



SHERIA SACCO SOCIETY LTD
Inspire, Equip, Empower

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

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OUR VISION

To be the Best Sacco Society providing Quality and Dynamic Financial Solutions to members and the community.

OUR MISSION

Empowering Our Members Economically through Mobilization of Savings and Provision of Affordable Credit Services.

OUR MOTTO

Inspire, Equip, Empower

OUR CORE VALUES

- Integrity
- Teamwork
- Accountability
- Professionalism
- Humility
- Innovation



SOCIETY INFORMATION

BOARD OF DIRECTORS

Hon. Justice Patrick Kiage, CBS, JA, DE, ICUDE.....	Chairman
Hon. Lady Justice Roselyne Aburili, DE.....	Vice Chair
Mr. Simon Wasilwa, DE.....	Hon. Secretary
CPA Anorld Kimanzi, DE.....	Hon. Treasurer
Mr. Francis Muigai, DE.....	Director
Ms. Eunice Wangari, DE.....	Director
Mr. George Nyaoke, DE.....	Director
Hon. Elizabeth Juma, DE.....	Director
Mr. Sango Maewa, DE.....	Director

SUPERVISORY COMMITTEE

Mr. Manase Wandera, DE.....	Chairman
Ms. Lilian Maina, DE.....	Secretary
Mr. Andrew Muriithi.....	Member

MANAGEMENT TEAM

CPA Peter W. Kariuki, DE.....	Chief Executive Officer
CPA Anthony Monda.....	Head of Finance and Strategy
CPA Cornelius Kibet.....	Head of BOSA
CPA Fred Ongoto, DE.....	Senior FOSA Manager
Mr. Saidi Kisulu.....	Senior ICT Manager
CPA John Okari.....	Senior Audit Manager
Mr. John Awuor.....	Senior Marketing Manager
Ms. Maria Wanjiku.....	Senior HR.& Administration Officer
Mr. James Ojanji.....	Senior Records Officer
Ms. Joyce Wanjeri.....	Senior Legal Officer

REGISTERED OFFICE

Sheria Sacco Society Limited
Matumbato Close, Upper Hill
LR NO. 209/14421
Tel: 020 7801500, Fax 020-2710420
P.O. Box 34390-00100
Nairobi

BANKERS

Co-operative Bank of Kenya
P.O. Box 30415 - 00100
Nairobi

Kenya Commercial Bank
P.O. Box 69695 - 00200
Nairobi

NCBA Bank
P.O. Box 44599-00100
Nairobi

AUDITORS

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



BOARD OF DIRECTORS



Hon. Mr. Justice Patrick Kiage, JA, CBS, DE, ICUDE
National Chairman



Hon. Lady Justice R. Aburili,
DE. Vice Chair



Mr. S.P.K. Wasilwa, DE
Honourable Secretary



CPA A. Kimanzi, DE
Honourable Treasurer



Mr. F. Muigai, DE
Board Member



Ms. E. Wangari, DE
Board Member



Mr. G. Nyaoke, DE
Board Member



Mr. S. Maewa, DE
Board Member



Hon. Elizabeth Juma, DE
Board Member

SUPERVISORY COMMITTEE



Mr. M. O. Wandera, DE
Chairman Supervisory
Committee



Ms. Lilian Maina, DE
Secretary Supervisory
Committee



Mr. Andrew Muriithi
Member Supervisory
Committee

MANAGEMENT TEAM



CPA Peter W. Kariuki, DE
Chief Executive Officer



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Head of Finance and Strategy



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Mr. James Ojanji
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Ms. Maria Wanjiku
Senior HR. & Admin.
Officer



Ms. Joyce Wanjeri
Senior Legal Officer

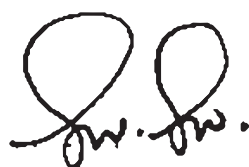
NOTICE OF SHERIA SACCO'S 45TH ANNUAL DELEGATES' MEETING

26th January 2021

NOTICE is hereby given that the **45th Annual Delegates' Meeting of Sheria Sacco Society Ltd** shall be held on **Friday 12th February 2021** at **Safari Park Hotel Nairobi** from 8.30 am.

AGENDA

1. Notice of the 45th Annual Delegates' Meeting and Adoption of Agenda.
2. Confirmation of minutes of 44th Annual Delegates Meeting held on 1st March 2019.
3. Matters Arising from the Minutes of 1st March 2019.
4. Chairman's Report.
5. Address by Chief Guest and Presentation of Awards.
6. Presentation of Financial Statements as at 31st December 2019, 31st December 2020 and the Auditors' Reports.
7. Presentation of the Supervisory Committee Reports for year 2019 and 2020.
8. Presentation of the Treasurer's Reports and approval of disposal of Surplus. (Dividends/ Interest on Deposits/Board's Honoraria and Staff Bonus).
9. (a) Presentation and Adoption of the Year 2021 and 2022 Proposed Budgets.
(b) Presentation and Adoption of year 2020 and 2021 Capital Budgets.
10. Appointment of year 2021 Auditors.
11. Approval of Borrowing Powers.
12. Resolutions.
13. Elections.
 - (a) Election of three (3) Board Members.
 - (b) Election of one (1) Supervisory Committee Member.



Mr. Simon P.K. Wasilwa, D E

Hon. Secretary

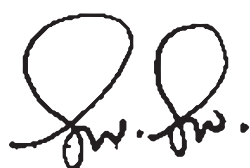
AMENDED NOTICE OF SHERIA SACCO'S 45TH ANNUAL DELEGATES' MEETING

5th February, 2021

NOTICE is hereby given that the 45th Annual Delegates' Meeting of Sheria Sacco Society Ltd shall be held on **Friday 12th February 2021** at **Safari Park Hotel** Nairobi from 8.30 am.

AGENDA

1. Notice of the 45th Annual Delegates' Meeting and Adoption of Agenda.
2. Confirmation of minutes of 44th Annual Delegates Meeting held on 1st March 2019.
3. Matters Arising from the Minutes of 1st March 2019.
4. Chairman's Report.
5. Address by Chief Guest and Presentation of Awards.
6. Presentation of Financial Statements as at 31st December 2019, 31st December 2020 and the Auditors' Reports.
7. Presentation of the Supervisory Committee Reports for year 2019 and 2020.
8. Presentation of the Treasurer's Reports, Approval and Ratification of disposal of Surplus (Dividends/Interest on Deposits/Board's Honoraria and Staff Bonus).
9.
 - (a) Presentation and Adoption of the Year 2021 and 2022 Proposed Budgets.
 - (b) Presentation and Adoption of year 2020 and 2021 Capital Budgets.
10. Appointment of year 2021 Auditors.
11. Approval of Borrowing Powers.
12. Resolutions.
13. Elections.
 - (a) Election of three (3) Board Members.
 - (b) Election of one (1) Supervisory Committee Member.



Mr. Simon P. K. Wasilwa, DE
Hon. Secretary

CHAIRMAN'S REPORT TO THE 45TH ADM FOR THE YEAR 2020

Our Chief Guest, The Solicitor General of the Republic of Kenya, distinguished guests, Hon. Delegates, Ladies and Gentlemen.

Welcome to our 2021 Annual Delegates Meeting. I would like to begin by thanking the Almighty God who has protected us throughout the unprecedented year 2020 and enabled the Sacco to continue being in business to support its members.

COVID 19 Pandemic and its Impact

In March 2020, the 1st case of Covid 19 was reported in Kenya leading the Government to institute measures to curb the virus. One of the measures was suspension of all public meetings. As a result, despite all plans being complete, following receipt of a circular from the Commissioner for Co-operatives on 16th March 2020, the Board halted the Sacco's ADM which was to be held on 27th March 2020.

The new measures and the uncertainties around the pandemic required that Sheria Sacco be agile in being a working and caring financial institution that addresses members' interests and those of its staff. To address social distancing, the Board resolved that member services be rendered online as opposed to face to face interaction.

The Board approved use of emailed scan copies of loan forms and email confirmation by members who offered to guarantee loans. This offered convenience and safety to members and guarantors. The Board suspended physical meetings for Board, Committees and Management and adopted online meetings via Zoom.

On the part of the Secretariat, the Board approved the use of pooled transport for selected staff residing around the same areas. This went a long way to reduce the risk of transmission of the virus from the outside into the Sacco. To ensure that customer service was not adversely curtailed, with the necessary security measures in place, the Board approved access of the Sacco system from home by selected staff in order to serve customers. Other measures such as sanitization, social distancing, face masks etc were taken to safeguard the staff and members.

It is sad to note that some of our members lost their jobs as a result of the pandemic while others had their salaries reduced. This affected their ability to service the loans they held. In caring for these members, the Sacco offered loan moratoria of up to 6 months guided by the merit of each case to give room to the concerned members to adjust to the new circumstances.

In regard to the distribution of surplus, the Board of Sheria Sacco together with leaders of other Saccos engaged the Commissioner for Co-operatives for guidance on what to do with distribution with the suspension of ADMs and noting that members needed these funds at the time more than later. As a result, the Commissioner in a circular dated 26th March 2020 guided that Saccos whose financial statements had been audited and approved by the Regulator-SASRA, could distribute Interest on Deposits and Dividends to be ratified in the next ADM. Consequently, the Board approved distribution of surplus as had been proposed in the Sacco's financial statements that were approved by SASRA on 11th March 2020. The Board therefore seeks your ratification of the distribution of surplus as contained in the financial statements as at 31st December 2019.

Hon. Delegates and our Guests

THE SACCO'S Performance in 2020

Despite the challenges encountered in the year, the Sacco managed to report growth on almost all the key areas albeit at a reduced rate comparative to year 2019.

Membership: In the year under review, total membership reduced by 105 members from 15,143 in 2019 to 15,038 (11,955 Active and 3,083 dormant). This was a shrinkage of 0.69%. Despite 591 new members being recruited in the year 2020, a higher number left the Sacco. This is attributed to the financial challenges in the year that pushed members to recall their savings.

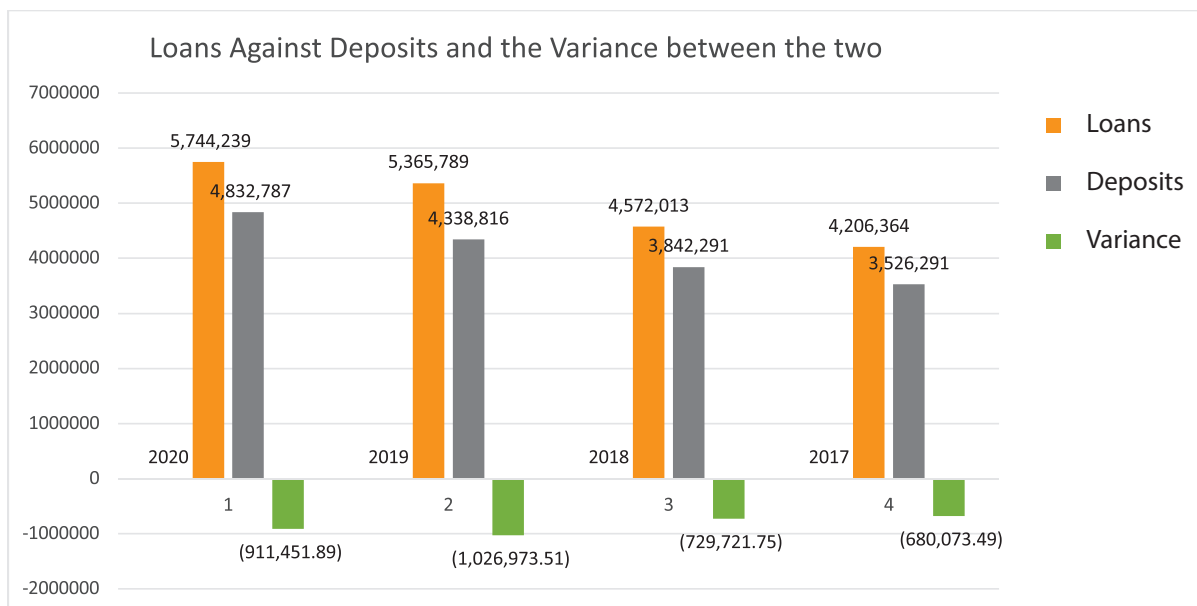
However, 39 members who had left the Sacco re-joined in the year which is a token of hope and optimism. At this juncture, I am glad to report that the Sacco has improved its system of receiving monthly pension from retired members where the process is seamless and fast. Retired members can now process their pension through Sheria Sacco and continue enjoying all the benefits as a member.

