

SHERIA SAVINGS AND CREDIT  
CO-OPERATIVE SOCIETY LIMITED  
CS/NO:2102



ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2019



Mwangi & Kamwara Associates  
Certified Public Accountants (Kenya)  
Ramco Court A23  
P.o Box 34458- 00100 Nairobi

**Sheria Savings & Credit Co-operative Society Limited**  
**Annual Report & Financial Statements**  
**For the year ended 31 December 2019**

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**SOCIETY INFORMATION**

<b>BOARD OF DIRECTORS</b>	1 Hon. Justice Patrick Kiage, J.A, D.E, ICUDE 2 Hon. Lady Justice Roseline Aburili, D.E 3 Mr. Simon Wasilwa, D.E 4 CPA Mr. Anorld Kimanzi, D.E 5 Mr. Francis Muigai, D.E 6 Ms. Eunice Wangari, D.E 7 Mr. George Nyaoke, D.E 8 Hon. Elizabeth Juma, D.E 9 Mr. Sango Maewa, D.E	- Chairman - Vice Chairman - Hon. Secretary - Hon. Treasurer - Director - Director - Director - Director - Director
<b>SUPERVISORY COMMITTEE</b>	1 Mr. Manase Wandera 2 Ms. Lilian Maina 3 Mr. Andrew Muriithi	- Chairman - Secretary - Member
<b>MANAGEMENT STAFF</b>	1 CPA Mr. Peter Kariuki, D.E 2 CPA Mr. Anthony Monda 3 CPA Mr. Cornelius Kibet 4 CPA Mr. Fred Ongoto, D.E 5 Mr. Saidi Kisulu 6 CPA Mr. John Okari 7 Mr. John Awuor 8 Ms. Maria Wanjiku 9 Mr. James Ojanji 10 Ms. Joyce Wanjeri	- Chief Executive Officer - Head of Finance and Strategy - Head of BOSA - Head of FOSA - Head of ICT - Senior Audit Manager - Senior Marketing Manager - Senior HR. & Administration Officer - Senior Records Officer - Senior Legal Officer
<b>REGISTERED OFFICE</b>	Sheria Sacco Society Limited Matumbato Close, Upper Hill LR NO. 209/14421 Tel - 020-7801500, Fax 020-2710420 P.O Box 34390-00100 Nairobi.	
<b>PRINCIPAL BANKERS</b>	1 Co-operative Bank of Kenya Upper Hill Branch P.O Box 30415 - 00100 Nairobi.  2 Kenya Commercial Bank High Court Branch P.O Box 69695 - 00200 Nairobi.  3 NIC Bank NIC House P.O. Box 44599-00100 Nairobi.	
<b>INDEPENDENT AUDITOR</b>	Mwangi & Kamwara Associates-LLP Certified Public Accountants, CPA (K) Ramco Court Suite A-23, Mombasa Road P. O. Box 34458 - 00100 Nairobi. Tel 020-2633423	

**Sheria Savings & Credit Co-operative Society Limited**  
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**REPORT OF THE BOARD OF DIRECTORS**

The directors submit their report and the audited financial statements for the year ended 31 December 2019 which disclose the state of affairs of the society.

**INCORPORATION**

The Society is incorporated in Kenya under the Co-operative Societies Act, Cap 490 and is licenced under the Sacco Societies Act No.14 of 2008, and is domiciled in Kenya.

**PRINCIPAL ACTIVITIES**

The Society continued with its principal activity of receiving shares and deposits and giving out loans to its members.

**RESULTS**

	2019 Ksh.	2018 Ksh.
Surplus/(deficit) before tax	131,279,882	110,126,929
Income Tax Expense	<u>(9,242,738)</u>	<u>(8,487,407)</u>
Surplus for the year	<u>122,037,144</u>	<u>101,639,522</u>
Other comprehensive income /(loss) net of tax	<u>-</u>	<u>-</u>
Total comprehensive income/ (loss) for the year	<u>122,037,144</u>	<u>101,639,522</u>
Interest on members deposits	<u>332,035,638</u>	<u>285,152,762</u>

**INVESTMENT IN SHARES**

The issued and paid up share capital of the Society increased during the year from Ksh.305,922,382 to Ksh.341,857,834

**DIVIDENDS AND INTEREST ON MEMBERS DEPOSIT**

The directors have recommended payment of 16% (2018: 16%) as dividend on investment shares and pay 8.5% (2018: 8.5%) interest on Sacco deposits.

**DIRECTORS**

The directors who held office during the year and to the date of this report are shown on page 1.

**INDEPENDENT AUDITOR**

The Society's external auditors Mwangi and Kamwara Associates - LLP have indicated willingness to continue in office in accordance with Sacco Societies Act no.14 of 2008.

**APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved at a meeting of the Board of Directors held on 06 March 2020.

**BY ORDER OF THE BOARD**

Signature.....  ..... Date 10<sup>th</sup> MARCH ..... 2020

**HON. P.K. WASILWA, D.E**  
**SECRETARY**  
**NAIROBI.**

Sheria Savings & Credit Co-operative Society Limited  
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**FINANCIAL AND STATISTICAL INFORMATION**

