

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



ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2022



Kaxton CPAS LLP  
Certified Public Accountants (Kenya)  
Vision Plaza, 5th Floor, Suite 35  
P.o Box 16552 - 00100 Nairobi

**Sheria Savings & Credit Co-operative Society Limited- C/S 2102**  
**Annual Report & Financial Statements**  
**For the year ended 31 December 2022**

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**Sheria Savings & Credit Co-operative Society Limited- C/S 2102**  
**Annual Report & Financial Statements**  
**For the year ended 31 December 2022**

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**SOCIETY INFORMATION**

<b>BOARD OF DIRECTORS</b>	1 Hon. Justice Patrick Kiage, J.A, CBS, ICUDE	- Chairman
	2 Hon. Elizabeth Juma, OGW, D.E	- Vice Chairman (April to Dec. )
	3 Hon. Lady Justice Roseline Aburili, D.E	- Vice Chairman ( Jan.to March)
	4 Mr. Simon P.K. Wasilwa, D.E	- Hon. Secretary
	5 CPA Mr. Anorld Kimanzi, D.E	- Hon. Treasurer
	6 Mr. Francis Muigai, D.E	- Director
	7 Ms. Eunice Wangari , D.E	- Director
	8 Mr. George Nyaoke, D.E	- Director
	9 Mr. Sango Maewa, D.E	- Director
<b>SUPERVISORY COMMITTEE</b>	1 Mr. Manase Wandera, D.E	- Chairman
	2 Ms. Lilian Maina, D.E	- Secretary
	3 Mr. Andrew Muriithi, D.E	- Member
<b>MANAGEMENT STAFF</b>	1 CPA Mr. Peter Kariuki, D.E	- Chief Executive Officer
	2 CPA Mr. Anthony Monda	- General Manager Finance
	3 CPA Mr. Cornelius Kibet, D.E	- General Manager Credit
	4 Mr. Saidi Kisulu	- General Manager ICT
	5 Mr. Fred Ongoto, D.E	- Senior FOSA Manager
	6 CPA Mr. John Okari, D.E	- Audit, Risk & Compliance Manager
	7 Mr. John Awuor	- Marketing Manager
	8 Ms. Teresia Mwaniki	- HR. & ADMIN. Manager
	9 Mr. James Ojanji	- Senior Records Officer
	10 Ms. Joyce Wanjeri	- Senior Legal Officer
<b>REGISTERED OFFICE</b>	Sheria Sacco Society Limited Matumbato Close, Upper Hill LR NO. 209/14421 Tel - 020-7801500, Fax 020-2710420 P.O Box 34390-00100 Nairobi.	
<b>PRINCIPAL BANKERS</b>	1 Co-operative Bank of Kenya Upper Hill Branch P.O Box 30415 - 00100 Nairobi.	
	2 Kenya Commercial Bank High Court Branch P.O Box 69695 - 00200 Nairobi.	
	3 NCBA Bank NCBA House Branch P.O. Box 44599-00100 Nairobi.	
	4 Equity Bank Parliament Road Branch P.O. 75104 - 00200, Nairobi	
<b>INDEPENDENT AUDITOR</b>	Kaxton CPAS LLP Certified Public Accountants, CPA (K) Vision Plaza, 5th Floor, Suite 35 P.O. Box 16552 - 00100, Nairobi Tel. 020-403230	

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**REPORT OF THE BOARD OF DIRECTORS**

The Directors submit their report and the audited Financial Statements for the year ended 31 December 2022 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**

	2022 Ksh.	2021 Ksh.
Surplus/(deficit) before tax	153,154,926	211,884,067
Income Tax Expense	(14,895,601)	(12,665,666)
Surplus for the year	<u>138,259,326</u>	<u>199,218,401</u>
Other Comprehensive Income /(loss) net of tax	-	-
Total Comprehensive Income/ (loss) for the year	<u>138,259,326</u>	<u>199,218,401</u>
Interest on Members Deposits and Savings	<u>493,923,339</u>	<u>414,488,084</u>

**INVESTMENT IN SHARES**

The issued and paid up Share Capital of the Society increased during the year from Ksh.410,587,198 to Ksh.464,035,852

**DIVIDENDS AND INTEREST ON MEMBERS DEPOSIT**

The Directors have recommended payment of 16% (2021: 16%) as Dividend on Investment Shares and pay 9.50% (2021: 9.00%) Interest on Sacco Deposits. Mavuno 5 Year Savings 8.5% (2021 Nil), Mavuno 10Year Savings

**DIRECTORS**

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

**INDEPENDENT AUDITOR**

The Society's External Auditors Kaxton CPAS 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 <sup>26<sup>th</sup></sup> JANUARY 2023.

**BY ORDER OF THE BOARD**

Signature  Date 9/2 2023

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

Sheria Savings & Credit Co-operative Society Limited- C/S 2102  
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FINANCIAL AND STATISTICAL INFORMATION

	2022	2021
<b>Membership</b>		
Active	13,012	12,791
Dormant	4,050	2,898
<b>Total</b>	<b>17,062</b>	<b>15,689</b>
<b>Number of Branches</b>	<b>1</b>	<b>1</b>
<b>Number of Employees</b>	<b>50</b>	<b>50</b>
<b>Financial Highlights</b>		
Total Assets	8,514,022,904	7,458,216,439
Members Deposits	6,180,684,508	5,333,794,343
Total Liabilities	6,878,646,810	5,927,569,875
Cash and Cash Equivalents	415,811,985	638,874,446
Loans and Advances to Members	7,171,498,065	6,340,885,531
Investments	37,140,667	27,140,667
Core Capital	1,348,420,224	1,243,690,694
Share Capital	464,035,852	410,587,198
Institutional Capital	884,384,371	833,103,496
Total Revenue	1,035,092,965	918,170,828
Interest Income on Members Loans	954,314,695	850,729,227
Dividends on Share Capital	74,245,736	65,693,952
Interest on Members Savings	493,617,465	414,488,084
Interest on Members Mavuno Savings	305,874	-
Total Expenses	388,014,700	291,798,677
<b>Key Ratios:</b>		
<b>Capital Adequacy Ratio</b>	<b>%</b>	<b>%</b>
Core Capital/Total Assets	15.8%	16.7%
<b>Minimum Ratio</b>	<b>10%</b>	<b>10%</b>
Core Capital/Total Deposits	21.8%	23.3%
<b>Minimum Ratio</b>	<b>8%</b>	<b>8%</b>
Institutional Capital/Total Assets	10.4%	11.2%
<b>Minimum Ratio</b>	<b>8%</b>	<b>8%</b>
<b>Liquidity Ratio</b>		
Liquid Assets/ Total Deposits and short term Liabilities	6.7%	12.0%
<b>Minimum Ratio</b>	<b>15%</b>	<b>15%</b>
Liquid Assets/ Total Short term Savings and short term Liabilities	44.5%	95%
<b>Minimum Ratio</b>	<b>15%</b>	<b>15%</b>
<b>External Borrowing Ratio</b>		
<b>Minimum Ratio</b>	<b>25%</b>	<b>25%</b>
<b>Operating Efficiency</b>		
Total Expenses/Total Revenue	37.5%	31.8%
<b>Interest Rate on Members Deposits</b>	<b>9.50%</b>	<b>9.0%</b>
<b>Dividend Rate on Share Capital</b>	<b>16.0%</b>	<b>16.0%</b>
<b>Interest Rate on Mavuno 5 Year Savings</b>	<b>8.50%</b>	<b>0.0%</b>
<b>Interest Rate on Mavuno 10 Year Savings and Units Pre - Sale</b>	<b>10.0%</b>	<b>0.0%</b>
Debt to Equity Financing	510.13%	476.61%
Total Non-Performing Loans/ Gross Loans Portfolio (PAR)	3.9%	3.5%
<b>Minimum Ratio</b>	<b>≤ 5%</b>	<b>≤ 5%</b>
Total Delinquent Loans/Gross Loans Portfolio	7.0%	8.5%
<b>Minimum Ratio</b>	<b>≤ 5%</b>	<b>≤ 5%</b>

## CORPORATE GOVERNANCE STATEMENT

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

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

### Board of Directors

The Board has nine (9) members and a Chief Executive Officer(CEO) as ex-official. The separate roles of Chairman and the CEO are practised and are clearly defined in the by laws that are regularly revised to be in line with legislation and statutes. The Board meets monthly to deliberate on the Society's financial performance and discuss reports from each committee and deal with any strategic issues and opportunities for the Sacco.