Deposits: Members deposits grew by 11.4% from Kshs. 4,338,815,518 in 2019 to Kshs. 4,832,786,840. Although this is a slightly lower growth compared to 13% in the previous period, the year was unique in that after many years, deposits grew at a higher rate than growth in loans.

The critical lesson learnt in the year was that situations can change unexpectedly, salary can fail and what one has saved is what would count. Amongst the Government measures to curb the effects of Covid 19 was a tax relief on salaried citizens. In a recorded talk to members in April 2020, I urged members to save more of the relief that they benefited from. The above trend indicates that members embraced the idea of savings. Now that the relief window has closed starting January 2021, it is advisable that members review their expenditure and become more prudent in management of the funds that are in their hands. The Board will never tire in encouraging members to grow their individual savings which will enable the Society to advance more credit in a timely fashion.

Loans: Loans to members in 2020 rose to Kshs. 5.744 Billion from Kshs. 5.365 Billion in 2019, a growth of 7.0% only compared to a growth of 17.4% in 2019. The reduced growth rate is attributed to lower loan uptake caused by reduced ability to borrow as a result of loss of jobs, salary cuts and uncertainties in business.

The chart below shows the absolute amounts for loans against deposits and the absolute variances for the four years 2017 to 2020.



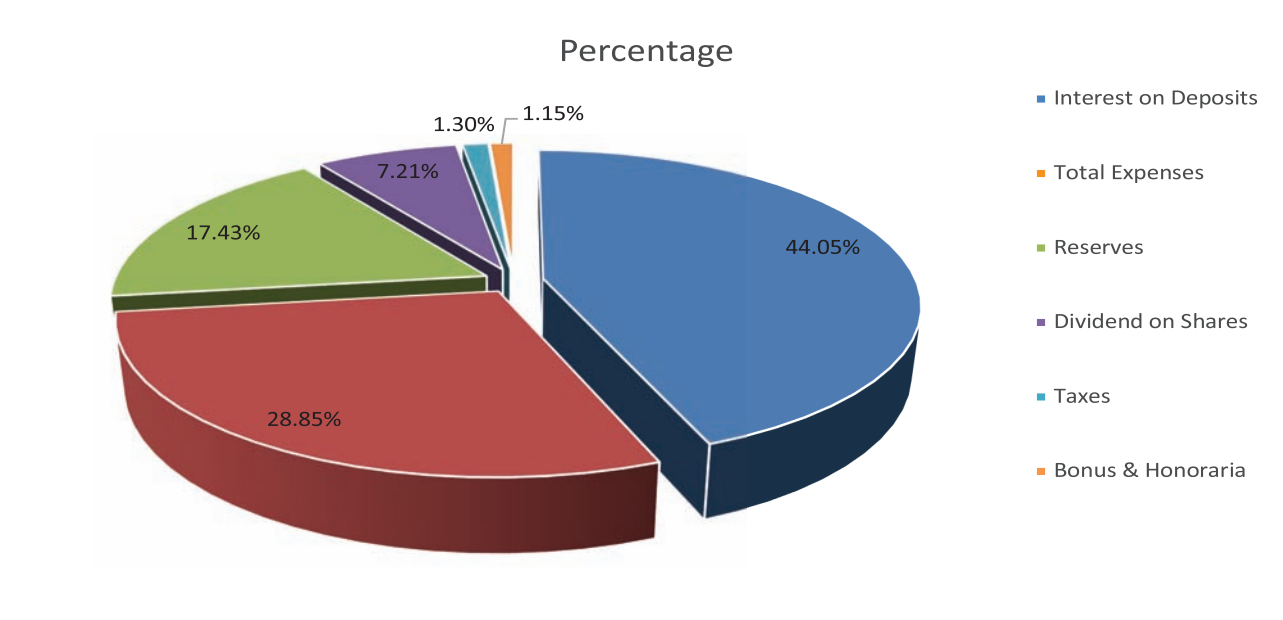
In the graph above, the gap between the total loans issued to members and deposits held in the Sacco remains high at Kshs. 0.911 Billion in 2020. However, this is an improvement from a gap of Kshs. 1.027 Billion 2019. If members save more, it will go a long way to bridge this gap and enhance the Society's capacity to offer more credit which is our core business. I applaud those members who have consistently and incrementally raised their deposits. The Society will keep on creating products that recompense and reward savings and entrench thrift.

Turnover and Profitability: The Society's turnover in 2020 stood at Kshs. 0.825 Billion compared to Kshs. 0.747 Billion in 2019. This represents a growth of 10.5%. This was lower than 13% in the previous year but given the unique and unusual year that was, we have reason for relief and gratitude.

Through resilience and discipline, the Society's Board effectively managed costs in year 2020. Total expenses for the year was Kshs. 269.8 Million compared to Kshs. 283.3 Million in 2019 thus a 4.77% reduction in cost from 2019 to 2020. Further, total expenses were kept at 32.7% of total revenue compared to 37.9% in 2019. The Board will continue to institute measures to manage costs and ensure increased returns to members and healthy growth in the Society's capital reserves.

Despite lower growth rate in income than the previous year, with effective cost management the Board has been able to sustain returns to members. The Board proposes payment of interest on deposits held by members at a rate of **8.5%** (Kshs. 363.5 Million – last year it was Kshs. 332.0 Million at the same rate) on pro rata basis and dividend on shares held as at 31st December, 2020 at a rate of **16%** (Kshs. 59.5 Million – last year it was Kshs. 54.7 Million at the same rate) to be paid to members in cash. Despite the toughest year in living memory, we are pleased to be able to approve out distribution.

Below is a chart showing how the year 2020 turnover was utilized:



The highest share of turnover at 44.05% goes to the owners of the Sacco in form of interest on deposits. This is together with 7.21% in form of Dividends, therefore in total 51.26% will be rolled back to the members.

28.85% was the cost incurred in generating the revenue and the Board has been very prudent in management of costs.

To improve institutional capacity of the Sacco, 17.43% of turnover was added to the reserves.

A portion of 1.30% went to the Government in form of taxes while 1.15% is staff bonus and Board honoraria.

Portfolio at Risk: In year 2020, the Society experienced reduced loan repayments caused mainly by closure of business, members losing their jobs and others having forced salary cuts. This resulted in loan provision expense of Kshs. 32,509,790 compared to Kshs. 32,590,806 in 2019. Total non-performing loans as a percentage of the gross loan portfolio was 4.60% compared to 4.20% in 2019. This relatively steady performance despite the tough year is as a result of efforts made to address delinquency.

The Secretariat has closely monitored loans and kept close interaction with loanees to understand the challenges members were facing. The Board on its part, as alluded to above, was open to listen and considered deserving requests for moratoria for loans made by members. The Board has continuously enhanced operational capacity of the credit function to ensure effective management of loans which form the bulk of the Society's assets.

Institutional Reserves: Behind every cloud there is a silver lining. Despite year 2020 having challenges that affected every person and institutions in different ways, there are lessons that institutions, including Sheria Sacco, can pick. One of these lessons is the importance of establishing adequate reserves for the lean times. In the year 2020, a number of Saccos faced challenges of delayed remittances from employers who encountered reduced cash flows due to reduced business. While this crippled some of the Saccos, those that had sound reserves were able to continue servicing their members in loans as they waited for remittances from employer organizations.

Over the years, the Sacco's institutional capital to total assets has remained low at below 10% while many of the top ranking Saccos in the Sector are above 20%. In the year 2020 however, statutory reserves grew by 23.16% while retained earnings grew by 22.67% thus improving the institutional capital to total assets ratio to 10.5% from 9.8% in 2019. This growth trend should be sustained for a secure future for the Sacco and our members.

Honourable Delegates

Review of Operations and Management

Burial and Benevolent Fund (BBF)

I am sad to report that in the year 2020 the Sacco lost 26 of its members and 28 dependants through natural attrition. The BBF facility continues to offer a shoulder to the bereaved families by providing Kshs. 50,000 for loss of a member or spouse and Kshs. 40,000 for a child under the age of 25 years. This amount helps in meeting burial expenses of the member or dependant. This is in addition to Kshs.100,000 paid in case of loss of a member. The Society's deposits cover policy caters for 50% of member's deposits in case of death or permanent disability thus a refund of 150% of the deposits. Outstanding loans held by the departed members are cleared off by the insurance separately.

Some of the families of departed members continue to face challenges in accessing these benefits due to failure by members to nominate beneficiaries. I shall not relent in urging members to confirm their next of kin details from the Sacco website (members' portal) and where necessary update the same to save their kin agony that may arise in the event of their departure.

Member Services

As we navigated through the year 2020 and adopted new ways of serving members, I would like to appreciate the Delegates who have been reliable links with our members. The Delegates' understanding of the Sacco and its operations has been invaluable in enabling them to advise members on various issues of concern.

As we endeavour to enhance our service to members, the Sacco intends to upgrade its system in the year 2021. As we address the core system, we shall ensure that other system applications that feed into the main system are also enhanced to improve services. Key among these are the mobile banking application that has become very useful to members as well as the call management system.

FOSA Services

In the period of lockdown, the Sacco strived and ensured uninterrupted services to members. The Sacco experienced increased patronization of the Society's mobile banking services through the Mobile App and USSD. By so doing, members reduced the risk of contracting Covid 19. The platform also gave members convenience of transacting from any location. I remind members that when you transact through the Mobile App, you retain funds in the Sacco by growing revenue since the facility is fully owned by the Sacco.

I however note that utilization of ICT as an enabler to service delivery to members has not been well achieved in the Sacco. The current Sacco system that has been in place for about 5 years, has had its challenges on customization. To address these challenges, the Board is planning to upgrade the core banking system in year 2021. The Board seeks the ADM's approval of the budget for procurement of a core system as contained in our proposed 2021 – 2022 Budget.

Strategic Plan 2019 – 2023

As we review our performance for 2020 allow me to highlight how it compares to the Strategic Plan.

No.	Strategic Objective	Target	Actual	Amount in Kshs.	% Achievement
1	Grow Income annually	15%	10.5%	78.6 m	70.00%
2	Grow Loan Book annually	21%	7.0%	378.4 m	33.33%
3	Grow Total Assets annually	20%	11.5%	693.6 m	57.50%
4	Maintain Portfolio At Risk (PAR) to Loan Book	5%	4.6%	N/A	Above 100%
5	Reduce Total Expenses to Income	40%	32.7%	N/A	81.75%
6	New Membership Recruitment	20%	-0.69%	591 (696 withdrawn)	0%

Income growth recorded the highest achievement while the loan book and membership growth recorded the lowest achievement among the strategic objectives in year 2020. Board and Management's efforts in managing costs and follow up of loans yielded over 100% and 81.75% achievement of the PAR maintenance and cost reduction objectives respectively. The results are reflected in the good rate of interest on deposits and dividend despite lower growth in loan book.

Achievement

The shrinkage in membership growth is caused by higher withdrawals than the number recruited. In the year under review, 591 new members were recruited while 696 members left the Sacco due to retirement and loss of jobs among other reasons. The Board is reviewing its strategic plan in light of the current circumstances in the market and expected impact over the medium term. We shall communicate to the Delegates on any changes that may require their input and effort to ensure that the Sacco achieves its overall plan.

Development of the Sacco property at Upper Hill

In September 2019, the Board competitively identified a consortium of Architects, Engineers, Quantity Surveyors and other consultants who prepared building designs ideal for the Sacco and the relevant cost.

From different options offered at the last Delegates' Training Forum in 2020, it was clear that the ideal option is for Sheria Sacco to develop the property financed by members themselves and then make a decision on what amount of built-up space to sell and retain the rest for use and renting out.

The Board at this ADM presents before you a request for a resolution to develop the property. Upon approval the Board shall embark on exploring options of raising funds from members and

present them to you in the next ADM for approval and implementation in readiness to start the building process. As we explore the options the Board shall also liaise with the regulator, SASRA to ensure that the options we adopt are within the regulatory framework.

Closing Remarks

I am certain that the critical impetus must be robust mobilization of deposits; the growth of quality membership by mapping, mopping up and scaling up member involvement with the Sacco; focus on world class customer care and harnessing technology to achieve ease of doing business with the Society.

