



CARE COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED



ANNUAL REPORT | 2016

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BACKGROUND

Care Cooperative Savings and Credit Society Limited was established in 1995 under the guidance of the Ministry of Agriculture and Cooperatives. It started off as a small Cooperative through contributions from employees from Care International, with an initial membership of 50, and has now grown to over 2,000 members drawn from various non-governmental organizations and general members who are former employees of member organizations.

VISION

Care Cooperative Savings and Credit Society Limited's Vision is to provide affordable and flexible finance to enhance a member's standard of living in particular those in non-governmental organisations (NGOs).

MISSION

The Cooperative's main objective is to encourage Savings from its members and advance them with loans for development and any emergencies.

AUDITORS

CYMA
Chartered Public Accountants and Management Consultants
4th Floor, Electra House
P.O. Box 38298
LUSAKA, ZAMBIA

BANKERS

Barclays Bank (Z) Ltd
Kafue House, Cairo Road
P.O. Box 31936
LUSAK, ZAMBIA

Standard Chartered Bank
Lusaka Main Branch, Cairo Road
P.O. Box 31934
LUSAKA, ZAMBIA

LAWYERS

Lewis Nathan and Associates
Plot 758, Independence Avenue
P.O. Box 37268
LUSAKA, ZAMBIA

MEMBER ORGANIZATIONS

No.	Member Organization	Membership	No.	Member Organization	Membership
1	General Members	379	30	Action Aid	23
2	Care International	55	31	PATH	62
3	ZCHARD	5	32	Room to Read	17
4	EFC	126	33	IPAS	11
5	Plan International	71	34	SAT	7
6	Care Cooperative Staff	12	35	FHI 360	38
7	Africare	16	36	Afya Mzuri	3
8	Habitat for Humanity	2	37	Child Fund	22
9	Embassy of Ireland	30	38	Zambia Governance Foundation	18
10	CRS	55	39	NGOCC	17
11	CIDRZ	443	40	Pinewood School	27
12	World Vision	15	41	Show Society of Zambia	9
13	ZOCS	4	42	SNV	20
14	REPSSI	4	43	Banani International School	13
15	Save the Children	45	44	CounterPart International	12
16	World Fish Center	9	45	Transparency International	12
17	Abt Associates (AIRS)	20	46	ZAMBART	91
18	EGPAF	17	47	BBC Media	15
19	Kick Start	9	48	Catholic Mission Medical Board	14
20	Musika	24	49	CSPR	6
21	VVOB	5	50	Diakonia Zambia	4
22	Project Concern	32	51	FSDZ	13
23	ACDI VOCA (Profit Plus)	25	52	GIZ	34
24	Child Fund (Chongwe)	13	53	Norwegian Church Aid	19
25	Wild Life Conservation	48	54	Pact	14
26	Oxfam	19	55	Swedish Aid	10
27	Concern Worldwide	31	56	Technosave	5
28	SFH	41	57	Zambia Anglican Council	9
29	Water Aid	16	58		
Total Membership as at 31st December 2016					2116

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (AGM) of the members of Care Cooperative Savings and Credit Society Limited (the "Cooperative") will be held on Saturday, 8 April 2017 at 08:30h at the Radisson Blu Hotel, Lusaka, Zambia to transact the following business:

08:30hrs: Arrival of members and Registration
09:00hrs: Review, Correction and Adoption of 2015 AGM Minutes
09:15hrs: Board Chairperson's Speech
09:30hrs: Speech by Guest of Honour - Ministry of Commerce Representative
09:45hrs: Presentation of Awards
09:55hrs: Presentation and adoption of 2016 audited Financial Statements
10:30hrs: Declaration of Dividend
10:45hrs: Supervisory Committee report
11:00hrs: Appointment of Auditors for the financial year 2017
11:15hrs: Report on Share Split Policy Implementation
11:00hrs: Launch of the issuance of Share Certificates
11:45hrs: Presentation of Answers to pre-sent Questions
12:05hrs: Election of Directors
13:00hrs: Closing Remarks/Prayer & Lunch

By Order of the Board



Fidelity Milambo
Board Secretary

Issued in Lusaka, Zambia on 9th March 2017

CHAIRPERSON'S REPORT



Introduction

On behalf of the Board of Directors I welcome you all to this Annual General Meeting, specially recognizing our guests from the Ministry of Trade Commerce and Industry and other invited guests.

The year 2016 has been one of mixed fortunes in which some achievements have been recorded and great challenges encountered.

Financial Outlook

On a positive note, the Cooperative for the year ending 31st December 2016, recorded a balance sheet of ZMW 50,471, 026 compared to ZMW 37,828,559 in 2015 signaling an increase of 33% over the year 2015. Further member savings have risen to ZMW 42million compared to ZMW 29.5 million in 2015 – a 42% increase in the year under discussion; the monetary value of shares rose from ZMW704, 000 in 2015 to ZMW1.2 million in 2016, an increase of 71%. This is indeed significant growth given the economic challenges of 2016.

On another note Care Coop was awarded a prize for good corporate governance, in recognition of the actions the Board has undertaken to strengthen internal governance, during the International Credit Union Day, held on the 26th October, 2016.

The continuing growth of the Care Coop is indeed welcome but with its growth comes the added responsibility of ensuring systems that increase accountability and effective risk management.

Fraud

As many of you know we had a very unfortunate event during the year 2016 where two members of our senior staff, taking advantage of the limitations of the financing system that was in place and abusing their access privileges to the system committed a fraud which cost the Care Coop a total of K 643,773.09. Of this amount ZMW 587, 544.09 was attributable to the former Care Coop Manager, and ZMW 56,229 to former Finance Coordinator. Both have active police cases and money is being recovered from each. Recoveries for the latter are expected to be completed within 3 months, with at least 50% payment made so far. While the former Cooperative Manager has offered a property towards repayment the said amount.