### Board Committees

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

1. Administrative Committee	<b>Chaired by</b>	<b>Hon. Justice Patrick Kiage, J.A, CBS, ICUDE</b>
2. Finance and Investment Committee	<b>Chaired by</b>	<b>CPA Mr. Anorld Kimanzi, D.E</b>
3. Credit Committee	<b>Chaired by</b>	<b>Ms. Eunice Wangari, D.E</b>
4. Education Committee	<b>Chaired by</b>	<b>Hon. Elizabeth Juma Nyarangi, OGW, D.E</b>
5. Audit & Risk Management Committee	<b>Chaired by</b>	<b>Mr. George Nyaoke, D.E</b>
6. Human Resource Committee	<b>Chaired by</b>	<b>Mr. Simon P.K. Wasilwa, D.E</b>

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

### Internal Controls

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

### Business Ethics

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

### Communication with Members & Stakeholders

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

**STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES**

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

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

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


The Directors are of the opinion that the Financial Statements give a true and fair view of the Financial Position of the Society as at 31 December 2022 and of the Society's Financial Performance and Cash Flows for the year that ended in accordance with International Financial Reporting Standards and the requirements of the Sacco Societies Act No. 14 of 2008.

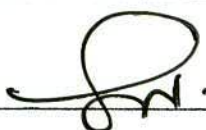
In preparing these Financial Statements, the Directors have assessed the Society's ability to continue as a going concern. Nothing has come to the attention of the Directors to indicate that the Society will not remain a going concern for at least the next twelve (12) months from the date of this statement.

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 26<sup>th</sup> JANUARY 2023 and signed on its behalf by:

 for CHAIRMAN

 TREASURER

 HON SECRETARY

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

**Opinion**

We have audited the financial statements of Sheria Savings and Credit Co-operative Society Limited set out on pages 9 to 29. The Financial statements comprise of the statement of financial position as at 31 December 2022, 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 present fairly, in all material respects, the financial position of Sheria Savings and Credit Co-operative Society Limited as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the Sacco Societies Act No. 14 of 2008, and the Sacco By-laws

**Basis for opinion**

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

**Key audit matters**

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

**Key audit matters**

<b>Impairment of loans and advances to members</b>	<b>How our audit addressed the key audit matters</b>
<p>Impairment of loans and advances to members is considered a key audit matter because the Sacco's Directors are involved in making complex and subjective judgements in relation to this matter. The Directors usually make estimations of future receipts which are uncertain. The estimation of impaired receivables is made based on the review of outstanding amounts at the end of the year. The sacco recognizes the losses arising from impairment in the statement of profit or loss and other comprehensive income, while bad debts and receivables are written off against the society's total comprehensive income for the year after all efforts of recovery have been exhausted.</p>	<p>(i) Examination of the data that was used in the computation of estimated impairment losses. (ii) Performing credit assessments from a sample of loans to members based on materiality of the loans outstanding at the end of the year. (iii) Assessed and checked the arithmetical accuracy of the impairment data presented to us for our examination in accordance with the International Financial Reporting Standards (IFRS). (iv) We also tested and performed, on a sample basis, whether the sacco's assumptions made by the Directors in relation to impairment of loans were supported. (v) We also assessed the adequacy of the society's disclosures in respect of the assumptions used in recording of impairment of loans and advances to members.</p>
<p><b>IAS 37 Provisions, Contingent Liabilities &amp; Contingent Assets</b></p> <p>IAS 37 outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable). The Directors usually make these estimations which are uncertain. For purposes of making these estimations, the directors identify current obligations which may be settled at uncertain time such as pending court cases. However, the society despite having a pending court case which was settled in the year 2022, did not make these provisions.</p>	<p>(i) Reviewing the society's current and past obligations which fall under this classification. (ii) Ensuring that appropriate provisions have been made in regards to contingent liabilities and contingent assets. (iii) Performing other appropriate audit procedures in order obtain sufficient assurance that proper provisions were made.</p>



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**Bungoma Office:**

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P. O. Box 1698-50200, Bungoma,  
Tel: +254 20 4402232  
E: kepha@kaxton-cpa.com

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

**Going Concern**

The society's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless directors either intend to liquidate the society or cease operations or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that the directors' use of going concern basis of accounting in the preparation of the society's financial statements is appropriate.

Directors have not identified any material uncertainty that may cast significant doubt on the society's ability to continue as a going concern and accordingly none is disclosed in the financial statements.

Based on our audit of the financial statements, we have not identified such material uncertainty. However, neither the directors nor the auditors can guarantee the society's ability to continue as a going concern.

**Responsibilities of directors for the financial statements**

Directors are responsible for the preparation and fair presentation of these financial statements that give a true and fair view in accordance with IFRSs and for such internal control as directors determine is necessary to enable the presentation of financial statements that are free from material misstatements, whether due to fraud or error. The board of directors is responsible for overseeing the society's financial reporting process.

**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.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the independent auditor to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the independent auditor. However, future events or conditions may cause the society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

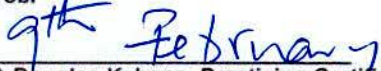
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our report of the independent auditor unless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

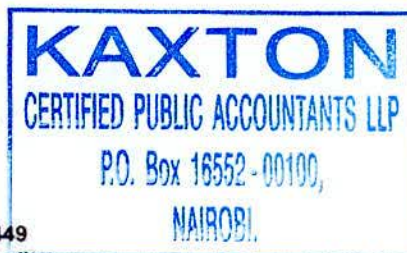
**Report on other legal and regulatory Requirements**

The Kenyan Sacco societies Act of 2008 requires that we report the following matters to the Sacco Societies Regulatory Authority (SASRA). We Confirm that:

- We have obtained all the information and explanations which, to the best of our knowledge and belief, were considered necessary for the purpose of our audit.
- In our opinion, proper books of account have been kept by the society. So far as appears from our examination of those books: and
- The society's statement of financial position and statements of comprehensive income are in agreement with the books of account.

