	2020	2021	2022	2023
<b>Reserves</b>	(49M)	(101M)	(53.8M)	11M	48.7M

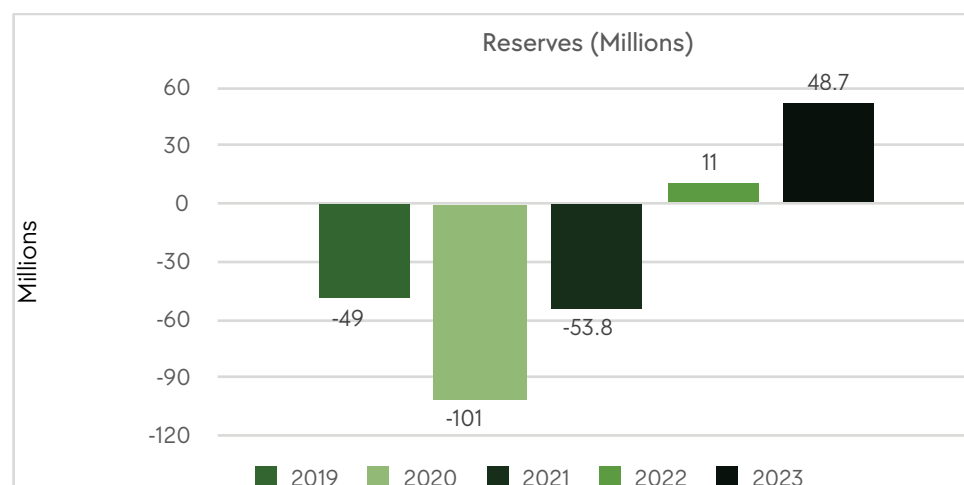


Figure 2: Reserves

## Member Demographics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Turnover ('000')	379,953	474,684	533,293	525,273	55,945	187,440	396,280	542,938	542,221,406
Surplus before rebates ('000)	337,076	413,501	446,305	395,356	-88,537	17,648	195,671	268,156	61,670,328
Rebates Pay-out ('000)	322,500	392,000	420,000	375,000	0*	12,131	117,403	176,983	143,897,431
Rebates Rate	25.0%	21.0%	18.0%	15.0%	0.0%	0.49%	4.69%	7%	5.75%
Total Assets (million)	2,238	3,337	3,852	3,938	4,876	4,840	5,158	5,664	5,875
No. of Members	3,188	3,847	4,140	4,345	4,345	4,644	4,890	5,156	5,367
Share Capital (Million)	1,289	1,867	2,220	2,501	2,501	2,501	2,504	2,504	2,504
Value Per Share	350	435	525	525	52.5	52.5	52.5	52.5	52.5
ROC	26%	22%	19%	15%	-4%	0.2%	3%	4%	2%
Return On Assets	15%	12%	14%	10%	-2%	0.1%	2%	2%	1%

Figure 6: Statistical Highlights

**Bonafide Members**

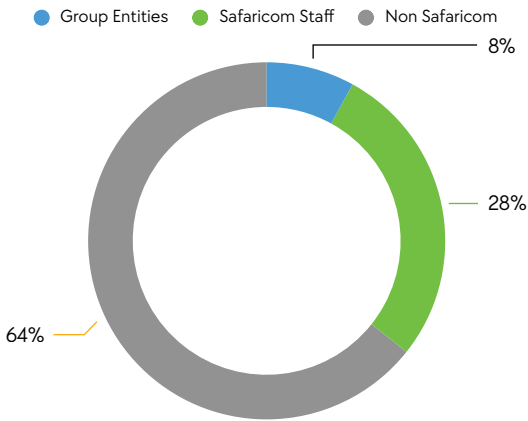


Figure 3: Bonafide Members

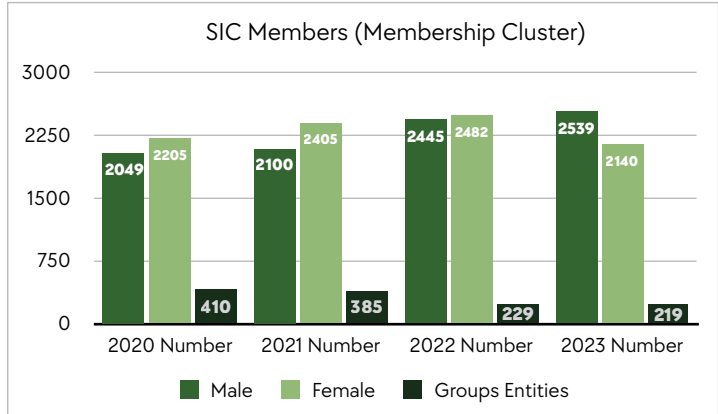


Figure 3: Membership Cluster

**Outlook**

Looking ahead, our focus will be on improvement of our performance through strategic on boarding of customer centric projects for both our members and non-members. Our diversification strategy as outlined in the chairperson’s report is to launch new products expanding to new markets and customer segments, improve sales and marketing efforts and enhance customer experience to drive repeat business and referrals. We remain optimistic about the future and we are confident in our ability to continue delivering strong results.

**Conclusion**

We would like to appreciate our staff, customers and various stakeholders whose positive contribution continues to guarantee our progress. We are also grateful for your support and trust in our leadership and look forward to continued growth and success in the future.

Sincerely,

**Jackson Mulwa**  
Treasurer



# THE Miran RESIDENCE

Introducing the most affordable luxurious residential apartments in Ruaka.

The Miran Residence offers a bespoke, affordable residential community set within a controlled and secure development.

#### STUDIO APARTMENT

KES. 3,200,000.00

#### STUDIO LOFT APARTMENT

KES. 4,300,000.00

#### 1 BEDROOM APARTMENT

KES. 5,000,000.00

#### 2 BEDROOM APARTMENT

KES. 6,500,000.00

\*Deposit 10%, balance within 18 months.

#### M-PESA PAYBILL NUMBER

9 7 2 9 0 0

ACCOUNT NAME: 01062540158

#### THE MIRAN DOLLAR ACCOUNT DETAILS

A/C NAME: SAFARICOM INVESTMENT CO-OPERATIVE  
SOCIETY LTD-MIRAN PROJECT RUAKA

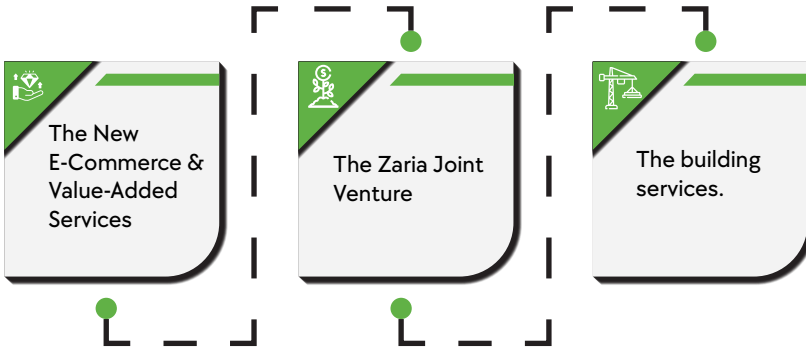
ACCOUNT NUMBER: 01062540160



# Business Development Sub - Committee Report 2023

## Comprehensive Business Development Committee Report

The Business Development Committee is on a progressive journey towards diversification and has been a major point of attention this financial year. These business lines were majorly;



We shall also run through the shareholders brief on the aspects that informed the 2023 Financial Year and the Risk Management and governance overview.

### E-Commerce & Value-Added Services

This service was informed by SIC's strategy 2023 - 2027 of creating impact through diversified portfolios. The E-Commerce and Value Added Services platform is a one-stop-shop that connects sellers, buyers and renters in the real estate market while also addressing the specific needs of investors.

Dubbed "SIC Prime", the e-commerce platform caters to the needs of real estate investors by protecting them from the risk of losing their hard earned investments, by providing services beyond the standard selling and buying of properties, and by providing the desired linkage to reputable, market established and credible real estate providers.

This service is meant to create revenue and ease the pressure loaded on the land and housing business and heavily focus on the agency model of business. The Value Added Services will be responsible for property acquisition that remains to be a huge gap in the property environment. The business arm has sought to bring business convenience in the areas of;

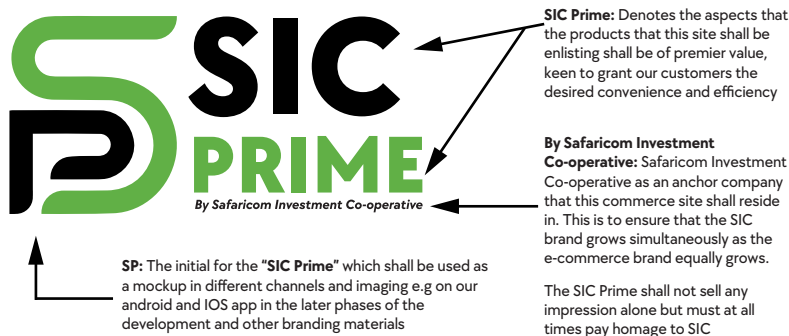


Figure 4: SIC Prime Logo

### 1. Agency Selling of Prime Properties

Leveraging on strong Brand Name, SIC PRIME brings to market lucrative and market compelling unencumbered properties that have for long been sort out by our customers in specific areas of interest. These are availed with competitive prices that appeal to the market at a time when the disposable income has been constrained. The Management team therefore ensures that the products on-boarded passes the irreducible minimums of ownership and customer fit as far conveyancing is concerned.



Tom Macakiage  
BD Chairperson

## 2. Creation of an E-Commerce Platform

This is a game changer e-commerce platform ([www.sicprime.co.ke](http://www.sicprime.co.ke)) showcasing a portfolio of prime property for individual or group investments. The platform offers a one stop shop for buying, selling and investing in properties all from the comfort of your screen. All properties listed in the E-Commerce platform undergo a comprehensive vetting that ensures that they are unencumbered.

## 3. Offering of Building Services

This service provides long-term, safe, quality housing at its best value to our new and existing customers under the Turnkey delivery model. The society constructs on behalf of its customers a move greatly informed by numerous requests from diaspora clients as well as local demand for end-to-end service delivery.



Figure 5: Building Services Models



Figure 6: Kiambu Marina Gardens Building Services Show House

## 2023 Achievements from this business arm

In the period under review, the Business Development Committee with the help of the Management has managed to scale the below notable milestones for the society;

### 1. Successfully running a sound business case

The new business line is happy to have closed the year at KES. 6.2M within the first 5 months since its launch. This was against a projected target of KES. 6.182M in the first 12 months. This being a 99.55% performance which assures the projections for the new financial year shall surpass the projected business case for the coming year.

### 2. Timely creation of an e-commerce platform

With the dedicated team we managed to create an E-Commerce Platform in a record 4 months and in the month of October 2023 the web-application went live. The platform has received a very positive response globally with traffic from all corners of the world specifically from the USA, UK, France Netherlands and Germany. Our analytics records noting more than 4,000 visits in the 3 months of existence.



### 3. Successful kick-off of 3 test run projects

In a bid to prove the agency selling model, we successfully on-boarded 3 products that collectively have seen our business concept start on a high note. These were;

- Olearia Golf Estate in Kiambu County
- Savannah Plains in Konza
- Commercial plot along Westlands Nairobi

### 4. Policy alignment and a cutting-edge standard procedure for running the business.

We have adopted and put up a watertight policy document that protects the brand long built by Safaricom Investment Co-operative whilst always delighting the customers. Our standard procedures adopt a funnel approach where products are subjected to eligibility and authenticity standards which mark the irreducible minimums. This is meant to institutionalize the business arm in setting a high standard mark of an integrity-based business framework.

### 5. Groundbreaking the building services show house

Currently ongoing is the completion of a 4 bedroom 2 en-suite massionette in Marina Gardens. SIC as the developer provides human resource capital, project management and administrative services as the owner commits to funding the project at a predetermined cost.

### 6. Hitting the revenue margins in the first 8 months

We are glad to note that our approved business case projected a 6.182 Million income by the 12<sup>th</sup> month of operation, a target we were able to hit by the 5<sup>th</sup> month. This is proof that we are running a sound business that has great potential going into FY 2024.

### New Business Line Outlook for 2024

Going into the new FY2024, the E-Commerce & Value-added Services promises a sustainable and huge revenue tapping portfolio.

With enormous advancement in technology and taking advantage of the opportunities, the E-Commerce platform will be replicated into android and iOS systems to reach a wider customer base. We shall keep exploring the necessary integrations to grant the customers the unlimited convenience fit for business competitiveness.

The new business line is committed in ensuring a top-notch governing standard that shall forever build the brand. The Business Development Committee is thankful to the Central Management Committee and Management for their devotion to see this key strategic implementation come to life.