The key reasons for this fraud were that in the LPF accounting and loan system:

1. Operators were also user creators which offered the perpetrators of the fraud an opportunity to manipulate the system in their favour. This loophole has been addressed in the new Microsoft Navision Dynamics system by restricting rights to create users to ICT personnel who are not involved in the management of funds
2. Roles were not segregated in the old system – again this has been addressed in the Microsoft Navision Dynamics system

3. Dormant accounts had no restriction features to lock down after a period of inactivity – this feature is available in the Microsoft Navision Dynamics

A summary of the findings of the forensic audit has been circulated to all members and I can confidently state that as of now all member savings are secure. The fraud was a wake-up call for Care Coop and as the Coop expands and grows it is critically important that we adopt strategic approaches to manage risk and we cannot continue doing business in the same way as we did when the Care Coop was a small entity. This Board has started that process and subsequent Boards must carry on to safeguard the investments of our members. The combination of rapid growth and computerization pose their own risks, and for this reason we need to invest in strengthening internal management and accountability systems.

Board and Management Realignment

To strengthen management and internal control systems, staff recruitments have been made and a General Manager and Compliance Manager have been hired and they commenced work on 17th October 2016 and 4th November 2016, respectively. The two recruitments were conducted by a Select Committee comprising of Care Coop members, namely; Mrs. Eileen Kaunda, Ms. Kasubika Chibuye and Mrs. Beatrice Mwila. These recruitments have enabled a realignment of Board and Management functions, a necessary condition for effective checks and balances. Further, following the resignation of a long-serving Care Coop employee, Mrs. Hope Zulu, the position of Administration Coordinator has been upped to Human Resource and Administration Officer, and Martha Kasempa was recruited to fill this enriched position. At this moment, I would like to acknowledge Mrs. Hope Zulu for her distinguished service and commitment to Care Coop and wish her well in her future endeavors.

Care Coop has undertaken an overhaul of financial management policies and standard operating procedures spanning loan disbursement, collections and general financial management. In this vein, we have reviewed documentation required for saving withdrawals to include the requirement for a copy of an identification document, non-cash disbursements – among other measures.

You will have noticed that the loan products have increased overtime with the latest additions including loan products for vehicles and shares. Loan products are still under review to ensure maximal benefit for the membership while at the same time managing risk.

Member Recruitment

In the year under review, Care Coop through its Education Committee continued with member education and recruitment activities. In the process eight (8) shareholding and four (4) non-shareholding member organizations were recruited in 2016. The total current membership as at 31st December 2017 stood at 52 shareholding and 5 non-shareholding member organizations. The total individual membership of Care Coop now stands at 2,116 with 1,426 being shareholders.

The Education Committee held another successful fundraising activity which yielded a net profit of K91,855.68.



Investment Diversification

The agenda to diversify the investment portfolio of Care Coop was initiated with the offering of 50,000 shares to all eligible members for purchase at ZMW 445 per share. This share offer lasted from 1st September 2016 to 28th February, 2018. The intent of the share offer was to raise capital for the establishment of an insurance company as discussed at last year's AGM. The total amount of revenue raised through the selling of shares was 1.7 million ZMW. PACRA has indicated that the minimum working capital is ZMW1.5 million, however the minimum capital requirement by the Pensions and Insurance Authority (PIA) is ZMW10 million. This amount had to be readily available and the proof of the same must be availed to the Pensions and Insurance Authority (PIA). Consequently, another batch of shares will be offered at current fair value in a quest to close the capital requirement gap.

New Land Loans

With respect to land acquisition, the investment committee will be facilitating land purchases in Kabangwe and Lilayi and the loans committee has worked out modalities for members to access loans to enable the purchase of land. These details will be shared with the membership by the Investment Committee. Land acquisition prospects are also being explored in Chisamba.

Challenges in Service Delivery

I am aware of administrative challenges that inconvenienced Care Coop members during 2016, especially regarding accessing statements and delays in loan processing. The major determinant factors of these administrative lapses were staff shortages resulting from loss of staff related to the fraud, installation and operationalization of a new accounting system, activities related to the fraud investigation and work overload for the few staff that remained. I believe we have passed those hurdles and members should expect a much-improved service. With regards to receiving improved services, I am appealing to all members to take it upon themselves to ensure that Care Coop management has updated contact details. It has come to my attention that some members do not get information because the e-mails on file are not functional.

Debt Collection

I would also like to take this opportunity to make a strong appeal to the membership of Care Coop to ensure they repay their loans. Care Coop has engaged the services of a Debt Collector, and while we are not desirous of embarrassing anyone, we are duty bound to ensure that we protect the common interest and ensure that the Coop remains financially viable.

Power Outages

In terms of general operations, a key challenge in the year under review was the persistent power outages. In this regard the Board of Directors have directed the General Manager to purchase a generator with sufficient capacity to eliminate power outages so that Care Coop data is protected and services can be provided without interruption.

Board Retirements

At this juncture, I would like to thank the current Board members for their hard work. It was a difficult year and I am aware of the strain on all of us. Two long standing members are officially retiring from the Board namely, Ms. Mukwa Muliwana and Mr. Vincent Kawayaya. These have served the Board with exceptional excellence and they do leave a gaping void that I hope will be filled by new entrants to the Board. I would like to thank these colleagues and wish them well as they move



on. It has been an exceptional pleasure working with them. Board Member Chifundo Phiri has come to the end of his first three years, but I am pleased to note that he will be re-contesting. From the Supervisory Committee, Mr. Bright Kulukulu's first term is also coming to an end and regrettably he is not re-contesting. We thank him for his service and trust that he will continue contributing to the growth of the Coop as a member of the Care Coop.