	2019	2018
<b>Membership</b>		
Active	12,684	11,495
Dormant	2,459	1,968
	<u>15,143</u>	<u>13,463</u>
<p>In the year 2019 there was an additional 889 new members, in 2018 the new members figure was understated by 791</p>		
<b>Number of Branches</b>	<b>1</b>	<b>1</b>
Number of Employees	46	45
<b>Financial Highlights</b>		
Total assets	6,030,092,157	5,376,419,165
Members deposit	4,338,815,517	3,842,291,028
Total liabilities	4,807,375,823	4,249,478,178
Cash & cash equivalents	191,523,587	352,894,123
Loans & advances to members	5,365,789,027	4,572,012,774
Investments	31,651,476	29,727,732
Core capital	935,760,462	839,985,119
Share capital	341,857,834	305,922,382
Institutional capital	593,902,628	534,062,737
Total revenue	746,599,492	661,053,836
Interest income on members loans	690,008,281	587,668,697
Dividends on share capital	54,697,253	48,947,581
Interest on members savings	332,035,638	285,152,762
Total expenses	283,283,972	265,774,145
<b>Key Ratios:</b>		
<b>Capital adequacy ratio</b>	%	%
Core Capital/Total Assets	15.5%	15.6%
<b>Minimum ratio</b>	<b>10%</b>	<b>10%</b>
Core Capital/Total Deposits	21.6%	21.9%
<b>Minimum ratio</b>	<b>8%</b>	<b>8%</b>
Institutional Capital/Total Assets	9.8%	9.9%
<b>Minimum ratio</b>	<b>8%</b>	<b>8%</b>
<b>Liquidity ratio</b>		
Liquid Assets/ total deposits and short term liabilities	4.4%	9.2%
<b>Minimum ratio</b>	<b>15%</b>	<b>15%</b>
<b>External borrowing ratio</b>		
<b>Minimum ratio</b>	<b>25%</b>	<b>25%</b>
<b>Operating efficiency</b>		
Total Expenses/Total Revenue	37.9%	40.2%
<b>Interest Rate on Members Deposits</b>	<b>8.5%</b>	<b>8.5%</b>
<b>Dividend Rate on Share Capital</b>	<b>16.0%</b>	<b>16.0%</b>
Debt to Equity Financing	5.1	5.1
Total non-Performing Loans/Gross Loans Portfolio	4.2%	6.7%
<b>Minimum ratio</b>	<b>≤ 5%</b>	<b>≤ 5%</b>
Total Delinquent Loans/Gross Loans Portfolio	9.1%	12.2%
<b>Minimum ratio</b>	<b>≤ 5%</b>	<b>≤ 5%</b>

## **CORPORATE GOVERNANCE STATEMENT**

Corporate governance is the process and structure used to manage business affairs of the Society towards enhancing prosperity and Corporate accounting with the ultimate objective of realizing members' long term value while taking into account the interest of other stakeholders.

The Board of Directors are responsible for the corporate governance practices of the society. This statement sets out the main practices in operation during the year under review, unless otherwise indicated. The society is committed to business integrity and professionalism in all its activities.

### **Board of Directors**

The Board has nine members and a Chief Executive Officer(CEO) as ex-official. The separate roles of Chairman and the CEO are practised and are clearly defined in the by laws that are regularly revised to be in line with legislation and statutes. The Board meets monthly to deliberate on the Society's financial performance and discuss reports from each committee and deal with any strategic issues and opportunities for the Sacco.

### **Board Committees**

The Society had the following Committees in place during the year with terms of reference clearly defined in the by-laws to facilitate decision making of the Board of Directors in the execution of its powers, duties and authorities.

1. Administrative Committee	Chaired by	Hon. Justice Patrick Kiage, J.A, D.E, I.C.U.D.E
2. Finance and Investment Committee	Chaired by	CPA Mr. Anorld Kimanzi, D.E
3. Credit Committee	Chaired by	Hon. Elizabeth Juma, D.E
4. Education Committee	Chaired by	Hon. Lady Justice R. Aburili, D.E
5. Audit & Risk Management Committee	Chaired by	Mr. George Nyaoke, D.E
6. Human Resource Committee	Chaired by	Mr. Simon Wasilwa, D.E

The above Committees meet regularly at least once a month to deliberate issues that fall under their mandate.

### **Internal Controls**

The Society's control procedures are designed to ensure accurate accounting for financial transactions and to limit the potential exposure to loss of assets due to error or fraud. Measures taken include: physical control, segregation of duties and review by management, internal and external audits, an organisational structure that defines lines of responsibility, delegations of authority and reporting requirements.

### **Business Ethics**

The Society is committed to adherence to the highest standards of integrity, behaviour and ethics in dealing with all its stakeholders through enforcement of a formal code of ethics for both board of directors and staff.

### **Communication with Members & Stakeholders**

The Society provides information regarding its performance by distribution of its Annual Report and Financial Statements to all members as discussed at the branch/station meetings and ADM.

**STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES**

The Sacco Societies Act No. 14 of 2008 requires the directors to ensure that the management maintains proper and accurate records that reflect the true and fair position of the society's financial condition, establish adequate and effective internal control systems and policies, safeguard the assets of the society and take reasonable steps for the prevention and detection of fraud and other irregularities. The directors are also responsible for the production of annual audited financial statements.

The directors accept responsibility for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Sacco Societies Act No. 14 of 2008. They also accept responsibility for:

- i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii. Selecting and applying appropriate accounting policies; and
- iii. Making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the society as at 31 December 2019 and of the society's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Sacco Societies Act No. 14 of 2008.

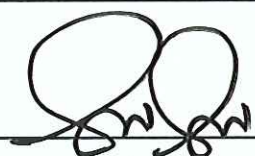
In preparing these financial statements the directors have assessed the society's ability to continue as a going concern. Nothing has come to the attention of the directors to indicate that the society will not remain a going concern for at least the next twelve months from the date of this statement.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 31<sup>st</sup> JANUARY 2020 and signed on its behalf by:

  
\_\_\_\_\_  
CHAIRMAN

  
\_\_\_\_\_  
TREASURER

  
\_\_\_\_\_  
HON SECRETARY



MWANGI & KAMWARA  
— ASSOCIATES —

CERTIFIED PUBLIC ACCOUNTANTS

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SHERIA SAVINGS & CREDIT CO-OPERATIVE SOCIETY LIMITED

### Opinion

We have audited the financial statements of Sheria Savings and Credit Co-operative Society Limited (the Society) set out on pages 9 to 27, which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies. In our opinion, the accompanying financial statements give a true and fair view of the Society's financial position as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Sacco Societies Act No. 14 of 2008.

### Basis for opinion

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

### Key audit matters

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

Key audit matter	How our audit addressed the key audit matters
<b>Unallocated bank deposits</b>	
At the time of audit we noted deposits of Ksh. 14,156,889 were unallocated.	We reviewed the origin of the deposits, carried out tests to confirm treatment of the same in previous periods, and the effect in the financial statements. We therefore encourage an exhaustive reconciliation of the amounts, to respective member accounts, and where the funds do not belong to the organization, immediate refunds be done.
<b>Tax</b>	
We performed a tax health audit and also perused through the judgment of the Income Tax Appeal Case 36B of 2017. The determination exposed the SACCO to a liability of Kshs.8,158,718. During the year 2019 Kshs.4,875,532 was paid through an agency notice imposed by the KRA.	The balance of Kshs. 3,283,186 is still due considering that KRA has the mandate of collecting revenue from tax payers and where the same is confirmed by a court order, the enforcement is justified. An immediate appeal to the Court of Appeal should be done, thus justifying a stay of execution of the High Court order as the appeal progresses. The SACCO has a strong case against the Commissioner after a detailed evaluation of the judgement.

