

TOWER SACCO LTD
A Basket for All Your Financial Needs

SALE OF SHARES

**INFORMATION
MEMORANDUM**

**ATTRACTIVE RETURNS
ON
INVESTMENTS**

www.towersacco.co.ke

BOARD OF DIRECTORS



MR. JOHN P.M. GITUNDU
CHAIRMAN B.O.D.



GABRIEL NJIHIA W.
C.E.O.



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TREASURER



MR. PETER M. NGUGI
HON. SECRETARY



MR. JOSEPH M. WAIGWA
CHAIRMAN AUDIT COMMITTEE



MR. FRANCIS GICHUKI
CHAIRMAN CREDIT COMMITTEE



MR. GEORGE K. KAMAU
CHAIRMAN FINANCE COMMITTEE



MR. JAMES M. KIIRU
MEMBER FINANCE COMMITTEE



MR. DAVID M. NJENGA
SECRETARY CREDIT COMMITTEE



JOSEPHINE W. MURIITHI
CHAIRPERSON
SUPERVISORY COMMITTEE



PETER N. KURIA
SECRETARY
SUPERVISORY COMMITTEE



LUKAS K. WAMWARA
MEMBER
SUPERVISORY COMMITTEE

SENIOR MANAGEMENT TEAM



GABRIEL NJIHIA W.
CHIEF EXECUTIVE OFFICER



PATRICK K. NJENGA
DEPUTY C.E.O & HEAD OF FINANCE



DANIEL WANYOIKE
HEAD OF OPERATIONS



ANN KARANJA
HEAD OF CREDIT



SAMUEL KIMANI
HEAD OF MARKETING



DANIEL NGARI
HEAD OF RISK



JOHN KIMANI
HEAD OF AUDIT



CATHERINE MATHENGE
HR MANAGER



GEOFFREY NGUGI
HEAD OF ICT



MILKA KIMANI
ADMIN. SECRETARY

TABLE OF CONTENTS

1.0	PREFACE	2
2.0	EXECUTIVE SUMMARY	3-5
3.0	BACKGROUND OF TOWER SACCO SOCIETY LIMITED.....	6-7
3.1	SOCIETY'S STATISTICS AS AT 31 st August 2020	7
3.2	PRODUCTS AND SERVICES OFFERED BY THE SACCO	8
4.0	DISCLAIMER STATEMENTS.....	9
5.0	KEY INVESTMENT CONSIDERATIONS.....	10-12
6.0	GOVERNANCE STRUCTURE	13
7.0	FINANCIAL PERFORMANCE.....	14-15
8.0	SHARE ISSUE OBJECTIVE	15-16
9.0	THE OFFER	16
10.0	LIST OF DIRECTORS AND THEIR CAPACITIES.....	16

1.0 PREFACE

- 1 This Information Memorandum includes particulars given in pursuance of giving pertinent information to members on Tower SACCO Society Ltd
- 2 Tower Sacco Society is registered as a Cooperative Society under the Cooperative Societies Act under registration number C/S 2559
- 3 Tower Sacco is also regulated as a Deposit taking SACCO by the Sacco Societies Regulatory Authority (SASRA) under Sacco Societies Act 2008
- 4 The Board of Directors of Tower SACCO Society verify that the information contained herein is true and accurate to the best of the knowledge and belief of the directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 5 Tower SACCO Society has a paid up share capital of Kes 568,295,100.00
- 6 The shares are available only to existing members of Tower SACCO Society who have fully paid up their minimum shares.
- 7 The Shares are unencumbered and are freely transferable subject to the SACCO by-Laws and subject also to the restrictions set out in the SACCO Societies Act 2008.

2.0 EXECUTIVE SUMMARY

Tower SACCO Limited is pleased to offer to its shareholders an opportunity to invest and increase their shareholding. The shares being offered are 5,000,000 ordinary shares. The following constitutes some key considerations regarding the SACCO and the Offer but is by no means exhaustive:

Incorporation And Status Of The Sacco

Tower SACCO Society was registered on 15th September 1976 as a Cooperative Society as per the Cooperative Societies Act 2004.