  
KAXTON CERTIFIED PUBLIC ACCOUNTANTS LLP  
Nairobi

 9<sup>th</sup> February 2023  
CPA Douglas Kebeno, Practicing Certificate No. 2449  
Signing Partner responsible for the independent audit



**Sheria Savings & Credit Co-operative Society Limited- C/S 2102**  
**Annual Report & Financial Statements**  
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**STATEMENT OF COMPREHENSIVE INCOME**

	Notes	2022 Ksh	2021 Ksh
<b>Revenue</b>			
<b>Interest Income</b>			
Interest on Loans and Advances	2(a)	954,314,695	850,729,227
Other Interest Income	2(b)	27,117,336	26,967,184
		<b>981,432,031</b>	<b>877,696,411</b>
Interest Expense	3	(493,923,339)	(414,488,084)
Net Interest Income		<b>487,508,692</b>	<b>463,208,327</b>
Other Operating Income	4	53,660,934	40,474,417
<b>Total Income</b>		<b>541,169,626</b>	<b>503,682,744</b>
<b>Expenses</b>			
Administration Expenses	5	(59,365,338)	(40,617,920)
Establishment Expenses	6	(27,676,780)	(14,726,125)
Staff Expenses	7	(113,762,484)	(95,833,546)
Governance Expenses	8	(83,923,130)	(61,116,075)
Marketing Expenses	9	(45,352,225)	(21,274,816)
Professional Expenses	10	(4,098,599)	(5,287,353)
Financial & Related Expenses	11	(53,836,144)	(52,942,843)
<b>Total Operating Expenses</b>		<b>(388,014,700)</b>	<b>(291,798,677)</b>
<b>Net Operating Surplus before Income Tax</b>		<b>153,154,926</b>	<b>211,884,067</b>
Income Tax Expense	18	(14,895,601)	(12,665,666)
<b>Net Surplus for the Period</b>		<b>138,259,326</b>	<b>199,218,401</b>
20% Transfer to Statutory Reserve		<b>27,651,865</b>	<b>39,843,680</b>
<b>Total Net Comprehensive Profit/(Loss) for the year</b>		<b>110,607,460</b>	<b>159,374,721</b>

Sheria Savings & Credit Co-operative Society Limited- C/S 2102  
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STATEMENT OF FINANCIAL POSITION

	Notes	2022 Ksh	2021 Ksh
<b>ASSETS</b>			
Cash and Cash Equivalent	12	415,811,985	638,874,446
Receivables and Prepayments	13	469,223,004	75,016,889
Loans and Advances to Members	14	7,171,498,065	6,340,885,531
Investments	15	37,140,667	27,140,667
Property, Plant and Equipment	16(a)	309,381,027	305,551,157
Intangible Assets	16(b)	50,941,249	10,720,842
Upper Hill Development - Preliminary Costs	16(c)	60,026,907	60,026,907
<b>Total Assets</b>		<b>8,514,022,904</b>	<b>7,458,216,439</b>
<b>LIABILITIES</b>			
Members Deposits	17	6,180,684,508	5,333,794,343
Payables and Accruals	19	84,471,493	69,707,072
Other Provisions	20	605,938,054	522,815,653
Tax payable	18	5,614,666	1,025,926
Burial Benevolent Fund	21	1,938,088	226,880
<b>Total Liabilities</b>		<b>6,878,646,810</b>	<b>5,927,569,875</b>
<b>FINANCED BY</b>			
Other Reserves	24	1,171,340,242	1,120,059,367
Share Capital	23	464,035,852	410,587,198
<b>Total Shareholders' Funds</b>		<b>1,635,376,095</b>	<b>1,530,646,564</b>
<b>Total Liabilities and Capital</b>		<b>8,514,022,904</b>	<b>7,458,216,439</b>



The Financial Statements were approved by the Board of Directors on 26<sup>th</sup> JANUARY 2023 and signed by:

Chairman

Treasurer

Secretary

for K.S.  
[Signature]  
[Signature]

**Sheria Savings & Credit Co-operative Society Limited- C/S 2102**  
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**STATEMENT OF CHANGES IN EQUITY**

	Share Capital	Statutory Reserves	Retained Earnings	Revaluation Reserve	Benevolent Reserve	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
<b>At 1 January 2022</b>	<b>410,587,198</b>	<b>233,966,218</b>	<b>502,573,050</b>	<b>286,955,871</b>	<b>96,564,228</b>	<b>1,530,646,565</b>
<b>Changes in equity in 2022</b>						-
Surplus for the Year	-	-	138,259,326	-	-	138,259,326
Contribution for the Year	53,448,654	-	-	-	-	53,448,654
Transfer to Statutory Reserves	-	27,651,865	(27,651,865)	-	-	-
Year 2022-Proposed Dividends	-	-	(74,245,736)	-	-	(74,245,736)
Year 2022 -Proposed Board Honorarium	-	-	(6,000,000)	-	-	(6,000,000)
Year 2022-Proposed Staff Bonus	-	-	(6,500,000)	-	-	(6,500,000)
<b>Prior year adjustments - Note 25</b>	-	-	(232,714)	-	-	(232,714)
<b>At 31 December 2022</b>	<b>464,035,852</b>	<b>261,618,083</b>	<b>526,202,060</b>	<b>286,955,871</b>	<b>96,564,228</b>	<b>1,635,376,095</b>
<b>At 1 January 2021</b>	<b>371,806,347</b>	<b>194,122,538</b>	<b>416,721,542</b>	<b>286,955,871</b>	<b>96,564,228</b>	<b>1,366,170,526</b>
<b>Changes in equity in 2021</b>						-
Surplus for the Year	-	-	199,218,401	-	-	199,218,401
Contribution for the Year	38,780,851	-	-	-	-	38,780,851
Transfer to Statutory Reserves	-	39,843,680	(39,843,680)	-	-	-
Year 2021-Proposed Dividends	-	-	(65,693,952)	-	-	(65,693,952)
Year 2021-Proposed Honorarium	-	-	(5,500,000)	-	-	(5,500,000)
Year 2021-Staff Bonus Proposed	-	-	(6,000,000)	-	-	(6,000,000)
<b>Prior year adjustment-Note 25</b>	-	-	3,670,739	-	-	3,670,739
<b>At 31 December 2021</b>	<b>410,587,198</b>	<b>233,966,218</b>	<b>502,573,050</b>	<b>286,955,871</b>	<b>96,564,228</b>	<b>1,530,646,565</b>

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STATEMENT OF CASHFLOWS

	Note	2022 Ksh	2021 Ksh
<b>Cash Flow from Operating Activities</b>			
Interest on Loans Income & Other Interest Income	2 a& b	981,432,031	877,696,412
Other Operating Income	4	47,635,727	33,759,360
Prior year adjustment		(232,714)	3,670,739
Interest payment	20	(420,650,276)	(354,748,449)
Payment to Employees and Suppliers	5-11	(327,725,447)	(241,596,561)
<b>Net Cashflow Before Working Capital Changes</b>		<b>280,459,320</b>	<b>318,781,501</b>
<b>(Increase)/Decrease in Operating Assets</b>			
Receivables and Prepayments	13	(394,206,115)	8,776,510
Member Loans & Advances	14	(869,725,006)	(623,991,330)
<b>Increase/(Decrease) in Operating Liabilities</b>			
Members Deposits and Savings	17	840,080,891	501,007,503
Payables & Accruals	19	21,573,695	1,378,119
<b>Net Cash from Operating Activities before Income Taxes</b>		<b>(402,276,536)</b>	<b>(112,829,198)</b>
<b>Net Cash from Operating Activities before Tax</b>		<b>(121,817,215)</b>	<b>205,952,302</b>
Income Tax Paid	18	(10,306,861)	(10,926,631)
<b>Net Cash from Operating Activities</b>		<b>(132,124,076)</b>	<b>195,025,671</b>
<b>Cash Flow from Investing Activities</b>			
Purchase of Investments/Refunds Received	15	(10,000,000)	3,010,809
Cash in Flow from Sale of Asset - Motor Cycle	16a	-	-
Purchase of Property and Equipment and Computer Software	16a&b	(71,727,056)	(10,107,205)
Dividends Received	2b	6,025,207	6,715,056
Preliminary Costs-Upper Hill Development	16(c)	-	(12,780,500)
<b>Net Cash from Investing Activities</b>		<b>(75,701,848)</b>	<b>(13,161,840)</b>
<b>Cash Flow from Financing Activities</b>			
Payment of Dividends & Honoraria	20	(70,396,398)	(63,185,936)
Share Capital Contributions	23	53,448,654	38,780,851
Burial Benevolent Fund	21	1,711,208	(1,820,596)
<b>Net Cash Flow used in Financing Activities</b>		<b>(15,236,536)</b>	<b>(26,225,681)</b>
<b>Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>(223,062,460)</b>	<b>155,638,150</b>
<b>Movement in Cash and Cash Equivalents</b>			
At Start of the year		638,874,446	483,236,295
<b>At End of the year</b>	12	<b>415,811,985</b>	<b>638,874,446</b>