As we look back on the success of 2020, it would not have been possible without the support of our various partners. We appreciate our member institutions, the regulator, apex bodies, bankers, insurers and other service providers who did their best to render their services and to partner with the Sacco in spite of the challenges of the year 2020.

Finally, Ladies and Gentlemen, while we are immensely grateful to the Almighty God for sparing us and seeing us through what we hope has been the worst of the pandemic, it is entirely understandable that the contemplation of the future might fill us with trepidation. To all who may be fearful, I wish to share with you a stanza from timeless words of the poet Minnie Louise Haskins (1875 – 1957), she titled it “God knows” (and He does!) but it is now popularly known as “The Gate of the Year”, made more famous by King George VI in a broadcast to a troubled nation in the Christmas of 1939;

THE GATE OF THE YEAR

‘God knows’

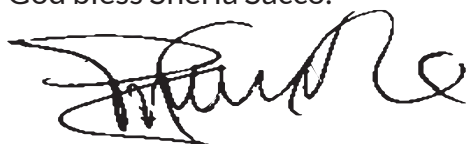
*And I said to the man who stood at the gate of the year;
“Give me a light that I may tread safely into the unknown” And he replied
“Go out into the darkness and put your hand into the hand of God
That shall be to you better than a light and safer than a known way”
So I went forth, and finding the Hand of God, trod gladly into the night.
And he led me towards the hills and the breaking day in the lone East.*

....

In these uncertain times I hope you all will have the conviction, the will and the courage to do the right thing and keep hope alive by putting your hand in that of He that is the Hope of Ages. May He lead you and Sheria Sacco higher up the hills and mountains of prosperity, and may we soon see the brilliant daybreak of unprecedented success.

God bless you.

God bless Sheria Sacco.



Hon. Justice Patrick Kiage, JA, CBS, DE, ICUDE

Chairman

TREASURER'S REPORT FOR THE YEAR ENDED 31ST DECEMBER 2020

Distinguished Guest of Honour, The Solicitor General of the Republic of Kenya, Chairman and Board of Directors of Sheria Sacco Society Ltd, Supervisory Committee Members, Delegates, Ladies and Gentlemen, it is with great pleasure that I present to you the Society's Financial Report for the year ended 31st December 2020. The Society just like all other institutions globally was faced with unprecedented challenges due to the Covid 19 pandemic. However, we thank God this far we have come.

Total Assets

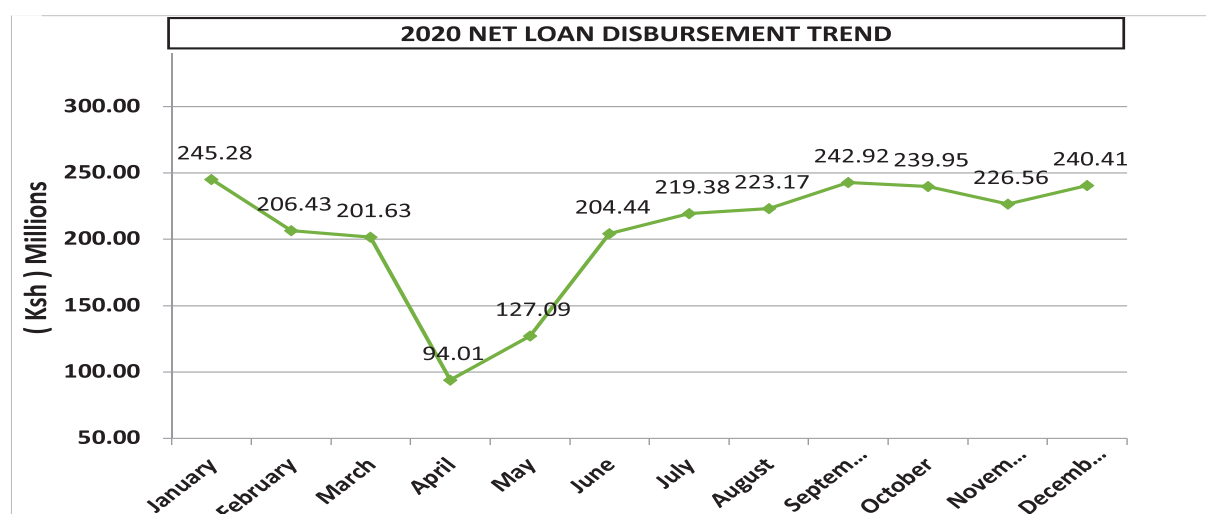
Total assets grew by Kshs. 694 Million up from Kshs. 6.03 Billion reported in year 2019 to Kshs. 6.72 Billion in year 2020 representing an 11.5% growth rate, which was slightly lower than the previous year's growth rate (12.2% year 2019).

Members Deposits and Savings

Members' deposits and savings grew by Kshs. 493.9 Million up from Kshs. 4.3 Billion reported in the year 2019 to Kshs. 4.8 Billion in year 2020 representing an 11% growth rate, which was also lower than the previous year's growth rate (12.9% year 2019). The Society fell short of its strategic target of 20% growth rate on deposits. On average out of a membership of 11,955 the growth translates to a saving of Kshs. 3,443 per month and Kshs. 41,313 annually. The Board has formulated strategies on members' deposits mobilization which includes activation of dormant accounts, increased monthly deposits contribution and ploughing back of interest on deposits and dividends on shares.

Members' Loans and Advances

Members' loans and advances grew marginally by Kshs. 378.4 Million up from Kshs. 5.3 Billion reported in year 2019 to Kshs. 5.7 Billion in year 2020 representing a 7% growth rate, on account majorly of the effect of the Covid 19 pandemic. The Society fell short of its strategic target of 21% growth on loans and advances. The Board noted that there was an increased demand for credit products & services towards the end of the year 2020. With the economy opening up, it is anticipated that it will translate to more business to the Society. Below is a graphical representation of the monthly loan disbursement of loans and advances to members during the year under review.



Revenue

The Society's revised budget for year 2020 on revenue was Kshs. 856.5 Million and the actual amount stood at Kshs. 825.2 Million representing an achievement of 96%, despite the uncertain circumstances under which the Society was operating in.

Share Capital

The Society has recorded a steady growth of Share Capital over the years and the year under review was no exception, in that share Capital grew from Kshs. 341.8 Million to Kshs. 371.8 Million representing an 8.7% growth rate. The continued growth of share capital is attributable to the attractive rate of return that the Society has consistently paid out to members for a period of more than 5 years. The Board has established a shares counter even as it seeks a resolution to limit the issuance of new shares to a member in excess of Kshs. 100,000. This will enable a member to acquire additional shares from an existing or exiting member.

Operating Expenses

The table below gives an analysis of the spread of the Society's operating expenses based on the various classifications by the Board;

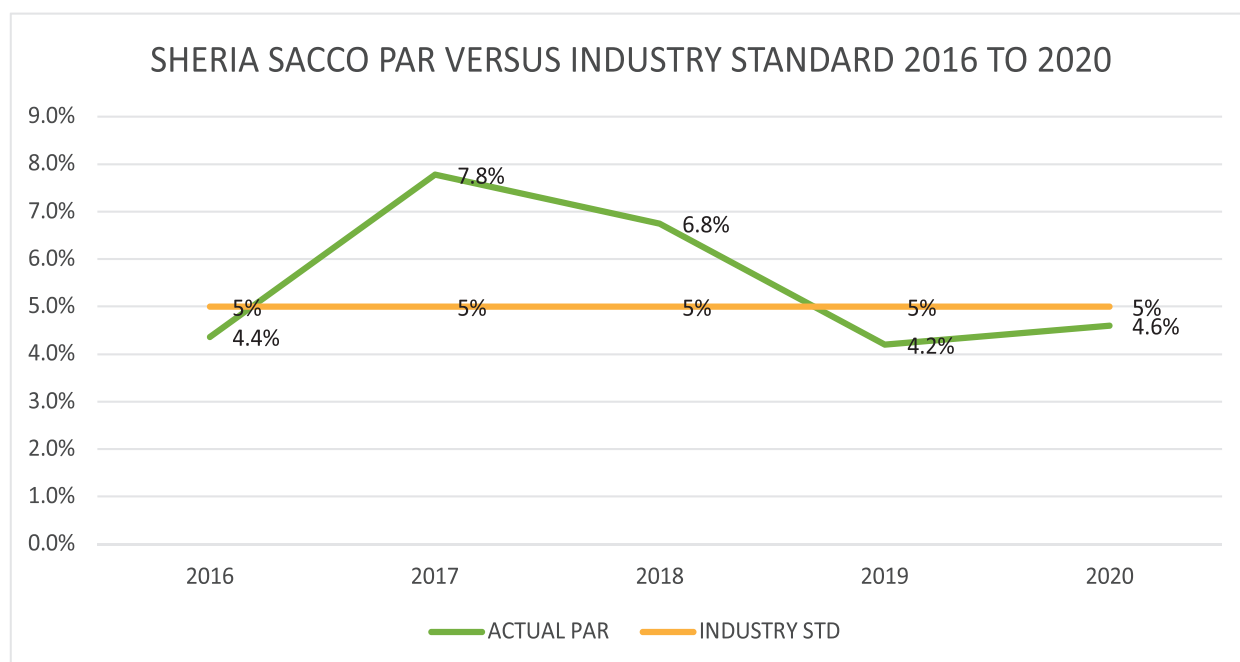
Expense	Year 2020 (Kshs.)	Year 2020 % of Expense	Year 2019 (Kshs.)	Year 2019 % of Expense
Interest	363,544,431	57%	332,035,638	54%
Personnel	77,762,856	12%	81,291,772	13%
Governance	37,550,388	6%	66,032,202	11%
Administration	50,356,560	8%	60,783,142	10%
Marketing	9,739,827	2%	15,830,097	3%
Professional	1,778,266	0%	4,186,948	1%
Financial	92,650,448	15%	55,159,811	9%
TOTAL	633,382,777		615,319,609	

Whereas the above classification compares the apportionment of the operating expenses amongst the various classifications, it is the Board's strategic objective to maintain costs within a range of 30% to 40% of the total revenue excluding interest on deposits. During the year under review the Society's operating expenses, expressed as a percentage of the total revenue stood at 32.7%. This analysis simply means that the Society incurred a cost of Kshs. 32.7 for every Kshs. 100 generated as revenue.

Loan Delinquency & Provision for Impairment

The loan repayment in the year 2020 suffered a setback on account of inter alia loss of business, loss of jobs and pay cuts. The Regulator gave authority to deposit taking Saccos to extend moratorium to members who were affected, on condition that their loans were performing as at March 2020.

The Board considered members' requests for moratoria on a case by case basis and a number of the applicants benefitted from the same. The industry requires that Portfolio at Risk (PAR) be maintained at 5% or less. The graph below shows the society's PAR trend for the last five years.



Development of the Upper Hill Plot

The 44th ADM resolved to seek for architectural designs and bill of quantities so as to ascertain the costs involved in realizing the dream of developing the Upper Hill plot. The Board wishes to inform the membership that detailed designs and bill of quantities for a twin tower structure have been developed and shared with the Delegates. The Board believes that the information contained in the detailed architectural designs and bill of quantities is sufficient in making a decision on whether to develop the Upper Hill plot or otherwise. It is worth noting that the proposed financing options for the project are subject to the approval of the Regulator (SASRA) and that the Board intends to give priority to the members to subscribe as shall be guided by the Regulator.

Ratification and Approval for Disposal of Surplus

As you are all aware, the Society did not hold an ADM in the year 2020 owing to the Covid-19 pandemic. Based on an advice from both the Commissioner for Co-operatives and the Regulator, the Board did authorize payment of interest on qualifying deposits and distribution of surplus as provided for in the year 2019 audited and approved accounts. The same is presented before this ADM for ratification as follows; Kshs. 332.0 Million (Interest on deposits), Kshs. 54.6 Million (dividend on shares), Kshs. 4 Million (Honoraria) and Kshs. 5 Million (Staff Bonus). The Board proposes for payment of Dividends on Share Capital at 16% (Kshs. 59.5 Million), Interest on qualifying Deposits at 8.5% (Kshs. 363.5 Million), Board Honoraria of Kshs. 4.5 Million and staff bonus of Kshs. 5 Million. The total return to members of Kshs. 393.6 Million (dividend plus interest on deposits) represents 48.7% of total income.