### The Zaria Village

The Zaria Village, a gated family oriented community that features 331, 1/4 acre serviced plots. It is located 25 km from the Central Business District, off the Ruiru-Kiambu bypass. The Zaria Village offers a quiet and serene environment to pursue quality life for both self and family. The project is in 3 distinct zones: The Zaria Green Gem, The Zaria Grey and the Zaria Golden Rod.

The project has seen a tremendous uptake as it heads towards its last clearance stretch with less than 20 units remaining. We hope to have cleared these units by Q1 of 2024. Currently, there are over 25 developments ongoing within the estate, some of them nearing completion. A number of investors have moved into their homes and we foresee more joining as their developments progress. Out of the 331 titles, 133 have been issued in buyers names and handed over to their respective owners.



Figure 7: The Zaria Village

## Investor Relations

The period under review 211 new members joined growing the registered members from 5156 to 5367. During the year online member registration was automated and members can register effectively making the process seamless. The Business Development Committee has embarked on an aggressive strategy aimed at enhancing diaspora market entry and enriching the members' experience. We kicked off entry in the diaspora market and made visits to Burundi, Uganda, Rwanda, Oman and UK markets. We made sales of KES 330M, an 81% performance against set target of KES 400M and recruited 50 new members.

On share trading, we managed to trade 1,660,972 shares. Our Interest Earning Deposits (IEDs) amounting to KES 189M will be maturing and paid out in February 2024. Members can also choose to rollover their IED for another 2 years.

## Risk Management & Governance Overview

This function was established in February 2023 to coordinate below 5 areas;

- ERM (Enterprise Risk Management)
- Policy Formulation
- 2023 – 2027 Strategic Plan Monitoring
- Insurance Management
- Business Resilience

### 1. ERM (Enterprise Risk Management)

**ERM** – Formulated risk registers for each function to ensure effective risk management. Risks are identified, mitigation strategies recommended, and action points closed on time. This has ensured being proactive rather than reactive in managing the organization risks.

### 2. Risk Assessment

Conducted Risk Assessments to the organizations projects & programs including;

- Automation – Leading to successful implementation of Legal, Online Member Registration Platform (OMRP), CRM systems & SIC Prime ecommerce platform.
- Historical Problematic Land Projects
- Reputational Risk
- Rebrand
- Unquoted Security Platform (USP) Listing

### 3. Risk Reporting – 31/12/2023

- Organization risk profile – high 39 (14%), medium 121 (42%), low 126 (44%)
- Closure of risk action points - closed 25 (38%), not due 34 (51%), overdue 7 (11%), 89% on track
- Closure of audit recommendations – closed 162, (70%), not due 15 (6%), overdue 58 (24%). 76% on track

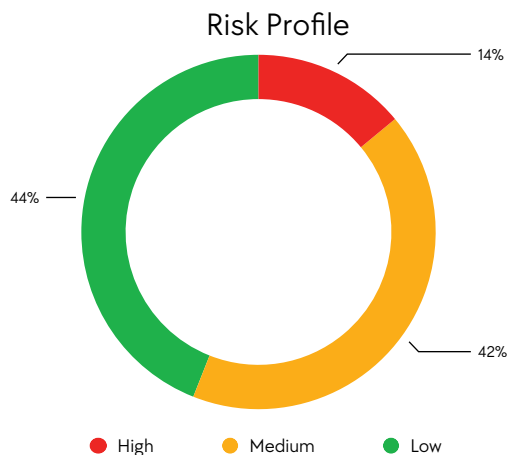


Figure 8: Risk Profile

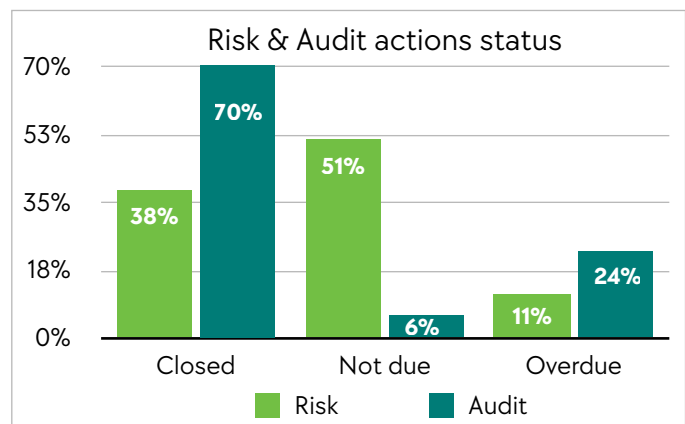


Figure 9: Risk & Audit Actions Status

**4. Policy Formulation** - 20 policies have been approved and adopted by the organization for operations management and strategic direction. We have also formulated interdepartmental service level agreements (SLAs)

**5. 2023 – 2027 Strategic Plan Implementation** – Monitored implementation of the 2023 – 2027 strategic plan which has 4 pillars i.e. Growth opportunity, Operational efficiency, Organizational capacity development & Customer experience

**6. Insurance Management** – We continue to ensure effective insurance management by having adequate cover to organization assets (people & property) and related risks. We will be renewing the existing insurance policies in February 2024 and are looking forward to explore insurance policies to emerging risks.

**7. Business Resilience** – We have started formulation of the organization BCP (Business Continuity Plan) & DR (Disaster Recovery) plans and to be completed by end of H1 2024.

### Conclusion

Diversification remains an important agenda and for Safaricom Investment Co-operative to achieve the business sustainability and the resilience which offers the shareholders more returns. The Society is keen in scaling up these business angles whilst protecting its brand at all times through prudent governance practises.



**Tom Macakiage**  
Chairperson  
Business Development Committee

# Real Estate Sub - Committee Report 2023



**Peter Gichangi**  
RE Chairperson

Real Estate continues to be the organization's main investment vehicle having contributed KES 1,493,640,221 which is 93% of the organisation's revenue in the past year. During the year, we enhanced our operations by creating teams to handle three distinct aspects of the real estate portfolio, that is:

Land business unit which focuses on acquiring and preparing land projects. This team holds full accountability for the land business P&L.

Housing business unit focuses on conceptualising and delivering housing projects. This team holds full accountability for the housing business P&L.

Titling department which ensures that titles are processed in a timely manner for all our projects.

For the period ended December 2023, real estate achieved KES 442,439,097 in gross profits against targets of KES 2,365,786,240 and KES 676,327,069 respectively.

## Housing Business Unit

### 1. Housing Overview

2023 has seen several remarkable trends in the housing sector in the country as Affordable Housing remains a key priority under the Bottom-up Economic Transformation Agenda (BETA) adapted by the Kenya Kwanza Government. The program seeks to bridge the 200,000-unit deficit that the country incurs annually. To achieve this, the government has mapped and is allocating vacant lots under its tenure to capable developers with baselines on construction and selling rates to ensure their affordability to the common mwananchi.

The government intends to finance the construction of affordable houses through a mix of funds that will be aggregated into the Housing Fund. If well executed, the activities will ensure decent housing to Kenyans while creating a rewarding opportunity for developers such as SIC.

Unfortunately, new taxation rates and regimes in the 2023 Financial Bill, coupled with the depreciation of the Kenyan Shilling against the dollar have raised the cost of living in the country and pushed the prices of construction materials and subsequently raised construction costs.

### 2. SIC Housing Outlook

The SIC Housing Unit envisions to be the leading real estate developer and investment brand for Affordable Housing Communities and Urban Nodes. Our vision is to develop products that will generate competitive value for our investors and sustainable cash annuity for the organisation.

### 3. 2023; Year In Review

2023 had its ups and downs for the Housing Unit as did most other businesses in the country. The unit's focus was in the:

- Clearing of the old housing stock that was still being held by SIC in the Bluebells and Ruaka Ridge projects. We are proud to report that Ruaka Ridge is now sold out and only four 2-bedroom units remain at Bluebells.
- Construction and sales of the Miran Residence.

#### 3.1. The Miran Residence

The Miran housing project is a 3-acre master-planned urban community in Ruaka, Kiambu County. The vision is to develop the site into a bespoke residential community set within a controlled and secure development. When complete, the project will comprise of 488 units, parking spaces, greenspaces and recreational areas. Phase 1 of the project will deliver 200 units. The project is a mix of studios, studio lofts, 1-bed and 2 bed apartments currently selling for between KES. 3.2 M to 6.5 M.

##### 3.1.1. Showhouse Open Day

The project's show house was launched on 13th May 2023. The event was an immense success and was attended by investors in the project and all interested parties.

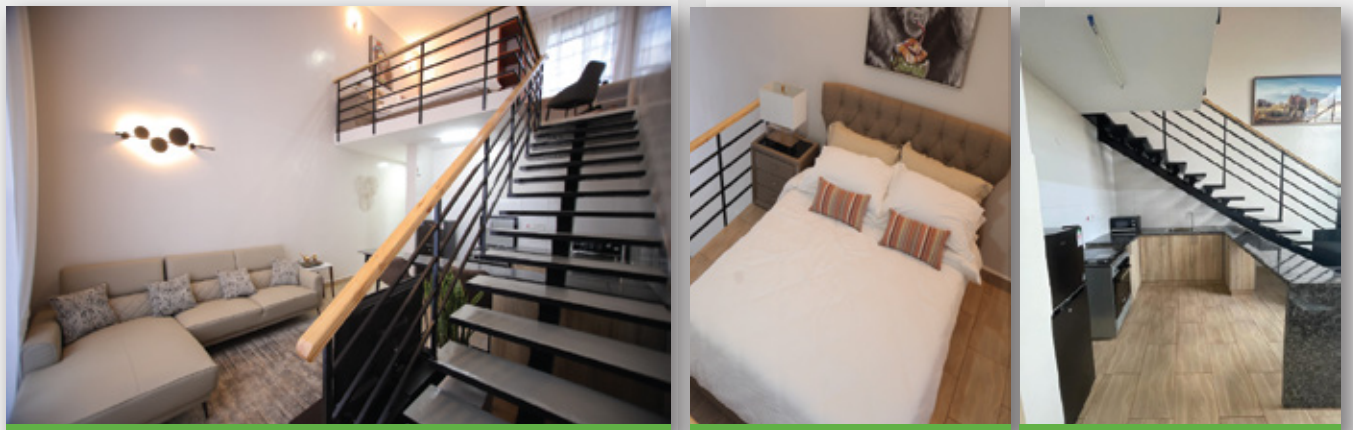
The show-house remains open, and we encourage visits on all days from 8:00am-5:00pm.



Figure 10: Standard 2 Bedroom Unit Show House



Figure 11: Studio Loft Unit Show House



### 3.1.2. The Miran Residence; Delivery Delay

The Miran Residence was designed to use Aluminium Formwork Technology which is an alternative to conventional construction methodologies. The formwork technology was preferred since:

- It allows for fast and timely construction which was anticipated to ensure delivery within stipulated timelines.
- It produces a clean and sharp wall and slab finishes making it easier to complete paint works given the little plastering and chasing works required. This saves time and gives a superior finishing quality.

We have however experienced a delay in the shipment and arrival of the formwork which has delayed



Figure 12: The Miran Residence Construction Progress



construction progress.

### 3.1.3. The Miran Residence; Recovery Program

Our interest is in ensuring that we keep our promise to you; our buyers and investors on delivery of the project. We have therefore come up with a recovery plan to ensure we make the most of this coming year. Some of the steps adopted are:

- We have fast tracked the procurement of the formwork and will ensure its arrival on site by February.
- To ensure that we make up for lost time, we have ordering an extra set of formwork so that construction of different blocks can happen in parallel.
- Working in double shifts on site to ensure we halve the time projected for delivery.

We appreciate your continued patronage, support and patience, and will keep you apprised through:

- Monthly newsletters with site progress updates.
- Monthly site bazaars where we will host buyers, take them on site tours and respond to any arising issues.
- Quarterly webinars with the investors; this will be an interactive session with our buyers to tackle any queries.

The organisation remains committed to delivering the project by close of 2024.

### 3.1.4. The Miran Sales & Financial Performance

We noted commendable success in sales with 133 units out of 200 units in phase 1 already sold.

We would like to thank our buyers for their trust and belief in our vision for Miran. We encourage all members to consider picking a unit in Miran before they run out.

## 4. Budget Performance

Miran Sales Performance				
	Total Nos.	Sold Units	Available Units	% Sold
Studio	36	21	15	58%
Studio Loft	24	24	0	100%
1 Bedroom	56	19	37	34%
2 Bedroom	84	69	15	82%
	200	133	67	67%

Miran Financial Performance		
Item	Value	%
Value of Units Sold (as at 31st December)	670,200,000.00	
Total Collections (as at 31st December)	258,869,951.34	39%
Collections Pending	411,330,048.66	
Sales Pending (67 Units)	434,900,000.00	67%
Total Revenues (Pending)	846,230,048.66	

We targeted gross recognisable revenue of KES. 56.6M and gross profits of KES. 9.7M from the Housing Unit in 2023. We managed to deliver a gross profit of KES 11.3M (117% achievement) and gross revenues of KES 51.6M (91.2% achievement).