Shareholding

The SACCO has issued and paid up shares of Kes 568,295,100 as at 31st December 2019. It had a total registered membership of 105,580 consisting of individual shareholders.

Details Of The Principal Shareholders

As at the date of this Information Memorandum the members of the SACCO held a minimum 100 shares for those in “Class A” and 20 shares for those in “Class B”.

Shareholding By Directors And Senior Management

As at the date of this Information Memorandum, all the Directors and Senior Management had the same preference of shares as other ordinary shareholders.

*Invest in Tower Sacco
Shares Today
for a Bright Future*

CORPORATE GOVERNANCE

The Board of Directors of Tower SACCO consists of nine members, drawn from different geographical locations of Nyandarua County. The Board of Directors is responsible for fostering the long-term business of the SACCO consistent with their fiduciary responsibilities to shareholders and depositors.

The Board is committed to conducting the affairs of the SACCO with openness, integrity and accountability and in accordance with the highest standards of corporate governance. Each of the directors has signed a code of conduct which sets out the duties and responsibilities of the directors.

As at the date of this Information Memorandum and for a period of at least two years prior to the date of this Information Memorandum, no director of the Company:

- a) Has or has had any petition under bankruptcy laws pending or threatened against him; or
- b) Has or has had any criminal proceedings in which

he was convicted of fraud or any criminal offence, nor been named the subject of any pending criminal proceedings or any other offence or action either within or outside Kenya.

The Offer And Proposed Price

The SACCO is offering a total of 5,000,000 shares at a price of Kes 100 per share. The price for the shares took into consideration the following factors:

- The SACCO's robust over the counter market price; and
- The earning potential of the shares;

The anticipated fair market value per share price for the SACCO should be Kes.100

Reasons For The Offer

The primary purpose of Share offer is to provide an avenue for the share holders to invest and at the same time enhance Tower SACCO liquidity position. The offer will also provide:

- An opportunity for customers of the SACCO to share in what the SACCO believes will continue to be a successful cooperative venture;

- An objective valuation of the shares of the SACCO and an enhancement of the SACCO's price discovery mechanism;
- A mechanism of exchange of shares for the shareholders of the SACCO;
- An opportunity for the SACCO to enhance corporate governance structures, corporate image and disclosure standards;
- An avenue for the SACCO to raise additional capital.

No Benefits, Discounts, Commissions And

Contracts Paid.

Except as is disclosed in this Information Memorandum in the past two years, there has been no material reclassifications, mergers, consolidations of the share capital of the SACCO and there has been no acquisition or dispositions of any material amount of assets otherwise than in the ordinary course of business.

Subsidiaries

As at the date of this Information Memorandum, the SACCO had no subsidiaries.

Capital Gains

Any gains or losses which accrue on the disposal of shares will not constitute loss under the current Kenyan Law.

*Secure Your Tomorrow
with Tower Sacco
Shares*

3.0 Background Of Tower Sacco Society Limited

Tower Sacco Was Established In The Year 1976 With The Aim Of Serving Teachers Employed Within The Then Nyandarua District. The Sacco Has Since Expanded Its Reach To Other Members From Outside The Teaching Fraternity

In Line With Its Vision Of “**being Accessible, Universal Sacco Of Choice For Excellent And Vibrant Economic Growth**” The Sacco Has Grown Tremendously In The Recent Past, More So With The Introduction Of The Front Office Services Activity (fosa) Which Led To Its Expansion To Other Parts Of The County Beyond Ol’kalou(headquarters).

The Sacco Currently Has Sixteen Branches: Ol-k’alou, Engineer, Maralal, Ndaragwa, Nyahururu, Mirangine, Rumuruti, Nakuru, Naivasha, Gilgil, Narok, Miharati, Murungaru, Kwa Haraka And Kariobangi In Nairobi And Five Satellite Offices In, Mtwapa, Shamata, Geta, Ngano And Wiyumiririe.