Partners: **Daniel Mwangi, Robert Kamwara**

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Accountancy - Audit - Tax - Advisory services



**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SHERIA SAVINGS & CREDIT CO-OPERATIVE SOCIETY LIMITED (CONTINUED)**

<b>System Security</b>	
At the time of our review, we noted that the society lacks a robust cyber security policy, adequate enough to address pertinent security issues.	We have recommended to the board to ensure the policy is in place to guard avenues that can reduce attacks to the organization and an effective Business Continuity Management System. We have recommended the following: infrastructure hardening, planned and scheduled vulnerability assessment and penetration testing programs which aim at a continuous assessment of vulnerabilities, continuous security monitoring and logging activities.

**Other information**

The directors are responsible for the other information. The other information comprises of the Chairman's report, Treasurer's report, Supervisory committee report, and the Corporate Governance Statement which are attached in this report.

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

In connection with our audit of the financial statements, 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 that we obtained prior to the date of this report of the independent auditor, 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.

When we read the other reports expected to be made to us after date of report of the independent auditor, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**Responsibilities of directors for the financial statements**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Sacco Societies Act No. 14 of 2008, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the society's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the directors either intend to liquidate the society or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SHERIA SAVINGS & CREDIT CO-OPERATIVE SOCIETY LIMITED (CONTINUED)

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement 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 control.

### Auditor's responsibilities for the audit of the financial statements (continued)

- 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 control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 report of the independent auditor 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 report of the independent auditor. 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 communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our report of the independent auditor unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner responsible for the audit resulting in this report of the independent auditor is CPA

Robert Gathogo Kamwara – P/No 1873.

**MWANGI & KAMWARA ASSOCIATES**  
Certified Public Accountants

Nairobi



5<sup>th</sup> MARCH 2020

**Sheria Savings & Credit Co-operative Society Limited**  
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**STATEMENT OF COMPREHENSIVE INCOME**

	Notes	2019 Ksh	2018 Ksh
<b>Revenue</b>			
Interest income			
Interest on loans and advances	2(a)	690,008,281	587,668,697
Other interest income	2(b)	16,988,871	16,592,426
		<u>706,997,151</u>	<u>604,261,123</u>
Interest expense	3	(332,035,638)	(285,152,762)
Net interest income		<u>374,961,514</u>	<u>319,108,361</u>
Other operating income	4	39,602,340	56,792,713
<b>Total income</b>		<u>414,563,854</u>	<u>375,901,074</u>
<b>Expenses</b>			
Administration expenses	5	(45,834,794)	(29,122,392)
Establishment expenses	6	(14,948,348)	(15,753,057)
Staff expenses	7	(81,291,772)	(74,688,444)
Governance expenses	8	(66,032,202)	(47,582,448)
Marketing expenses	9	(15,830,097)	(15,040,739)
Professional expenses	10	(4,186,948)	(6,133,666)
Financial & related expenses	11	(55,159,811)	(77,453,399)
<b>Total operating expenses</b>		<u>(283,283,972)</u>	<u>(265,774,145)</u>
<b>Net operating surplus before income tax</b>		<u>131,279,882</u>	<u>110,126,929</u>
Income tax expense	18	(9,242,738)	(8,487,407)
<b>Net surplus for the period</b>		<u>122,037,144</u>	<u>101,639,522</u>
20% transfer to statutory reserve		<u>24,407,429</u>	<u>20,327,904</u>
<b>Total comprehensive income/(loss) for the year</b>		<u>97,629,716</u>	<u>81,311,617</u>

**Sheria Savings & Credit Co-operative Society Limited**  
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**STATEMENT OF FINANCIAL POSITION**

	Notes	2019 Ksh	2018 Ksh
<b>ASSETS</b>			
Cash and cash equivalent	12	191,523,587	352,894,123
Receivables and prepayments	13	91,075,868	89,441,320
Loans and advances to members	14	5,365,789,027	4,572,012,774
Investments	15	31,651,476	29,727,732
Property, plant and equipment	16(a)	314,867,805	318,217,228
Intangible assets	16(b)	12,180,461	14,125,988
Upper Hill development - preliminary costs	16(c)	23,003,932	-
<b>Total Assets</b>		<b>6,030,092,157</b>	<b>5,376,419,165</b>
<b>LIABILITIES</b>			
Members deposits	17	4,338,815,517	3,842,291,028
Income tax payable	18	5,263,070	528,067
Payables & accruals	19	48,167,016	30,975,194
Other provisions	20	414,165,040	372,531,921
Benevolent fund	21	965,180	3,151,968
<b>Total Liabilities</b>		<b>4,807,375,823</b>	<b>4,249,478,178</b>
<b>FINANCED BY</b>			
Other reserves	23	880,858,499	821,018,607
Share capital	22	341,857,834	305,922,382
<b>Total Shareholders' Funds</b>		<b>1,222,716,333</b>	<b>1,126,940,989</b>
<b>Total Liabilities and Capital</b>		<b>6,030,092,157</b>	<b>5,376,419,165</b>

APPROVED 17  
for publication and presentation  
to AGM or AGM subject to observations 18 issued  
11 MAR 2020  
SIGN: *[Signature]*  
THE SACCO SOCIETIES REGULATORY AUTHORITY

The Financial Statements were approved by the Board of Directors on <sup>31<sup>st</sup> JANUARY</sup> .....2020.  
and signed by:

Chairman

*[Signature]*

Treasurer

*[Signature]*

Secretary

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STATEMENT OF CHANGES IN EQUITY