## NOTES

### BASIS PREPARATION

#### (a) Statement of Compliance

The financial statements have been prepared in accordance with international Financial Reporting Standards and the Co-operative Societies Act.

For Co-operative Societies Act reporting purposes, the balance sheet is represented by statement of financial position and the income and expenditure account by the statement of profit or loss and other comprehensive income, in these financial statements. The Financial statements are prepared under the historical basis except for fair valuation of certain assets

#### (b) Going Concern

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.

#### (c) Use of Estimates and Judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during reported period. Although these statements are based on the directors' best knowledge of current events and actions actual results ultimately may differ from the estimates.

The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in financial statements are described in Note 1.

#### (d) Functional and Presentation Currency

The financial statements are presented in Kenyan shillings which is also the Society's functional currency. Except as otherwise indicated, financial information presented in Kenyan shillings (Ksh) has been rounded to the nearest shilling.

### SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Revenue Recognition

Revenue is derived substantially from Sacco business and related activities and comprise net interest income and non-interest income. Prior year revenue was recognized on an accrual basis in the period in which it is earned.

##### i. Interest

In current year interest income and expense for all interest bearing instruments and recognized in profit or loss as it accrues considering the effective interest rate of the asset or an applicable floating rate.

The effective interest rate is the rate that exactly discounts the estimated future cash flow through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. Interest income and expense includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

**NOTES (CONTINUED)**

**1. Significant accounting policies (continued)**  
**Basis of preparation (continued)**

**i. Interest (Continued)**

Interest income and expense are recognized in profit or loss using effective interest method .The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset; or the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit impaired assets, the Sacco estimates future cash flows considering all contractual terms of the financial instrument but not expected credit losses. For credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset of financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit -impaired, then the calculation of the interest income reverts to the gross basis

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the assets improves.

**ii. Fees and Commission Income**

Fees and commission income is recognized on an accrual basis when the service is provided.

This income comprises of appraisal and facility fees charged on advances, commissions charged on use of channels and ledger fees levied on current and savings accounts.

Fees and commission on a financial asset of financial liability are included in the effective interest rate. Loan fees that are recognized using the effective interest method are included with loan balances in the consolidated statement of financial position.

Other fee and commission income -including account servicing fees, loan discharge and administration fees are recognized as the related services are performed.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

**iii. Dividend Income**

Dividend income is recognized when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net income from other financial instruments at a Fair Value Through Profit and Loss (FVTPL) or other revenue based on the underlying classification of the equity investment.

Dividends on equity instruments designated as at Fair Value Through Other Comprehensive Income(FVOCI) that clearly represent a recovery of part of the cost of the investment in Other Comprehensive Income(OCI).



**NOTES (CONTINUED)**

**1. Summary of significant accounting policies**

**(b) Members' Deposits and Savings**

Members' deposits and savings are stated at their normal value. Interest payable on the members' savings are accounted for an accrual basis and are added to carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

**(c) Property and Equipment**

**i. Recognition and Measurement**

Items of Property and Equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

**ii. Depreciation**

All property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated using the reducing balancing method to write down the cost of each asset to its residual value over its estimated useful life.

Computer Software	25.0%
Buildings	2.5%
Computers hardware	25.0%
Office Equipments	10.0%
Furniture & Fittings	10.0%
Generator	10.0%
Motor vehicles	25.0%
Land is depreciated over 85 years during the lifetime of the lease	

Leasehold land is depreciated over the remaining useful life of the lease.

Depreciation methods, useful lives and residual values are reassesses and adjusted, if appropriate, at each reporting date.

**iii Subsequent Costs**

The cost of replacing a component of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Sacco and its cost can be measured reliably .

The costs of the day to day servicing of property and equipment are recognized in profit or loss as incurred.

**iv. Disposal of Property and Equipment**

Gains and losses on disposal of Property and equipment are determined by reference to their carrying amount and are recognized I profit or loss in the year in which they arise.

**(d) Intangible Assets (Software)**

Computer software licenses are stated at cost less accumulated amortization and accumulated impairment losses.

The cost incurred to acquire and bring to use specific computer software licenses are capitalized costs are amortized on a reducing balance basis over the expected useful lives, using an annual rate 30% and are recognized in profit or loss. Costs associated with maintaining software are recognized as an expense as incurred.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates .All other expenditure when incurred.

Amortization methods useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(e) Statutory Reserves**

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

## NOTES (CONTINUED)

### (f) Financial instruments

Financial assets and financial liabilities are recognized when the society becomes a party to the contractual provisions of the instrument. Management determines the classification of financial instruments at initial recognition.

#### Financial assets

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in profit or loss.

The society's financial assets fall into the following categories:

**Amortized cost:** Financial assets that are held for collection of contractual cash flows where those cash flows represent Solely Payments of Principal and Interest (SPPI), and that they are not designated at Fair Value Through Profit or Loss (FVTPL), are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance measured and recognized. Interest income from these financial assets is included in 'interest and similar income' using the effective interest method.

#### Fair Value Through Other Comprehensive Income (FVTOCI) - Debt instruments:

Financial assets that are held for collection of contractual cash flows where these cash flows comprise SPPI and also for liquidating the assets depending on liquidity needs and that are not designated at FVTPL, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for recognition of impairment gains or losses, interest revenue and recognized in OCI are reclassified from equity to profit or loss on disposal of such instruments. Foreign exchange gains and losses, which are computed in the same manner as for financial assets measured at amortized cost and recognized in profit or loss. Gains and losses previously recognized in OCI are reclassified from equity to profit and loss on disposal of such instruments.

#### Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Society can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis recognized as other income in profit or loss when the right of payment has been established.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit and loss when the right of payment has been established except when the Society benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The society elected to classify irrevocably its non-listed equity investments under this category.

#### Fair Value Through Profit or Loss (FVTPL):

Financial assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of profit or loss and other comprehensive income.

For the purpose of SPPI the test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

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

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

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

**(g) 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 authorization 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 amortized 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.

The Society applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Society has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**Conceptual Framework for Financial Reporting issued on 29 March 2018**

The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the society's financial statements.