Compliance with Prudential Standards

The Society's compliance with minimum prudential ratios is as shown below:

Key Ratios:	Std	Year 2020	Year 2019	Remarks
Core Capital/Total Assets	$\geq 10\%$	16.0%	15.5%	compliant
Core Capital/Total Deposits	$\geq 8\%$	22.3%	21.6%	compliant
Institutional Capital/Total Assets	$\geq 8\%$	10.5%	9.8%	compliant
Liquid Assets/ total deposits and short-term liabilities	$\geq 15\%$	10.0%	4.4%	not compliant
Total non-Performing Loans/Gross Loans Portfolio	$\geq 15\%$	4.6%	4.2%	compliant

Conclusion

I wish to most sincerely appreciate our key stakeholders most importantly the Office of the Commissioner for Cooperatives and our Regulator SASRA, Delegates, Sheria Sacco Staff and our members for the continued support.

Thank you,

God bless you.



CPA, Arnold M. Kimanzi, DE
Treasurer

SUPERVISORY COMMITTEE REPORT FOR THE YEAR 2020

Overview

It is with honour and pleasure that I present to this distinguished forum our year 2020 report. The 1st quarter of the year started on a promising note with most activities being carried out. However, towards the end of the quarter in March 2020 uncertainties crept in upon emergence of the Covid-19 pandemic that caused a health scare and global panic. Economic activities were disrupted leading to closure of businesses and loss of jobs making it difficult for creditors to honour their obligations with financial institutions among them Saccos. Mitigating measures were put in place to ensure continuity of services.

Membership

The Society's key stakeholders are its members who are owners, financiers and customers. Growth in membership leads to increase in resources thus guarantee of funds for credit business which is the Society's core activity to generate income. There was a decline of active members from 12,684 in 2019 to 11,955 in 2020 which may be attributed to disruption of activities during the year. There being indication of improvement in activities towards the close of the year we hope that positive growth will be realized.

Loan Disbursement

The Society's office during the year was faced with operational challenges of scaled down services, limiting members' physical visits, closures for fumigation services and staff working in shifts. Owing to Covid-19 control measures loan applications had to be done online. There was a slow adoption to the new normal by some members while others experienced technological and network challenges. During the year, loans increased by 7.1% to Kshs. 5,744,238,727 from Kshs. 5,365,789,027 in year 2019.

Financial Performance

The Society's Financial Performance during the year is best reflected by the rate of return on members' investment which is at 8.5% same as the previous year. In our view, the ability of the Sacco to sustain the same rate of interest on deposits as last year in a depressed year is positive. The Board should endeavor to harness the strengths and ensure better growth in years ahead.

Gross income was Kshs. 825,247,347 during the year 2020 from Kshs. 746,599,492 in the previous year 2019. Expenses were Kshs. 269,838,346 during the year from Kshs. 283,283,971 the previous year. It is our desire as a Committee that the trend be sustained without compromising service delivery.

Strategic Plan 2019/2023

The Society's strategic plan was launched two years ago and annual review was to be done to address any challenges faced during implementation. Analysis of actual performance and the targets indicate inability to achieve projections as planned hence the need for continuous review as envisaged in the document.



Excerpts of sampled targets and actuals are shown in the table: -

Item	As at 31 st Dec 2020	As at 31 st Dec 2019	Expected Growth 2020	Actual Growth 2020	Strategic Target	Growth 2020
NET LOANS	5,744,238,727	5,365,789,027	1,126,815,696	378,449,700	21.00%	7.10%
TOTAL ASSETS	6,724,401,796	6,030,092,157	1,206,018,431	694,309,639	20.00%	11.50%
MEMBERS DEPOSITS	4,832,786,840	4,338,815,517	867,763,103	493,971,323	20.00%	11.38%
GROSS INCOME	825,247,347	746,599,492	858,589,416	825,247,347	15.00%	10.50%
EXPENSES	269,838,346	283,283,971	330,093,526	269,838,346	40.00%	32.70%
MEMBERS	15,038	15,143	3,029	630	20.00%	4.10%
PAR	272,312,671	233,863,502	324,181,751	272,312,671	5.00%	4.60%

Office Operations

The Society continued offering services to members. However there were challenges on areas of reconciliations, delayed response to inquiries, loans processing, action on variations and personal data updates that need to be addressed. The Committee appreciates the services offered but expects action in those areas that need improvement.

Members Education

The Society adopted virtual education during the year as a way of interacting with members. Various stations were covered at minimal cost thus proving to be an effective medium of reaching to members. Those who logged in for the sessions expressed their appreciation while those unable had reservations.

Challenges encountered should be addressed in future for the good of all and members should be encouraged to embrace the new normal.

Society Properties

The Society has properties at:

1. Upperhill – Nairobi County where the Sacco offices are located. During the Delegates training in February 2020 a comprehensive presentation was made by a consortium of professionals on development options for considerations at the Annual Delegates Meeting (ADM) in March 2020 that was postponed. The Board has indicated that it will seek ADM's approval on way forward. It is our hope that Delegates will consider this favorably.
2. There are two (2) plots at Utawala, Nairobi County whose titles have been processed and are with the Sacco. Future utilization of these plots shall be guided by the Board.

Risk and Compliance

- SASRA Ratios: Most have been complied with
- Kenya Revenue Authority: There is a pending case on tax matters in court
- Unclaimed Financial Assets Authority: The authority has audited the Society and raised

issues that are being contested.

- Statutory Deductions: The Sacco is compliant on N.H.I.F and N.S.S.F deductions
- Policies: The Sacco has operational policies that are under review some of which have been approved while few are in the final stages of approval.

Conclusion

The Committee had a cordial working relationship with the Board, Management, Delegates, Members and other Stakeholders whom we interacted with.

We received guidance from Commissioner of Co-operatives Office, Sacco Society Regulatory Authority (SASRA), Kenya Union of Savings and Credit Co-operatives (KUSCCO) and others that enabled us to accomplish our mandate during the year.

Thank you and be blessed



Mr. Manase O. Wandera
Chairman
Supervisory Committee



REPORT OF THE BOARD OF DIRECTORS

The Directors submit their report and the audited financial statements for the year ended 31st December 2020 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	2020	2019
	Kshs.	Kshs.
Surplus/(deficit) before tax	191,864,570	131,279,883
Income Tax Expense	(9,369,876)	(9,242,738)
Surplus for the year	182,494,694	122,037,145
Other Comprehensive Income /(loss) net of tax	-	-
Total Comprehensive Income/ (loss) for the year	182,494,694	122,037,145
Interest on Members Deposits and Savings	363,544,431	332,035,638

Investment in Shares

The issued and paid up share capital of the Society increased during the year from Kshs. 341,857,834 to Kshs. 371,806,347

Dividends and Interest on Members Deposit

The Directors have recommended payment of 16% (2019: 16%) as dividend on investment shares and pay 8.50% (2019: 8.50%) interest on Sacco deposits.

Directors

The Directors who held office during the year and to the date of this report are shown on page 3.

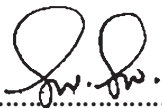
Independent Auditor

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 12th January 2021.

BY ORDER OF THE BOARD

Signature.......... Date 12th January 2021

Mr. Simon P. K. Wasilwa, DE

Hon. Secretary

FINANCIAL AND STATISTICAL INFORMATION

	2020	2019	
Membership			
Active	11,955	12,684	
Dormant	3,083	2,459	
Total	15,038	15,143	
Number of Branches	1	1	
Number of Employees	45	46	
Financial Highlights			
Total Assets	6,724,401,796	6,030,092,157	
Members Deposits	4,832,786,840	4,338,815,517	
Total Liabilities	5,358,231,272	4,807,375,824	
Cash and Cash Equivalents	483,236,295	191,523,587	
Loans and Advances to Members	5,744,238,727	5,365,789,027	
Investments	30,151,476	31,651,476	
Core Capital	1,079,214,653	935,760,462	
Share Capital	371,806,347	341,857,834	
Institutional Capital	707,408,306	593,902,628	
Total Revenue	825,247,347	746,599,492	
Interest Income on Members Loans	769,113,653	690,008,281	
Dividends on Share Capital	59,489,015	54,697,253	
Interest on Members Savings	363,544,431	332,035,638	
Total Expenses	269,838,346	283,283,971	
Key Ratios:			
Capital adequacy ratio	STD	%	%
Core Capital/Total Assets	10%	16.0%	15.5%
Core Capital/Total Deposits	8%	22.3%	21.6%
Institutional Capital/Total Assets	8%	10.5%	9.8%
Liquidity ratio			
Liquid Assets/ total deposits and short term liabilities	15%	10.0%	4.4%
Liquid Assets/ total Short term Savings and short term liabilities	15%	74.3%	31.9%
External borrowing ratio	25%	0.0%	0.0%
Operating efficiency			
Total Expenses/Total Revenue	32.7%	37.9%	
Interest Rate on Members Deposits	8.5%	8.5%	
Dividend Rate on Share Capital	16.0%	16.0%	
Debt to Equity Financing	496.5%	513.7%	
Total non-Performing Loans/Gross Loans Portfolio	≤ 5%	4.6%	4.2%
Total Delinquent Loans/Gross Loans Portfolio	≤ 5%	8.7%	9.1%

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.

	Committee	Chair
1.	Administrative Committee	Hon. Justice Patrick Kiage, JA, CBS, DE, ICUDE
2.	Finance and Investment Committee	CPA Arnold Kimanzi, DE
3.	Credit Committee	Hon. Elizabeth Juma, DE
4.	Education Committee	Hon. Lady Justice Roselyne Aburili, DE
5.	Audit & Risk Management Committee	Mr. George Nyaoke, DE
6.	Human Resource Committee	Mr. Simon Wasilwa, DE

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:


- 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;
- Selecting and applying appropriate accounting policies; and
- 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 31st December 2020 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 **12th January 2021** and signed on its behalf by:

CHAIRMAN.....

TREASURER.....

HON SECRETARY.....

REPORT OF THE INDEPENDENT AUDITOR 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 32 to 56, which comprise the statement of financial position as at 31st December 2020, the statement of profit or loss and other 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 31st December 2020, 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.

Credit risk and impairment of loans and advances to members	How our audit addressed the key audit matters
The Society determines the provision for impairment of loans as per the Sacco Society Act. For purposes of calculation of impairment, loans and advances to members are classified as performing, watch, substandard, doubtful or loss loans as set out in note 14 to the financial statements.	We reviewed the loan application policy and the loan agreement terms. We also classified the loans for compliance with the classification policy. We performed credit assessment of sampled loans based on materiality levels. On the loans we also checked the reasonableness of the collateral and guarantors.

Provision for uncertain taxes	
The directors are required to exercise significant judgement when determining the appropriate amount to provide in respect of potential tax exposures relating to challenges by tax authorities. We are focused in this area because of the inherent judgements required in estimating the amount of provision required. We obtained a detailed understanding of the Sacco's tax framework and its compliance status with the tax authority.	We conducted an evaluation of the tax position since the last time tax authority performed an assessment. A tax health check was conducted on the various tax heads to ensure compliance with the existing tax laws. The tax provisions made were prudent.

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.

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.
- 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.