	Share Capital	Statutory Reserves	Retained Earnings	Revaluation	Benevolent Reserve	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
<b>At 1 January 2019</b>	305,922,382	133,216,170	304,282,338	286,955,871	96,564,228	1,126,940,990
<b>Changes in equity in 2019</b>						
Surplus for the year	-	-	122,037,144	-	-	122,037,144
Contribution for the year	35,935,452	-	-	-	-	35,935,452
Transfer to Statutory Reserves	-	24,407,429	(24,407,429)	-	-	-
2019-Proposed Dividends	-	-	(54,697,253)	-	-	(54,697,253)
2019-Proposed Board Honorarium	-	-	(4,500,000)	-	-	(4,500,000)
2019-Proposed Staff Bonus	-	-	(5,000,000)	-	-	(5,000,000)
<b>Prior year Adjust note 25</b>	-	-	2,000,000	-	-	2,000,000
<b>At 31 December 2019</b>	<b>341,857,834</b>	<b>157,623,599</b>	<b>339,714,801</b>	<b>286,955,871</b>	<b>96,564,228</b>	<b>1,222,716,333</b>
<b>At 1 January 2018</b>	251,732,787	112,888,266	277,918,302	286,955,871	96,564,228	1,026,059,454
<b>Changes in equity in 2018</b>						
Surplus for the year	-	-	101,639,522	-	-	101,639,522
Adjustment	-	-	-	-	-	-
Contribution for the year	54,189,595	-	-	-	-	54,189,595
Transfer to Statutory Reserves	-	20,327,904	(20,327,904)	-	-	-
2018-Proposed Dividends	-	-	(48,947,581)	-	-	(48,947,581)
2018-Proposed honorarium	-	-	(4,000,000)	-	-	(4,000,000)
2018-Staff Bonus proposed	-	-	(5,000,000)	-	-	(5,000,000)
Prior year adjustment-Note 21	-	-	3,000,000	-	-	3,000,000
<b>At 31 December 2018</b>	<b>305,922,382</b>	<b>133,216,170</b>	<b>304,282,338</b>	<b>286,955,871</b>	<b>96,564,228</b>	<b>1,126,940,990</b>

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STATEMENT OF CASHFLOWS

	Note	2019 Ksh	2018 Ksh
<b>Cash flow from operating activities</b>			
Interest Income & other operating income	2 a& b	700,407,239	598,904,696
Other operating income	4	39,602,340	56,792,714
Interest payment	20	(297,629,054)	(240,568,294)
Payment to employees and suppliers	5-11	(271,335,624)	(252,021,089)
<b>Net Cashflow Before working Capital Changes</b>		<u>171,044,902</u>	<u>163,108,027</u>
<b>(Increase)/decrease in operating assets</b>			
Receivables and prepayments	13	(1,634,548)	55,126,043
Member loans & Advances	14	(793,776,253)	(365,648,630)
<b>Increase/(decrease) in operating liabilities</b>			
Members deposits and savings	17	496,524,489	316,000,367
Payables & Accruals	19	17,191,822	7,340,033
<b>Net cash from operating activities before income taxes</b>		<u>(281,694,490)</u>	<u>12,817,813</u>
<b>Net cash from operating Activities before tax</b>		<u>(110,649,587)</u>	<u>175,925,840</u>
Income tax paid	18	(4,507,735)	(10,570,442)
<b>Net cash from operating activities</b>		<u>(115,157,322)</u>	<u>165,355,398</u>
<b>Cash flow from investing activities</b>			
Purchase of Investments	15	(1,923,744)	-
Cash in flow from sale of Asset		-	-
Purchase of Property and Equipment	16a&b	(9,653,398)	(18,084,407)
Dividends received	2b	6,589,912	5,356,428
Preliminary Costs-Upper Hill Development	16(c)	(23,003,932)	-
<b>Net cash from investing activities</b>		<u>(27,991,162)</u>	<u>(12,727,980)</u>
<b>Cash flow from financing activities</b>			
Payment of Dividends & Honoraria	20	(51,970,718)	(52,350,254)
Share capital contributions	22	35,935,452	54,189,595
Benevolent fund	21	(2,186,788)	(4,024,818)
<b>Net cash flow used in financing activities</b>		<u>(18,222,054)</u>	<u>(2,185,477)</u>
<b>Increase/(decrease) in cash and cash equivalents</b>		<u>(161,370,538)</u>	<u>150,441,942</u>
<b>Movement in cash and cash equivalents</b>			
At start of year		352,894,124	202,452,182
<b>At end of year</b>	12	<u>191,523,587</u>	<u>352,894,124</u>

## NOTES

### 1. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of preparation

The financial statements have been prepared under the historical cost basis, except where otherwise stated in the accounting policies below and are in accordance with International Financial Reporting Standards. The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the society takes into account the characteristics of the asset or liability if market participants would take those characteristics into when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 on 'Inventories' or value in use in IAS 36 on 'Impairment of Assets'.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### Going concern

The financial performance of the society is set out in the report of the directors and in the statement of profit or loss and the other comprehensive income. The financial position of the society is set out in the statement of financial position. Disclosures in respect of risk management are set out in note 1(r).

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.

These financial statements comply with the requirements of the Sacco Societies Act No. 14 of 2008. The statement of profit or loss and statement of comprehensive income represent the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

**NOTES (CONTINUED)**

**1. Significant accounting policies (continued)**

**Basis of preparation (continued)**

**New and amended standards adopted by the society**

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

At the date of authorisation of these financial statements the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective for the year presented:

- Amendments to IAS 12 'Income Taxes' effective for annual periods beginning on or after 1 January 2019 clarifying on the recognition of income tax consequences of dividends.
- Amendments to IAS 19 'Employee Benefits' effective for annual periods beginning on or after 1 January 2019 clarifying the effects of a retirement benefit plan amendment, curtailment or settlement.
- Amendments to IAS 23 'Borrowing Costs' effective for annual periods beginning on or after 1 January 2019 clarifying that specific borrowings remaining unpaid at the time the related asset is ready for its intended use or sale will comprise general borrowings.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' effective for annual periods beginning on or after 1 January 2019 clarifying that IFRS 9 is only applicable to investments to which the equity method is not applied.
- Amendments to IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' effective for annual periods beginning on or after 1 January 2019 in relation to remeasurement of previously held interests on a joint operation on obtaining control.
- Amendments to IFRS 9 'Financial Instruments' effective for annual periods beginning on or after 1 January 2019 clarifying that the existence of prepayment features with negative compensation will not in itself cause the instrument to fail the amortised cost classification.
- IFRS 16 'Leases' (issued in January 2017) effective for annual periods beginning on or after 1 January 2019, replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease' and their interpretations (SIC-15 and SIC-27). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.



**NOTES (CONTINUED)**

**1. Significant accounting policies (continued)**

**Basis of preparation (continued)**

**New standards, amendments and interpretations issued**

- IFRS 17 'Insurance Contracts' (issued May 2017) effective for annual periods beginning on or after 1 January 2021 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (issued June 2017) effective for annual periods beginning on or after 1 January 2019 clarifies the accounting for uncertainties in income taxes.