Conclusion

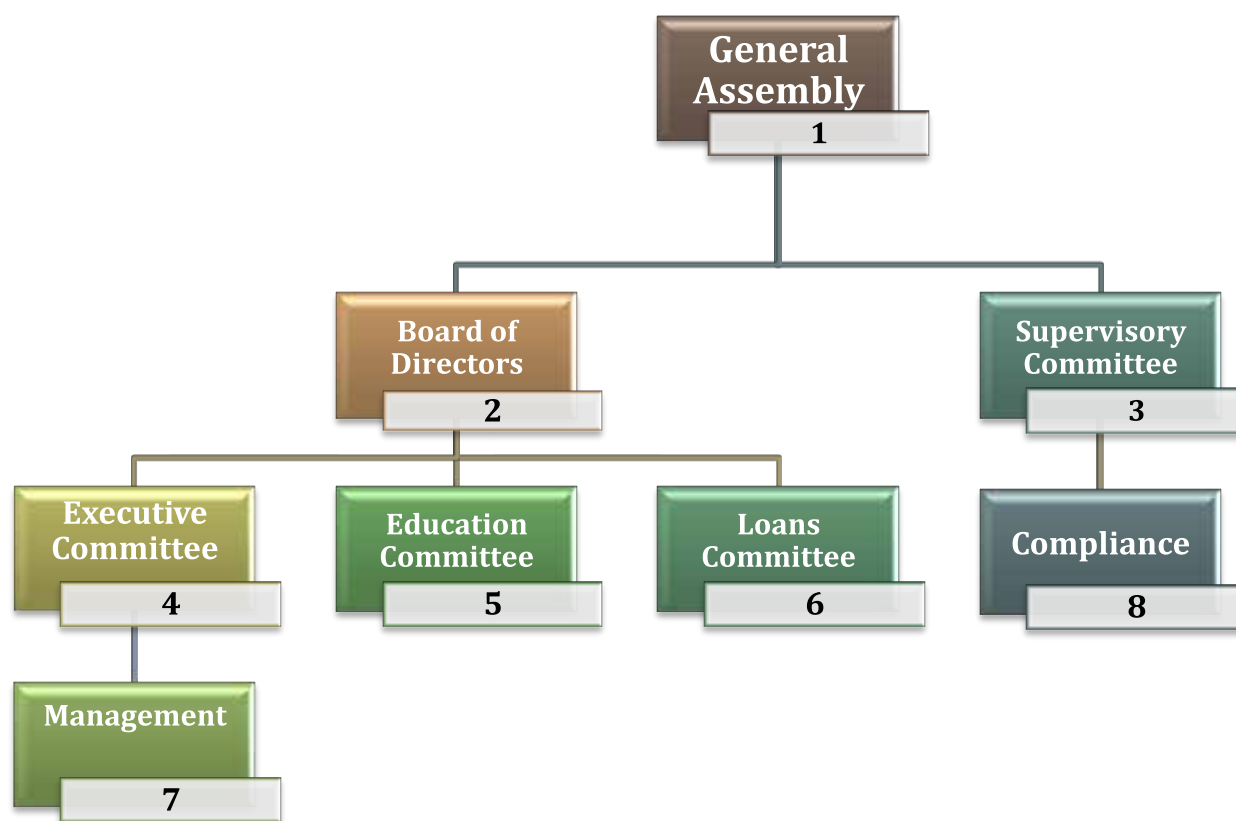
In conclusion, I would like to reiterate that Care Coop has reached a critical stage. Its growth, while welcome, requires a focus on strong internal systems and the acquisition of highly qualified professional staff who will be able to safeguard the integrity of the institution. Further, I would urge a spirit of oneness. It is not about 'us' and 'them' – there is only the “us” and the continued success and sustainability of Care Coop is incumbent upon every single member of Care Coop. Consequently, let us all weigh into this effort for the benefit of us all. To quote my hero – Jesus Christ – “a house divided cannot stand”. Let us unite and work together to make Care Coop even greater!

Thank you for your attention.



Dr. Chilunga Puta
Board Chairperson

GOVERNANCE STRUCTURE

**Notes:**

1. General Assembly: Supreme decision making body.
2. Board of Directors: Consists 9 elected board members.
3. Supervisory Committee: Consists of 2 elected and 1 nominated by Board.
4. Executive Committee: Chairperson, Secretary, and Treasurer.
5. Education Committee: Vice Chairperson, Vice Secretary, and Vice Treasurer.
6. Loans Committee: 3 elected board members not in Executive, Loans or Education.
7. Management: General Manager, Finance Coordinator and Staff.
8. Compliance: Compliance Manager.

BOARD OF DIRECTORS



Name: Dr. Chilunga Puta

Position on the Board: Board Chairperson

Years on Board: 2 years

Qualifications: BSc., MPH, MBA, PhD, CQIA

Experience: 25 years at national and international levels in health research, public health and management, currently at PATH.



Name: Mr. Vincent Kawayu

Position on the Board: Vice Board Chairperson

Years on Board: 6 years

Qualifications: Bachelor of Accountancy

Experience: 19 years at Plan International, Irish Embassy, and Ministry of Agriculture.



Name: Mr. Fidelity Milambo

Position on the Board: Board Secretary

Years on Board: 2 years

Qualifications: BSc., MBA, M.A.

Experience: 14 years at among other; CRS, SFH, CIDRZ, JSI, Abt Associates, Irish Embassy, and Care International.



Name: Mrs. Diana Mulenga-Chinokoro

Position on the Board: Vice Board Secretary

Years on Board: 4 years

Qualifications: Diploma in Human Resources Management

Experience: Total 10 years at American Embassy and Care International



Name: Ms. Mukwa Muliwana

Position on the Board: Board Treasurer

Years on Board: 6 years

Qualifications: ACCA, MBA

Experience: PATH and Care International



Name: Mr. Abraham Alutuli

Position on the Board: Vice Board Treasurer

Years on Board: 4 years

Qualifications: MBA, FCCA, FZICA, NATech

Experience: Total 16 years at SEC, SFH, among others.



Name: Mrs. Gwati Chitalima
Position on the Board: Board Member/Loans Committee Chairperson
Years on Board: 5 years
Qualifications: Diploma in Financial Administration
Experience: Chimpembela Trust, IPAS



Name: Ms. Rose Lungu
Position on the Board: Board Member/Loans Committee
Years on Board: 1 year
Qualifications: BSc., NATEch, MCSA, N+, A+
Experience: Nkwazi School, LICEF School, W & C Computers.