In Addition To The Branches, Members Are Still Able To

Access Services Through Alternative Channels Such As Mobile Banking, Sacco Agency Banking And The Visa Branded Atm's Through The Coop Sacco Link Card.

Achievements:

The Sacco Has Compared Well In The National And Local Market. During The Year 2019 International Co-operative Day, We Were Awarded The Following Trophies And Certificates Both Nationally And At The County Level.

National Level

1. Best Improved Employer Based Sacco Tier 1 Position 3 (source Cak).
2. most Improved Member Deposits In Percentage Growth Position 1 (source: Sasra)
3. Most Improved Total Assets In Percentage Growth (source: Sasra).
4. The 2nd Best Sacco For The Highest Dividend/interest Payment To Its Shareholders.

County Level

Overall Best Managed & Improved Sacco Society In Nyandarua County- Position 1

Mission Statement:

To Mobilize, Offer Diversified, Sustainable Financial Products And Services At Competitive Rates To Uplift Social-economic Standards Of Members Within The Republic Of Kenya And Beyond.

Our Values

- Integrity
- Confidentiality
- Efficiency and Effectiveness
- Teamwork
- Equality and Equity
- Creativity and Innovation

ICETEC

3.1 Society's Statistics As at 31ST AUGUST 2020:

S/no.	Description	
1.	Number of members	124,097
2.	Members deposits	Kshs.9,687,004,685
3.	Number of branches and satellites: Branches	15
	: Satellites	5
4.	Loans granted to members	Kshs.10,783,797,818
5.	Profitability 31 st August 2020	Kshs.953,087,740
6.	Total Assets	Kshs.12,222,710,394
7.	Number of employees	159

3.2 Products and Services offered by the SACCO

LOAN PRODUCTS:

Normal Loan
Mortgage Loan
Emergency Loan
School Fees
Special Loan
Normal Loan Extraction
Instant Fosa Loan
Fosa Emergency 24
Salary Advance
Salary In Advance
Okoa Advance
Premium Scheme Loan
Premium Emergency Loan
Farm Produce Advance
Dividend Advance
Asset Financing
Bima Loan
Motorbike Loan
Group Investment Loans

SAVINGS PRODUCTS:

- * Ordinary Savings Account
- * Current/Business Account
- * Fixed Deposit Account
- * Stop Gap Account
- * Education Account/School Fees Account
- * Premium Scheme Account
- * Save as you Borrow
- * SACCO Junior Account
- * Super Saver Account

SERVICES:

- * Cash Deposit
- * Cheque Deposit
- * Cash Withdrawal
- * Stamp Duty
- * Cheque Withdrawal
- * Salary/Pension Processing
- * Cheque Clearance/RTGS/EFT
- * Farms Produce Processing
- * Safe Custody of Documents
- * Sale of Cheques
- * Dividend Processing
- * Mpesa Services
- * Money Gram Services
- * Account Opening
- * Issuance of FOSA Cards
- * ATM
- * Standing Orders
- * Internal Funds Transfer
- * Statement Charges
- * Sacco Agency Banking
- * Mobile Banking

4.0 DISCLAIMER STATEMENTS

The Directors of the Issuer, having made all reasonable inquiries, confirm that this Information Memorandum contains all information with respect to Tower SACCO Society by which is material in the context of the Shares, that the information contained in this Information Memorandum is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Information Memorandum are honestly held and that there are no other facts the omission of which would make any of such information or the expression of any such opinions or intentions misleading. The Directors of the Issuer accept responsibility accordingly.

The Directors of the Issuer, whose names appear in this Information Memorandum, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who

have taken all reasonable care to ensure that such is the case) the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or make any representation other than those contained in this Information Memorandum and if given or made, such information or representation should not be relied upon as having been authorised by or on behalf of the SACCO.