### 5. 2024 Forecast

Building on the good progress we saw in 2023, the housing unit will focus on the following projects:

- Selling off the remaining old stock at Bluebells to generate a KES 24M gross revenue.
- The completion of the Miran Residence Phase 1 construction; generation of KES 1.047B in gross revenue and KES 113M in profit.
- The launch of Miran Phase II & Marina Gardens.

## Land Business Unit

### 1. Land Products

During the year, SIC on-boarded one new project to complement the ongoing projects. In total, we had three active projects during the year 2023:

- Brookvale Tuala (New project)
- Kiambu Marina Gardens Ph.1 & 2
- Nanyuki phase 5 & 6

### 2. Value-Addition

SIC remains committed to overseeing the implementation of diverse value-added elements across our projects. These include fencing, grading roads, ensuring availability of water (boreholes or government supplied), signature gates, among others.

### 3. Budget Performance

Figure 13: Kiambu Marina Gardens



Figure 14: Brookvale Tuala



Figure 15 Kibos Meadows



The land business budget for 2023 targeted a profit of KES. 666,602,569 with expected gross revenues of KES. 2,309,176,240. SIC managed to deliver a gross revenue of KES. 1,442,030,221 (62% performance) and a gross profit of KES. 418,980,78 (63% performance).

### 4. Opportunities and Challenges with Land Projects

SIC has continued to make it's land acquisition process efficient and demand driven through market surveys that help identify our customers' needs and thus ensure we on-board projects that match market needs. During the year, the organization enhanced its due diligence process with the aim of reducing uncertainties and risks associated with the purchased projects.

As you may have noted, we only onboarded one project during the year due to various challenges including:

- A slowdown in Land registries when carrying out searches on ownership, undertaking due diligence and transfer due to the ongoing digitization of registry records
- Increased fraudulent risks that necessitated more onerous acquisition processes making them slow.
- Non-disclosure of significant historical information on lands by the vendors and local administrations

## 5. Focus Areas

SIC will on-board new land projects at competitive selling prices in high demand areas such across various counties including Kisumu County, Nakuru County, Kiambu County and Machakos county.

I encourage us to patronise the various projects we have as well as the new ones we will onboard during the year. I also welcome members to continuously share with us areas and projects of interest so that the organisation can seek to deliver the same

## Titling

### 1. 2023 Performance

In 2023, our primary focus was on completing the title registration process for clients who had successfully fulfilled their obligations. However, there was delay in the execution of the transfers documents by most buyers thus impacting our ability to process titles.

During the year, we successfully handed over 20 projects providing investors with the opportunity to establish communities and develop their parcels. We took these opportunities to promote awareness among investors on the responsibility of securing their parcels.

Building on the initiatives launched in 2022, we rebuild our relationships across various registries leading to significant reductions in the time taken to process our titles in many of the registries.

Notwithstanding all the above, we fell short of our target to process 2,400 titles in the buyers' names during the year and only delivered 1600 titles.

### 2. Challenges

One of the major hurdles encountered throughout the year 2023 was the persistent delays in signing transfer documents as well as delays in the collection of titles by the Clients.

### 3. Focus Areas in 2024

In 2024, our commitment is towards streamlining processes and addressing gaps identified in 2023. With the implementation of legal management system in 2023, we will automate the conveyancing process which will streamline workflows and automate routine tasks thus improving efficiency and communication. We expect his to excellent customer satisfaction.

We are dedicated to building long lasting relationships with various stakeholders to improve the efficiency of title delivery even further. We target to issue a majority of titles for Kiambu Marina, Juja Greens, Brookvale Tuala, Kitengela Milimani, Kibos Phase 1 & 2 projects before the end of July 2024.

**Peter Gichangi**

Chairperson

RE Committee





The magnificent Brookvale Tuala in Rongai area is the perfect buy and build project for you. It is located 24KM from Nairobi CBD.

Brookvale is in a well-established and developed residential area with an ever-growing neighbourhood. It is relatively flat overlooking the magnificent Ngong Hills, offering breath-taking views.

**Amenities in the area include:**

- Access roads Electricity Water Schools
- Higher learning institution Resorts Beautiful views
- Outdoor activities Hospitals

**\*Get FREE MEMBERSHIP by owning a plot!**

<b>CASH PRICE</b>	<b>3 MONTHS PAYMENT PLAN</b>	<b>6 MONTHS PAYMENT PLAN</b>
<b>1.4M</b> <small>1/8 ACRE</small>	<b>1.45M</b> <small>1/8 ACRE</small>	<b>1.5M</b> <small>1/8 ACRE</small>
<b>MEMBERS CASH PRICE</b>	<b>3 MONTHS PAYMENT PLAN</b>	<b>6 MONTHS PAYMENT PLAN</b>
<b>1.35M</b> <small>1/8 ACRE</small>	<b>1.4M</b> <small>1/8 ACRE</small>	<b>1.45M</b> <small>1/8 ACRE</small>



**PAYBILL NUMBER**

**4 0 0 2 0 0**

**ACCOUNT NAME:  
YOUR I.D NUMBER**

**BANK:  
CO-OPERATIVE BANK**

**BRANCH:  
WESTLANDS**

**ACC NO:  
01692150100701**

# Historical Problematic Lands (HPL) Sub - Committee Report 2023



**Judy Warui**  
HPL Chairperson

## Introduction

We are pleased to present our report for the year ended 31st December 2023. Our commitment is to safeguard and protect the interest of our investors. The committee has continued to:

- Mitigate financial and reputation risks from the affected projects.
- Enhance asset recovery.
- Ensure capital refund from the vendor for rescinded agreements and
- Prevention of loss of revenue

From the above objectives we have achieved the following benefits:

- Building back trust to our investors through restoration and boosting of the customer confidence which has resulted in repeat business and increased sales.
- Fostering collection of debts owed to SIC by delivering on the organization's contractual obligations to its customers.
- Ensured proper documentation of ownership of our assets, thus enhancing the business ability to access funding and take advantage of emerging investment opportunities.
- Mitigate loss of revenue from investors in case of contract termination

From year 2020 to date, we have managed to close 15 projects. The financial asset exposure and the revenue safeguarded for the 15 projects is as shown below:

Item	Amount in KES.
Project Cost	416,595,154.00
Revenues safeguarded from the solves projects	202,621,027.00
Swap options (revenue amount)	92,214,000.00

In the year 2023, the committee managed to close 4 projects and partially closed 3 projects as well as replaced 20 title deeds that had been declared lost. Costs recovered for the year under review was KES. 256,534,654 as summarized below:

Item	Quantity	Safeguarded Amount
Fully closed projects	4	58,150,000.00
Partially closed	3	183,800,000.00
Replacement of lost title deeds	20	14,584,654.00
<b>Total safeguarded</b>		<b>256,534,654.00</b>

## Forging Ahead

The committee has ear marked 8 projects for closure in the year 2024.

## Conclusion

We are doing our best to ensure that there is no increase in the number of HPL projects by ensuring proper on boarding of new projects as well as the projects with issues are resolved aptly.

**Judy Warui**  
Chairperson



# Supervisory Committee Report 2023

## 1. Preamble

In accordance with the Cooperative Society's Act and SIC By-laws, the Supervisory Committee is pleased to present to members its annual report for the financial year 2023.

## 2. Mandate of the Supervisory Committee

The role of the Supervisory Committee as enshrined in the Cooperatives Society Act, CAP 490 Rule 28 (3) is to verify all the transactions of the Society, write periodic reports of its findings to be tabled at joint meetings with the Central Management Committee (Board), submit its reports to the regulator and presents its report to the annual general meeting of the Society. The objective is to ensure that the Board serves the interest of the members and safeguards the resources entrusted to them.

## 3. Scope

This report highlights key activities that were carried out in the financial year under review while at the same time giving envisioned work plan for the financial year 2024. Our work is basically to support both the Board and Management in reviewing the internal controls, risks and governance processes with a view of adding value. The Committee is supported by a technical team of internal auditors who are full time employees of the society.

During the financial period under review the Supervisory Committee with the technical support of the Internal Audit department undertook a number of activities in line with its mandate as stipulated in the Act and by-laws.

## 4. Financial Year 2023 Initiatives

### 4.1 Assurance services

#### 4.1.1 Executed audit engagements

The Supervisory Committee conducted a total of 11 audit engagements in the Financial Year 2023. These included the following:-



**Rabeca Bisanju**  
SC Chairperson

Quarter	Audit Engagements	Status
1	PEPEA Fixed Deposit Titling Process Review Payroll Management	Completed Completed Completed
2	Fixed Assets Management Land Project Review	Completed Completed
3	Debtors Management Share Capital Review Human Resource Management	Completed Completed Completed
4	Balance Sheet Schedule Expense Review Board Election Process	Completed Completed Completed

The objectives of these audits included but not limited to the following:-

- To assess the adequacy of the internal control processes that have been put in place by Management /Board.
- To assess the risk inherent in the various areas of operations and to check that Management has put mitigation measures to address them.
- To confirm the level of compliance with the various regulations, laws and statutes.
- To review the governance process in the Society with an aim of assessing whether they are aligned to best practices.

#### **4.1.2 Engagement results**

The Society's internal control environment has improved over the years. This is demonstrated by the resolution of weaknesses and gaps that have been noted in the various audit engagements. Further to this, the Board and Management established and approved a number of policies and operational procedures that were instrumental in improvement of efficiency in areas of operations. Significant strides have also been made in the Society's ethical environment. Incidences of fraud and related misconducts have reduced over the period. This is attributed to the various sensitization initiatives that have been done.

#### **4.1.3 Significant matters arising from audit reviews**

Despite the improved internal control environment, the Board and Management should double their efforts to address the following areas:-

##### **a) Resolution of historical problematic land (HPL)**

The Committee noted significant progress made by Management and Board in the resolution of the Historical Problematic Land (HPL) projects. However, there are still a number of projects whose ownerships have not been resolved to date. These include those with related legal cases in court and whose outcome is uncertain. For such projects Management and Board should consider providing for the contingent liabilities in the books.

##### **b) Reputational risks**

The Society has been faced with bad publicity in both print and online media due to perceived failure to meet part of its bargain in the transactions entered with the clients. Some of these risks were occasioned by agency contracts with third parties who failed to honour contractual obligations thereby putting the brand in disrepute. The Committee would like to advise that root causes of these risks be established and appropriate remedial actions prescribed. Further, the board / management should enhance due diligence procedures prior to contracting third parties to protect the brand.

##### **c) Management of old land stock**

The Society continues to hold in its books land stocks that have remained unsold for over a period of five years. The risk of keeping these stocks is that significant amount of working capital are tied in these projects. Our recommendation is that Management should put in place strategies that would ensure these stocks are moved to the market to unlock the tied amounts. The starting point would be to evaluate the underlying reasons affecting movement of these parcels and prescribe specific curative actions to unlock them.

##### **d) Share movement**

Share movements in the secondary market have been slow over the past years. We note that this has caused pain and frustrations to the investors who have opted to sell their shares. The viable option would be to enhance performance of the Society to make it attractive to the general public as a way of hastening the share movements in the secondary market. The implementation of the strategic plan 2023 – 2027 and specifically strategic theme pillar one (SIC Investment portfolio growth) is projected to yield dividend pay out of at least 13% by year 2027. The Board and Management should pursue this plan as one of the options of turning around the share movement challenge.

#### **4.2 Ethics agenda**

The Supervisory Committee continues to champion good ethical climate in the Society. This has been achieved through various initiatives which include periodic sensitization forums with the staff members. During the period under review, the Committee conducted two trainings through internal audit department.

##### **4.2.1 Fraud awareness, ethics and integrity training**

Fraud risks have continue to affect the smooth operations of organizations across all the sectors in a significant way. Fraud impact includes loss of finances as well as increased cost of doing business. The fraud awareness training was aimed at:

- Providing staff members with skills which are essential in identification of fraudulent schemes in their respective areas of operations.
- Enabling staff members to understand the economic and ethical consequences of engaging in fraud.
- Equipping staff members with skills that would enable them prevent fraudulent activities within their

areas of operation.

The Committee also conducted integrity training session for the staff members. The objective was to instil the ethical values among the staff members and to emphasize why ethical decision making is important for any organization.

The benefits of these trainings included the following:-

- a. Entrenching of ethical values in the society.
- b. Foster a positive work environment in the Society and contribute to the culture of respect, trust and performance.
- c. Better business decisions.
- d. Ethical environment ensures compliance with applicable laws, regulations and statutes.

#### **4.2.2 Whistleblowing**

The Society operates a whistleblowing policy framework that is geared towards enshrining ethical values. Staff members and other stakeholders (including members / investors) can anonymously report any gross misconduct or fraudulent activity without fearing any retaliation. Since its operationalization the Society has realised the benefits by having staff members report issues of gross misconduct.