Name: Mr. Chifundo Phiri
Position on the Board: Board Member/Loans Committee
Years on Board: 3 years
Qualifications: Diploma in Computer Studies, CCNA, MCSP
Experience: CIDRZ

SUPERVISORY COMMITTEE



Name: Bright Kulukulu
Position on the Board: Committee Chairperson
Years on Board: 3 years
Qualifications: MSc., BSc., Advanced Certificate in M. and E.
Experience: 19 years at among others, EGPAF, CIDRZ, KPMG and Mikwa Investment

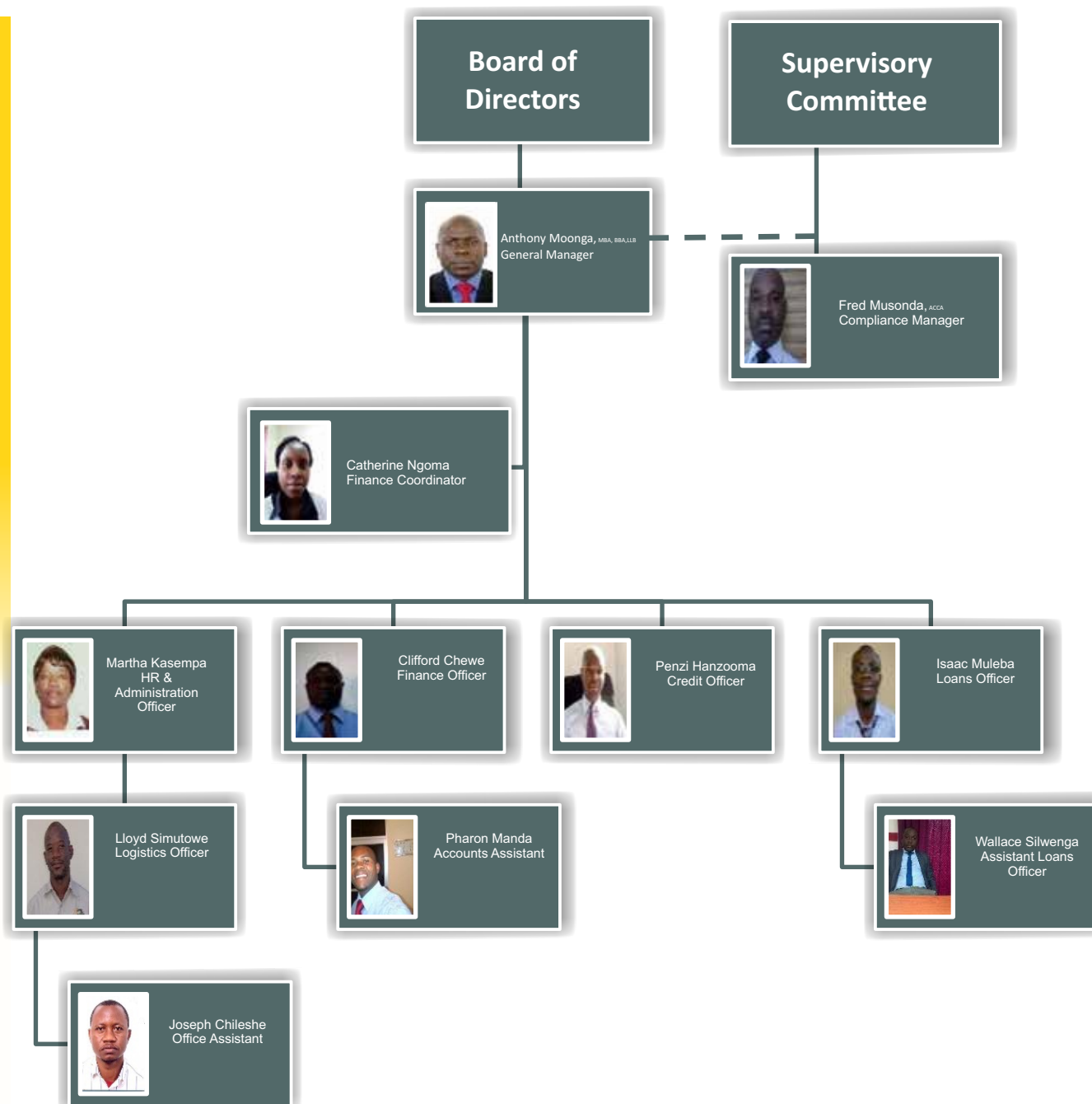


Name: Mr. Chimuka Muyuni
Position on the Board: Committee Secretary
Years on Board: 4 years
Qualifications: Advanced Diploma in Accounting, CAT, ZICA Licentiate
Experience: 13 years at among others EGPAF and private sector



Name: Kuda Mucheka
Position on the Board: Committee Member
Years on Board: 2 years
Qualifications: ACCA, SAGE ERP Certification
Experience: 12 years' experience at among others CIDRZ, ACCTECH Zambia, ACCTECH Zimbabwe, and ACCTECH Ghana.

MANAGEMENT TEAM



MINUTES OF THE 2015 ANNUAL GENERAL MEETING

1 WELCOME REMARKS AND OPENING REMARKS

The 2015 Annual General Meeting started its deliberations at 09:15 hours with welcome remarks from the Vice Board Secretary, Mrs. Diana Chinokoro, who welcomed all to the meeting and urged members to feel liberated to participate in deliberations of the meeting. This was followed by an opening prayer given by the Board Chairperson, Dr. Chilunga Puta.

2. REVIEW AND ADOPTION OF THE 2014 AGM MINUTES

Review and correction of the 2014 minutes was led by the Vice Board Secretary with a page by page review. Corrections were made accordingly and thereafter the minutes were duly adopted as a true reflection of the 2014 AGM held at the Cresta Golfview Hotel.

3. AGENDA

3.1 Agenda Items:

- Arrival of members and registration
- Welcoming Remarks (Opening Prayer)
- Speech by Guest of Honour – Registrar of Societies, Ministry of Commerce
- Chairperson's Speech
- Presentation of Awards
- Auditor's Presentation, Approval & Adoption of the Auditor's FY2015 Report
- Supervisory Committee Report
- Declaration of Dividends
- Appointment of Auditors for the Financial year 2016
- Investment highlights
- Presentation of the general questions and answers (pre-sent questions)
- Elections (Board of Directors/Supervisory Committee members)
- Closing Remarks and lunch

3.2 Adoption of Agenda

The Vice Board Secretary outlined the agenda items and consequently the above agenda was adopted.

4. CHAIRPERSON'S SPEECH

4.1 Introduction

The Board Chairperson commenced her address by thanking all stakeholders in attendance and welcomed them to the meeting and acknowledged support from the Care Coop members. She shared that over the past few years the Care Coop has grown substantively. However, she said there was need to recognize increased responsibility for the board, general membership and those who administer the cooperative affairs.