The distribution of this Information Memorandum and the offer for sale of the Shares may be restricted by law to certain jurisdictions. Persons into whose possession this Information Memorandum or any Shares may come must first inform him or herself about and observe any such restrictions.

5.0 KEY INVESTMENT CONSIDERATIONS

Key investment considerations include the following:

Proven Track Record

Tower SACCO has in the past achieved positive results in its key performance indicators. In the last five years (2015-2019) information on some selected parameters is as follows:

	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019
Members	33,390	45,613	60,728	83,333	105,580
Share Capital	214,262,388	318,788,299	422,716,353	502,686,634	568,295,138
Total Assets	4,007,925,069	5,348,458,200	6,652,981,523	8,524,725,336	11,157,555,537
Loan Book	302,962,1393	4,412,165,204	5,527,589,203	7,095,797,059	9,190,381,312
Member	3,034,923,586	4,060,112,530	5,120,287,444	6,545,511,783	8,629,186,947

Growth in Niche Market

Tower SACCO has focused on providing diversified products and services to its members through continuous market research and product innovation. It has developed products and services tailor-made to meet the demands of different market segments.

The SACCO targets both salaried and self-employed individuals, institutions and corporate bodies as well as the business community. The SACCO's continued expansion to new and untapped markets. It is expected that providing financial services to this target market will result in sustainable business growth and profitability.

Board of Directors and Management Team

Tower SACCO's Board of Directors have a wealth of experience in the management of a cooperative society that have and will continue to contribute to the growth and development of the SACCO. The SACCO's senior management team has extensive experience and proven track record within the Cooperative movement and the corporate world. To ensure that it continues to be governed properly, it has put in place robust corporate governance structures.

Risk Management Strategies

The SACCO has established a comprehensive risk management program covering its key risk areas in conformity with the regulatory norms, industry best practices and in support of the business strategy. It has identified a range of possible risks which have been mapped and the respective mitigating strategies put in place.

The risk management and assurance function subscribes to the highest standards of corporate

governance and aspires to comply fully with all applicable laws, regulations and rules that govern Sacco business activities.

Thus the strategy serves as a guide mainly to the risk management and assurance function on the management of credit risk, operational risk, liquidity risk, compliance risk, legal risk, information risk and other business risk.

Infrastructure

Tower SACCO has invested heavily in a robust Management information system that is able to accommodate growth as well as deliver innovative solutions such as the mobile banking, ATM platforms, Sacco agency banking and internet services.

Branch Network

In keeping with the SACCO's commitment to offer its services to its members, the SACCO has fifteen (15) fully fledged branches and Five (5) satellite offices. It plans to expand further in the coming years to ensure continued growth of the shareholders' value

Dividend Policy

Tower SACCO has had a consistent dividend policy. The SACCO's Board of Directors intend to maintain a consistent annual dividend policy to the shareholders of an amount that can be sustained taking into account the variations in earnings and which is commensurate with the capital expenditure of the SACCO.

Growth Potential

With more Kenyans taking up financial services, it is foreseen that the potential to do bigger business for the SACCO is guaranteed. With the growth of the self-employed segment in Kenya, the potential for micro credit has steadily grown and the SACCO has aligned itself to tap into this market by developing products and allocating resources to this segment. Micro credit customers comprise of formal wage earners employed

in the lower income brackets, and entrepreneurs and workers in the mostly informal small and micro enterprises (SMEs) and smallholder farmers. This market offers very significant scope for growth.

Increased Demand for SACCO's Products and Services

With the current growth in the Kenyan population, Gross Domestic Product (“GDP”) and increased sensitisation of the benefits of financial services, there is an ever increasing demand for the SACCO's products. The SACCO is continuously developing new products which are customer driven. The ability of the SACCO to identify and satisfy this demand will drive its continued growth and profitability as per the strategic plan.

6.0 GOVERNANCE STRUCTURE

The SACCOs' growth and achievements have largely been as a result of sound and prudent management by a widely experienced Board of Directors and highly competent Management team.