MWANGI & KAMWARA ASSOCIATES



Certified Public Accountants

Nairobi

CPA Robert Gathogo Kamwara, Practicing Certificate No. 1873

26th January, 2021

Signing Partner responsible for the independent audit



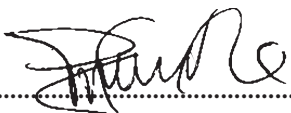
STATEMENT OF COMPREHENSIVE INCOME


	Notes	2020	2019
Revenue		Kshs	Kshs
Interest Income			
Interest on Loans and Advances	2(a)	769,113,653	690,008,281
Other Interest Income	2(b)	18,149,824	16,988,871
Total Interest Income		787,263,478	706,997,152
Interest Expense	3	(363,544,431)	(332,035,63)
Net Interest Income		423,719,047	374,961,514
Other Operating Income	4	37,983,869	39,602,340
Total Income		461,702,916	414,563,854
Expenses			
Administration Expenses	5	(36,043,673)	(45,834,794)
Establishment Expenses	6	(14,312,887)	(14,948,348)
Staff Expenses	7	(77,762,856)	(81,291,772)
Governance Expenses	8	(37,550,388)	(66,032,202)
Marketing Expenses	9	(9,739,827)	(15,830,097)
Professional Expenses	10	(1,778,266)	(4,186,948)
Financial & Related Expenses	11	(92,650,448)	(55,159,811)
Total Operating Expenses		(269,838,346)	(283,283,971)
Net Operating Surplus before Income Tax		191,864,570	131,279,883
Income Tax Expense	18	(9,369,876)	(9,242,738)
Net Surplus for the Period		182,494,694	122,037,145
20% Transfer to Statutory Reserve		36,498,939	24,407,429
Total Net Comprehensive Profit/(Loss) for the year		145,995,755	97,629,716

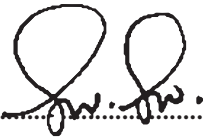
STATEMENT OF FINANCIAL POSITION

	Notes	2020	2019
		Kshs	Kshs
ASSETS			
Cash and Cash Equivalent	12	483,236,295	191,523,587
Receivables and Prepayments	13	97,924,864	91,075,868
Income Tax	18	713,109	-
Loans and Advances to Members	14	5,744,238,727	5,365,789,027
Investments	15	30,151,476	31,651,476
Property, Plant and Equipment	16(a)	311,804,956	314,867,805
Intangible Assets	16(b)	9,085,962	12,180,461
Upper Hill Development - Preliminary Costs	16(c)	47,246,407	23,003,932
Total Assets		6,724,401,796	6,030,092,157
LIABILITIES			
Members Deposits	17	4,832,786,840	4,338,815,517
Income Tax Payable	18	-	5,263,070
Payables and Accruals	19	68,328,953	48,167,016
Other Provisions	20	455,068,002	414,165,040
Burial Benevolent Fund	21	2,047,476	965,180
Total Liabilities		5,358,231,272	4,807,375,824
FINANCED BY			
Other Reserves	24	994,364,177	880,858,499
Share Capital	23	371,806,347	341,857,834
Total Shareholders' Funds		1,366,170,524	1,222,716,333
Total Liabilities and Capital		6,724,401,796	6,030,092,157

The Financial Statements were approved by the Board of Directors on 12th January, 2021 and signed by:

CHAIRMAN.....

TREASURER.....

HON SECRETARY.....



STATEMENT OF CHANGES IN EQUITY

	Share Capital		Statutory Reserves		Retained Earnings		Revaluation		Benevolent Reserve		Total
	Kshs		Kshs		Kshs		Kshs		Kshs		
At 1 January 2020	341,857,834		157,623,599		339,714,801		286,955,871		96,564,228		1,222,716,333
Changes in equity in 2020											
Surplus for the year	-	-	-	-	182,494,694	-	-	-	-	-	182,494,694
Contribution for the year	29,948,513	-	-	-	-	-	-	-	-	-	29,948,513
Transfer to Statutory Reserves	-	-	36,498,939	-	(36,498,939)	-	-	-	-	-	-
2020-Proposed Dividends	-	-	-	-	(59,489,015)	-	-	-	-	-	(59,489,015)
2020-Proposed Board Honorarium	-	-	-	-	(4,500,000)	-	-	-	-	-	(4,500,000)
2020-Proposed Staff Bonus	-	-	-	-	(5,000,000)	-	-	-	-	-	(5,000,000)
At 31 December 2020	371,806,347		194,122,538		416,721,541		286,955,871		96,564,228		1,366,170,524
At 1 January 2019	305,922,382		133,216,170		304,282,338		286,955,871		96,564,228		1,126,940,989
Changes in equity in 2019											
Surplus for the year	-	-	-	-	122,037,145	-	-	-	-	-	122,037,145
Adjustment	-	-	-	-	-	-	-	-	-	-	-
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 Honorarium	-	-	-	-	(4,500,000)	-	-	-	-	-	(4,500,000)
2019-Staff Bonus Proposed	-	-	-	-	(5,000,000)	-	-	-	-	-	(5,000,000)
Prior year adjustment-Note 25	-	-	-	-	2,000,000	-	-	-	-	-	2,000,000
At 31 December 2019	341,857,834		157,623,599		339,714,801		286,955,871		96,564,228		1,222,716,333

STATEMENT OF CASHFLOWS

	Note	2020 Kshs	2019 Kshs
Cash Flow from Operating Activities			
Interest Income & other operating income	2 a& b	781,271,246	700,407,241
Other operating income	4	37,983,869	39,602,340
Interest payment	20	(327,014,160)	(297,629,054)
Payment to employees and suppliers	5-11	(187,233,919)	(271,335,623)
Net Cashflow Before working Capital Changes		305,007,036	171,044,904
(Increase)/Decrease in Operating Assets			
Receivables and prepayments	13	(15,938,061)	(1,634,548)
Member loans & Advances	14	(410,959,491)	(793,776,253)
Increase/(Decrease) in Operating Liabilities			
Members deposits and savings	17	493,971,323	496,524,489
Payables & Accruals	19	(11,530,745)	17,191,822
Net cash from operating activities before income taxes		55,543,026	(281,694,490)
Net cash from Operating Activities before Tax		360,550,063	(110,649,586)
Income tax paid	18	(15,346,055)	(4,507,735)
Net cash from operating activities		345,204,008	(115,157,321)
Cash Flow from Investing Activities			
Purchase of Investments/Refunds Received	15	1,500,000	(1,923,744)
Cash in Flow from Sale of Asset - Motor Cycle	16a	44,686	0
Purchase of Property and Equipment	16a&b	(8,200,225)	(9,653,398)
Dividends Received	2b	5,992,232	6,589,912
Preliminary Costs-Upper Hill Development	16(c)	(24,242,475)	(23,003,932)
Net Cash from investing Activities		(24,905,782)	(27,991,162)
Cash Flow from Financing Activities			
Payment of Dividends & Honoraria	20	(59,616,325)	(51,970,718)
Share Capital Contributions	23	29,948,513	35,935,452
Burial Benevolent Fund	21	1,082,296	(2,186,788)
Net cash flow used in financing activities		(28,585,516)	(18,222,054)
Increase/(Decrease) in Cash and Cash Equivalents		291,712,710	(161,370,538)
Movement in Cash and Cash Equivalents			
At start of year		191,523,586	352,894,124
At end of year	12	483,236,295	191,523,586

FINANCIAL 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.

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.

New Standards, Amendments and Interpretations Issued but not Effective

IFRS 17 'Insurance Contracts' (issued in May 2017) effective for annual periods beginning on or after 1 January 2021 establishes the principles for the recognition, measurement, principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The society does not issue insurance contracts.

Amendments to IFRS 3 'Definition of a Business' (issued in October 2018) applicable to business combinations for which the acquisition date is on or after the beginning of the first

annual reporting period beginning on or after 1st January 2020 and to asset acquisitions that occur on or after the beginning of that period, clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

Amendments to IAS 1 and IAS 8 'Definition of Material' (issued in October 2018) applicable to annual periods beginning on or after 1st January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that previously featured elsewhere in IFRS.

The directors do not expect that adoption of these standards and interpretations will have a material impact on the financial statements in future periods. The society plans to apply the changes above from their effective dates.

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.

- 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.

Summary of Significant Accounting Policies

a) Revenue

Interest income is recognised under the effective interest method. The effective interest is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the society estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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.

iii) Other Income

Fees and commission income, including account servicing fees and custody fees are generally recognised on an accrual basis when the service has been provided.

Dividend is recognised when the right to receive income is established.

b) Property, Plant and Equipment

All property and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation (except as stated below). Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Freehold and leasehold land and buildings are subsequently shown at market value, based on periodic valuations less subsequent depreciation.

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%

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.



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.

	2020 Kshs	2019 Kshs
2a. Sacco Interest on Loans Income		
BOSA loans	577,531,016	518,115,484
FOSA loans	191,582,637	171,892,796
	769,113,653	690,008,281
2b. Other Interest Income		
Interest income from CIC and BRITAM Money Market	12,157,592	10,398,959
Dividends from Co-op.Bank and Sheria Housing	5,992,232	6,589,912
Total other Interest Income	18,149,824	16,988,871
3 Sacco Interest Expense		
Interest payable on BOSA deposits 8.50%)	334,275,966	317,707,041
Interest on member savings-Shewisa/Child/ Fixed dep.	29,268,465	14,328,597
Total Interest Expense	363,544,431	332,035,638
4 Other Operating Income		
Commission on Member Transactions	33,014,640	27,951,623
Standing Orders & Statement Charges	1,636,860	3,898,439
Shop Sales & Photocopier Business	1,249,524	2,339,823
Mpesa,ATM,Frequency Fees & SMS Fees	937,994	2,232,951
Sundry Income	574,627	955,425
Entrance Fees Income	493,575	889,000
Cheque Clearance	76,650	362,400
Loan Insurance Commission	-	972,680
Total Operating Income	37,983,869	39,602,340

5 Sacco Administration Expenses

	2020 Kshs	2019 Kshs
Loan Insurance & Asset Premiums	15,006,048	14,175,763
Telephone, Airtime, Postage & Internet	5,579,039	3,348,654
Computer hardware & Software Expenses	4,257,874	3,330,106
Security Expenses	2,832,887	2,926,054
Motor Vehicle running Expenses	2,008,126	1,095,896
Cleaning Materials, Sundries & Contingencies	1,237,525	1,212,020
Subscriptions & Licences	1,042,695	494,202
Printing & Stationery	996,631	2,355,373
Website & Government Computer Services	709,430	465,241
Rent & Rates	593,989	2,651,938
Repairs & Maintenance	449,934	405,295
Electricity & Water	376,744	802,956
Office utilities, Books & Periodicals	368,161	647,439
Shop Purchases	212,174	2,109,018
FOSA Personal cheques issuance Expenses	151,800	995,330
Vat claimable on Audit & Supervision Disbursements	115,100	112,414
Co-op Switch link Services	70,176	75,204
Off-site Back up Expenses	35,340	365,400
Tax Penalties	-	8,266,491
	36,043,673	45,834,794

6 Sacco Establishment Expenses

Depreciation	9,770,588	8,859,031
Amortization	4,542,299	6,089,317
	14,312,887	14,948,348

7 Personnel Expenses

	2020 Kshs	2019 Kshs
Salaries & Wages	37,105,804	35,562,990
Medical Cover Expenses	9,513,775	8,195,047
House Allowance	9,098,400	8,926,480
Staff Travelling & Subsistence Allowance	6,604,779	7,698,124
Commuter Allowance	5,268,000	5,163,806
NSSF & Pension Contribution	4,818,272	4,601,171
Staff extraneous Allowance	1,568,259	1,544,106
Responsibility Allowance	1,080,000	1,080,000
Gratuity Provision	929,658	918,811
Staff Training & Education	703,689	6,491,237
Staff Entertainment Allowance	600,000	600,000
Staff Leave Allowance	410,000	400,000
Staff Uniforms	62,220	10,000
Staff Relocation Expenses	-	100,000
	77,762,856	81,291,772

8 Sacco Governance Expenses

Education - Delegates	13,018,909	12,048,681
Board Meeting Expenses & Subsistence Allowance	7,282,134	7,032,548
Education - Board Members	4,960,966	12,001,044
Annual Delegates Meeting Expenses	4,562,304	16,597,855
Board Sitting Allowances	3,641,427	3,369,632
Education - Members	1,603,500	10,203,767
Board Medical Cover	1,454,147	1,249,475
Delegates Telephone /Airtime Expenses	1,027,000	989,000
Ushirika Day Celebrations Expenses	-	2,540,200
	37,550,388	66,032,202

9 Marketing Expenses

Marketing Expenses	7,671,690	12,010,650
Strategic Plan Expenses	1,889,637	3,008,006
Corporate Social Responsibility	138,500	95,500
Public Relations & Advertisement	40,000	715,941
	9,739,827	15,830,097

	2020 Kshs	2019 Kshs
10 Professional Expenses		
Audit Fees	822,150	702,586
Consultancy Fees	582,760	2,909,511
Legal Fees	283,870	286,055
Debt Collection Expenses	89,486	288,796
	1,778,266	4,186,948
11 Financial & Related Expenses		
Loan Impairment Provision	32,509,790	32,590,806
Suspense provision	31,692,682	-
Bank Charges	13,522,474	5,297,115
Specific Interest Provision Allowance	9,089,065	11,979,454
Sasra Levy on Members' Deposits	5,836,437	5,292,436
	92,650,448	55,159,811

Note-The suspense provision of KSHS. 31,692,682 is a 50% provision of KSHS. 63,385,364 which relates to cash book unreconciling figures from previous years. Reconciliation is ongoing to resolve the difference.