The Board Chairperson reported that Care Coop boasts a membership of 1,764 and a balance sheet of K37million. She reiterated that the growth of Care Coop calls for stronger systems for controls and checks and requires innovations in order to continue growing. She also shared that between 2014 and 2015, Care Coop also recorded a turnover growth of 15% and a net profit increase of 12%. She added that operating costs had increased by 19% and this was attributed to the increased board allowances as approved in the previous AGM. Further, Care Coop staff salaries were also increased because of the devaluation in the national currency (Kwacha). The membership growth was at 6.5%.

She encouraged stakeholders not to relent but to try and do even better. She added that even though some of the determinants that affect the performance of Care Coop cannot be controlled, there were still innovations that could be undertaken. Consequently, the Board has had three priorities including; sustaining high membership levels, safeguard member investments through an efficient management system with adequate checks and to develop strategies to survive and flourish in a rapidly changing economic environment.

4.2 Management and Operations Issues

The Board Chairperson reported that the Board had set up an ad-hoc realignment committee to review management of Care Coop operations and that the following recommendations were made:

- a) Introduce positions of Finance Manager, Compliance Manager and General Manager - all posts to be manned by adequately qualified and experienced people, with the implication being an 11.4% increase in personnel costs given the higher level of positions to be recruited. General Manager was to function on a performance based contract.
- b) With a strengthened management – Board meetings to reduce to once a quarter instead of monthly with an expected drop in board costs to 33% of the current cost.
- c) A clear delineation of board and management functions was important to attain checks and balances. This restructuring also frees the Board from routine management of activities and enables it to focus on strategic direction and allows the Board to oversee management functions objectively. Inversely, management would be allowed to manage without undue pressure from the Board.

4.3 Surviving a Turbulent and Uncertain Economic Environment

With the national currency depreciating, rapidly during the year under review, the Board saw it fit to explore options for diversification. The ad-hoc Investment Committee put in place did a thorough job of weighing options for Care Coop, not only from a viability point but a legal

perspective. After much deliberations and consultations, there was a proposal that Care Coop ventures into the insurance space. Other possible options included investments in poultry and real estate and the Chairperson reported that these are likely to be taken up over time.

She also shared that Care Coop remained committed to facilitating member home ownership and were looking for options that would benefit all members. It was reported that the current packages being offered by the market, for example, National Building Society are too expensive and if undertaken by Care Coop would only service few members at a high risk to member savings if people failed to service their loans.

4.4 Accounting Systems and Other Assets

A key issue of concern in the last AGM was the financial management system. The Chairperson reported that a new financial loan management system called Microsoft Dynamics NAV 2016 had been procured and migration was anticipated to be implemented in 2016. The system provides a level of functionality that more than adequately meets the needs of Care Coop.

She added that to improve operations, two employees were added to the staff establishment (Assistant Loans Officer and Accounts Assistant). The Chairperson also shared that even though the last AGM authorized the Board to purchase a brand new car, it was not possible to buy a brand new car due to the devaluation of the Kwacha at the time as such the Board authorized the purchase of two nearly new vehicles after disposing off the old vehicles which were becoming costly to maintain. The disposal was through tender to members of Care Coop.

4.5 Functionality of Board Committees

The various committees of the board continued to work hard and some of the key successes included, but not limited to; recruitment of 7 new member organizations with 14 others in the pipeline, successful execution of the family fun day with a net profit of K62, 644.50, arranging for donations and a visit to Chimbokaila Prison. Care Coop also participated in the International Credit Union Day (ICUD) where it received the best organized SACCO in Zambia in 2015.

4.6 Conclusion

In her concluding remarks, the Chairperson stated that there was no doubt that Care Coop was headed for success. She was quick to mention that it is important to also recognize that to survive the changing economic environment was unpredictable and dependent on a host of factors that may be impossible to anticipate, in view of this she advised that Care Coop needed to be strategic and consider diversifying in line with Care Coop's core values and operational principles. She urged all members to keep an open eye to opportunities and propose ideas for the growth and sustainability of Care Coop to the Board, understanding that ultimately we all have so much to gain from a vibrant and flourishing Care Coop.

Finally, she paid tribute to the Board Secretary, Mr. Felton Mpasela, who was unable to continue due to change in employment and subsequent relocation. She also thanked and acknowledged Ms. Diana Chinokoro and Mr. Abraham Alutuli whose terms of office with the Board had expired. She further thanked Mr. Chimuka Muyuni whose term of office with the Supervisory Committee had also come to an end. Finally, a round of applause was given to the above mentioned for their tremendous work and positive contribution to Care Coop.



5. SPEECH BY GUEST OF HONOUR

The Guest of Honour, Mr. Justine Mwansa, said he was delighted to officiate at the Care Coop AGM. He commended Care Coop for continuing to hold annual general meetings. Mr. Mwansa reiterated that the Ministry of Commerce, Trade and Industry was proud to be associated with Care Coop and their efforts in ensuring that members were accorded an opportunity to actively participate in shaping the direction of the Coop through meetings such as the AGM. He resonated that the meetings guarantee good governance, accountability and transparency in the way the credit union is managed.

The Guest of Honour added that the ministry is encouraged to note that the Coop has achieved financial strides that other credit unions can only admire. He further shared that in the year under review the Coop has:

- a) Grown its membership from 1,656 in 2014 to 1,764 in 2015 and the number of organizations from 41 to 46.
- b) Care Coop was awarded as the best organized savings and credit cooperative in Zambia at the international credit union's day celebrations held on 15th October 2015
- c) Made donations at Chimbokaila and SOS Children's Village in fulfilment of its corporate social responsibility.

He echoed that it was still the desire of the government through the Ministry of Commerce, Trade and Industry under the Department of Cooperatives to ensure that credit unions become a critical factor in the financial sector of the Zambian economy. Mr. Mwansa also encouraged the Board to endeavour to strengthen partnerships, continue networking among Credit Unions and work with other types of Cooperatives as that will enhance the Coop's effectiveness to lobby and advocate for favourable legislation and regulation of Cooperatives in Zambia.