BOARD OF DIRECTORS:

Mr. John P.M. Gitundu	- Chairman B.O.D.
Mr. Samuel Kuria	- Treasurer
Mr. Peter M. Ngugi	- Hon. Secretary
Mr. George K. Kamau	- Chairman Finance Board
Mr. David M. Njenga	- Secretary Credit Committee
Mr. Joseph M. Waigwa	- Chairman Audit Committee
Mr. Francis Gichuki	- Chairman Credit Committee
Mr. James M. Kiiru	- Member Finance Board

SUPERVISORY BOARD COMMITTEE:

1. Mrs Josephine W. Muriithi
2. Peter N. Kuria
3. Lukas K. Wamwara

SENIOR MANAGEMENT TEAM:

1. Gabriel Njihia	Chief Executive Officer
2. Patrick Njenga	Deputy C.E.O and Head of Finance
3. John Kimani	Head of Audit
4. Ann Karanja	Head of Credit
5. Samuel Kimani	Head of Marketing
6. Daniel Wanyoike	Head of Operations
7. Daniel Ngari	Head of Risk
8. Geoffrey Ngugi	Head of ICT
9. Catherine Mathenge	Hr Manager
10. Milka Kimani	Administrative Secretary

7.0 FINANCIAL PERFORMANCE

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2019

		<u>2019</u>	<u>2018</u>
	<u>NOTES</u>	<u>Kshs.</u>	<u>Kshs.</u>
Interest on loans and advances	1(a)	1,457,324,650	1,152,292,571
Other interest income	1(b)	30,294,770	18,293,774
Total interest		1,487,619,420	1,170,586,345
Interest expenses	2	819,615,010	612,871,237
Net interest income		668,004,410	557,715,108
Other operating income	3(a)	104,652,450	59,654,783
Gain on disposal of PPE	3(b)	-	-
Net income		772,656,860	617,369,891
Administration expenses			
Financial expenses	4	164,610,865	148,177,389
Personnel expenses	5	172,796,620	103,177,142
Operating expenses	6	97,381,455	81,834,966
Governance expenses	7	39,951,918	24,022,486
Marketing expenses	8	29,650,316	23,899,464
Depreciation/Amortisation	9	50,970,039	35,907,541
Total expenses		555,361,212	417,018,988
Net operating surplus/ (deficit) before income tax		217,295,648	200,350,903
Income tax expense	10	27,522,550	11,535,487
Net surplus/ (deficit) for the year		<u>189,773,098</u>	<u>188,815,415</u>

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2019:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Assets		Kshs.	Kshs.
Cash and cash equivalents	11	1,320,406,129	939,255,886
Prepayments and sundry receivables	12	1,196,810	1,746,710
Trade and other receivables	13	169,211,001	198,616,522
Loans to members	14	9,190,381,312	7,095,797,059
Financial investments	15	71,131,436	48,019,548
Intangible assets	16	143,572,770	74,169,197
Property plant and equipment	17	251,874,579	160,531,727
Other assets	18	9,781,501	6,588,687
Total assets		11,157,555,537	8,524,725,337
Liabilities			
Members deposits	19	8,629,186,947	6,545,511,783
Income tax payable	20	14,735,791	4,068,083
Interest (Rebates) payable	21(a)	766,095,647	575,759,628
Dividends payable	21(b)	113,659,028	100,537,327
Sundry creditors	22	37,106,561	11,382,673
Total liabilities		9,560,783,974	7,237,259,493
Equity			
Share capital	24	568,295,138	502,686,634
General Reserves	25	11,735,804	3,634,412
Statutory Reserves	26	184,896,605	146,941,985
Capital Reserves	27	474,963,515	314,113,291
Retained earnings	28	356,880,502	320,089,522
Total Equity		1,596,771,564	1,287,465,844
Total liabilities and Equity		11,157,555,537	8,524,725,337

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2019:

CASH GENERATED FROM		31-Dec-19	31-Dec-18
<u>OPERATING ACTIVITIES:</u>			
Rebates & Interest payments	2, 4 & 21	(653,465,426)	(337,499,598)
Other income	3	104,652,450	59,654,783
Payments to employees & suppliers	5, 6, 7 & 8	(323,595,245)	(229,844,058)
Cash after operating activities		615,211,199	662,897,472
<u>Increase/decrease in operating assets</u>			
Prepayments and sundry receivables	12	549,900	608,578
Trade & other receivables	13	29,405,521	(174,155,038)
<u>Increase/decrease in operating liabilities</u>			
Members Deposits & savings			
Risk management fund	23	158,052,496	80,943,154
Net cash from operating activities before income tax		659,981,420	169,258,146
Net cash from operating activities		643,126,578	160,363,636
<u>Investing activities</u>			
Property , plant & equipment	17(a)	(113,104,484)	(43,494,485)
Purchase of shares	15	(20,314,161)	(662,178)
Other assets	18	(3,192,814)	1,985,678
Net cash from investing activities		(235,220,435)	(84,667,021)
<u>Financing activities</u>			
Share capital	24	65,608,504	79,970,281
General reserves	25	8,101,392	2,028,272
Cash after financing activities		(26,755,900)	1,732,045
Net increase/decrease in cash and cash equivalent		381,150,243	77,428,660
cash and cash equivalent at the beginning of the year		939,255,886	861,827,225
Cash and cash equivalent at the end of the year		1,320,406,129	939,255,886

8.0 SHARE ISSUE OBJECTIVE

Tower SACCO currently has a share capital of Kes 568,295,100 and seeks to raise an additional Kes 500 Million for expansion purposes from its existing members while creating value for them. It proposes to do this through issuance of 5,000,000 new shares to its members at Kes 100 each. Currently each member is expected to purchase a minimum of 100 shares of Kes 100 each.

By purchasing new shares, the SACCO members stand to benefit from having a larger shareholding upon which payment of dividend is based on. A share of the Company means that the members of the SACCO can retain their ownership even after exiting from active participation in the SACCO and continue earning a dividend on their shares.

Based on the past financial performance trend of the SACCO, members stand to receive a positive return on their investment through a good rate of dividend.

	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019
Rate of Dividend	12%	12%	12%	12%	15%	20%	20%	20%	20%	20%

The SACCO opted for this option rather than taking a commercial loan so as to create loyalty with its members and enjoy the returns which would have been paid to the banks in form of interest on loans.

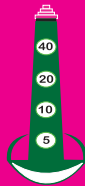
This option thus gives both SACCO a mutual benefit in that members' value increases through the additional investment made in the SACCO.

9.0 THE OFFER

The Board of Directors of Tower SACCO propose to offer its members an offer to purchase additional shares at a par value of Kes 100 with each participating member being required to purchase a minimum number of 20 shares.

10.0 LIST OF DIRECTORS AND THEIR CAPACITIES

Mr. John P.M. Gitundu	- Chairman B.O.D.
Mr. Samuel Kuria	- Treasurer
Mr. Peter M. Ngugi	- Hon. Secretary
Mr. George K. Kamau	- Chairman Finance Board
Mr. David M. Njenga	- Secretary Credit Committee
Mr. Joseph M. Waigwa	- Chairman Audit Committee
Mr. Francis Gichuki	- Chairman Credit Committee
Mr. James M. Kiiru	- Member Finance Board



TOWER SACCO LTD

A Basket for All Your Financial Needs

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OUR BRANCHES:

- Ol'Kalou ● Engineer ● Ndaragwa ● Kariobangi ● Gilgil ● Miharati ● Nakuru ● Naivasha
- Mararal ● Kwa Haraka ● Nyahururu ● Shamata ● Wiyumiririe ● Mirangine ● Ngano
- Geta ● Murungaru ● Rumuruti ● Mtwapa ● Narok ● Town Branch - Ol'Kalou

www.tower.co.ke