The whistleblowing portal is within the Society's website. Investors are encouraged to report any fraudulent activity or gross misconduct through this avenue.

### **5. Financial Year 2023 Performance Review**

The Society achieved net operating surplus before rebates of KES 203.4M for the financial period under review. This was 24.1% below the previous year (2022) performance. Over the same period, cost of sale as a percentage of revenue achieved was 71% against 74% for the previous year.

A review of expenses incurred in the period revealed the following:

- a. Personnel expenses recorded a 18% growth in the year. Further to this, in terms of comparison with the revenue generated, it was noted that personnel cost as percentage of revenue was 10%. In the previous year, this Performance Indicator (KPI) stood at 7%. The implication is that human capital may not have been efficiently applied in revenue generation.
- b. Administrative expenses also grew by 7% from the previous year.
- c. Governance costs increased by 39% in the period under review from the previous FY 2022. In addition, Business Development Expenses recorded a significant increase of KES 12.9M, this represented 75% increase from the previous.

Cost of sales and operational expenses should be closely monitored. Our recommendations in this regard include the following:

- a. Management should review /develop Key Performance Indicators (KPIs) to aid in the month by month monitoring of these costs.
- b. Implement austerity measures to contain costs within budget against the backdrop of the hard-economic times.
- c. Diversify its product offerings to boost revenue generation and to ease pressure on over reliance on land business.
- d. Double efforts in debt collections to ensure income recognition.

### **6. Tracking of Audit Results**

Audit recommendations are discussed with the Board and Management on quarterly basis and action points agreed with implementation timelines. The Supervisory Committee monitors the implementation status of the agreed recommendations and report back to both Management and Board on monthly basis. As at the end of the year 2023, the implementation status stood at 76%. The open items in the tracker included the following:-

- a. Provision of contingent liabilities in the books for legal cases relating to Historical Problematic land.
- b. Automation of various processes within the Society.
- c. Resolution of old land stocks which are being held by the Society.
- d. Reconciliations of land stock accounts.

### **7. Strategic Focus for Financial Year 2024**

In the year 2024, the following are the strategic focus for the Supervisory Committee:

#### **a) Implementation of risk - based audit plan**

The Committee will continue with the implementation of risk-based audit plan. In the financial year 2024, our main focus will be to address the following areas;

- Financial audit reviews.
- Due diligence review of partnerships with the third parties.
- Progress review of housing project being implemented in Miran.

- Assurance engagement on the value addition initiatives across land projects.

#### **b) Business performance review**

The Committee shall continue to track on monthly basis the implementation of approved annual budget by the members. The rationale is to identify any unfavourable deviations between actual versus budgeted figures with an objective of prescribing remedial action points.

#### **c) Tracking of audit results**

We shall continue with the tracking of the implementation of audit recommendations to ensure that agreed issues are closed on schedule.

#### **d) Strategic plan implementation tracking**

The Society adopted a five year strategic plan for the period 2023 to 2027. The strategic plan is anchored on the following five key thematic areas outlined below:-

- Financial – SIC Investment portfolio growth.
- Investor /Customer Engagement, Experience and Relationship (EER).
- Operational Efficiency – Internal Processes Simplified and Accelerated.
- SIC Capacity to execute Strategy – powered by people and technology (PT) in a climate for performance.
- Effective leadership and Governance – calibrating sustainable performance and results.

The five year strategic plan offers an exciting opportunity for Board, Management and other stakeholders to take this great Society to the next level. We shall take our rightful position in this journey by reviewing and tracking the implementation of key milestones as outlined therein.

### **8. Conclusion**

The Supervisory Committee would like to take this opportunity to thank the Board, Management and staff members for the support accorded to us during the year 2023. We also thank the investors for giving us this golden opportunity to serve them in this capacity.

Thank you all!



Rebecca Bisanju  
Chairperson



Beth Mwangi  
Secretary



Belsheba Nyabwa  
Member

# Pepea Fixed Deposit

This is an exclusive product for SIC bonafide members/shareholders with lucrative and competitive rates in the market second to none.

Amount	6 Months	7 - 12 Months
50,000 - 500,000	10%	10.5%
501,000 - 1,000,000	10.5%	11%
1.000.000 - 3,000,000	11%	11.5%
More than 3,000,000	11.5%	12%



**With Pepea Fixed Deposit your money works for you.**



# Human Capital Desk

## Executive Summary

The Human Capital (HC) department has seen substantial growth and evolution in 2023. With the rollout of our Corporate Strategy for 2023 -2027, this department was tasked with managing one of the key strategic pillars i.e., Capacity to Execute.

The department has remained steadfast in its commitment to position itself as a strategic partner to the Board, management and the entire SIC workforce by attracting and retaining top talent, implementing impactful talent development initiatives, and fostering a positive and engaged work environment to deliver SIC's mandate.

2023 presented unprecedented challenges for SIC, navigating difficult financial circumstances amid a highly competitive real estate market. This report highlights our key achievements in 2023 and strategic priorities for navigating the coming year with a more agile HC function.

## Key Achievements in 2023

### 1. Talent Development & Performance Management

Our performance is heavily pegged on our performance planning process. We were able to ensure that our strategic plans were cascaded to all departments and provide the required training to managers and supervisors in spearheading the Performance Development Conversations.

Our bi-annual reviews came in handy to ensure that everyone is headed in the right direction. However, corrective measures have been taken where appropriate. In 2023 At least over 75% of staff underwent external training including 6 of our management staff who took part in Leadership for Growth training. 99% of our employees also had a chance to take part in other forms of training organized internally.

### 2. Retention & Engagement Strategies

We continue to place focus on employee motivation and engagement to boost morale and retention.

We were able to do this by recognizing employees who have performed well each month, and we invited all staff to participate.

We also coordinated several trainings that involved all employees in a bid to ensure upskilling, reskilling and compliance. These included:

- Sales Team Training
- Leadership for Growth(L4G) Training for Management Team
- Project Management
- Senior Leadership Sales Training
- Customer Experience Training
- Occupational Safety and Health Training
- Mental Health Training

We are committed to retaining staff under our employ while training our sights on engaging them to the maximum, boosting morale and ensuring retention.

### 3. Talent Management

With a focus on managing performance and developing talent, we rolled out a program for every employee to develop their balance scorecard in the first quarter of the year which helped all employees to align their goals to the SIC's corporate objectives.


We look to ensure that the overall performance of staff is improved- taking a special interest in analytics of Key metrics. We also manage competencies to help increase the effectiveness of the recruitment processes in the organization.

### 4. Employee Wellbeing

We were able to support our staff through a myriad of planned activities throughout the year. They include but are not limited to, Mental Health Talk, Workplace medical check-ups, encouraging frequent water breaks, and office ice-breaking activities. All those activities were held to ensure employee wellness but also growth and development.

### 5. Optimizing HR Processes and Systems

We conducted a comprehensive review of the HR Policy Manual and accompanying SOPs ensuring compliance and standardization of our processes. We also have organization-wide Service Level Agreements that govern our performance.



In a bid to progress the agenda of optimization, we on-boarded an agile HRIS system which has not only made payroll processing faster and accurate but also improved efficiency and accountability thereby boosting employee engagement through an effective and informative Employee Self Service function.

## 6. Legal Compliance

We have ensured that we comply 100% with labour laws. The introduction of new laws about the housing levy and NHIF has affected our employees in terms of net take home.

## Strategic Priorities for 2024

With the Strategic Plan (2023-2027) in place, our focus for 2024 will be to continue to play the role of a strategic partner in ensuring we meet our Corporate Goals. Our budget has been carefully crafted to be able to support the implementation of these strategies. This has been informed by the below objectives:

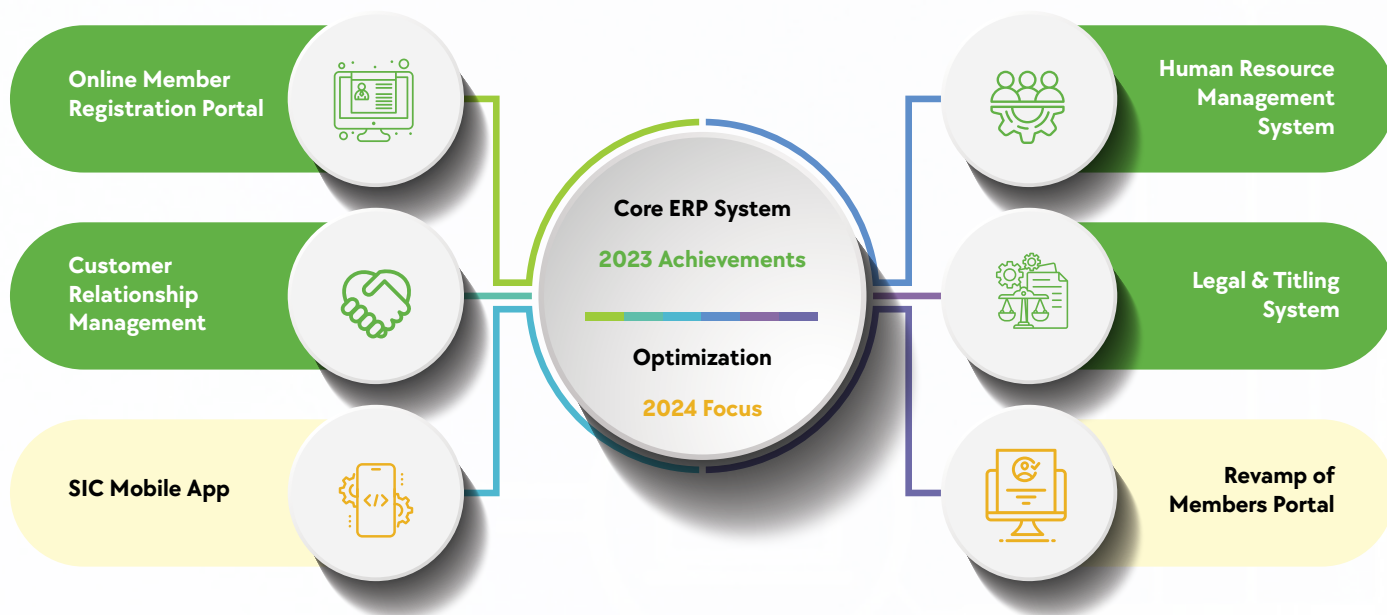
- Improve employee productivity and efficiency through high-performing teams.
- Ensure a skilled and adaptable workforce by investing in employee development.
- Foster a positive workplace culture that promotes employee well-being and Enhances employee engagement and satisfaction.
- Attract and retain top talent for the organization's future needs.
- Foster a culture of resilience and adaptability.
- Leverage Technology to Align HR initiatives with processes to enhance efficiency.
- Effectively improve our management and governance of the society.

## Conclusion

The Human Capital department has played a pivotal role in driving positive change throughout 2023. Despite the challenges experienced in the past year, we remain steadfast in our commitment to our corporate goals by continuing to enhance employee performance, engagement, and overall satisfaction. Our corporate culture continues to undergo a positive transformation geared towards building capacity to achieve our goals. We are confident that our ongoing efforts will contribute to the Society's continued success in the years to come. We believe in concerted efforts and thus we welcome our members to visit us and share any ideas that may help us enhance the capacity of our people to unleash their potential. Lastly, we thank all the members for supporting us throughout 2023 and we look forward to a more fulfilling 2024.

# ICT Report

## Automation Journey



### Customer Relationship Management (CRM)

We were able to implement and optimize the Customer Management Solution in efforts to improve how SIC engages with its customers, aiming for increased efficiency and effectiveness. Our successful implementation of CRM has resulted in its active utilization by the sales team in their daily customer interactions, yielding several notable achievements:

- Improved Leads Management ensuring a streamlined process for managing and nurturing potential customers effectively.
- We've automated the generation of offer letters while introducing of digital approval. This has greatly reduced the time taken in the sales process.
- Improved stock management, providing real-time insights into inventory levels and improving overall supply chain efficiency.
- The enhanced capabilities of our CRM system have resulted in improved reporting mechanisms, enabling more informed decision-making, and facilitating better follow-up procedures.
- CRM facilitates efficient tracking of client payments, ensuring a systematic approach to financial transactions and minimizing delays.
- The CRM system seamlessly integrates with the core ERP system, fostering synergy between different business functions and ensuring a cohesive approach to data management.

### Online Member Registration Portal

- The recent implementation of the Online Member Registration Portal marks a significant milestone in streamlining and modernizing our membership onboarding process. This platform not only eliminates the need for manual intervention but also introduces a user-centric approach that empowers potential members to seamlessly register from the convenience of their homes. By facilitating self-registration, document uploads, and secure online payments, this portal offers unparalleled accessibility, enabling individuals worldwide to join our community at any time that suits them.
- With the implementation of this system, we anticipate a positive impact on our membership growth initiatives. The emphasis on convenience and efficiency inherent in this platform is poised to attract a broader audience, enhancing our organization's reach and influence. We are confident that this forward-looking approach will not only elevate the registration experience for new members but also contribute significantly to the overall success of our growth strategy.