12 Sacco Cash & Cash Equivalent

	2020 Kshs	2019 Kshs
Co-op.Bank Call Deposit Account	160,000,000	-
CIC Money Market Fund	90,749,744	69,216,679
Britam Money Market Fund	83,246,126	22,578,259
KUSSCO Special Deposits Fund	60,870,000	-
Co-op Bank Current Account (Main)	49,073,730	97,241,880
M-Sacco account - Mobile banking	33,628,408	16,930,299
NCBA Bank Account	23,073,107	10,687,867
Co-op Bank Collateral Account	4,100,000	2,800,000
KCB Current Account (FOSA)	2,423,307	4,275,777
Treasury Account (FOSA)	1,522,900	3,765,292
Cash in Hand - Sheria Hse (MPESA Holding Float)	800,000	800,000
Co-op Bank General Savings Account	725,297	725,297
KCB Current Account Milimani - Photocopier	485,764	398,980
Cash in Hand - FOSA OFFICE Milimani (MPESA Holding Float)	400,000	400,000
Cash in Hand - Milimani (MPESA Holding Float)	300,000	300,000
BBF Savings Account	206,535	206,535
Utilities Payment Account	86,804	-
Petty Cash Account - FOSA NAIROBI Branch	50,000	50,000
Petty Cash Account - FOSA KISUMU Branch	25,562	(14,299)
Cash in Hand - MPESA Commissions (Sheria House)	-	454,105
Petty Cash Account (Bosa)	-	19,825
Co-op Bank Sheria Hse - Photocopier	(2,861,610)	632,836
ATM Settlement Account (FOSA)	(12,781,206)	(10,308,925)
Co-operative Bank - Current Account (FOSA)	(12,888,173)	(29,636,820)
	483,236,295	191,523,587

13 Sacco Receivables & Prepayments

	2020 Kshs	2019 Kshs
Interest on Loans Receivable - Bosa	83,422,692	88,880,517
Receivables from Employers - Check off Remittances	59,655,295	46,043,004
Interest on Loans Receivable - Fosa	18,079,820	12,816,332
Prepaid Staff & Directors Medical Insurance Cover	8,770,487	6,422,509
Postal Corporation of Kenya - Loans Interest Account	454,254	450,418
Prepaid Computer Software Maintenance Expenses	389,926	-
Prepaid Offsite Backup	388,740	-
Prepaid Employee Group Life Insurance Premium	335,321	898,617
Account Receivables	163,019	210,096
Prepaid SASRA Subscription	70,000	70,000
	171,729,554	155,791,493
Less: Specific bad debts provision receivables (Interest)		
Balance b/f	64,715,625	52,736,171
Charge for the year	9,089,065	11,979,454
Interest Loss Allowance	73,804,690	64,715,625
Net Receivables & Prepayments	97,924,864	91,075,868

14. Sacco Loans to Members

Loans with Bosa Members		4,703,988,918		4,353,250,224
Fosa Loans and Advances with Members		1,267,591,525		1,207,370,729
	A	5,971,580,443		5,560,620,952
Provision for Delinquency				
Balance b/f		194,831,926		162,241,120
Charge for the year		32,509,790		32,590,806
Loan Loss allowance year end		227,341,716		194,831,926
Net Loans & Advances		5,744,238,727		5,365,789,027
Member's Personal Accounts Listings	B	5,971,565,622		5,563,491,514
Unreconciled Difference	A-B	14,821		(2,870,562)
AGEING OF PAST DUE IMPAIRED	No. of Accounts	Outstanding Portfolio (Kshs)	Rates	Provision (Kshs)
Performing Loans	13,551	5,453,617,608	1%	54,536,176
Watch	645	245,635,342	5%	12,281,767
Substandard	325	97,504,901	25%	24,376,225
Doubtful	125	77,320,445	50%	38,660,223
Loss	294	97,487,325	100%	97,487,325
	14,940	5,971,565,622		227,341,716
Movement in Allowance for Doubtful Debts				
Balance at the start of the year		58,251,361		51,263,233
Impaired losses recognised for:		-		-
Loan to Members		-		-
Increase/(decrease) in provisions		6,988,128		6,988,128
Lost cash		-		-
Balance at the end of the year		65,239,489		58,251,361
<i>Provision adjusted per SASRA regulations</i>				

15. Sacco Investments

Un-quoted Equities at Cost - Available for Sales			
105,775 Ordinary Shares with KUSCCO @ Kshs. 100	10,577,500	10,577,500	
5,520,232 Ordinary Shares with CIC of @ Ksh 1	5,520,232	5,520,233	
5,180,000 Shares with Co-op Holding Ltd of @ Kshs. 1	5,180,000	5,180,000	
Deposits with Sheria Housing	3,093,569	4,593,569	
UTAWALA Plots with Sheria Housing	3,600,000	3,600,000	
Shares with Sheria Housing	1,630,176	1,630,175	
Mpesa Holding Investment	500,000	500,000	
Ordinary Shares with CODIC	50,000	50,000	
	30,151,476	31,651,476	

16a. Property, Plant & Equipment

	Computers	Hardware	Motor Vehicle/Cycle	Furniture & Fittings	Land	Building	Generator	Office Equipments	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Year ended 2019	30%	25%	87 Yrs.	12.5%	2.5%	12.5%	12.5%	12.5%	
Cost	22,112,249	4,236,504	300,000,000	10,042,370	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	300,000,000	10,068,360	55,877,463	1,284,182	18,581,876	414,662,155	
DEPRECIATION									
As at 01 January 2019	17,117,497	2,275,020	46,264,554	6,059,048	7,317,294	946,343	10,955,563	90,935,319	
Charge for the year	2,248,882	490,371	3,409,091	501,164	1,214,004	42,230	953,289	8,859,031	
Disposal	-	-	-	-	-	-	-	-	
As at 31 December 2019	19,366,379	2,765,391	49,673,645	6,560,212	8,531,298	988,573	11,908,852	99,794,350	
Year ended 2020									
Cost	24,613,770	4,236,504	300,000,000	10,068,360	55,877,463	1,284,182	18,581,876	414,662,155	
Additions	6,065,864	117,521	25,000	441,644	1,183,654	36,951	902,133	9,770,588	
Disposal of Motor Cycle	-	(132,820)	-	-	-	-	-	(88,134)	
As at 31 December 2020	30,679,634	4,221,205.00	300,000,000	10,093,360	55,877,463	1,284,182	19,125,916	421,281,760	
Depreciation									
As at 01 January 2020	19,366,379	2,765,391	49,673,645	6,560,212	8,531,298	988,573	11,908,852	99,794,350	
Charge for year	3,393,977	363,954	3,448,276	441,644	1,183,654	36,951	902,133	9,770,588	
Eliminated on Disposal	-	(88,134)	-	-	-	-	-	(88,134)	
As at 31 December 2020	22,760,355	3,041,211	53,121,921	7,001,856	9,714,952	1,025,524	12,810,985	109,476,804	
Net Book Value									
As at 31 December 2019	5,247,391	1,471,113	250,326,355	3,508,148	47,346,165	295,609	6,673,024	314,867,805	
As at 31 December 2020	7,919,279	1,179,995	246,878,079	3,091,505	46,162,511	258,658	6,314,931	311,804,956	

16b. Intangible Assets, Patents and Trade marks

Sacco Software	2020	2019
	Kshs	Kshs
Amortization Rate	33.33%	33.33%
As at 01 January 2020	39,571,835	35,428,045
Additions	1,447,800	4,143,790
Disposal	-	-
As at 31 December 2020	41,019,635	39,571,835
Amortization		
As at 01 January 2020	27,391,374	21,302,057
Charge for the year	4,542,299	6,089,317
As at 31 December 2020	31,933,673	27,391,374
Net Book Value		
As at 31 December 2020	9,085,962	12,180,461
16c. Upper Hill Development		
Preliminary Cost for Developing	47,246,407	23,003,932
	47,246,407	23,003,932.00

This relates to architectural 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 Kshs. 50,000,000 towards development of the plot. The costs will be capitalized once the project commences.

17 Sacco Members' Deposits

a) Saving Deposit

	2020 Kshs	2019 Kshs
Fosa Savings	420,549,772	435,188,752
Shewisa Savings	47,993,968	36,741,489
Children Savings	27,835,756	20,545,634
Sheria Housing Savings	1,290,045	1,290,045
Balance at the end of the year	497,669,541	493,765,920

b) Non withdrawable Deposits

Members Deposits		
Members Deposits-Bosa	4,182,005,078	3,737,729,891
Members Deposits-Fosa Fixed Deposits	153,112,221	107,319,706
Balance at the end of the year	4,335,117,299	3,845,049,597

Total Deposits	4,832,786,840	4,338,815,517
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Total deposits as per listing	4,843,189,910	4,336,682,468
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Variance	(10,403,070)	2,133,049
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Note-The difference of KSHS. 10,403,070 between the listing and the general ledger is being reconciled by the management. The management has committed to provide a way forward to close the reconciliations by end of year 2021.

18 Sacco Taxation

Balance brought forward	5,263,070	528,067
Current Year Tax (refer to Tax computation)	9,369,876	9,242,738
	14,632,946	9,770,805
Withholding tax	(13,533)	-
Instalment Tax paid during the year	(10,069,452)	(3,979,668)
Tax Paid during the year	(5,263,070)	(528,067)
Balance Carried Forward	(713,109)	5,263,070

19 Sacco Payables & Accruals

	2020 Kshs	2019 Kshs
Suspense Provision		
This relates to opening balance reconciliation differences	31,692,682	-
Sundry Creditors	14,154,626	18,794,927
Deposits & BBF Insurance Claim Control Account	5,795,901	2,664,471
Provision for Interest on SHEWISA and Children Savings	5,308,081	4,010,099
Proposed Staff Bonus	5,000,000	5,000,000
Provision for Staff Gratuity	2,001,295	1,071,637
KRA Withholding Tax on Fosa Fixed Deposits	1,651,540	53,140
Statutory Deduction - PAYE	1,252,505	1,097,947
Staff Subsistence Allowance Payable for UFAA Work	714,000	-
Audit Fees & VAT Payable	562,350	489,000
Statutory Deduction - NHIF	69,000	68,150
Un-allocated Funds	56,513	14,156,889
KRA Withholding Tax on VAT	48,047	-
Statutory Deduction - NSSF	18,400	18,800
Statutory Deduction - HELB	4,013	6,922
Excise Duty Tax Payable	-	714,036
Staff Welfare Contributions	-	21,000
Total	68,328,953	48,167,016

20 Payments due to Members & Board

As at January 2020 - Interest on Members deposits	354,967,787	319,584,340
As at January 2020 - Dividends	54,697,253	48,947,581
As at January 2020 - Honoraria	4,500,000	4,000,000
Honoraria paid	(4,500,000)	(3,000,000)
Dividends paid	(55,116,325)	(48,970,718)
Paid during the year	(297,745,695)	(283,300,457)
At 31 December	56,803,020	37,260,746
Proposed Interest on Members' Deposits	334,275,966	317,707,041
Proposed Dividends	59,489,015	54,697,253
Proposed honorarium	4,500,000	4,500,000
	455,068,002	414,165,040

	2020 Kshs	2019 Kshs
21 Sacco Burial Benevolent Fund		
At 1 January	965,180	3,151,968
Contributions during the year	20,088,006	16,799,936
Payments during the year	(19,005,710)	(18,986,724)
At 31 December	2,047,476	965,180
23 Sacco Share Capital		
At 1 January	341,857,834	305,922,382
Contributions during the year	29,948,513	35,935,452
At 31 December	371,806,347	341,857,834
24 Sacco Reserves		
Retained Earnings	416,721,541	339,714,801
Revaluation Reserve	286,955,871	286,955,871
Statutory Reserves	194,122,538	157,623,599
Burial Benevolent Reserve	96,564,228	96,564,228
Total Sacco Reserves	994,364,177	880,858,499
25 Prior Year Adjustments		
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
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
	-	2,000,000

26 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.