**Critical accounting estimates and judgement**

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**- Measurement of expected credit losses (ECL):**

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit ;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD).

The ECL model contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

**NOTES (CONTINUED)**

**1. Significant accounting policies (continued)**

**Key sources of estimation uncertainty**

**- Measurement of Expected Credit Losses (ECL) (continued):**

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.

- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.

- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

**Assessment of significant increase in credit risk:** The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The society uses these guidelines in determining the staging of its assets unless there is persuasive evidence available to rebut these presumptions

**- Useful lives of property and equipment and intangible assets**

Management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

**Notes to the financial statements (continued)**

**1. Summary of significant accounting policies**

**a) Revenue**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the SACCO and the revenue can be reliably measured. Revenue is recognized at fair value of consideration received or receivable taking into account contractually defined terms of payment (mostly monthly) and recognized net of taxes. The following specific recognition criteria must be met before revenue is recognized:-

**i) Interest from loans to members**

Interest on loans to members is calculated on a reducing balance method at a monthly rates ranging between 1% to 5%.

Interest income is recognised on a time proportion basis by reference to the principal outstanding and the effective interest rate applicable.

**ii) Other interest Income**

Other interest income comprises of interest receivable from deposits with banks and investment in securities. It is recognized when it is probable that the economic benefits will flow to the SACCO and the amount of income can be measured reliably and accrued in the statement of comprehensive income, using the effective interest rate method.

New members to the SACCO are required to pay an entrance fee. The fees is recognised in the Statement of Comprehensive Income in accordance with IAS 1.

**b) Property, plant and equipment**

All property, plant and equipment are initially recorded at cost. Depreciation is computed on reducing balance to write down the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates in use are:

Computer Software	33.3%
Buildings	2.5%
Computers hardware	30.0%
Office Equipments	12.5%
Furniture & Fittings	12.5%
Generator	12.5%
Motor vehicles	25.0%
Land is dereciated over 88 years during the lifetime of the lease	

**Notes to the financial statements (continued)**

**c) Amortization**

Computer Software licence cost is capitalised on the basis of the cost incurred to acquire it. This cost is amortised at 33.3% per year on reducing balance.

**d) Financial instruments**

Financial assets and liabilities are recognized on the statement of financial position when the Society has become a party to the contractual provisions of the instrument.

**e) Trade receivables**

Trade receivables are carried at anticipated realizable values. An estimate is made for doubtful receivables based on the review of all outstanding amounts at year end.

**f) Bad debts**

Bad debts are written off when all reasonable steps to recover them have failed. Subsequent recoveries of amounts previously written off are credited to the profit or loss in the year of recovery.

**g) Bank borrowings**

There were no bank borrowings during the year.

**h) Trade payables**

Trade payables are stated at their nominal value.

**i) Loans and advances**

Loans and advances are carried at amortized cost using the effective interest rate method and reported net of specific provision of impairment losses.

**j) Unquoted investments**

The unquoted investments are stated at cost.

**k) Investment in equities**

Investment in equities are initially recorded at cost and subsequently adjusted to their fair values. Gains or losses arising from changes in fair value are recognized in the income statement in the period in which they arise.

**l) Currency**

The financial statements are presented in Kenya shillings rounded off to the nearest one shilling. Previous years comparatives have also been restated by rounding them off to the nearest shilling

**m) Retirement benefits obligations**

The Society contributes to a mandatory defined contribution provident fund by the National Social Security Fund.

**n) Tax**

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

**o) 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 provisions of section 47 ( 1&2) of the Co-operative Societies Act, Cap 490.

**Notes to the financial statements (continued)**

**p) Provision for liabilities and other charges.**

Provisions are recognised when the Society has a present obligation as a result of a past event, it is probable that the SACCO will be required to settle the obligation, and a reliable estimate of the amount of the obligation made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

**q) Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and bank, 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.

**r) Risk management policies**

The financial risk management objectives and policies are outlined below:

**Credit risk**

The SACCO is exposed to the risk that some members may not repay loans when due and in full. Exposure to the credit risk is managed by among others:

- (1) Ensuring that granting of loans is completely vetted by the credit committee.
- (2) No member is granted loans exceeding four times the deposits held and/or amounts stipulated in the by-laws except for the new members loans issued at the level of three and half times.
- (3) All loans advanced are co-guaranteed by members and other securities where applicable.
- (4) A loan insurance is maintained to cover any deceased/permanently disabled member loans/deposit balances.
- (5) Employees who change employment are promptly followed-up to ensure their accounts are kept good.

**Unearned interest income risk**

The SACCO is exposed to the risk that unearned interest income may be accrued but not received. Exposure to unearned interest income is managed by only recognizing the interest income on performing loans.

**Interest risk**

The SACCO is not exposed to interest risk, since the interest rate on loans is standardized at between 1% and 5% per month.

**Liquidity risk**

The SACCO is exposed to the risk that it may have difficulties in meeting members loan obligations. Liquidity risk is addressed through;

- (1) The SACCO has an aggressive policy of mobilizing deposits from members.
- (2) The SACCO does not invest members savings in fixed properties.
- (3) The SACCO may use bank loans and overdraft facilities to meet short term liquidity requirements.
- (4) Approval of loans is subject to availability of funds as indicated in the cash flow reports.