## Legal and Titling System

In our pursuit of automation, we've successfully deployed a system that streamlines operations in both the legal and titling departments. This implementation promises significant enhancements in efficiency and time reduction across various processes. Key modules encompass:

- Contract and Agreements Management
- Case and Communication Management
- Conveyancing and Compliance Management
- Financial and Budgeting Management
- Document Management and Reporting

This system will play a pivotal role in the sales process, particularly in the automatic generation of sale agreements, transfers, and comprehensive tracking of the entire titling process from start to finish.

## HRIS System

The implementation of the Human Resource system has enhanced efficiency by automating tasks like payroll and record management, ensuring accurate data centralization. Real-time insights enable strategic decision-making, while self-service portals empower employees. Overall, HRMIS has provided a holistic approach to HR operations, offering benefits such as increased efficiency, cost savings, compliance assurance, and improved talent management, shaping a more streamlined and effective human resource management framework.

## 2024 Focus

- **SIC App and revamp of members portal** – This will be a centralized platform where our members, customers, and potential clients can log in and interact with SIC products and services. It will be the interface between our esteemed clients and our business.
- **Customer experience case management** – Enhancement of our current CRM to handle cases and tickets raised by our clients and partners. This will help us track issues better and track resolutions from reporting to closure
- **Optimization of the ERP system** – We strive to always work on the implemented systems to ensure that they continually meet our dynamic business needs. During the year we will be looking at enhancing the ERP among the other systems and filling in any gaps that have been raised.



# Society's Information

The Management Committee submit their report and audited financial statements for the year ended 31st December, 2023.

## 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:-

Judy Mwangi	:	Chairperson
Tom Macakiage	:	Vice Chair Person
Michael Akal	:	Secretary
Jackson Mulwa	:	Treasurer
Peter Gichangi	:	Committee Member
Emily Kilongi	:	Committee Member
Edward Njoroge	:	Committee Member
Judy Warui	:	Committee Member

## Supervisory Committee

Rabecca Bisanju	:	Chairperson
Beth Mwangi	:	Secretary
Belsheba Nyabwa	:	Member

## Principal Bankers

- Co-operative Bank of Kenya Limited-Westlands Branch | P. O. Box 66589 - 00800 Westlands, Nairobi
- Bank of Africa - Sameer Business Park Branch | P. O. Box 69562 - 00400 Nairobi, Kenya
- Safaricom Sacco Society Limited - FOSA Account | P. O. Box 2392 - 00606 Sarit Centre, Nairobi, Kenya
- Sidian Bank Limited - Kilimani Branch | P. O. Box 25363 - 00603 Nairobi, Kenya

## With Partners

- KCB Bank Limited
- Stanbic Bank

## Auditors

Ronalds LLP  
Certified Public Accountants,  
3rd Floor Rhapta Heights, Rhapta Road, Westlands  
P.O. BOX 41331-0100  
Nairobi, Kenya

# Statistical Information

	<b>2023</b>	<b>2022</b>
Number of Members	5,367	5,156
<b>Members' Fund</b>		
	<b>Ksh</b>	<b>Ksh</b>
Share Capital	2,504,334,145	2,504,334,145
Statutory Reserves	37,882,560	29,790,711
Proposed Rebates to Members	142,380,235	176,983,244
<b>Assets</b>		
Property, Plant and Equipment	33,662,817	28,500,774
Intangible Assets	16,675,820	19,525,044
Current Assets	3,163,068,221	3,367,210,425
Non-current Assets	653,627,892	898,451,745
<b>Liabilities</b>		
Non Current Liabilities	953,689,393	1,287,868,430
Current Liabilities	1,480,851,273	1,876,702,940
<b>Profitability Ratios</b>		
Turnover	1,536,113,711	1,859,773,455
Surplus	40,459,247	71,056,836
Interest on Members Deposits as % of total Share Capital	5.69%	7.07%
<b>Expenditure</b>		
Operating Expenditure as a % of Turnover	22.58%	16.58%
Return on Members Deposit as a % of turnover	9.27%	9.52%
<b>Liquidity Ratios</b>		
Current Ratio	2.14	1.79
Acid Test Ratio	0.68	0.64
<b>Return Ratios</b>		
Return on Assets	3.81%	9.44%

# Report of the Management Committee for The Year Ended 31 December 2023

The members of the Management Committee submit their annual report together with the audited FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023.

## Incorporation

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

## Principal Activity

The principal activities of the society are as listed below:

- Real Estate
- Marketable securities
- Private Equity

## Results

	2023 Ksh	2022 Ksh
Surplus/Deficit before tax	61,020,101	91,173,184
Income Tax Expense	(20,560,854)	(20,116,348)
Net Surplus (deficit) after Tax	<u>40,459,247</u>	<u>71,056,836</u>
Proposed rebates on members' share capital	142,380,235	176,983,244

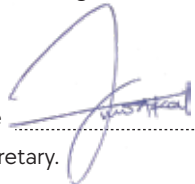
## Management Committee

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

## Auditors

The Society's auditors, Messrs Ronalds LLP, Certified Public Accountants (K) who were appointed during the year have expressed their willingness to continue in office in accordance with section 719 of the Companies Act (Cap 486) and under the terms of section 25 (4) of the Co-operative Societies (Amendment) Act No.2 of 2004.

By order of Management Committee

Signature   
Hon. Secretary.

Date 08/02/2024

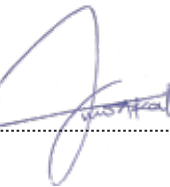
# Statement of Management's Responsibilities

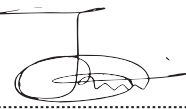
The Cooperative Societies Act CAP 490 requires the Board of Directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the society as at the end of the financial year and its operating results for that year in accordance with International Financial Reporting Standards (IFRS). It also requires the Board of Directors to ensure that the society keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the society. They are also responsible for safeguarding the assets of the society and ensuring that the business of the society has been conducted in accordance with its objectives, by-laws and any other resolutions made at society's general meeting.

The Board of Directors accepts responsibility for the annual financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Co-operatives Societies Act, Cap 490. The Board of Directors is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the society and of its operating results in accordance with the International Financial Reporting Standards (IFRS). The Board of Directors further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

CHAIRMAN:  .....

SECRETARY:  .....

TREASURER:  .....



**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF SAFARICOM INVESTMENTS CO-OPERATIVE SOCIETY LIMITED (CONTINUED)****Report on the financial statements Opinion**

We have audited the accompanying financial statements of Safaricom Investments Co-operative Society Limited set out on pages 10 to 27 which comprise the statement of financial position as at 31 December 2023, 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 a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the state of the Society's financial affairs as at 31 December 2023, the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenya Cooperative Societies Act Cap 490.

**Basis of Opinion**

We conducted our audit in accordance with the International Standards on Auditing (ISAs). 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 (IESBA), Code of Ethics for Professional Accountant. We have fulfilled our other ethical responsibilities in accordance with IESBA code and in accordance with other ethical requirements applicable to performing the audit of financial statements 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 judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the society financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. There were no key audit matters.

**Other information**

The Management Committee is responsible for other information. The other information comprises the budget and the chairman's report included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements,

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF SAFARICOM INVESTMENTS CO-OPERATIVE SOCIETY LIMITED (CONTINUED)**

our responsibility is to read the other information identified above 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 on the other information, 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.

**Management Committee Responsibility for the Financial Statements.**

The Management Committee are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenya Cooperative Societies Act Cap 490. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, they are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless they either intend to liquidate the Society's or to cease operations, or have no realistic alternative but to do so. The Kenya Cooperative Societies Act also requires the Management Committee to ensure that the Society maintains proper books of accounts which are in agreement with the statement of profit or loss and other comprehensive income and statement of financial position.

**Auditors' Responsibility for the audit of the financial statements**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA's). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report and financial statements are free from material misstatement.

As part of an audit in accordance with International Standards on Auditing (ISA's), we exercise professional judgment and maintain professional skepticism 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 controls.
- 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 Society's internal controls.





**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF SAFARICOM INVESTMENTS CO-OPERATIVE SOCIETY LIMITED (CONTINUED)**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management committee.
- Conclude on the appropriateness of the management committee 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 Society'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 Society 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Report on other legal requirements**

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

- (i) In accordance with the provisions of the Kenya Co-operative Society's Act.
- (ii) In accordance with the Co-operatives Societies objectives, by-laws and any other resolutions made by the Society at a general meeting.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Ronald N. Bwosi - P/No.1865.

  
For and on behalf of Ronalds LLP  
Certified Public Accountants (K)  
Nairobi.



**C.P.A Ronald N. Bwosi**  
**Practising No. P/1865**





1/8 ACRE  
STARTING FROM:  
**KES. 7M**

Olearia Golf Park located within Migaa Golf estate is a premium community residential property located in Kiambu County. The property is only 30 minutes from Nairobi CBD and consists of 50X100 plots interlaced around an 18 hole golf course.

The property sets new standards for a lifestyle and leisure development. Book yours today and experience a life of serenity and elegance.

Choose a budget, choose a plot, choose a house design.

**Amenities in the area include:**

 Tarmac Roads | 
  Water | 
  Electricity | 
  Internet  
 Fenced & Gated | 
  Beacons | 
  House Design



A/C NO.: **1 3 1 4 5 7 4 3 8 8**

SWIFT CODE: **KCBLKENX** BRANCH CODE: **289**



PAYBILL NUMBER: **5 2 2 5 2 2**





# FINANCIAL REPORT 2023



# 2024 & 2025 Budget

INCOME	APPROVED 2023 BUDGET	2023 ACTUALS	2024 BUDGET	2025 BUDGET
<b>Housing Projects</b>				
Income from Housing Projects	56,610,000	51,610,000.00	760,104,083	912,124,900
Cost of Goods Sold - Housing	(46,885,500)	-40,261,888.33	(640,454,887)	(775,306,165)
<b>Housing Profits</b>	<b>9,724,500</b>	<b>11,348,111.67</b>	<b>119,649,196</b>	<b>136,818,735</b>
<b>Land Projects</b>				
Income from Land Projects	2,309,176,240	1,442,030,221.19	2,801,922,349	3,362,306,819
Cost of Goods Sold - Land	(1,642,573,671)	-1,023,049,434.54	(1,961,345,644)	(2,387,237,841)
<b>Land Profits</b>	<b>666,602,569</b>	<b>418,980,786.65</b>	<b>840,576,705</b>	<b>975,068,977</b>
<b>Income from other revenue stream</b>				
Zaria	92,792,189	69,419,018.28	69,832,569	104,748,853
Value Added Services	-	6,154,279.97	35,809,000	53,713,500
Building Services	-	0.00	18,787,500	28,181,250
Other Income	34,000,000	36,319,210.30	30,000,000	45,000,000
<b>New Business Profits</b>	<b>126,792,189</b>	<b>111,892,509</b>	<b>154,429,069</b>	<b>231,643,603</b>
<b>Gross Profits</b>	<b>803,119,258</b>	<b>542,221,407</b>	<b>1,114,654,969</b>	<b>1,343,531,315</b>
<b>Expenditure</b>				
Administration	39,900,000	31,055,480.34	38,127,913	35,796,456
Personnel	172,753,264	153,665,378.02	176,209,828	229,072,776
Financial	64,500,000	56,746,642.68	129,500,000	168,350,000
Professional	11,965,000	12,226,084.29	18,000,000	15,600,000
Governance	25,000,000	25,893,503.45	24,000,000	31,100,000
Depreciation/Amortisation	8,200,000	20,656,147.18	19,944,703	14,300,000
Provision of 2017 Expenses	15,175,610	8,416,549.15	89,158,000	115,905,400
Business Development	48,516,000	30,121,286.78	91,350,000	118,755,000
<b>TOTAL EXPENDITURE</b>	<b>386,009,874</b>	<b>338,821,072</b>	<b>586,290,444</b>	<b>728,879,632</b>
<b>PBT</b>	<b>417,109,384</b>	<b>203,400,335</b>	<b>528,364,525</b>	<b>614,651,683</b>
<b>NET PBT</b>	<b>418,000,000</b>	<b>203,400,335</b>	<b>528,364,525</b>	<b>614,651,683</b>