**Amendments to IAS 1 and IAS 8 Definition of Material (issued in October 2018)**

The amendments, applicable to annual periods beginning on or after 1 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.

**Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform (issued in September 2019)**

The amendments, applicable to annual periods beginning on or after 1 January 2020, provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the society's financial statements as it does not have any interest rate hedge relationships.

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

**(h) New standards, amendments and interpretations issued but not effective**

At the date of authorization of these consolidated 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 1 'Classification of Liabilities as Current or Non-current' (issued in January 2020), effective for annual periods beginning on or after 1 January 2023, clarify a criterion for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement for at least 12 months after the reporting date.
- Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by costs of producing those items, in profit or loss.
- Amendments to IAS 37 'Onerous Contracts – Costs of Fulfilling a Contract' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022, specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards 'Subsidiary as a first-time adopter' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.
- Amendment to IFRS 9 Financial Instruments 'Fees in the '10 per cent' test for derecognition of financial liabilities' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (issued in September 2014), applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.
- IFRS 17 'Insurance Contracts' (issued in May 2017), effective for annual periods beginning on or after 1 January 2023, establishes the principles for the recognition, measurement, 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 insurance contracts represents those contracts. The Group does not issue insurance contracts.

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

**FINANCIAL RISK MANAGEMENT**

The Sacco's operations are exposed of financial risks. These risks include market risk (including currency risk, fair value, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Sacco's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Sacco's financial performance.

Risk management is carried out by the Audit sub-committee under policies approved by the Board of Directors. The Audit sub-committee identifies, evaluates and manages financial risks in close co-operation with various departmental heads. The Board of Directors has provided in the risk management policy written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and investment of excess liquidity.

The sub-committee reports monthly to the Board of Directors on all aspects of risks including nature of risks, measures instituted to mitigate risk exposures etc. The Sacco has exposure to the following financial risks from its use of financial instruments.

- . Credit risk
- . Liquidity risk
- . Market risk

**(a) Credit Risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Sacco and arises principally from the Sacco's loans and advances to its members.

The amount presented in the statement of financial position are net of impairment for doubtful debts, estimated by the board based on prior experience, assessment of the current economic environment and the prudential guidelines from SASRA.

**Management of Credit Risk**

The Sacco has adopted a policy (as contained in its by-laws) of only dealing with credit worthy counterparties and obtaining sufficient collateral, and guarantors where appropriate, as a means of mitigating the risk of financial loss from defaults. The Sacco also structures the level of credit risk it undertakes by placing limits on amount of risk accepted in relation to one borrower or group of borrowers.

Trade receivables consist mainly of insurance claims of loans held by deceased members. Ongoing credit evaluation is performed on the financial condition of account receivable and, where appropriate, credit guarantee insurance cover may be purchased. The Sacco does not hold any receivables from individuals or entities that have been declared bankrupt/insolvent.

**(b) Liquidity Risk**

**Management of liquidity risk**

The board has built an appropriate liquidity risk management framework for the management of the Sacco's Short, Medium and long-term funding and liquidity management requirements.

The Sacco Managers liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cashflows and matching the maturity profiles of financial assets and liabilities. The Sacco maintains a minimum of 15% of its saving deposits and short term liabilities in liquid assets.

**Source of funding**

The Sacco has access to financing facilities in addition to internal sources. The Sacco expects to meet its other obligations from operating cash flows and proceeds of maturing fixed deposits.

**Exposure to liquidity risk**

The key measures used by the regulator for managing liquidity risk is that minimum of 15% of savings, deposits and short term liabilities should be held in liquid assets. For this purpose net liquid assets include notes and coins, balances at institutions licensed under the banking act after deducting there from balances owed to those institutions, treasury bills and bonds and deposits held at other Saccos of a maturity of not exceeding 90 days.

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

**FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Market risk**

**Interest rate risk management**

The Sacco is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. Interest rate risk is managed through maintaining an appropriate mix between fixed and floating rate borrowings. The Sacco's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

**Interest rate risk stress test**

The impact that an immediate hypothetical increase or decrease in interest rate of 4% applied at the beginning of the year would have on the profit for the year and retained earnings assuming a growing financial position and current interest rate risk profile.

**Price risks**

The Sacco is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Sacco does not actively trade these investments hence no significant risk. The Sacco's sensitivity to equal prices has not changed significantly from the prior year.

**(d) Fair Value of financial Assets and Financial Liabilities**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into level 1 to 3 based on the degree to which fair value is observable.

. **Level 1:** fair value measurement are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

. **Level 2:** fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly ( i.e. derived from prices).

. **Level 3:** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data ( unobservable inputs).

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**NOTES TO THE ACCOUNTS CONTD.**

	<b>2022</b>	<b>2021</b>
	<b>Ksh</b>	<b>Ksh</b>
<b>2a. Sacco Interest on Loans Income</b>		
BOSA Loans	768,709,166	656,919,377
FOSA Loans	185,605,529	193,809,850
	<u><b>954,314,695</b></u>	<u><b>850,729,227</b></u>
<b>2b. Other Interest Income</b>		
Interest income from CIC , BRITAM & KUSCCO	27,117,336	26,967,184
<b>Total other Interest Income</b>	<u><b>27,117,336</b></u>	<u><b>26,967,184</b></u>
<b>3 Sacco Interest Expense</b>		
Interest Payable on BOSA Deposits ( 9.50%)	467,716,152	396,232,154
Interest on Member Savings-Shewisa/Child/Fixed dep.	25,901,313	18,255,930
Interest on Members Mavuno Savings	305,874	-
<b>Total Interest Expense</b>	<u><b>493,923,339</b></u>	<u><b>414,488,084</b></u>
<b>4 Other Operating Income</b>		
Commission on Member Transactions	27,817,179	28,439,259
Dividends from Co-op.Bank,Kuscco and Sheria Housing	6,025,207	6,715,056
M-Pesa,ATM,Frequency Fees & SMS Fees	1,167,210	1,510,991
Sundry Income	1,110,197	1,347,436
Shop Sales & Photocopier Business	1,381,214	1,227,790
Standing Orders & Statement Charges	873,304	1,043,935
Entrance Fees Income	496,661	111,270
Cheque Clearance	42,300	78,680
Decrease in Provision for Suspense amount	14,747,662	-
<b>Total Operating Income</b>	<u><b>53,660,934</b></u>	<u><b>40,474,417</b></u>

Decrease in Provision for Suspense amount is as after carrying out reconciliation in relation to a provision that was expensed in year 2020 regarding opening Cash Book Balances.