**s) Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

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**NOTES TO THE ACCOUNTS CONTD.**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>2a. Sacco Interest on Loans Income</b>		
BOSA loans	518,115,484	452,191,767
FOSA loans	171,892,796	135,476,930
	<u><b>690,008,281</b></u>	<u><b>587,668,697</b></u>
<b>2b. Other Interest Income</b>		
Interest income	10,398,959	11,235,998
Dividends	6,589,912	5,356,428
<b>Total other Interest Income</b>	<u><b>16,988,871</b></u>	<u><b>16,592,426</b></u>
<b>3 Sacco Interest Expense</b>		
Interest payable on BOSA deposits (8.5%)	317,707,041	278,172,318
Interest on member savings-Shewisa/Child/Fixed dep	14,328,597	6,980,444
<b>Total Interest Expense</b>	<u><b>332,035,638</b></u>	<u><b>285,152,762</b></u>
<b>4 Other Operating Income</b>		
Commission on member transactions	27,951,623	43,610,249
Standing orders & statement charges	3,898,439	3,014,900
Voucher processing & photocopier business	2,339,823	334,333
Mpesa,ATM,Frequency Fees & SMS Fees	2,232,951	1,333,895
Sundry income	955,425	1,358,578
Loan insurance commission	972,680	5,203,318
Entrance fees income	889,000	353,540
Cheque clearance	362,400	1,583,900
<b>Total Operating Income</b>	<u><b>39,602,340</b></u>	<u><b>56,792,713</b></u>

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**NOTES TO THE ACCOUNTS CONTD.**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>5 Sacco Administration Expenses</b>		
Loan insurance & asset premiums	14,175,762	13,361,676
Tax penalties	8,266,491	-
Telephone, airtime, postage & internet	3,348,654	2,729,186
Computer hardware & software expenses	3,330,106	2,201,903
Security expenses	2,926,054	2,987,703
Rent & rates	2,651,938	864,736
Printing & stationery	2,355,373	1,184,007
Shop purchases	2,109,018	-
Cleaning materials, sundries & contingencies	1,212,020	1,086,819
Motor vehicle running expenses	1,095,896	978,753
FOSA personal cheques issuance expenses	995,330	-
Electricity & water	802,956	698,969
Office utilities, books & periodicals	647,439	546,184
Subscriptions & licences	494,202	579,800
Website & government computer services	465,241	493,957
Repairs & maintenance	405,295	768,145
Off-site back up expenses	365,400	438,480
Vat claimable	112,414	111,821
Switch link services	75,204	90,254
	<b>45,834,794</b>	<b>29,122,392</b>
<b>6 Sacco Establishment Expenses</b>		
Depreciation	8,859,031	8,691,123
Amortization	6,089,317	7,061,934
	<b>14,948,348</b>	<b>15,753,057</b>
<b>7 Personnel Expenses</b>		
Salaries & wages	35,562,989	32,871,478
House allowance	8,926,480	7,768,874
Medical cover expenses	8,195,047	7,235,450
Staff travelling & subsistence allowance	7,698,124	6,180,500
Staff training & education	6,491,237	7,865,408
Commuter allowance	5,163,806	4,748,698
NSSF & pension contribution	4,601,171	4,205,908
Staff extraneous allowance	1,544,106	675,815
Responsibility allowance	1,080,000	762,534
Gratuity	918,811	152,826
Staff entertainment allowance	600,000	272,000
Staff leave allowance	400,000	426,256
Staff relocation expenses	100,000	-
Staff uniforms	10,000	115,000
Staff recruitment expenses	-	1,407,697
	<b>81,291,772</b>	<b>74,688,444</b>
<b>8 Sacco Governance Expenses</b>		
Annual delegates meeting expenses	16,597,855	14,202,472
Education delegates	12,048,681	-
Education board members	12,001,044	10,945,207
Education members	10,203,767	8,407,496
Board meeting expenses & subsistence allowance	7,032,548	6,627,235
Board sitting allowances	3,369,632	3,588,829
Ushirika day celebrations	2,540,200	2,270,355
Board medical cover	1,249,475	201,933
Delegates telephone expenses	989,000	1,338,921
	<b>66,032,202</b>	<b>47,582,448</b>

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**NOTES TO THE ACCOUNTS CONTD.**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>9 Marketing Expenses</b>		
Marketing expenses	12,010,650	10,280,963
Strategic plan expenses	3,008,006	4,456,496
Public relations & advertisement	715,941	303,280
Corporate social responsibility	95,500	-
	<b>15,830,097</b>	<b>15,040,739</b>
<b>10 Professional Expenses</b>		
Consultancy fees	2,909,511	4,313,328
Audit fees	702,586	719,821
Debt collection expenses	288,796	677,617
Legal fees	286,055	422,900
	<b>4,186,948</b>	<b>6,133,666</b>
<b>11 Financial &amp; Related Expenses</b>		
Loan impairment provision	32,590,806	56,265,305
Specific interest provision allowance	11,979,454	13,258,485
Bank charges	5,297,115	1,963,908
Levy on members' deposits	5,292,436	3,001,976
Bad debts written off	-	2,963,725
	<b>55,159,811</b>	<b>77,453,399</b>
<b>12 Sacco Cash &amp; Cash Equivalent</b>		
Co-op Bank current account (Main)	97,241,880	1,764,977
CIC money market fund	69,216,679	233,952,159
Britam money market fund	22,578,259	90,455,820
M-Sacco account - Mobile banking	16,930,299	7,913,265
NIC Bank account	10,687,867	50,000
KCB Current account (FOSA)	4,275,777	3,002,537
Treasury account (FOSA)	3,765,292	3,995,094
Co-op Bank collateral account	2,800,000	1,400,000
Cash in Hand - Sheria Hse ( MPESA Holding Float)	800,000	562,000
Co-op Bank general savings account	725,297	715,667
Co-op Bank Sheria Hse - photocopier	632,836	554,268
Cash in Hand - MPESA Commissions ( Sheria House )	454,105	159,945
Cash in Hand - FOSA OFFICE Milimani ( MPESA Holding Float)	400,000	-
KCB Current Account Milimani - Photocopier	398,980	398,980
Cash in Hand - Milimani (MPESA Holding Float)	300,000	300,000
BBF Savings Account	206,535	206,535
Petty cash account - FOSA NAIROBI Branch	50,000	-
Petty cash account (Bosa)	19,825	8,242
Imprest control account ( FOSA )	-	36,365
Petty Cash Account - FOSA KISUMU Branch	(14,299)	57,038
ATM Settlement Account (FOSA)	(10,308,925)	(9,830,891)
Co-operative Bank - Current Account (FOSA)	(29,636,820)	17,192,122
	<b>191,523,587</b>	<b>352,894,123</b>



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**NOTES TO THE ACCOUNTS CONTD.**