Mr. Mwansa updated Care Coop members that the Ministry was now at an advanced stage in the review of the Cooperative's act and had come up with a draft Savings and Credit Cooperative Organizations (SACCOs) bill. He added that Care Coop being a key stakeholder had been asked to submit comments to ensure that a progressive piece of legislation is developed. In his concluding remarks, the guest of Honour congratulated Care Coop on the continued growth.

6. PRESENTATION OF AWARDS

The 2015 awards were presented by the Guest of Honour who was representing the Ministry of Commerce, Trade and Industry. The following awards were presented:

- a) The first award presented was the Highest Savings with the cooperative the award went to Beatrice Mwila, a general member.
- b) Second award was Most Consistent in Savings and the award went to Virginia Michelo from PATH.
- c) The third award was the Highest Amount in loans accessed and the award went to James Mupanda.
- d) The fourth and final award was the Chairperson's award; which went to Brenda Mwamba of Care Coop for being a team player, efficient and timeliness.



7. PRESENTATION OF THE FINANCIAL STATEMENT - BOARD TREASURER

The Board Treasurer drew the attention of the members to page 9 of the financial report where the statement of financial position indicated that under the assets; cash and cash equivalent, there was K2, 334,121 from K1, 264,950 in the previous year showing an increase by 85%.

Loans and loans advances were at K24, 450,281 from the previous K20, 760,755 in the previous year and this was due to the increase in the number of loan applications received. Investment securities; i.e. Deposit accounts with commercial banks increased from K2, 894,910 in 2014 to K4, 326,721 in 2015. Property and equipment for the Coop had increased from K3, 450,229 recorded in the previous year to K3, 626, 926 in the year. This was due to a 5% movement because of furniture procured for staff. Intangible assets were at K33, 466 from K41, 685 recorded in 2014. Care Coop recorded a 19% increase on receivables which were at K3, 497,165 from K2, 926,886 in 2014.

Intangible assets were at 0 in 2015. Other assets were at K3, 090,469 indicating a 3% decrease from K3, 497,197 recorded in 2014. Member shares increased from K25, 311 in the previous year to K30, 246 in 2015 due to newly recruited members. Retained earnings were at K1, 803,204 from K1, 842,224 recorded in the previous year. Other reserves were at K5, 166,053 from K4, 243,063 recorded in the previous year. Per the statement of comprehensive income, the Cooperative grew by 15% and were at K4, 874,420 compared to K 4,234,025 in 2015. Equally, the statement of comprehensive income indicated that there was an increase in administrative expenses by 31% from the previous figure of K590, 672 to K774, 700. This was due to an increase in utility cost and the figure for hosting the family fun day.

Additionally, the Board and staff costs increased by 20% from K143, 737 to K177, 625. Profit on disposal of assets was at K63, 200. There was a downward movement of 66% on impairment on loans and advances reduced from K74, 260 in the previous year to K40, 373 in the year under review. AGM costs increased from at K77, 602 to K121, 438 in 2015. The Coop managed to make a total profit of K2, 751, 744 compared to K2, 456,299 in 2014.

Going forward, there was a proposal to increase the amount for staff training. Following a proposal for adoption, the financial statements were adopted.

8. SUPERVISORY COMMITTEE REPORT

The Chairperson of the Supervisory Committee presented the report giving a summary of activities conducted by the Committee in 2015, as well as those proposed for implementation in 2016. He shared the Supervisory committee's current office bearers as follows:

- 1) Mr. Chimuka Muyuni : Committee Chairperson
- 2) Mr. Bright Kulukulu : Committee Secretary
- 3) Mr. Kudakwashe Mucheka : Committee Member

He added that the committee's duties remain the same as in the previous years and include:

- 1) Checking the financial affairs of the Coop.
- 2) Supervising the duty-related acts of the Directors and Senior Managers.
- 3) Propose administrative and corporate regulation.
- 4) Bringing forward proposals at Board meetings.
- 5) Regularly reviewing and signing every financial statement.
- 6) Ensuring compliance to provisions of the by-laws and Cooperative Act.
- 7) Verifying periodically and not less than once a year the accounts of members.



8.1 Activities in 2015

The Supervisory Committee chair person also shared that in the year under review, the committee conducted their duties as prescribed by the CARE Cooperative Society. Activities included but not limited to, continuous monitoring the performance of the Care Cooperative Society in-terms of operations and investments made. He reported that the committee's findings were as follows:

- 1) Following the deficiencies of the current system being used at the Coop to deliver, the Supervisory Committee took a major role in the assessment and recommendation for a procurement of a new system in 2016. The preferred system would be user friendly to staff; with the ability to assist in reducing lead time on loan processing; ability to produce multiple reports that could be easily understood both by the staff and member; ability to send various member statements via email; have an online provision for members apply; view and print statements online, and; provide adequate after-sale service support from the vendor.
- 2) Regarding the going concern of the Coop and any risks that would hinder growth, the Committee shared that the Board had done a great job in recruiting more members and savers.
- 3) Considering the depreciation of the Kwacha against major currencies on the market, the Committee reported that, there was a recommendation to diversify the Coops investment portfolio other than money markets (i.e., fixed deposits and loan options to members) to economic ventures that are currently low risk but yield higher returns.
- 4) The Share-split Policy was reviewed to ensure it provides equal access and opportunity for every member to acquire at least the minimum allotted shares for every member in the Coop.

Other activities that the Committee conducted were:

- 1) Monitor the performance of the Care Coop in terms of investments made.
- 2) The Committee took part in the recruitment exercise of staff at Care Coop.
- 3) Attended board meetings they were invited to Care Coop.

8.2 Challenges

He also reported that the Committee experienced a few challenges in 2015 as follows:

- 1) Board and committee minutes not filed on time.
- 2) The inadequacy of the current system to meet the objectives of Care Coop.

Based on activities that the Committee undertook to address some of the challenges experienced, the following recommendations were made:

- 1) There is need for the Coop to diversify its investment portfolio from current risky money markets.
- 2) There is need for the Coop to revise loan products with higher amounts and longer repayment periods, given that the Coop is in competition with other financial lending institutions that can offer better products.