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**NOTES TO THE ACCOUNTS CONTD.**

	<b>2022</b>	<b>2021</b>
	<b>Ksh</b>	<b>Ksh</b>
<b>5 Sacco Administration Expenses</b>		
Loan Insurance & Asset Premiums	24,906,570	13,029,420
Computer hardware & Software Expenses	10,850,540	9,484,897
Telephone, Airtime, Postage & Internet	6,792,647	6,481,042
Security Expenses	3,109,018	2,850,123
Motor Vehicle Running Expenses	1,375,446	1,358,136
Cleaning Materials, Sundries & Contingencies	1,376,182	1,131,519
Electricity & Water	944,959	968,124
Subscriptions & Licences	1,152,853	868,412
Printing & Stationery	1,147,330	817,003
Shop Purchases	778,204	782,732
Website & Government Computer Services	919,511	742,890
Rent & Rates	688,759	574,185
Repairs & Maintenance	631,746	503,201
Off-site Back up Expenses	2,200,600	460,660
Office utilities, Books & Periodicals	511,776	300,476
FOSA Personal cheques issuance Expenses	213,400	150,000
Vat claimable on Audit & Supervision Disbursements	123,840	115,100
KRA Tax Penalties & Arrears	1,641,958	-
	<b>59,365,338</b>	<b>40,617,920</b>
<b>6 Sacco Establishment Expenses</b>		
Depreciation	10,696,364	9,366,508
Amortization	16,980,416	5,359,617
	<b>27,676,780</b>	<b>14,726,125</b>
<b>7 Personnel Expenses</b>		
Salaries & Wages	43,564,500	38,113,652
Staff Training & Education	16,222,736	13,356,556
Medical Cover Expenses	13,515,324	11,978,208
House Allowance	12,069,164	10,789,872
Staff Travelling & Subsistence Allowance	11,540,341	6,493,630
Commuter Allowance	5,724,838	5,237,387
NSSF & Pension Contribution	5,640,398	4,892,893
Staff Extraneous Allowance	1,683,050	1,529,633
Responsibility Allowance	1,367,419	1,075,000
Gratuity Provision	949,654	938,171
Staff Leave Allowance	640,000	668,799
Staff Entertainment Allowance	360,000	605,845
Staff Uniforms	415,360	153,900
Staff BBF Insurance Cover	69,700	-
	<b>113,762,484</b>	<b>95,833,546</b>
<b>8 Sacco Governance Expenses</b>		
Board Training/Seminars	16,978,335	13,918,366
Annual Delegates Meeting Expenses	20,072,616	11,728,547
Education - Members	13,130,280	11,452,818
Education - Delegates	14,763,947	9,116,819
Board Meeting Expenses & Subsistence Allowance	8,479,326	7,259,243
Board Sitting Allowances	3,792,889	3,753,782
Board Medical Cover	2,494,596	2,441,200
Delegates Telephone /Airtime Expenses	2,218,867	1,340,300
Ushirika Day Celebrations Expenses	1,681,474	105,000
Board & Delegates BBF Insurance Cover	310,800	-
	<b>83,923,130</b>	<b>61,116,075</b>



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	<b>2022</b>	<b>2021</b>
	<b>Ksh</b>	<b>Ksh</b>
<b>9 Marketing Expenses</b>		
Marketing Expenses	37,722,139	16,287,521
Strategic Plan Review Expenses	6,829,139	3,609,695
Corporate Social Responsibility	-	737,310
Public Relations & Advertisement	800,947	640,290
	<b>45,352,225</b>	<b>21,274,816</b>
<b>10 Professional Expenses</b>		
Consultancy Fees	2,452,469	4,224,474
Audit Fees	774,000	822,150
Debt Collection Expenses	15,130	158,729
Legal Fees	857,000	82,000
	<b>4,098,599</b>	<b>5,287,353</b>
<b>11 Financial &amp; Related Expenses</b>		
Loan Impairment Provision	39,112,472	27,344,527
Specific Interest Provision Allowance	-	14,131,465
Sasra Levy on Members' Deposits	8,457,377	6,508,223
Bank Charges	6,266,295	4,958,628
	<b>53,836,144</b>	<b>52,942,843</b>
<b>12 Sacco Cash &amp; Cash Equivalent</b>		
Co-op Bank Current Account (Main)	29,988,621	281,268,645
KUSCCO Special Deposits Fund	144,853,526	162,011,684
CIC Money Market Fund	60,237,661	130,451,272
Co-operative Bank - Current Account (FOSA)	27,981,457	38,506,787
Britam Money Market Fund	85,756,948	19,267,844
Family Bank Fixed Deposits	50,000,000	-
NCBA Bank Account	1,215,337	7,637,224
Co-op Bank Collateral Account	6,400,000	5,300,000
KCB Current Account (FOSA)	551,786	2,219,301
M-Sacco account - Mobile banking	(1,559,993)	1,450,572
Treasury Account (FOSA)	2,998,975	1,191,408
Cash in Hand - Sheria Hse ( MPESA Holding Float)	800,000	800,000
Co-op Bank General Savings Account	725,297	725,297
Utilities Payment Account	(226,478)	501,109
Cash in Hand - FOSA OFFICE Milimani ( MPESA Holding Floa	400,000	400,000
Cash in Hand - Milimani (MPESA Holding Float)	300,000	300,000
BBF Savings Account	206,535	206,535
Petty Cash Account (Bosa)	(19,140)	95,974
Petty Cash Account - FOSA NAIROBI Branch	50,000	50,000
Petty Cash Account - FOSA KISUMU Branch	(7,935)	25,562
Equity Bank	(442,726)	-
Co-op Bank Sheria Hse - Photocopier	(2,482,432)	(2,179,278)
ATM Settlement Account (FOSA)	8,084,546	(11,355,490)
	<b>415,811,985</b>	<b>638,874,446</b>

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	2022 Ksh	2021 Ksh		
<b>13 Sacco Receivables &amp; Prepayments</b>				
Interest on Loans Receivable - Bosa	171,392,947	75,400,618		
Receivables from Employers - Check off Remittances	257,904,679	26,233,540		
Interest on Loans Receivable - Fosa	50,946,341	23,519,631		
Prepaid Staff & Directors Medical Insurance Cover	9,750,090	9,266,669		
Postal Corporation of Kenya - Loans Interest Account	-	454,254		
Prepaid Delegates Education Expenses	650,500	452,800		
Prepaid Offsite Backup	-	359,600		
Prepaid Employee Group Life Insurance Premium	390,082	265,899		
Prepaid SASRA Subscription	70,000	70,000		
Prepaid Insurance On Members Loans-KUSCCO MUTUAL	25,000,000	-		
Prepaid Website Expenses	69,600	-		
Debtors	4,697,520	-		
CIC BBF Insurance Claim Control Account	300,000	-		
Un-Allocated Funds	36,290	-		
	<b>521,208,049</b>	<b>136,023,011</b>		
<b>Less: Specific bad debts provision receivables (Interest)</b>				
<b>Balance b/f</b>	<b>61,006,122</b>	<b>73,804,690</b>		
Interest Written Off	-	(26,930,033)		
Decrease in Provision for Interest Receivable Allowance	(9,021,077)	14,131,465		
Cumulative Interest Loss Allowance Provision	51,985,045	61,006,122		
	<b>469,223,004</b>	<b>75,016,889</b>		
<b>14 Sacco Loans to Members</b>				
Loans with Bosa Members	6,213,206,037	5,360,339,272		
Fosa Loans and Advances with Members	1,234,988,485	1,218,130,244		
	<b>A 7,448,194,522</b>	<b>6,578,469,516</b>		
<b>Provision for Delinquency</b>				
<b>Balance b/f</b>	<b>237,583,985</b>	<b>227,341,716</b>		
Bad Loans Written Off	-	(17,102,258)		
Charge for the year	39,112,472	27,344,527		
<b>Loan Loss allowance year end</b>	<b>276,696,457</b>	<b>237,583,985</b>		
<b>Net Loans &amp; Advances</b>	<b>7,171,498,065</b>	<b>6,340,885,531</b>		
Member's Personal Accounts Listings	<b>B 7,454,295,718</b>	<b>6,580,864,239</b>		
Unreconciled Difference	<b>A-B (6,101,196)</b>	<b>(2,394,723)</b>		
	<b>No.of Accounts</b>	<b>Outstanding Portfolio (Ksh)</b>	<b>Rates</b>	<b>Provision (Ksh.)</b>
<b>AGEING OF PAST DUE IMPAIRED</b>				
Performing Loans	18,648	6,934,747,715	1%	69,347,477
Watch	1,366	228,590,632	5%	11,429,532
Substandard	400	102,645,930	25%	25,661,483
Doubtful	116	36,106,949	50%	18,053,475
Loss	414	152,204,491	100%	152,204,491
	<b>20,944</b>	<b>7,454,295,718</b>		<b>276,696,457</b>
<b>15 Sacco Investments</b>				
<b>Un-quoted Equities at Cost - Available for Sales</b>				
206,602 Ordinary Shares with KUSCCO @ Ksh 100		20,660,259		10,660,259
5,520,232 Ordinary Shares with CIC of @ Ksh 1		5,520,232		5,520,232
5,180,000 Shares with Co-op Holding Ltd of @Ksh. 1		5,180,000		5,180,000
UTAWALA Plots with Sheria Housing		3,600,000		3,600,000
Shares with Sheria Housing		1,630,176		1,630,176
Mpesa Holding Investment		500,000		500,000
Ordinary Shares with CODIC		50,000		50,000
		<b>37,140,667</b>		<b>27,140,667</b>