	2020 Kshs	2019 Kshs
Loans & Advances		
Board of Directors	47,201,552	12,994,806
Secretariat - Staff	57,950,082	46,342,880
	105,151,634	59,337,686
Non withdrawable Deposits & Savings		
Board of Directors	47,309,714	44,872,045
Secretariat - Staff	23,151,673	20,618,971
	70,461,387	65,491,016

27 Currency

Financial Statements are presented in Kenya Shillings (Kshs).

28 Tax Computation

OTHER INTEREST INCOME

Interest from deposits - Money
Market Funds

2020
Kshs

12,157,592.06

12,157,592.06

Taxable income @ 50%

6,078,796.03

OTHER OPERATING INCOME

Commission on Member
Transactions

33,014,640

Dividend Income

5,992,232

Other Operating Income - FOSA

4,475,654

Sundry Income

493,575

43,976,101

Total Taxable Income

50,054,897

Apportioned Expenses

Taxable income

50,054,897

Non-taxable income

775,192,450

Total

825,247,347

Total Overheads

269,838,346

Less: Provision for Bad Debts

(32,509,790)

Suspense provision

(30,000,000)

Depreciation & Amortization

14,312,887

Wear & Tear Allowance

(14,312,887)

207,328,556

Apportioned Expenses

50,054,897

x

207,328,556

12,575,392.82

825,247,347

Net Taxable Income

37,479,505

Tax @ 25%

9,369,876

Tax payable brought forward

5,263,070

Withholding tax

(13,533)

Tax paid during the year

(5,263,070)

Less: Installment tax paid

(10,069,452)

Tax payable/claimable

(713,109)

SUMMARY BUDGET- YEAR 2021 REVISED AND PROPOSED YEAR 2022

PARTICULARS	AC/ NO	ACTUAL YEAR 2020 KSHS	APPROVED BUDGET YEAR 2020 KSHS	APPROVED BUDGET YEAR 2021 KSHS	REVISED BUDGET YEAR 2021 KSHS	PROPOSED BUDGET YEAR 2022 KSHS	% CHANGE REVISED vs ACTUAL
SOCIETY'S INCOME							
Interest on Loans and Advances	1	769,113,654	792,279,268	911,121,159	895,871,055	1,030,251,713	16%
Other Interest Income	2	18,149,823	16,580,000	16,600,000	18,640,000	18,640,000	3%
Total Interest Income	3	787,263,477	808,859,268	927,721,159	914,511,055	1,048,891,713	16%
Less: Interest Expenses	4	363,544,432	372,669,000	418,684,219	456,774,219	519,378,088	26%
Net Interest Income	5	423,719,045	436,190,268	509,036,940	457,736,836	529,513,625	8%
Other Operating Income	6	37,983,870	47,676,877	50,451,227	50,158,144	64,255,816	32%
TOTAL INCOME	7	461,702,915	483,867,145	559,488,167	507,894,980	593,769,441	10%
SOCIETY'S EXPENDITURE							
1) Financial Expenses	8	106,963,335	68,342,540	62,354,540	63,288,549	65,036,803	-41%
ASA % OF TOTAL EXPENSES		38.29%	19.48%	17.94%	17.21%	17.11%	
NEW STRATEGIC PLAN TARGET		20.00%	20.00%	20.00%	20.00%	20.00%	
VARIANCE		-18.29%	0.52%	2.06%	2.79%	2.89%	
2) Governance & Members Expenditure	9	42,050,387	77,955,000	66,765,000	83,290,000	84,225,000	98%
ASA % OF TOTAL EXPENSES		15.05%	22.22%	19.20%	22.65%	22.15%	
NEW STRATEGIC PLAN TARGET		23.00%	23.00%	23.00%	23.00%	23.00%	
VARIANCE		7.95%	0.78%	3.80%	0.35%	0.85%	
3) Personnel/Staff Costs	10	82,762,856	101,964,522	112,603,309	115,716,040	118,709,224	40%
ASA % OF TOTAL EXPENSES		29.63%	29.06%	32.39%	31.46%	31.22%	
NEW STRATEGIC PLAN TARGET		30.00%	30.00%	30.00%	30.00%	30.00%	
VARIANCE		0.37%	0.94%	-2.39%	-1.46%	-1.22%	
4) Administration Expenses	11	36,043,673	58,541,040	60,884,040	53,292,648	58,797,752	48%

ASA % OF TOTAL EXPENSES	12.90%	16.69%	17.51%	14.49%	15.46%
NEW STRATEGIC PLAN TARGET	14.00%	14.00%	14.00%	14.00%	14.00%
VARIANCE	1.10%	-2.69%	-3.51%	-0.49%	-1.46%
5) Marketing & Public Relations	12	37,640,501	38,555,501	42,161,500	42,400,000
ASA % OF TOTAL EXPENSES	3.49%	10.73%	11.09%	11.46%	11.15%
NEW STRATEGIC PLAN TARGET	11.00%	11.00%	11.00%	11.00%	11.00%
VARIANCE	7.51%	0.27%	-0.09%	-0.46%	-0.15%
6) Professional Expenses	13	6,400,000	6,500,000	10,050,000	11,050,000
ASA % OF TOTAL EXPENSES	0.64%	1.82%	1.87%	2.73%	2.91%
NEW STRATEGIC PLAN TARGET	2.00%	2.00%	2.00%	2.00%	2.00%
VARIANCE	1.36%	0.18%	0.13%	-0.73%	-0.91%
TOTAL EXPENSES	14	279,338,344	347,662,390	367,798,737	380,218,779
SURPLUS BEFORE TAX	15	182,364,571	211,825,777	140,096,243	213,550,662
Less Corporate Tax	16	9,369,876	7,573,107	7,468,564	8,618,098
NET SURPLUS AFTER TAX	17	172,994,695	204,252,670	132,627,680	204,932,565
OPERATING EXPAS A % OF GROSS INCOME					
TOTAL GROSS INCOME		825,247,347.00	978,172,386.00	964,669,199.00	1,113,147,528.85
TOTAL EXPENSES EXCLUDING INT.ON DEPOSITS		279,338,344	347,662,390	367,798,737	380,218,779
TOTAL EXP. AS A % OF TOTAL GROSS INCOME		34%	36%	38%	34%



NATIONAL CHAIRMAN.....



SECRETARY.....



TREASURER.....

DATE: 3rd February 2021

CONSOLIDATED BUDGET (BOSA & FOSA) YEAR 2021 REVISED AND PROPOSED YEAR 2022

PARTICULARS	REF NO	ACTUAL YEAR 2020 KSHS	APPROVED BUDGET YEAR 2020 KSHS	APPROVED BUDGET YEAR 2021 KSHS	REVISED BUDGET YEAR 2021 KSHS	PROPOSED BUDGET YEAR 2022 KSHS
INCOME:						
CO-OP. Bank Dividend	1	5,759,932	5,750,000	5,750,000	5,750,000	5,750,000
CIC Dividend	2	-	520,000	540,000	540,000	540,000
KUSCCO Dividend	3	-	522,000	522,000	522,000	522,000
Britam Money Market	4	4,667,867	3,510,000	3,510,000	5,550,000	5,550,000
CIC Money Market	5	6,535,064	6,800,000	6,800,000	6,800,000	6,800,000
Sheria Housing Dividend	6	232,300	155,000	160,000	160,000	160,000
KUSCCO SACCO Special Fixed Deposits	7	870,000	-	-	4,590,000	13,770,000
Interest on Members Loans-Bosa	8	577,531,016	595,387,874	684,696,055	684,696,055	787,400,463
Sacco Assurance	9	28,052	335,000	335,000	335,000	335,000
Entrance Fee- Deposits	10	449,125	1,000,000	1,000,000	1,000,000	1,000,000
Entrance Fee- BBF	11	44,450	200,000	200,000	200,000	200,000
Commission on Loan Release- Express Bosa	12	7,795,150	8,000,000	6,000,000	6,000,000	6,000,000
Sundry Income -Bosa	13	587,161	1,000,000	1,000,000	1,000,000	1,000,000
Sale of Scratch Card/Stationery/ Photocopy	14	1,050,385	4,000,000	4,000,000	3,500,000	3,500,000
Interest on Call Fixed Deposits	15	84,660	-	-	-	-
Mpesa Commission-Shops	16	185,606	600,000	600,000	400,000	450,000
M-pesa Commission-Fosa	17	98,751	200,520	220,215	140,000	161,000
M-banking -Withdrawal Cash Charges	18	12,881,156	10,500,000	12,075,000	15,000,000	17,250,000
M-banking - Cash SMS Charges	19	19,550	425,567	489,402	21,000	24,150
Interest on Personal Loan	20	72,437,861	68,756,250	79,069,688	79,000,000	90,850,000
Interest on Business Loan	21	111,111,213	121,895,799	140,180,169	123,000,000	141,450,000
Interest on Salary Advance	22	619,732	813,757	935,821	650,000	747,500
Interest on Salary In Advance	23	21,879	25,588	29,426	25,000	28,750
Interest on E-Loan	24	7,391,953	5,400,000	6,210,000	8,500,000	9,775,000
Commission on top-up Loans-Fosa	25	16,600	128,570	147,856	50,000	57,500
Commission on Loan Release - Express Fosa	26	3,074,485	3,129,220	3,598,603	3,500,000	4,025,000
Cash Withdrawal Charges	27	299,247	852,334	980,184	345,000	396,750
Cheque Clearance Charges	28	76,650	416,760	479,274	88,000	101,200
Atm Withdrawal Charges	29	621,178	982,504	1,129,880	710,000	816,500
Atm Card Income	30	150,550	199,565	229,500	160,000	184,000
Bounced Cheque Commission	31	13,700	19,176	22,052	15,200	17,480
Bankers Cheque Commission	32	291,800	383,640	441,186	333,000	382,950
Statement Charge Commission	33	116,400	176,065	202,475	133,000	152,950
Transfer Fee Commission	34	414,000	650,000	747,500	465,000	534,750
Salary Processing Commission	35	3,860,590	3,735,614	4,295,956	4,436,000	5,101,400
Dividend Processing Commission	36	2,200,979	2,344,970	2,696,716	2,600,000	2,990,000
Standing Order Charges	37	1,521,460	4,307,140	4,953,211	1,735,000	1,995,250
Ledger/Service Fee	38	2,057,800	2,231,690	2,566,444	2,566,444	2,951,411