- 3) The Coop should also revise its collateral requirements for loans other than members' employment benefits and land in the case of land and building loan.
- 4) Maximize the use of the website for information dissemination to members and other operational functions it can offer.
- 5) There is need for the general membership to take keen interest in the affairs of the Coop and offer suggestions.
- 6) Management and staff should be encouraged to attend various trainings and workshops to be enlightened on best practices of the industry the Coop operates in.
- 7) There is need to revise the Coop's Accounting Policy which was last updated in 2006

8.3 Planned Activities for 2016

The Supervisory Committee also shared activities planned for the year 2016 which included:

- 1) Assess adequacy of Information technology backup system
- 2) Review of current and potential investments
- 3) Follow up on any issues raised by the audit report
- 4) Review of Policies and ensure compliance
- 5) Perform quarterly internal audits
- 6) Continue to attend quarterly meetings with the Board

9 DECLARATIONS OF DIVIDENDS

The board vice treasurer drew the attention of stakeholders to page 10 of the Audited financial statement where the total comprehensive income for the year was at K2, 751,744 an increase from K2, 456,299 that was recorded in 2014. He shared that General reserves were at 20% representing K550, 349; education fund was at 5% representing K137, 587; the capital fund representing 9% which is K250, 000 and a return earning at 66% representing K1, 836,801.

A proposal was made to pay out the balance of K1, 813, 808 at a dividend pay-out ratio of 6%. After deliberations, Maxwell Ngoma from CSPR proposed for the adoption of the declaration of dividends while Jennifer Nyendwa from Agriculture and Commercial Society seconded the motion.

10 APPOINTMENT OF AUDITORS

The Board Treasurer reported that CYMA had expressed interest to continue as Auditors for Care Coop until the end of the next financial year in 2017. There was a suggestion from one of the members that the Board should consider floating at least two or three potential Auditors so that Care Coop members can have an option to choose the best auditing firm. Following this suggestion, CYMA was appointed as the auditor for the year 2016.

11 INVESTMENT HIGHLIGHTS

The Vice Board Chairperson started by giving a brief background on the investment plan. He stated that as articulated in the 2013 – 2017 Strategic Plan, Care Coop recognized the need to profitably diversify its investment portfolio. He also shared that the Care Coop By-Laws were amended in 2011 to facilitate the distinguishing of shares and savings. Thereafter, the Savings and Share Split Policy was approved to allow for the effective and efficient management of the share split. One of the key aim of this process was to enable Care Coop to invest into other long term opportunities.

11.1 Investment opportunity scan

To assess existing investment opportunities, the Board created an Investment Sub-Committee with a clear mandate of spearheading the diversification strategies envisaged in the Strategic Plan. The Sub-Committee identified the following investment opportunities:

- 1) General Insurance
- 2) Pig Farming
- 3) Poultry Farming
- 4) Real Estate

Following an assessment and review, the Sub-Committee presented business cases for the Poultry and insurance businesses for approval to the board. Upon further analysis, the Board approved the general insurance proposal.

11.2 General Insurance Business Viability Study

A business viability study was conducted to establish the viability of an insurance business in Zambia. An assessment of the insurance industry established strong viability of the general insurance sector on the overall. The following are required to establish an insurance business:

- 1) Initial start-up Capital of K10million pursuant to Statutory Instrument (SI) 171 of 2015.
- 2) The current explored market size as at 2014 stood at K1.2billion gross written premiums for general insurance, split among PICZ, Madison and ZSIC at 64% and 36% for other players on the market. The total unexplored market size is estimated at K660billion (Source: PIA).
- 3) SI 33 of 2015 makes it compulsory for motorists to display prescribed insurance disks. This will lead to significant growth of general insurance in 2016 and moving forward.

11.3 General Insurance Business - Legal opinion

In addition, a legal opinion was sought on the legality of Care Coop to form an insurance business.

- 1) Care Coop will need to incorporate a separate company which must be limited by shares to operate an insurance company.
- 2) The Companies Act prescribes K10million as a minimum share capital for purposes of incorporation.

11.4 Financing the insurance business

The Vice Board Chairperson also shared that from their assessment, it was established that to set up an insurance company, K10million minimum capital was required. He added that there was an opportunity for members to invest in this business through buying shares in Care Coop as provided for in the Share-split Policy. This is expected to give members an opportunity for long term investment as well as an increased return on investments.

In line with the Share-split Policy, an equal number of shares of 20 will be issued to all eligible members at K435 per share. Members will have up to 6 months to pay up for the issued

shares. He also shared that members will have the option to pay upfront, through installments or through a loan scheme to be launched soon. Further, members will be distinguished between shareholding and non-shareholding members. There will be qualifying and non-qualifying member organizations. Shareholding members can only come from qualifying member organizations or are former employees of qualifying member organizations.

11.5 Conclusion on investment highlights

He concluded by saying that it was time for Care Coop to diversify its investment portfolio. He affirmed that General Insurance business is a viable investment opportunity in Zambia and Care Coop members have an opportunity for long term and viable investment in the Insurance Company through buying shares in Care Coop. He appealed to members to consider buying shares in Care Coop to facilitate investment in the Insurance Business.

Following deliberations on the investment highlights, there was a majority vote by show of hands for Care Coop to diversify into the insurance business. However, there was a further suggestion for the board to share information on the viability of the insurance company to all members.

12 Pre-sent Questions and Answers

The Vice Board Secretary presented the questions that were pre-sent and read out answers given to address the questions (detailed questions and answers attached as appendix).

13 Elections

The Registrar of Cooperatives, Mr. Mwansa, presided over the elections with support from the Supervisory Committee.

13.1 Board Members' Election

The first elections to be conducted were the Board Members' elections to fill the vacancies that had been created by Mr. Abraham Alutuli and Ms. Diana Chinokoro whose term of office had come to an end. The following were the nominees and the respective results for the Board member positions:

No.	Board member Positions	Number of Votes
1	Abraham Altuli	128
2	Diana Chinokoro	120
3	Rose Lungu	113
4	Brian Ntambu	62
5	Isaac Mwape	51
6	Gilbert Chikubi	36
7	Febby Njamba	11
8	Fredrick Mwansa Pintu	10
9	Mabvuto Phiri	6

Ms. Rose Lungu was duly elected to the board and both Mr. Alutuli and Ms. Chinokoro were re-elected to the board.