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16a. Property, Plant & Equipment

	Computers Hardware <u>Ksh</u> 25%	Motor Vehicle/Cycle <u>Ksh</u> 25%	Furniture & Fittings <u>Ksh</u> 10.0%	Land <u>Ksh</u> 85 Yrs.	Building <u>Ksh</u> 2.5%	Generator <u>Ksh</u> 10.0%	Office Equipments <u>Ksh</u> 10.0%	Total <u>Ksh</u>
<u>Year ended 2021</u>								
Cost	30,679,634	4,221,205	10,093,360	300,000,000	55,877,463	1,284,182	19,125,916	421,281,760
Additions	2,606,090	-	164,990	-	-	-	341,628	3,112,708
Disposal	-	-	-	-	-	-	-	-
As at 31 December 2021	<u>33,285,724</u>	<u>4,221,205</u>	<u>10,258,350</u>	<u>300,000,000</u>	<u>55,877,463</u>	<u>1,284,182</u>	<u>19,467,544</u>	<u>424,394,468</u>
<u>Depreciation</u>								
As at 01 January 2021	22,760,356	3,041,211	7,001,856	53,121,921	9,714,952	1,025,524	12,810,985	109,476,805
Charge for the year	3,157,610	294,999	407,062	3,488,372	1,154,063	32,332	832,070	9,366,508
Disposal	-	-	-	-	-	-	-	-
As at 31 December 2021	<u>25,917,966</u>	<u>3,336,209</u>	<u>7,408,917</u>	<u>56,610,293</u>	<u>10,869,015</u>	<u>1,057,856</u>	<u>13,643,055</u>	<u>118,843,312</u>
<u>Year ended 2021</u>								
<u>Cost</u>								
As at 01 January 2022	33,285,724	4,221,205	10,258,350	300,000,000	55,877,463	1,284,182	19,467,544	424,394,468
Additions	6,156,027	4,750,000	258,460	-	-	-	3,361,746	14,526,233
Disposal of Motor Cycle	-	-	-	-	-	-	-	-
As at 31 December 2021	<u>39,441,751</u>	<u>8,971,205.00</u>	<u>10,516,810</u>	<u>300,000,000</u>	<u>55,877,463</u>	<u>1,284,182</u>	<u>22,829,290</u>	<u>438,920,701</u>
<u>Depreciation</u>								
As at 01 January 2022	25,917,966	3,336,209	7,408,917	56,610,293	10,869,015	1,057,856	13,643,055	118,843,311
Charge for year	3,380,946	1,408,749	310,789	3,529,412	1,125,211	22,633	918,624	10,696,364
Eliminated on Disposal	-	-	-	-	-	-	-	-
As at 31 December 2022	<u>29,298,913</u>	<u>4,744,958</u>	<u>7,719,706</u>	<u>60,139,705</u>	<u>11,994,226</u>	<u>1,080,489</u>	<u>14,561,678</u>	<u>129,539,674</u>
<u>Net Book Value</u>								
As at 31 December 2021	<u>7,367,758</u>	<u>884,997</u>	<u>2,849,433</u>	<u>243,389,707</u>	<u>45,008,448</u>	<u>226,326</u>	<u>5,824,489</u>	<u>305,551,157</u>
As at 31 December 2022	<u>10,142,838</u>	<u>4,226,247</u>	<u>2,797,104</u>	<u>239,860,295</u>	<u>43,883,237</u>	<u>203,693</u>	<u>8,267,612</u>	<u>309,381,027</u>

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16b. Intangible Assets, Patents and Trade Marks

Sacco Software	2022 Ksh	2021 Ksh
Amortization Rate	25.00%	33.33%
As at 01 January 2021	48,014,132	41,019,635
Additions	57,200,823	6,994,497
Disposal	-	-
As at 31 December 2022	<u>105,214,955</u>	<u>48,014,132</u>
Amortization		
As at 01 January 2021	37,293,290	31,933,673
Charge for the year	16,980,416	5,359,617
As at 31 December 2022	<u>54,273,706</u>	<u>37,293,290</u>
Net Book Value		
As at 31 December 2022	<u>50,941,249</u>	<u>10,720,842</u>
16c. Upper Hill Development		
Preliminary Cost for Developing balance b/f	60,026,907	47,246,407
Additions during the year	-	12,780,500
Balance as at 31st Decemebr 2022	<u>60,026,907</u>	<u>60,026,907</u>

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.