	2019	2018		
	Kshs	Kshs		
<b>13 Sacco Receivables &amp; Prepayments</b>				
Interest on Loans Receivable - Bosa	88,880,517	112,793,725		
Receivables from Employers - Check off Remittances	46,043,004	-		
Interest on Loans Receivable - Fosa	12,816,332	19,791,124		
Prepaid Staff & Directors Medical Insurance Cover	6,422,509	5,636,236		
Prepaid Employee Group Life Insurance Premium	898,617	-		
Postal Corporation of Kenya - Loans Interest Account	450,418	-		
Account Receivables	210,096	262,175		
Prepaid SASRA Subscription	70,000.00	70,000.00		
Prepaid Offsite Backup	-	365,400		
Prepaid Cheque Print	-	995,330		
Prepaid Delegates Education	-	2,263,500		
	<u>155,791,493</u>	<u>142,177,491</u>		
<b>Less: Specific bad debts provision receivables (Interest)</b>	-	-		
Balance b/f	52,736,171	39,477,686		
Charge for the year	11,979,454	13,258,485		
Loans Loss Allowance	64,715,625	52,736,171		
	<u>91,075,868</u>	<u>89,441,320</u>		
<b>14 Sacco Loans to Members</b>				
Loan with Bosa	4,353,250,224	3,767,756,511		
Fosa Advances with members	1,207,370,729	966,497,383		
<b>A</b>	<u>5,560,620,952</u>	<u>4,734,253,894</u>		
<b>Provision for Delinquency</b>				
Balance b/f	162,241,120	105,975,815		
Charge for the year	32,590,806	56,265,305		
Loan Loss allowance year end	194,831,926	162,241,120		
<b>Net Loans &amp; Advances</b>	<u>5,365,789,027</u>	<u>4,672,012,774</u>		
Member's Personal Accounts Listings	5,563,491,514	4,713,065,366		
<b>B</b>	<u>5,563,491,514</u>	<u>4,713,065,366</u>		
Unreconciled Difference	(2,870,562)	21,187,528		
<b>A-B</b>	<u>(2,870,562)</u>	<u>21,187,528</u>		
<b>AGEING OF PAST DUE IMPAIRED</b>	<b>No. of</b>	<b>Outstanding</b>	<b>Rates</b>	<b>Provision (Ksh.)</b>
	<b>Accounts</b>	<b>Portfolio (Kes)</b>		
Performing Loans	12,626	5,058,089,078	1%	50,580,891
Watch	489	271,538,933	5%	13,576,947
Substandard	294	106,807,365	25%	26,701,841
Doubtful	114	46,167,780	50%	23,083,890
Loss	265	80,888,357	100%	80,888,357
	<u>13,788</u>	<u>5,563,491,513</u>		<u>194,831,926</u>
<b>Movement in Allowance for Doubtful Debts</b>				
Balance at the start of the year		51,263,233		80,740,446
Impaired losses recognised for:		-		-
Loan to Members		-		-
Increase/(decrease) in provisions		6,988,128		(29,477,213)
Lost cash		-		-
<b>Balance at the end of the year</b>		<u>58,251,361</u>		<u>51,263,233</u>
<b>Provision adjusted per SASRA regulations</b>				
<b>15 Sacco Investments</b>				
<b>Un-quoted Equities at Cost - Available for Sales</b>				
105,775 Ordinary Shares with KUSCCO @ Ksh 100		10,577,500		2,177,500
5,520,232 Ordinary Shares with CIC of @ Ksh 1		5,520,232		5,520,232
5,180,000 Shares with Co-op Holding Ltd of @Ksh. 1		5,180,000		5,180,000
Deposits with Sheria Housing		4,593,569		14,669,824
UTAWALA Plots with Sheria Housing		3,600,000		-
Shares with Sheria Housing		1,630,176		1,630,176
Mpesa Holding Investment		500,000		500,000
Ordinary Shares with CODIC		50,000		50,000
		<u>31,651,476</u>		<u>29,727,732</u>

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16a. Property, Plant & Equipment

	Computers Hardware Kshs 30%	Motor Vehicle Kshs 25%	Furniture & Fittings Kshs 12.5%	Land Kshs 88 Yrs.	Building Kshs 2.5%	Generator Kshs 12.5%	Office Equipments Kshs 12.5%	Total Kshs
Year ended 2018								
Cost	18,406,346	4,236,504	7,930,716	300,000,000	55,077,852	1,284,182	15,017,382	401,952,982
Additions	3,705,903	-	2,111,654	-	799,611	-	582,397	7,199,565
Disposal	-	-	-	-	-	-	-	-
As at 31.12.2018	22,112,249	4,236,504	10,042,370	300,000,000	55,877,463	1,284,182	15,599,779	409,152,547
<b>DEPRECIATION</b>								
As at 01.01.2018	14,976,889	1,621,192	5,490,002	42,893,768	6,072,161	898,080	10,292,104	82,244,196
Charge for the year	2,140,608	653,828	569,046	3,370,787	1,245,133	48,263	663,459	8,691,123
Disposal	-	-	-	-	-	-	-	-
As at 31.12.2018	17,117,497	2,275,020	6,059,048	46,264,554	7,317,294	946,343	10,955,563	90,935,319
Year ended 2019								
Cost								
As at 01 January 2019	22,112,249	4,236,504	10,042,370	300,000,000	55,877,463	1,284,182	15,599,779	409,152,547
Additions	2,501,521	-	25,990	-	-	-	2,982,097	5,509,608
Disposal	-	-	-	-	-	-	-	-
As at 31 December 2019	24,613,770	4,236,504.00	10,068,360	300,000,000	55,877,463	1,284,182	18,581,876	414,662,155
<b>Depreciation</b>								
Accumulated	17,117,497	2,275,020	6,059,048	46,264,554	7,317,294	946,343	10,955,563	90,935,319
Charge for year	2,248,882	490,371	501,164	3,409,091	1,214,004	42,230	953,289	8,859,031
Eliminated on Disposal	-	-	-	-	-	-	-	-
As at 31 December 2019	19,366,379	2,765,391	6,560,212	49,673,645	8,531,298	988,573	11,908,852	99,794,350
<b>Net Book Value</b>								
As at 31 December 2018	4,994,752	1,961,484	3,983,322	253,735,446	48,560,169	337,839	4,644,216	318,217,228
As at 31 December 2019	5,247,391	1,471,113	3,508,148	250,326,355	47,346,165	295,609	6,673,024	314,867,805

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**16b. Intangible Assets, Patents and Trade marks**