13.2 Supervisory Committee Elections

Two names were proposed for the supervisory committee. However, due to his absence, Mr. Saul Banda was not eligible for elections. Therefore, Mr. Chimuka Muyuni went unopposed as Supervisory Committee member.

13.3 Chairperson and Vice Chairperson Elections.

There was a proposal for the current Board Chairperson, Dr. Chilunga Puta, to continue serving. The motion was overwhelmingly endorsed. Similarly, the current Vice Board Chairperson, Mr. Vincent Kaway, also retained his position.

14 CLOSING REMARKS

The Board Chairperson thanked the Registrar of Cooperatives for officiating and welcomed all the new Board members to the Care Coop Board. She shared the Board's acknowledgement that there was a lot of work to be done on management systems and improving efficiencies to cut on unnecessary delays. She added that it was important to grow Care Coop, but at the same time ensuring resources are safeguarded.

The Board Chairperson re-emphasized her great passion for home ownership and post-work security and later appealed to members to continue submitting ideas aimed at developing Care Coop. She ended by thanking all members for the commitment shown through their attendance and thanked the government officials present.

SIGNED:

Mrs. Diana Chinokoro
 Vice Board Secretary

Dr. Chilunga Puta
 Board Chairperson



SUPERVISORY COMMITTEE

PREFACE

The Supervisory Committee consists of three members of which two are elected at the annual general meeting and one is appointed by the Board. The members of this committee are not part of the Care Cooperative Board of Directors, thus being an independent body. The members of this committee further are not involved in the daily execution of transactions of the Cooperative. This committee acts as an audit committee of the Care cooperative society.

MISSION STATEMENT

“Our Mission is to effectively and efficiently monitor the operations of the Care Cooperative Savings & Credit Society in a timely manner with a view to ensuring that the Care Cooperative, through conducting its activities meets the expectation of the members with adequate efficacy”

CURRENT OFFICE BEARERS

The current office bearers of the supervisory committee are the following members. A detailed profile of these members is included in the Board Chairperson's Report.

- a) **Mr Bright Kulukulu** : **Committee Chairperson**
- b) **Mr. Kudakwashe Mucheka** : **Committee Secretary**
- c) **Mr Chimuka Muyuni** : **Committee Member**

ACTIVITIES IN THE YEAR 2016

During the year ended 31st December 2016, the Supervisory Committee carried the following activities in relation to the governance and risk management of the Care Coop.

- a) **Review and confirmation of the Compliance Manager**
The committee carried out a performance review during the probation period of 3 months and confirmed in his position. The committee also reviewed, discussed and approved the compliance manager's annual internal audit plan for 2017.
- b) **Loan issuance compliance**
The committee assessed and verified a sample of loans that were randomly selected for compliance and found that all loan approvals and payments were in order, appropriately documented and filed. The sampled list included high, medium and low loan amounts as well as loans issued to board members.
- c) **Systems Implementation status**
The Care Coop generated a list of 24 user systems requirements to be used for the development of the application software on the Microsoft Navision Dynamics platform, however only 5 specific user requirements were fully developed into the Navision platform as at the time of the review. This translates into 20% of the total requirements as agreed with the developer. Project implementation overran has been noticed and requires urgent consideration by the board.

d) Review of Monthly statements

The monthly financial statements, vouchers and related documentation were reviewed during the current reporting periods which were found to be in correct order. This also covered the audit issues and the management report. The supervisory monitored the bad debts that were reduced by 47% from 2015 compared to the current reporting period 2016.

e) Investment and Performance

The Committee reviewed the investments and cash position of the cooperative which showed an increase during the year by 19%.

f) Insurance Share Float

The committee observed insufficient membership buy-in into the insurance company share sales which implied that there had not been enough stimulation among the members. Only about 7% of the required capital was raised during the year under review.

g) Reviewed status of Fraud

The committee participated in the selection process of EMM corporate partners as in the fraud investigations. The findings of the investigations were as was communicated to the members by the board on 19th February, 2017. During the fraud investigations, the Supervisory through the Compliance unit undertook a comprehensive general internal control and compliance review of the Care Coop.

Weaknesses in the internal control environment were identified falling under the following categories; application software systems, operational related failures and compliance related issues such as disaster recovery, business continuity and whistle blowing.

It is good to note that some of the matters have already been resolved. To address some of the gaps in the organization structure of the Care Coop, the Supervisory Committee and the board ensured that the Compliance Manager was recruited last year.

h) Board Meetings

Through the meetings with the board in the last year, we would like to report to the members that the following recommendations in last year's Supervisory report were adequately addressed. The board managed to implement the following measures:

- Employed additional staff to improve the number of staff to the number of member's ratio.
- Loans processing communications to the applicant were implemented and we believe will be more efficient in 2017.
- The HR and Administration Manual and the Accounting policy manual were updated during the year 2016.
- The Board procured and implemented the use of NAVISION a new accounting system and with the coming year will meet the Coop's needs. Staffs have been adequately trained in the use of NAVISION.
- The board put up additional initiatives that will benefit members and compete in today's credit market like; New Loan Products, Revised Loan Tenure, Revised Loan Amounts, maintained interest rates.

I) Outstanding Opportunities:

- Diversifying its investment portfolio, e.g. real estate which is currently appreciating and has a low risk.
- The website needs to be fully operational and members be encouraged to utilize it, to learn of new updates from the Coop.

PLANNED ACTIVITIES FOR 2017

- Follow up with the executive and Care Cooperative Society Secretariat and the board on how they are executing the share split policy.
- Continue to monitor the performance of the Care Cooperative Society in-terms of investments made and the cash position
- Continue to Review of monthly financial statements, loans, vouchers and committee minutes.
- Follow up audit issues and management letter responses by the executive where applicable.
- Ensure that the bad debts continue to be collected.

RECOMMENDATIONS

- Regarding insurance company; members need to be enlightened more for them when they invest in shares and what their benefit would be.
- Acquisition of a replica server to ensure business continuity.
- Orient staff on The Prohibition and Prevention of Money Laundering Act, 2001(General).
- This board needs to put the NAVISION service provider to task and ensure the project implementation overran is addressed in the shortest possible time.
- The board needs to issue out share certificates to all shareholders.
- Members are encouraged to invest more in the growth of the coop.

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