# Statement of Profit or Loss and Other Comprehensive Income

	Notes	2023 Ksh	2022 Ksh
<b>Revenue:</b>			
Revenue - Sale of land and houses	2	1,500,817,911	1,828,032,191
Cost of sales - Purchase of land and houses	3	(1,063,311,323)	(1,357,016,621)
<b>Gross surplus- sale of land and houses</b>		<b>437,506,588</b>	<b>471,015,570</b>
Interest Income	4	18,438,242	6,560,650
Rental income	5	2,363,872	4,117,438
Other Income	6	14,493,686	21,063,176
		<b>472,802,388</b>	<b>502,756,834</b>
<b>Expenses:</b>			
Administration Expenses	7	(25,510,126)	(23,812,819)
Personnel Expenses	8	(153,665,378)	(130,165,413)
Financial Expenses	9	(62,291,999)	(52,622,417)
Professional Expenses	10	(12,346,284)	(9,106,879)
Governance Expenses	11	(25,813,303)	(18,563,413)
Business Development Expenses	12	(30,121,284)	(17,214,230)
Provision for prior year projects (HPL)	13	(8,416,549)	(9,942,126)
Depreciation/Amortisation	14	(20,656,147)	(13,354,516)
		<b>(338,821,070)</b>	<b>(274,781,813)</b>
Profit from Zaria (Joint Venture)	21	69,419,018	40,181,407
<b>Net operating surplus before Rebates</b>		<b>203,400,336</b>	<b>268,156,429</b>
Rebates to Members	31	(142,380,235)	(176,983,244)
<b>Net operating surplus before tax</b>		<b>61,020,101</b>	<b>91,173,185</b>
Income Tax Expense	27	(20,560,854)	(20,116,348)
<b>Net surplus for the year</b>		<b>40,459,247</b>	<b>71,056,836</b>



# Statement of Financial Position

CS/11960  
SAFARICOM INVESTMENT CO - OPERATIVE SOCIETY LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2023

	Notes	2023 Kshs	2022 Kshs
<b>ASSETS</b>			
Cash and Bank Balances	15	225,320,894	269,536,166
Receivables and Prepayment	16	135,856,328	87,714,219
Trade Receivables	17	1,581,177,087	2,217,733,102
Non-current assets held for sale	18	2,068,267,180	2,037,907,872
Housing Stock for sale	19	89,939,802	123,117,763
Land held for Investment	20	481,142,074	481,142,074
Investment in Zaria LLP	21	-	152,980,154
Investment in Top Farm Ltd	22	3,000,000	3,000,000
Agribusiness Investment	23	24,341,487	24,341,487
Other Financial Assets	24	21,785,661	129,699,891
Intangible Assets	25	16,675,820	19,525,044
Property and Equipment	26	33,662,817	28,500,774
Current Income Tax Receivable	27	11,882,922	-
Right of Use Asset	28	34,288,025	43,232,729
Miran Work In Progress	29	260,287,185	61,721,527
		<u>4,987,627,282</u>	<u>5,680,152,801</u>
<b>EQUITY AND LIABILITIES</b>			
Current Income Tax Payable	27	-	12,224,862
Trade Payables	30	1,299,677,714	1,642,781,134
Proposed Rebates to Members	31	142,380,235	176,983,244
Interest Bearing Liabilities	32	953,689,393	1,287,868,430
Lease Liability	33	38,793,324	44,713,699
		<u>2,434,540,666</u>	<u>3,164,571,370</u>
<b>Equity &amp; Reserves</b>			
Share Capital	34	2,504,334,145	2,504,334,145
Reserves	35	48,752,471	11,247,287
		<u>2,553,086,616</u>	<u>2,515,581,432</u>
<b>Total Liabilities and Equity</b>		<u>4,987,627,282</u>	<u>5,680,152,801</u>

The financial Statements on pages 8-26 were authorized for issue by the management committee on 08/02/2024 and signed on its behalf by:

Chairman.....

Treasurer.....

Secretary.....





# Statement of Cash Flow

	<b>2023</b> <b>Kshs.</b>	<b>2022</b> <b>Kshs.</b>
<b>Cash flows from operating activities</b>		
Receipts for the year	1,605,532,729	1,899,954,862
Payments to staff and suppliers	(1,526,810,453)	(1,793,365,411)
	<b>78,722,276</b>	<b>106,589,451</b>
<b>Increase/decrease in operating assets</b>		
Receivable & Prepayment	588,413,907	(277,622,796)
Increase/(decrease) in Housing stock	33,177,961	16,926,111
Increase in Land held for sale	(30,359,308)	(416,975,056)
Decrease/(increase) Agribusiness	-	16,973,250
Decrease/increase in land for investment	-	87,499,950
<b>Increase/decrease in operating liabilities</b>		
Trade Payables	(349,023,793)	134,145,503
<b>Net cash from operating activities before taxes</b>	<b>(320,931,043)</b>	<b>(332,463,587)</b>
Tax paid	(44,668,641)	(1,116,606)
<b>Net cash from operating activities after taxes</b>	<b>(276,262,401)</b>	<b>(333,580,193)</b>
<b>Cash flows from/used in investing activities</b>		
Net Increase in fixed assets	(11,470,053)	(17,087,573)
Net Increase in intangible assets	(2,554,301)	4,008,087
Changes in investment	107,914,230	37,571,206
Miran Work in Progress	(198,565,658)	-
Investment in Zaria LLP	152,980,154	118,102,485
<b>Net cashflow from investing activities</b>	<b>48,304,372</b>	<b>142,594,205</b>
<b>Cash flows from financing activities</b>		
Net movement in loans	(334,179,037)	245,456,713
Dividend Payment	(34,603,009)	42,481,219
<b>Net cash from financing activities</b>	<b>(368,782,046)</b>	<b>287,937,932</b>
Net Increase in Cash and Cash Equivalent	(44,215,272)	96,951,946
Cash and Cash Equivalent at the Beginning of the Year	269,536,166	172,584,220
<b>Cash and cash equivalent at the end of the year</b>	<b>255,320,894</b>	<b>269,536,166</b>

# Statement of Changes In Equity

	Share Capital Kshs.	Statutory Reserve Kshs.	Retained Earnings Kshs.	Total Kshs.
Balance as at 01.01.2022	2,504,334,145	30,258,633	(84,068,182)	2,450,524,596
Profit for the year	-	-	71,056,836	71,056,836
20% statutory reserve	-	14,211,367	(14,211,367)	-
Additions during the year	3,618,482	-	-	-
Proposed Honoraria	-	-	(6,000,000)	(6,000,000)
<b>Balance as at 31.12.2022</b>	<b>2,504,334,145</b>	<b>44,470,000</b>	<b>(33,222,713)</b>	<b>2,515,581,432</b>
Balance as at 01.01.2022	2,504,334,145	44,470,000	(33,222,713)	2,515,581,432
Profit for the year	-	-	40,459,247	40,459,247
20% statutory reserve	-	8,091,849	(8,091,849)	-
Additions during the year	-	-	-	-
Proposed Honoraria	-	-	(2,954,064)	(2,954,064)
<b>Balance as at 31.12.2023</b>	<b>2,504,334,145</b>	<b>52,561,849</b>	<b>(3,809,379)</b>	<b>2,553,086,615</b>

# Accounting Policies

## Summary of Significant Accounting Policies

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

### Basis of Preparation

#### 1. Statement of Compliance

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRSs).

These financial statements are presented in the functional currency, Kenya shillings (Kshs) and prepared under the historical cost convention, except as specified below under fair value measurement in accordance with applicable IFRSs.

The financial performance of the society is set out in the Director's report and in the statement of profit or loss and other comprehensive income. The financial position of the society is set out in the statement of financial position.

Based on the financial performance and position of the society and its risk Management policies, the directors are of the opinion that the society is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

#### 2. Revenue recognition

##### Project Income

Under IFRS 15, revenue is recognized when the goods or services are transferred to the customer, at the transaction price. Applying IFRS 15, an entity recognizes 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 the standard. The core principle is derived in a five step model framework:

- i. Identify the contract(s) with a customer. There is a legally enforceable contract between a customer and Safaricom Investment Co-operative Society Limited.
- ii. Identify the Performance obligations in the contract: performance obligations include the construction of houses & purchase of land as per the requirements of the contract.
- iii. Determine the transaction price: The Society applies a markup on the expenses incurred during construction of the houses and purchase of the land.
- iv. Allocate the transaction price to the performance obligations in the contract: The transaction price is only allocated to the purchase of land & construction of houses.
- v. Recognize the revenue when(or as) the entity satisfies a performance obligation: Revenue is recognized based on the above when the performance obligation has been satisfied i.e. Transfer of land, completion of the house, and transfer the house to the customer on full payment of the contract amount.

##### Other Income

- i. Entrance fee is recognized when a new member joins the society;
- ii. Dividend is recognized when the right to receive income is established. Dividend are reflected as a component of other operating income based on the underlying classification of the equity instrument;
- iii. Commission income is recognized upon successful completion of the transaction;
- iv. Miscellaneous income is recognized upon performance of the services agreed on.
- v. Interest income is recognized on an cash basis in the profit or loss for the year using the effective yield on the asset. Interest income includes income from investment in money markets. When financial assets become impaired, interest income is thereafter not recognized until such time that recoverability is assured.

#### 3. Property, Plant and Equipment

All property, plant and equipment are initially recorded at cost. Certain classes of property, plant and equipment are subsequently shown at revalued amounts, based on periodic valuations by the independent valuers, less subsequent cost. All other property plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

	<b>Rates</b>
Computers	30.00%
Motor Vehicle	25.00%
Phones Accessories	33.00%
Furniture & Equipment	12.50%

### **Intangible Assets**

Intangible assets include computer software recognized in the books at cost and amortised over an estimated useful life based on the circumstances at an annual rate of 30% per annum based on reducing balance method. Amortisation for the year 2022 has been calculated on a pro-rata basis.

### **De-recognition**

The carrying amount of an item of property, plant and equipment shall be de-recognized:

- a. on disposal; or
- b. when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the De-recognition of an item of property, plant and equipment shall be included in profit or loss when the item is de-recognized (unless IAS 17 requires otherwise on a sale and leaseback). Gains shall not be classified as revenue.

## **4. Adoption of new Standards and Interpretations**

The following standards and interpretations have been adopted as they are mandatory for the year ended 31 December 2022 as they were effective for annual periods beginning on or after 1 January 2016;

### **i) Disclosure Initiative - Amendments to IAS 1**

The amendments clarify the materiality requirements in IAS 1, that specific items in the statements of comprehensive income and financial position may be disaggregated, that entities have flexibility as to the order in presenting notes to the financial statements,; and that the share of other comprehensive income of associates and joint ventures, accounted for using the equity method, must be presented in aggregate as a single line item, and classified between those items that will not be subsequently reclassified to profit or loss. The amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

### **ii) IFRS 10, IFRS 12 and IAS 20 Investment Entities; Applying the Consolidation Exemption-Amendments to IFRS 10,IFRS 12 and IAS 28**

The amendments to IFRS 10 clarify that the exemption in paragraph 4 of IFRS from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, the amendment to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measure at fair value.

The amendment to IAS 28 allow the investor, when applying the equity method to retain the fair value measurement applied by the investment entity, associate or joint venture to its interest in subsidiaries.

### **iii) IAS 16 and IAS 38-Ammdements to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization**

The amendment clarifies the principle in IAS - 16; Property ,Plant and Equipment and IAS 38;Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business(of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to the total revenue expected to be generated cannot be used to depreciated property, plant and equipment and may only be used in very limited circumstances to amortized intangible assets.

### **iv) Accounting for Acquisition of Interest in Joints Operations - Amendments to IFRS 11**

The amendment requires an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendment also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of its parties to the joint operation on its formation. Furthermore, the amendment clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interest in the joint operation must not be remeasured if the joint operator retains joint control.

### **v) IAS 27: Equity Method in Separate Financial Statements - Amendments to IAS 27**

The amendment allow an entity to use the equity method as described in IAS 28 to account for its

investment in subsidiaries joint ventures and associates in its separate financial statements. Therefore, an entity must account for its investments either (1) at cost; (2) in accordance with IFRS 9; or (3) using the equity method. The entity must apply the same accounting for each category of investment, and the amendment must be applied retrospectively.

#### **vi) IAS 7: Disclosure Initiative - Statement of Cash flows**

The amendment are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flow and non-cash changes. The amendments are intended to provide information to help investors better understand changes in a Company's debt.

### **5. New Standards and Interpretations Not Yet Adopted**

The following new Standards and amendments to standards and interpretation effective 31 December 2016 are not expected to have a significant effect on the financial statements of the Society in future financial periods, or not applicable to the Society based on the existing assets and liabilities;

#### **i) IFRS 9: Financial Instruments**

Issued on 24<sup>th</sup> July 2014 this standard replaces earlier version of IFRS 9 and superseded IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected loss" model.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption permitted.

The Society is assessing the potential impact on its financial statements resulting from the application of IFRS 9 but this is yet to be implemented during the year.