	<b>Sacco Software</b>	
	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Amortization Rate</b>	<b>33.33%</b>	<b>33.33%</b>
<b>Cost as at 01.01.2019</b>	<b>35,428,045</b>	<b>24,543,203</b>
<b>Additions</b>	<b>4,143,790</b>	<b>10,884,842</b>
<b>Disposal</b>		
<b>As at 31.12.2019</b>	<b><u>39,571,835</u></b>	<b><u>35,428,045</u></b>
<b>Amortization</b>		
<b>As at 01 January 2019</b>	<b>21,302,057</b>	<b>14,240,123</b>
<b>Charge for the year</b>	<b>6,089,317</b>	<b>7,061,934</b>
<b>As at 31 December 2019</b>	<b><u>27,391,374</u></b>	<b><u>21,302,057</u></b>
<b>Net Book Value</b>		
<b>As at 31 December 2019</b>	<b><u>12,180,461</u></b>	<b><u>14,125,988</u></b>
<b>16c. Upper Hill Development</b>		
<b>Preliminary Cost for Developing</b>	<b>23,003,932</b>	<b>-</b>
	<b><u>23,003,932</u></b>	<b><u>-</u></b>

This relates to achitectural works and designs paid for the building that the Society intends to construct.ADM UNDER MINUTE NO.10/44/ADM/2019 approved a capital budget of KSHS.50,000,000 towards development of the plot.The costs will be capitalized once the project commences.

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	2019 Kshs	2018 Kshs
<b>17 Sacco Members' Deposits</b>		
<b>a) Saving Deposit</b>		
Fosa Savings	435,188,752	320,435,496
Shewisa Savings	36,741,489	33,549,490
Children Savings	20,545,634	15,075,328
Sheria Housing Savings	1,290,045	1,042,686
Balance at the end of the year	<u>493,765,920</u>	<u>370,103,000</u>
<b>b) Non withdrawable Deposits</b>		
Members Deposits		
Members Deposits-Bosa	3,737,729,891	3,406,848,128
Members Deposits-Fosa	107,319,706	65,339,899
Balance at the end of the year	<u>3,845,049,597</u>	<u>3,472,188,027</u>
<b>Total Deposits</b>	<u>4,338,815,517</u>	<u>3,842,291,027</u>
<b>18 Sacco Taxation</b>		
Balance brought forward	528,067	2,611,102
Current Year Tax (Refer Tax computation refer to note 27)	9,242,738	8,487,407
	<u>9,770,805</u>	<u>11,098,509</u>
Instalment Tax paid during the year	(3,979,668)	(7,959,340)
Tax Paid during the year	(528,067)	(2,611,102)
Balance Carried Forward	<u>5,263,070</u>	<u>528,067</u>
<b>19 Sacco Payables &amp; Accruals</b>		
Un-allocated Funds	14,156,889	-
Sundry Creditors	18,794,927	19,957,006
Proposed Staff Bonus	5,000,000	5,000,000
Provision for Interest on SHEWISA and Children Savings	4,010,099	-
Deposits & BBF Insurance Claim Control Account	2,664,471	2,675,171
Statutory Deduction - PAYE	1,097,947	1,047,410
Provision for Staff Gratuity	1,071,637	152,825
Excise Duty Tax Payable	714,036	-
Audit Fees & VAT	489,000	413,793
Statutory Deduction - NHIF	68,150	88,620
KRA Withholding Tax	53,140	-
Staff Welfare Contributions	21,000	-
Statutory Deduction - NSSF	18,800	-
Statutory Deduction - HELB	6,922	-
Remittances from Employers - Judiciary FOSA Salary A/C	-	1,640,369
Total	<u>48,167,016</u>	<u>30,975,194</u>
<b>20 Payments due to Members &amp; Board</b>		
As at January 2018 - Interest on Members deposits	319,584,340	273,503,569
As at January 2018 - Dividends	48,947,581	50,346,557
As at January 2018 - Honoraria	4,000,000	3,500,000
Honoraria paid	(3,000,000)	(2,000,000)
Dividends paid	(48,970,718)	(50,350,254)
Paid during the year	<u>(283,300,457)</u>	<u>(233,587,850)</u>
At 31 December	<u>37,260,746</u>	<u>41,412,022</u>
Proposed Interest on Members' Deposits	317,707,041	278,172,318
Proposed Dividends	54,697,253	48,947,581
Proposed honorarium	4,500,000	4,000,000
	<u>414,165,040</u>	<u>372,531,921</u>
<b>21 Sacco Benevolent Fund</b>		
At 1 January	3,151,968	7,176,786
Contributions during the year	16,799,936	13,724,632
Payments during the year	(18,986,724)	(17,749,450)
At 31 December	<u>965,180</u>	<u>3,151,968</u>

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	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>22 Sacco Share Capital</b>		
At 1 January	305,922,382	251,732,787
Contributions during the year	35,935,452	54,189,595
At 31 December	<u>341,857,834</u>	<u>305,922,382</u>
<b>23 Sacco Reserves</b>		
Retained earnings	339,714,801	304,282,338
Revaluation reserve	286,955,871	286,955,871
Statutory Reserves	157,623,599	133,216,170
Benevolent Reserve	96,564,228	96,564,228
<b>Total Sacco Reserves</b>	<u>880,858,499</u>	<u>821,018,607</u>
<b>24 Prior year adjustments</b>		
Board Honorarium approved by ADM was Kshs.3,000,000 and paid but Ksh.4,000,000 was provided for in year 2018 hence the difference of Ksh.1,000,000 (Ksh.4,000,000 less 3,000,000) has been ploughed back to retained earnings.	1,000,000	1,500,000
Staff Bonus approved by ADM was Kshs.4,000,000 but Kshs.5,000,000 was provided for in year 2018 hence Ksh.1,000,000 ploughed back	1,000,000	1,500,000
	<u>2,000,000</u>	<u>3,000,000</u>

**25 RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions

Placings are made in the Sacco by Board of Directors and the staff. All transactions with related parties are at arms's length in the normal course of business, and on terms and conditions similar to those applicable to members.

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Loans &amp; Advances</b>		
Board of Directors	12,994,806	11,383,827
Secretariat - Staff	46,342,880	39,075,340
	<u>59,337,686</u>	<u>50,459,167</u>
<b>Non withdrawable Deposits &amp; Savings</b>		
Board of Directors	44,872,045	34,484,356
Secretariate - Staff	20,618,971	15,487,545
	<u>65,491,016</u>	<u>49,971,901</u>

**26 CURRENCY**

Financial Statements are presented in Kenya Shillings (Kshs).