Scratch Cards Commission	39	1,580	8,500	9,775	8,500	9,775
POS commission	40	47,965	55,000	63,250	55,000	63,250
Dormant Account Reactivation Charges-Fosa	41	79,500	1,118,042	1,285,748	90,000	103,500
TOTAL INCOME		825,247,347	856,536,145	978,172,386	964,669,199	1,113,147,529
EXPENDITURE:						
1) PERSONNEL EXPENSES						
Casual Labour	42	313,050	740,000	830,000	830,000	870,000
Salaries and Wages	43	36,792,754	38,444,751	41,922,482	42,800,000	43,500,000
House Allowance	44	9,098,400	10,273,200	10,883,640	12,800,000	13,000,000
Commuter Allowance	45	5,268,000	5,628,000	6,410,800	6,000,000	6,120,000
Responsibility Allowance	46	1,080,000	1,980,000	1,995,800	1,320,000	1,346,400
Extraneous Allowance	47	1,568,259	1,598,806	1,900,000	1,900,000	1,920,000
Staff Entertainment Allowance	48	600,000	800,000	900,000	700,000	700,000
Special Duty and Acting Allowance	49	-	-	-	500,000	500,000
NSSF	50	100,800	120,000	121,440	119,040	127,824
National Housing Levy Fund	51	-	305,000	690,000	690,000	700,000
Staff Pension Contributions	52	4,717,472	5,382,265	5,869,147	5,992,000	6,090,000
Staff Gratuity	53	929,658	1,230,000	1,230,000	1,230,000	1,230,000
Leave Allowance	54	410,000	461,000	480,000	650,000	670,000
Staff Training	55	703,689	10,172,000	12,000,000	13,400,000	14,000,000
Staff Travel and Subsistence	56	6,604,779	8,699,500	9,200,000	7,085,000	7,200,000
Staff Rewards Expenses	57	-	120,000	120,000	120,000	120,000
Staff Relocation Expenses	58	-	200,000	200,000	200,000	200,000
National Industrial Training Levy	59	-	-	-	30,000	30,000
Staff Uniform and Cleaning Expenses	60	62,220	310,000	350,000	350,000	385,000
Staff Medical Insurance	61	9,513,775	10,000,000	11,500,000	13,000,000	13,500,000
Provision for Staff Bonus	62	5,000,000	5,500,000	6,000,000	6,000,000	6,500,000
TOTAL PERSONNEL EXPENSES		82,762,856	101,964,522	112,603,309	115,716,040	118,709,224
2) ADMINISTRATION EXPENSES						
Electricity, Water & Conservancy	63	376,744	1,100,000	1,210,000	1,210,000	1,331,000
Security Services	64	2,832,887	3,946,040	4,076,040	4,076,040	4,351,144
Repairs and Maintenance	65	449,934	900,000	950,000	950,000	1,045,000
Motor Vehicle Expenses	66	2,008,126	1,400,000	1,540,000	1,540,000	1,694,000
Dividend Payment Expenses	67	-	350,000	400,000	400,000	400,000
Government Computer Services	68	642,230	400,000	450,000	510,000	510,000
System Audit, Back - Up Services & Data Recovery Site	69	700,000	5,200,000	5,500,000	2,400,000	4,900,000
Audit Supervision and VAT	70	115,100	200,000	200,000	200,000	200,000
Insurance of Assets	71	1,687,748	1,800,000	1,900,000	1,800,000	1,800,000
Group Life Insurance	72	1,133,938	1,200,000	1,600,000	1,300,000	1,300,000
Group Personal Accident Insurance	73	184,362	200,000	300,000	200,000	200,000
Members Loan Insurance Cover	74	12,000,000	12,000,000	12,600,000	11,600,000	11,600,000
Office Entertainment/ Utilities Expenses	75	351,171	1,372,500	1,472,500	1,722,500	1,819,750
Printing and Stationery	76	996,631	2,400,000	1,600,000	1,670,000	1,690,000
Postage and Telephone	77	1,775,858	2,925,000	3,293,000	1,900,000	1,900,000
Website,E-Mail and Internet	78	3,382,556	2,835,000	2,835,000	3,756,608	3,809,108
System Notifications/Alerts	79	887,000	1,000,000	1,000,000	1,000,000	1,050,000
Subscriptions and Licenses	80	1,042,695	750,000	785,000	1,100,000	1,210,000
Computer Hardware Maintenance	81	229,988	950,000	1,000,000	1,000,000	1,000,000
Computer Software Maintenance	82	3,328,025	11,200,000	11,700,000	11,105,000	12,865,000
Rent and Rates	83	593,989	1,930,000	1,930,000	1,000,000	1,000,000

Sundry Expenses	84	397,273	400,000	400,000	400,000	510,000
Books and Periodicals	85	16,990	94,500	94,500	94,500	103,950
Cleaning Expenses	86	278,502	480,000	540,000	350,000	400,000
Contingency	87	561,750	1,000,000	1,000,000	500,000	500,000
Co-op.Switch Link Charges	88	70,176	483,000	483,000	483,000	531,300
ATM Card Issuance and Processing	89	-	525,000	525,000	525,000	577,500
Personal Cheque Books Issuance Expenses	90	151,800	1,500,000	1,500,000	500,000	500,000
TOTAL ADMINISTRATION EXPENSES		36,043,673	58,541,040	60,884,040	53,292,648	58,797,752
3) GOVERNANCE EXPENSES						
Provision for Board Honoraria	91	4,500,000	5,000,000	5,500,000	5,500,000	6,000,000
Board Sitting Allowance	92	3,641,427	3,800,000	3,800,000	3,800,000	3,800,000
Board Travel and Subsistence	93	7,282,134	7,300,000	7,300,000	7,300,000	7,300,000
Board Seminars	94	4,960,966	13,145,000	14,000,000	14,000,000	14,000,000
Members Education	95	1,603,500	11,500,000	12,000,000	13,325,000	13,500,000
Delegates Education	96	13,018,909	14,000,000	-	15,200,000	15,960,000
Board Medical Insurance	97	1,454,147	1,500,000	1,500,000	2,500,000	2,500,000
AGM Expenses	98	4,562,304	17,500,000	18,000,000	17,000,000	17,000,000
Ushirika Day Activities	99	-	2,810,000	3,265,000	3,265,000	3,265,000
Delegates Telephone Expenses	100	1,027,000	1,400,000	1,400,000	1,400,000	1,400,000
TOTAL GOVERNANCE EXPENSES		42,050,387	77,955,000	66,765,000	83,290,000	84,725,000
4) MARKETING EXPENSES						
Corporate Social Responsibility	101	138,500	1,500,000	1,500,000	1,500,000	1,500,000
Marketing and Advertisement	102	7,671,690	30,940,501	30,940,501	33,206,500	33,300,000
Public Relation and Advertisement	103	40,000	700,000	800,000	800,000	800,000
Strategic Plan Reviews Expenses	104	1,889,637	4,500,000	5,315,000	6,655,000	6,800,000
TOTAL MARKETING EXPENSES		9,739,827	37,640,501	38,555,501	42,161,500	42,400,000
5) PROFESSIONAL EXPENSES						
Legal Fees	105	283,870	1,000,000	1,000,000	1,000,000	1,000,000
Audit Fees	106	822,150	900,000	1,000,000	900,000	900,000
Consultancy Fees	107	582,760	3,500,000	3,500,000	7,950,000	8,950,000
Debt Collection Expenses	108	89,486	1,000,000	1,000,000	200,000	200,000
TOTAL PROFESSIONAL EXPENSES		1,778,266	6,400,000	6,500,000	10,050,000	11,050,000
6) FINANCIAL EXPENSES						
Bank Charges	109	13,522,474	13,765,000	7,777,000	6,131,000	6,547,500
Provision for Loan Loss Allowance	110	32,509,790	20,000,000	20,000,000	20,000,000	20,000,000
SASRA Levy on Members Deposits	111	5,836,437	5,400,040	5,400,040	6,480,049	7,128,053
Depreciation and Amortization	112	14,312,887	15,837,500	14,837,500	16,337,500	17,021,250
Bad Debts Written Off	113	-	3,000,000	4,000,000	4,000,000	4,000,000
Specific Bad Debt Provision(Interest)	114	9,089,065	10,340,000	10,340,000	10,340,000	10,340,000
Suspense Provision	115	31,692,682	-	-	-	-
TOTAL FINANCIAL EXPENSES		106,963,335	68,342,540	62,354,540	63,288,549	65,036,803

7) INTEREST EXPENSE						
Shewisa Savings Interest	116	3,359,578	4,550,000	4,900,000	4,200,000	4,550,000
Children Savings Interest	117	1,948,503	2,450,000	2,800,000	2,450,000	2,800,000
Interest on Members Deposits	118	334,275,966	353,169,000	398,484,219	398,484,219	455,224,088
Interest on Fixed Deposits	119	11,160,675	12,500,000	12,500,000	13,000,000	14,300,000
Interest on FOSA Ordinary Savings Account	120	12,799,710	-	-	38,640,000	42,504,000
TOTAL INTEREST EXPENSE		363,544,432	372,669,000	418,684,219	456,774,219	519,378,088
TOTAL EXPENDITURE		642,882,776	723,512,603	766,346,609	824,572,956	900,096,867
TOTAL EXPENDITURE as a % of Income		78%	84%	78%	85%	81%
Net Operating Expense before Tax		182,364,571	133,023,542	211,825,777	140,096,243	213,050,662
Net Operating Expense as a % of Income		22%	16%	22%	15%	19%
Less Corporate Tax		9,369,876	6,631,387	7,573,107	7,468,564	8,618,098
Surplus/(Deficit) After Tax		172,994,695	126,392,155	204,252,670	132,627,680	204,432,565
Net Surplus as a % of Income		21%	15%	21%	14%	18%
Total Operating Expenses excluding interest on deposits as a % of Income		34%	41%	36%	38%	34%

NATIONAL CHAIRMAN 

TREASURER 

SECRETARY 

DATE: 3rd February, 2021

CAPITAL BUDGET FOR YEAR 2021

ITEM	DEPARTMENT	KSHS
1 MARKETING DEPARTMENT	MARKETING	2,264,000
2 RECORDS DEPARTMENT	RECORDS	3,510,000
3 HUMAN RESOURCE & ADMINISTRATION DEPARTMENT	HR.& ADMIN.	4,490,000
4 ICT DEPARTMENT	ICT	61,100,000
5 PURCHASE OF NEW MOTOR VEHICLE	ADMIN.	2,000,000
6 CREDIT DEPARTMENT	CREDIT	275,000
7 MILIMANI FOSA DEPARTMENT	FOSA	2,505,000
8 AUDIT & COMPLIANCE DEPARTMENT	AUDIT	50,000
9 FINANCE DEPARTMENT	FINANCE	170,000
Incidentals		121,000
	TOTAL	76,485,000

NATIONAL CHAIRMAN.....

TREASURER.....

HON.SECRETARY.....

DATE: 3rd February, 2021

APPOINTMENT OF EXTERNAL AUDITOR FOR THE YEAR 2021

The three prequalified firms were interviewed by the Audit Committee and ranked as per the below recommendation.

RECOMMENDATION

NO.	FIRM NAMES
1.	MWANGI AND KAMWARA ASSOCIATES
2.	KRESTON KM & CO
3.	HENRY SMITH & WILSON

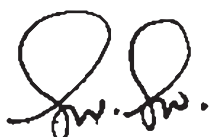
Based on the above analysis and in the best interest of the Sacco members, the Audit Committee recommends that, the above three names be presented to the AGM as ranked for the delegates to appoint the external Auditor for the year 2021 as required by law.

BY: THE BOARD

45TH ADM RESOLUTIONS

RESOLUTIONS BY THE BOARD

1. Approval of Development of Sheria Sacco Upper Hill plot into a mixed use twin tower as per Building Designs subject to approval by the County Government and SASRA and engagement with members to get their views on different modes of raising funds for development.
2. Amending of **By-law No. 27 Shares** to introduce clause (g) to read “The Sacco shall not issue new shares to a member in excess of Kshs. 100,000. However, this limitation shall not apply to a member of Sheria Sacco acquiring shares from an existing member”
3. Amending of **By-law 43 Annual Delegates Meeting** to introduce sub-clause (c) to read “General meeting may be by means of a video conferencing technology, or similar communication equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting in such a manner shall constitute presence in person at such meeting. Such meetings may be partially or wholly “virtual” meetings as shall be decided by the Board”.
4. Amending of **By-law 52(g) Methods of Voting** to introduce sub-clause (v) to read “Electronic voting may be conducted if warranted by the nature of General Meeting”.
5. Amending of **By-law 54 Board Composition and Meetings** to introduce sub-clause (g) to read “Members of the Board of Directors, Supervisory Committee and members of any committee of the Board may participate in a meeting of such board or committee by means of a conference telephone, video conferencing technology, or similar communication equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting in such a manner shall constitute presence in person at such meeting. Such meetings may be partially or wholly “virtual” meetings”.



Mr. Simon P.K. Wasilwa, DE
Hon. Secretary

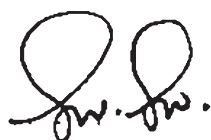
BY ORDER OF THE BOARD



45TH ADM RESOLUTIONS FROM MEMBERS

In addition to the Board's resolutions circulated on 28th January 2021, find below resolutions received from members:

1. Amending of **By-law 56 Election of Board of Directors** (g) to introduce sub-clause (xviii) to read "No member shall be eligible to be elected into the Board if he is a director at Sheria Housing Co-operative Society".
Resolution proposed by: Titus Mainga (Delegate)
2. Amending of **By-law 43 Annual Delegates Meeting** to introduce sub-clause (d) to read "The General Meeting of the Society may be held in any of the Counties in the Republic of Kenya".
Resolution proposed by: Sammy Wanyoike (Delegate)



Mr. Simon P.K. Wasilwa, DE

Hon. Secretary

BY ORDER OF THE BOARD



 **Matumbato Close, Upperhill, Nairobi, Kenya**  **P.O.Box 34390-00100, Nairobi**

 **+254 20 780 1500**  **bosa@sheriasacco.coop**  **<https://www.sheriasacco.coop>**