#### **The Society Classifies its Financial Instruments into the Following Categories:**

- a. Financial assets at fair value**, which comprise of those held at Fair Value through Other Comprehensive Income (FVOCI) which meet the Solely Payments of Principal and Interest (SPPI) test and are held in a business model in which assets are managed both to collect contractual cash flows and for sale and those held at Fair Value through Profit or Loss (FVTPL) which are all other financial assets that do not qualify for measurement at FVOCI
- b. Financial assets at amortized cost**, which comprise of financial assets which meet the Solely Payments of Principal and Interest (SPPI) test and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows only.
- c. Financial liabilities at fair value through profit or loss**, which comprise of those held for trading and those designated at FVTPL upon initial recognition.
- d. Financial liabilities at amortized cost**, which comprises of all other financial liabilities except for those that the fair value option has been elected.

#### **ii) IFRS 15: Revenue from Contracts**

IFRS 15 was issued on May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The Society has assessed the impact of the new standard on the required effective date and has fully complied with the standard in the financial year 2019 and its subsequent years.

#### **iii) IFRS 16: Leases**

The new standard introduces a single on balance sheet accounting model, similar to the current finance lease accounting. Under the new standard the society will be required to recognize a 'right to use' asset and a lease liability for all identified leased assets in the statement of financial position. The current operating lease (rent) expense will be replaced with a depreciation and finance charge. The standard becomes applicable for the financial year beginning on or after 1 January 2019 and the society intends to adopt IFRS 16 in the subsequent year. While it is not expected to be a material impact on overall cash flows and net profit or loss, the quantification of such impact cannot be reliably measured.

#### **iv) IFRS 2: Classification and Measurement of Share Based Payments Transactions-Amendments to IFRS 2**

The amendments to IFRS 2 are intended to eliminate diversity in practice, and addresses three main areas; (1) The effect of vesting conditions on the measurement of a cash-settled share based payment transactions, (2) The classification of a share based payment transaction with net settlement features for the withholding tax obligations (3) The accounting where a modification of the terms and conditions of a share based payment transaction changes its classification from cash settled to equity settled.



## 6. IAS 12: Income Taxes

According to IAS 12, current tax for current and prior periods shall, to the extent unpaid, be recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset. Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability. Currently enacted tax rates are used to determine deferred income tax.

Deferred income tax assets are recognized only to the extent that it is probable that the future taxable profits will be available against which temporary differences can be utilized.

## 7. Financial liabilities and equity instruments issued by the Society

### Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

### Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Society are recorded at the proceeds received, net of direct issue costs. The capital comprise primarily of minimum share capital prescribed under the By-laws of the Society.

### Financial Guarantee Contract Liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:-

- i. The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- ii. The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

### Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

All financial liabilities are recognized initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognized at fair value and the transaction costs are expensed in the statement of comprehensive income.

Subsequently, all financial liabilities are carried at amortized cost using the effective interest method except for financial liabilities through profit or loss which are carried at fair value.

All financial liabilities are classified as non-current except financial liabilities at fair value through profit or loss, those expected to be settled in the company's normal operating cycle, those payable or expected to be paid within 12 months of the reporting date and those which the company does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

### De - recognition of Financial Liabilities

Financial liabilities are de-recognized only when the obligation specified in the contract is discharged or canceled or expires.

### Provision for Liabilities and Charges

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

### Other Financial Liabilities

All other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

## 8. Employee Entitlements

Employee entitlement to long service awards are recognized when they accrue to employees. Provision is made for the estimated liability of such entitlements as a result of services rendered by employees up to

the reporting date. The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognized as an expense accrual.

## 9. Retirement Benefit Obligations

The Society operates a defined contribution scheme for all employees. A defined contribution plan is a pension plan under which the society pays fixed contributions into a separate entity. The assets of these schemes are held in a separately administered fund that is funded by contribution from the society and employees.

The Society has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior period. The society's contributions to the defined contribution schemes are charged to the profit or loss in the year to which they relate.

The Society also contributes to a mandatory statutory defined contribution pension scheme, the National Social Security Fund (NSSF) at varying values for its employees as legislated from time to time.

## 10. Statutory Reserves

Transfers are made to the statutory reserve fund at a rate of 20% of net operating surplus after tax in compliance with the provision of section 47 (1& 2) of the Co-operative Societies Act ,Cap 490.

## 11. Cash and Cash Equivalents

Cash and cash equivalents comprise of cash at 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 an insignificant risk of changes in value net of bank overdrafts.

## 12. Provisions for Liabilities and Other Charges

A provision is recognized in the statement of financial position when the Society has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash-flows at a pre tax rate that reflects current market assessment of the time value of money and, when appropriate, the risks specific to the liability.

## 13. Collateral

The Society discloses:

- i. The carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 37(a) of IAS 39; and
- ii. The terms and conditions relating to its pledge

When the Society holds collateral (of financial or non-financial assets) and is permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral, it shall disclose:

- i. The fair value of the collateral held;
- ii. The fair value of any such collateral sold or re-pledged, and whether the entity has an obligation to return it; and
- iii. The terms and conditions associated with its use of the collateral.

## 14. Foreign Currency Transactions

Transactions in foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Kenya Shillings at the rate of exchange ruling at that date.

Transactions during the period in foreign currencies are translated at the rates ruling at the dates of the transactions. Gains or losses on exchange are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

## 15. Financial Risk Management

The Society has exposed three following risks from the use of financial instruments:

- i. Credit risk
- ii. Liquidity risk
- iii. Market risk

The note presents information about the Society's exposure to each of the above risks, the Society's objectives, policies and processes for measuring and managing risk, and the Society's Management of capital. Further quantitative disclosures are included throughout these financial statements. The Society's

risk Management policies are established to identify and analyze the risks faced by the Society, to set appropriate risk limits. Risk Management policies and systems are reviewed regularly to reflect changes in market conditions and the Society activities.

### 1. Credit Risk

Credit risk arises mainly on cash and cash equivalents and trade & other receivables. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The amount that best represents the Society's maximum exposure to credit risk as at 31 December 2021 is made up as follows:

### 2. Liquidity Risk

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as and when they fall due. The Society's approach to managing liquidity is to ensure, as far as possible, that it will always have

	<b>2023 Kshs</b>	<b>2022 Kshs</b>
Trade receivables (Note 17)	1,581,177,087	2,217,733,102
Bank balance	<u>225,320,894</u>	<u>269,536,166</u>
	<b>1,806,497,981</b>	<b>2,487,269,269</b>

sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Society's reputation.

### 3. Market Risk

Market risk is a risk that the fair value or future cash-flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

## 16. Key Source of Estimation Uncertainty

These are assumptions applied in estimating the carrying amounts and the underlying estimation uncertainty may lead to those amounts changing materially in the next 12 months. Examples of situations involving estimation uncertainty:

In the absence of recently observed market prices, future oriented estimates are necessary to measure the recoverable amounts of classes of property, plant and equipment.

The effect of technological obsolescence on inventories

Provisions subject to future outcome of litigation in progress

In determining the liability for long-service payments, Management must make an estimate of salary increases over the following five years, the discount rate for the next five years to use in the present value calculation, and the number of employees expected to leave before they receive the benefits.

## 17 Significant Judgment(s) in Applying the Society's Accounting Policies

Disclosure is made of significant judgments (apart from those involving estimations) made in applying the accounting policies that have the most significant effect on the amounts recognized in the financial statements.

When substantially all the significant risks and rewards of ownership of financial assets are transferred to other entities

Whether in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue

Whether the relationship with a special purpose entity indicates control of the Special Entity

## Notes to the Financial Statement

	<b>2023</b>	<b>2022</b>
	<b>Kshs.</b>	<b>Kshs.</b>
<b>2. Revenue</b>		
Income from Sale of Land	1,442,030,221	1,734,482,850
Income from Housing Project	51,610,000	93,500,000
VAS Income	6,154,280	
Interest on Extended payment	1,023,410	49,341
	<b>1,500,817,911</b>	<b>1,828,032,191</b>
<b>3. Cost of Sales</b>		
Cost of Sales - Land	(1,023,049,435)	(1,282,261,016)
Cost of Sales - Housing	(40,261,888)	(74,755,605)
	<b>(1,063,311,323)</b>	<b>(1,357,016,621)</b>
<i>These are direct costs associated with the recognizable units of land and houses</i>		
<b>4. Interest Income</b>		
Interest on Fixed Deposits	1,800,070	2,992,272
Other Interest Income	16,638,172	3,568,378
	<b>18,438,242</b>	<b>6,560,650</b>
<b>5. Rental Income</b>		
Net Rental Income	<b>2,363,872</b>	<b>4,117,438</b>
<b>6. Other Income</b>		
Project Exit Fee	10,521,830	13,624,693
Entrance Fees	1,503,000	2,722,000
Dividend income	65,764	3,381,956
Share Transfer Fees	659,064	1,045,364
Forex Gain	1,744,028	289,163
	<b>14,493,686</b>	<b>21,063,176</b>
	<b>1,536,113,711</b>	<b>1,859,773,455</b>
<b>7. Administration Expenses</b>		
Internet Domain	8,631,815	8,936,468
Office Expenses	4,054,305	2,446,332
Office Rent	2,194,784	1,960,820
Team building	1,155,720	5,090,396
Traveling & Subsistence	480,305	1,386,306
Motor Vehicle expenses	1,236,167	305,481
Software Maintenance	6,115,558	2,179,734
Postage & Delivery	565,600	105,572
Printing and Stationery	1,075,872	1,401,710
	<b>25,510,126</b>	<b>23,812,819</b>



# Notes to the Financial Statement

	<b>2023 Kshs.</b>	<b>2022 Kshs.</b>
<b>8. Personnel Expenses</b>		
Salaries and Wages	120,770,794	92,972,290
Staff Medical	18,500,240	20,928,255
Recruitment Expenses	1,624,490	2,587,328
Education and Training expenses	4,209,598	1,180,340
Staff Welfare	736,535	374,600
Performance Based Rewards to Employees	2,953,577	2,490,970
Staff Bonus	4,667,422	9,480,000
Professional Subscription	202,722	151,630
	<b>153,665,378</b>	<b>130,165,413</b>
<b>9. Financial Expenses</b>		
Bank Charges	3,912,461	4,148,608
Interest on Bank Loans	6,881,800	16,978,298
Interest onPepea Fixed Deposits	40,356,791	20,000,000
Interest on Member withdrawable Deposits (IED)	5,595,592	9,000,000
Interest on Lease Liabilities	5,545,355	2,495,511
	<b>62,291,999</b>	<b>52,622,417</b>
<b>10. Professional Expenses</b>		
Consultancy/Legal Fees	5,041,344	8,413,679
Audit Fee	928,000	638,000
ProjectsDirect Costs	6,296,740	
Supervision & Recoverable Expenses	80,200	55,200
<i>Projects Direct Costs are expenses related to old projects whose revenue had already been recognised</i>		
	<b>12,346,284</b>	<b>9,106,879</b>
<b>11. Governance Expenses</b>		
Committee Expenses	16,217,475	14,793,413
AGM Expenses	8,748,464	3,500,000
Committee Education	847,364	270,000
	<b>25,813,303</b>	<b>18,563,413</b>
<b>12. Business Development</b>		
Marketing & Advertisement	19,644,505	4,400,615
Research & Development	5,464,085	4,575,267
Members Forum Expenses	2,013,956	2,653,043
Strategic Planning Expense	2,998,738	5,585,305
	<b>30,121,284</b>	<b>17,214,230</b>
<b>13. Provision for Prior Year Projects (HPL)</b>		
Historical Problematic Land Expenses	8,416,549	9,942,126
<i>This relates to expenses that have been incurred on resolution of Pre - problematic land issues</i>		
	<b>8,416,549</b>	<b>9,942,126</b>
<b>14. Depreciation and Amortisation</b>		
Depreciation	15,252,622	8,324,284
Amortisation	5,403,525	5,030,232
	<b>20,656,147</b>	<b>13,354,516</b>

## Notes to the Financial Statement

	<b>2023</b>	<b>2022</b>
	<b>Kshs.</b>	<b>Kshs.</b>
<b>15. Cash and Bank</b>		
Co-operative Bank - Current Account	73,130,064	16,676,729
Co-operative Bank - Savings Account	37,162,791	2,329,925
Escrow Accounts	37,763,645	86,083,106
Mpesa Paybills	36,058,826	45,711,459
Sidian Bank	1,355,562	5,523,182
SACCO FOSA Account	1,349,068	215,105
Bank of Africa	34,736,660	110,166,941
Co-op Bank USD Account	3,468,155	2,489,443
Petty cash	296,124	340,277
	<b>255,320,894</b>	<b>269,536,166</b>
<b>16. Receivables and Prepayment</b>		
Zaria LLP	118,748,282	76,488,786
Prepaid Medical Insurance	2,961,654	3,659,280
Rent Receivable	318,786	296,286
Trade Debtors	6,395,571	1,526,256
Refundable Rent Deposits	3,682,500	3,082,500
Trade Prepayments	3,628,720	2,560,360
Prepaid Motor vehicle Insurance	120,815	100,751
	<b>135,856,328</b>	<b>87,714,219</b>
<b>17. Trade Receivables</b>		
Receivable within 1 year		
Land	516,254,567	642,999,047
Housing	105,643,789	76,235,467
	<b>621,898,356</b>	<b>719,234,514</b>
Receivable after 1 year		
Land	51,726,393	267,373,494
Housing	93,417,938	122,594,690
	145,144,331	389,968,184
	<b>767,042,686</b>	<b>1,109,202,698</b>
<b>Deferred Cost of Sales</b>	<b>814,134,401</b>	<b>1,108,530,404</b>
<i>Deferred COS represents the total COS for units whose revenue is yet to be recognized. When revenue is recognized for these units, we move the COS amount from the deferred COS to COS accounts</i>		
<b>Total receivables</b>	<b>1,581,177,087</b>	<b>2,217,733,102</b>

## Notes to the Financial Statement

	<b>2023 Kshs.</b>	<b>2022 Kshs.</b>
<b>18. Non-Current Assets Classified Held for Sale</b>		
Kajiado County	1,047,921,777	653,597,597
Machakos County	287,304,948	277,894,004
Kiambu County	340,719,014	688,227,442
Makueni County	83,539,217	56,121,474
Kitui County	68,095,801	76,424,058
Kilifi County	78,528,840	86,346,954
Nakuru County	19,068,174	20,262,765
Laikipia County	80,886,681	118,080,321
Kisumu County	29,050,146	24,643,844
Narok County	5,697,863	8,219,015
Siaya County	6,719,899	6,233,377
Kwale County	19,594,640	20,002,748
Uasin Gishu County	1,140,180	1,854,290
	<b>2,068,267,180</b>	<b>2,037,907,872</b>
<b>19. Housing Stock for Sale</b>		
Ruaka	21,632,391	37,856,684
Blue Bells 1	23,790,998	42,338,687
Kantafu Serene Homes	15,997,500	15,997,500
Blue Bells 2	21,539,913	26,924,892
Marina Show House	6,979,000	
	<b>89,939,802</b>	<b>123,117,763</b>
<b>20. Land held for Housing &amp; Investment</b>		
<b>Land held for Investment</b>		
Ruaka 2	66,895,400	66,895,400
Juja 1	6,190,980	6,190,980
Kitengela KCA	2,428,737	2,428,737
<b>Land held For Housing</b>		
Ruaka III Housing	89,500,050	89,500,050
Boutique Hotel & Holiday Homes	175,500,000	175,500,000
Athi River Housing	108,046,000	108,046,000
Kiserian Shopping Mall / Apartments	28,174,000	28,174,000
Ngong Township	4,406,907	4,406,907
	<b>481,142,074</b>	<b>481,142,074</b>
<b>21. Zaria LLP</b>		
Investment in Zaria LLP**		152,980,154
**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 Ksh 2b (being cost of land plus infrastructure developed on it). SIC has invested Ksh 358M 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.		<b>152,980,154</b>
Investment in Zaria LLP**	<b>69,419,018</b>	<b>40,181,407</b>

## Notes to the Financial Statement

	2023 Kshs.	2022 Kshs.
<b>22. Investment Top Farm Limited</b>		
Top Farm Limited	3,000,000	3,000,000
Investment in Top Farm Limited relates shares brought by Safaricom Investment Limited at a cost of Kshs. 3,000,000	<b>3,000,000</b>	<b>3,000,000</b>
<b>23. Agribusiness Investment</b>		
Land held for SIC farming	24,341,487	24,341,487
	<b>24,341,487</b>	<b>24,341,487</b>
<b>24. Other Financial Assets</b>		
Fixed Deposit account ***	4,759	90,004,759
CO-OP Trust Investment **	11,678,953	28,113,189
African Alliance **	8,076,949	9,556,943
CIC Group Shares **	2,025,000	2,025,000
** 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. We have also invested in Fixed Deposits accounts with Access Bank & Sidian Bank where we are earning interest at a rate of 10% and 10.5% respectively.	<b>21,785,661</b>	<b>129,699,891</b>
<b>25. Intangible Assets - Software</b>		
<b>Cost</b>		
As at start of Year	35,449,880	34,427,735
Additions	2,554,301	1,022,145
At end of Year	<b>38,004,181</b>	<b>35,449,880</b>
<b>Amortization</b>		
At start of year	15,924,836	10,894,604
Amortization	5,403,525	5,030,232
	21,328,361	15,924,836
<b>Net book value</b>	<b>16,675,820</b>	<b>19,525,044</b>

## 26. 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%	
<b>Cost</b>					
At start of year	2,993,387	13,715,186	7,418,500	23,000,408	47,127,481
Additions /Disposal (net)	-	2,509,422	-	8,679,632	11,189,054
At end of year (31.12.2023)	<b>2,993,387</b>	<b>16,224,608</b>	<b>7,418,500</b>	<b>31,680,040</b>	<b>58,316,535</b>
<b>Depreciation</b>					
At start of year	2,810,296	7,404,103	3,435,410	4,976,899	18,626,708
Charge for the Year	90,215	2,959,187	1,769,224	1,489,384	6,308,010
	<b>2,900,510</b>	<b>10,082,291</b>	<b>5,204,634</b>	<b>6,466,283</b>	<b>24,653,718</b>
<b>Net Book Value</b>					
<b>As at 31.12.2023</b>	<b>92,877</b>	<b>6,142,317</b>	<b>2,213,866</b>	<b>25,213,757</b>	<b>33,662,817</b>
<b>As at 31.12.2022</b>	<b>183,092</b>	<b>6,311,083</b>	<b>3,983,090</b>	<b>18,023,509</b>	<b>28,500,774</b>



## Notes to the Financial Statement

### 27 Current Income Tax Payable

	2023 Kshs.	2022 Kshs.
Opening Balance	12,224,862	(6,774,880)
Charge for the Year	20,560,854	20,116,348
Paid during the Year	(44,668,638)	(1,116,606)
<b>Tax receivable</b>	<b>(11,882,922)</b>	<b>12,224,862</b>

### 28 Right of use Asset

As at start of Year	46,959,688	46,959,688
Accumulated Depreciation	(12,671,663)	(3,726,959)
<b>At end of year</b>	<b>34,288,025</b>	<b>43,232,729</b>

With the adoption of IFRS 16, SIC is required to maintain a right of use asset and depreciate this asset periodically over the useful life of the asset

### 29 Miran Work in Progress

As at start of year	61,721,527	61,721,527
Additions	198,565,658	198,565,658
<b>At end of year</b>	<b>260,287,185</b>	<b>61,721,527</b>

This is a new off-plan housing project that the Society is developing at Ruaka. The project comprises of 4 blocks of apartments with various housing typologies

### 30 Trade Payables

Zaria Provisions	1,102,421	53,014,504
Trade & Projects creditors	286,763,260	361,385,413
Agency Deposits	43,355,972	40,937,714
IED & Pepea interest provisions	13,833,965	32,374,732
Audit Fees	1,028,000	319,000
Supervision & recoverable fees	80,200	55,200
AGM Expenses	5,500,000	3,500,000
Payroll Deductions	12,587,476	6,577,877
Accrued Expenses	2,099,941	7,061,868
Shares Payable Account	18,013,543	23,867,263
Honoraria & Staff Bonus	7,621,489	15,480,002
Miran Residence Deposits Received	235,265,896	68,512,076
	<b>627,252,163</b>	<b>613,085,649</b>

#### Deferred Income

IFRS 15	493,287,546	938,921,669
Interest on Tenancy Purchase Scheme	26,739,592	32,115,403
Housing Income	152,398,413	58,658,413

Deferred income, represents the total income for units whose revenue is yet to be recognized. When the revenue is recognized for these units we move the revenue amount from deferred revenue to recognizable revenue (Sales),

#### Total Trade Payables

<b>1,299,677,714</b>	<b>1,642,781,134</b>
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# Notes to the Financial Statement

	2023 Kshs.	2022 Kshs.
<b>31 Proposed Rebates to Members</b>		
Balance b/f	176,983,244	117,402,959
Paid during the year	(176,983,244)	(117,402,959)
Proposed during the year	142,,380,235	176,983,244
	<b>142,380,235</b>	<b>176,983,244</b>
<b>32 Interest Bearing Liabilities (Pepea, IED &amp; Bank Loans)</b>		
Opening Balance	1,287,868,430	1,042,411,717
Receipts in the year	243,705,202	1,105,697,818
Payments	(577,884,239)	(860,241,105)
<b>Closing Balance</b>	<b>953,689,393</b>	<b>1,287,868,430</b>
<b>33 Lease Liability</b>		
Opening Balance	44,713,699	46,959,688
Changes in the Year	(5,920,375)	(2,245,989)
<b>Closing Balance</b>	<b>38,793,324</b>	<b>44,713,699</b>
<b>34 Share Capital</b>		
Opening Balance	2,504,334,145	2,504,334,145
Additions During the Period	-	-
<b>Closing Balance</b>	<b>2,504,334,145</b>	<b>2,504,334,145</b>
<b>35 Reserves</b>		
<b>Statutory Reserve</b>		
Opening Balance	44,470,000	30,258,633
Provided During the Period	8,091,849	14,211,367
<b>Closing Balance</b>	<b>52,561,850</b>	<b>44,470,000</b>
<b>Retained Earnings</b>		
Opening Balance	(33,222,713)	(84,068,182)
Proposed Honoraria	(2,954,064)	(6,000,000)
Retained Earnings for the Year	40,459,247	71,056,836
Transfer to Statutory Reserve	(8,091,849)	(14,211,369)
<b>Closing Balance</b>	<b>(3,809,379)</b>	<b>(33,222,713)</b>
	<b>48,752,471</b>	<b>11,247,287</b>



## Notes to the Financial Statement

### 36 Contingent Liabilities

The Society was a defendant in the case NAIROBI CMCC NO E290 OF 2021 KIMANI WAMBUA & COMPANY ADVOCATES V SIC Allegation of breach of contract for payment of fees and claim for KES, 2,500,000. The matter was settled out of court where SIC paid KES. 2,085,000/-. The matter was settled on 30<sup>th</sup> October, 2023

### 37 Currency Risk

The Society operates wholly in Kenya and its Assets and Liabilities are reported in the local currency. It therefore held no significant foreign currency exposure during the period.

### 38 Comparatives











Where necessary, presentation in the previous year has been adjusted to match presentation in the current year.

## Introduction to Zaria Village

The development features 331 ¼ acre serviced plots available for sale, a mini shopping complex, a school, a clubhouse and a recreational area. Located about 25 km from the central business district, off the Ruiru-Kiam-bu bypass. It is a joint venture partnership between Safaricom investment cooperative (SIC) and Palm ridge limited.

The project is a controlled development with pre-approved modern house designs among which the buyers can select from, some of our buyers are currently constructing their homes. The project infrastructure works are at advanced stage, with 81% scope executed

### Project Amenities:

- |  |   |
|--|---|
|  Well-designed stone perimeter wall |  2 Recreational Areas, by the river and by the Lake Zaad |
|  Internal Cabro roads               |  4 options of scalable house designs                     |
|  Provision for an education center  |  Provision for a Mini Shopping Complex                   |
|  Solar Street Lighting              |  Clubhouse, gym and restaurant                           |
|  Jogging Track                      |  25m Swimming pool with Kiddy Pool                       |

### Payment Plan

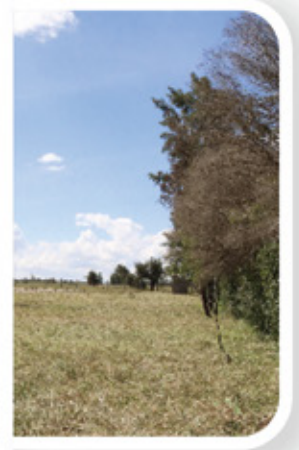
The following discounts will be applicable for the aforementioned period for the clients who commits within this period.



The developer has partnered with following banks NCBA, STANBIC, KCB for mortgages financing to prospective buyers.







1/8 Acre

STARTING FROM

**KES.1.27M**

Kitengela Oakwood is just 10 minutes' drive from Kitengela town and 20 minutes to Nairobi CBD via the express way. It is located next to the serene Hon. Saitoti farm area. With a strategic location and proximity to amenities, this project automatically qualifies for buy and build.

Immerse yourself in the tranquility of Kitengela as you enjoy convenient access to all the amenities you need.

**Amenities in the area include:**

🚗 Easy Accessibility ⚡ Electricity 💧 Water 🏠 Ready Titles

LIPA NA **m-pesa**

PAYBILL NUMBER:

**5 2 2 5 2 2**

ACCOUNT NUMBER:

**1314574388**



**KENYA COMMERCIAL BANK**

SWIFT CODE: **KCBLKENX**

BRANCH CODE: **289**



## **SAFARICOM INVESTMENT CO-OPERATIVE**

*The Investment Partner of Choice*

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