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	<b>2022</b>	<b>2021</b>
	<b>Ksh</b>	<b>Ksh</b>
<b>17 Sacco Members' Deposits</b>		
<b>a) Saving Deposit</b>		
Fosa Savings	459,349,380	415,677,305
Shewisa Savings	64,013,809	53,032,416
Children Savings	38,336,888	32,642,369
Sheria Housing Savings	1,297,045	1,290,045
MAVUNO 5 Year Savings	2,352,500	-
MAVUNO 10 Year Savings	3,456,774	-
Unit Pre Sale Savings	1,000,000	-
<b>Balance at the end of the year</b>	<b>569,806,396</b>	<b>502,642,135</b>
<b>b)Non withdrawable Deposits</b>		
Members Deposits		
Members Deposits-Bosa	5,246,601,682	4,661,323,458
Members Deposits-Fosa Fixed Deposits	364,276,430	169,828,750
Balance at the end of the year	<b>5,610,878,112</b>	<b>4,831,152,208</b>
<b>Total Deposits</b>	<b>6,180,684,508</b>	<b>5,333,794,343</b>
<b>Total deposits as per listing</b>	<b>6,176,647,225</b>	<b>5,337,974,203</b>
<b>Variance - Unreconciled Difference</b>	<b>4,037,283</b>	<b>(4,179,860)</b>
Note-The difference of Ksh. 4,037,283 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 2023.		
<b>18 Sacco Taxation</b>		
<b>Balance brought forward</b>	<b>1,025,926</b>	<b>(713,109)</b>
Prior year adjustment	-	<b>(601,515)</b>
Current Year Tax ( Refer to Tax Computation Note 27 )	14,895,601	12,665,666
	<b>15,921,527</b>	<b>11,351,042</b>
Withholding Tax	-	(18,255)
Instalment Tax paid during the year	(10,306,861)	(10,306,861)
Tax Paid during the year	-	-
<b>Balance Carried Forward</b>	<b>5,614,666</b>	<b>1,025,926</b>
<b>19 Sacco Payables &amp; Accruals</b>		
Suspense Provision - This relates to opening balance reconciliation differences	30,954,831	31,692,682
Sundry Creditors	13,877,748	13,783,951
Proposed Staff Bonus - Year 2022	6,500,000	6,000,000
Provision for Interest on SHEWISA and Children Savings	7,164,654	5,997,235
Provision for Interest on Mavuno Savings	305,874	-
Deposits & BBF Insurance Claim Control Account	-	5,804,389
Provision for Staff Gratuity	3,889,120	2,939,466
Statutory Deduction - PAYE DEC.2022	1,487,302	1,535,691
CIC Staff Pension Contributions Payable DEC.2022	918,835	657,399
Excise Duty Tax Payable DEC.2022	751,904	577,965
Audit Fees & VAT Payable	359,136	374,900
KRA Withholding Tax on Fosa Fixed Deposits	753,808	132,525
Statutory Deduction - NHIF DEC.2022	78,400	76,000
Kenindia and Jubilee Insurance Payable DEC.2022	30,511	59,126
Staff Welfare Contributions	111,846	45,500
Statutory Deduction - NSSF DEC.2022	20,600	19,600
Statutory Deduction - HELB DEC.2022	10,643	10,643
KUSCCO Mutual Insurance Ltd. - Members Loans Control Account	646,679	-
PIONEER Assurance - BBF Insurance Claim Control Account	600,000	-
KRA Withholding Tax on VAT	109,350	-
M-PESA Deposits Suspense Control Account	475,422	-
FOSA Bankers Cheque Control Account	10,879,083	-
PCK Interest Charged on Members Loans Payable	4,545,747	-
<b>Total</b>	<b>84,471,493</b>	<b>69,707,072</b>
<b>20 Payments due to Members &amp; Board</b>		
As at January 2022 - Interest on Members deposits	451,621,701	391,078,987
As at January 2022 - Dividends	65,693,952	59,489,015

As at January 2022 - Honoraria	5,500,000	4,500,000
Honoraria paid	(5,500,000)	(4,000,000)
Honoraria ploughed back	-	(500,000)
Dividends paid	(64,896,398)	(58,685,936)
Interest on Deposits Paid during the year	(394,443,089)	(336,492,519)
<b>At 31 December</b>	<b>57,976,166</b>	<b>55,389,547</b>
Proposed Interest on Members' Deposits - Year 2022	467,716,152	396,232,154
Proposed Dividends on Share Capital - Year 2022	74,245,736	65,693,952
Proposed Honorarium - Year 2022	6,000,000	5,500,000
	<b>605,938,054</b>	<b>522,815,653</b>

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	<b>2022</b>	<b>2021</b>
	<b>Ksh</b>	<b>Ksh</b>
<b>21 Sacco Burial Benevolent Fund</b>		
At 1 January	226,880	2,047,476
Contributions during the year	23,122,994	16,888,618
Payments during the year	(21,411,786)	(18,709,214)
<b>At 31 December</b>	<b>1,938,088</b>	<b>226,880</b>
<b>23 Sacco Share Capital</b>		
At 1 January	410,587,198	371,806,347
Contributions during the year	53,448,654	38,780,851
<b>At 31 December</b>	<b>464,035,852</b>	<b>410,587,198</b>
<b>24 Sacco Reserves</b>		
Retained Earnings	526,202,060	502,573,050
Revaluation Reserve	286,955,871	286,955,871
Statutory Reserves	261,618,083	233,966,218
Burial Benevolent Reserve	96,564,228	96,564,228
<b>Total Sacco Reserves</b>	<b>1,171,340,242</b>	<b>1,120,059,367</b>
<b>25 Prior year adjustments</b>		
Board Honorarium approved by ADM was Kshs.4,000,000 and paid but Ksh.4,500,000 was provided for in year 2020 hence the difference of Ksh.500,000 (Ksh.4,500,000 less 4,000,000) has been ploughed back to retained earnings.	-	500,000
Correction of double posting of cheques from year 2019 to year 2020 ploughed back to retained earnings.	232,714	3,170,739
	<b>232,714</b>	<b>3,670,739</b>

**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.

	<b>2022</b>	<b>2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Loans &amp; Advances</b>		
Board of Directors	52,776,228	47,046,294
Secretariat - Staff	68,215,530	55,964,661
	<b>120,991,758</b>	<b>103,010,955</b>
<b>Non withdrawable Deposits &amp; Fosa Savings</b>		
Board of Directors	67,490,687	56,239,070
Secretariat - Staff	35,849,090	24,707,754
	<b>103,339,777</b>	<b>80,946,824</b>

**27 CURRENCY**

Financial Statements are presented in Kenya Shillings (Ksh).

## 28 Capital management

### Internally imposed capital requirements

The society manages its capital to ensure that it will be able to continue as a going concern while maximising the return to members through the optimisation of the debt and equity balance.

The capital structure of the society consists of net debt calculated as sum of total borrowings and members' deposits (as shown in the statement of financial position) less cash and cash equivalents and equity (comprising investment shares, reserves and appropriation account).

The directors review the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

In order to maintain the capital structure, the society may adjust the amounts of dividends paid to members or sell assets to reduce debt. The society's overall strategy remain unchanged from 2021.

### Externally imposed capital requirements

The Sacco Societies Act No. 14 of 2008 has established certain guidelines for the management of capital and working capital for deposit taking societies.

- core capital of not less than ten million shillings;
- core capital of not less than ten percent of total assets;
- institutional capital of not less than eight percent of total assets; and
- core capital of not less than eight percent of total deposits.
- maintain fifteen percent of its savings deposits and short term liabilities in liquid assets.

The ratios at 31 December 2022 and 2021 were as follows:

	<b>2022</b>	<b>2021</b>
	<b>Ksh</b>	<b>Ksh</b>
<b>a) Core capital of not less than Shs 10 million</b>		
As per statement of financial position	1,348,420,224	1,243,690,694
<b>b) Core capital of not less than 10% of total assets</b>		
As per statement of financial position	16%	17%
<b>c) Institutional capital of not less than 8% of total assets</b>		
As per statement of financial position	10%	11%
<b>d) Core capital of not less than 8% of total deposits</b>		
As per statement of financial position	22%	23%



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**27 TAX COMPUTATION**

**2022**  
**Ksh**

**OTHER INTEREST INCOME**

Interest from deposits - Money Market Funds

27,117,335.61

27,117,335.61

Taxable income @ 50%

13,558,667.81

**OTHER OPERATING INCOME**

Commission on Member Transactions

27,817,179

Dividend Income

6,025,207

Other Operating Income - FOSA

4,574,225

Sundry Income

496,661

Prior Year Income Adjustment

14,747,662

53,660,934

**Total Operating Taxable Income**

**53,660,934**

Apportioned Expenses

**Taxable income**

53,660,934

**Non-taxable income**

954,314,695

**Total**

1,007,975,629

Total Overheads

388,014,700

Less: Provision for Bad Debts

(39,112,472)

Depreciation & Amortization

(23,022,157)

Wear & Tear Allowance

4,112,542

329,992,612

Apportioned Expenses

53,660,934

x

329,992,612

17,567,599

1,007,975,629

Net Taxable Income

36,093,335

Tax @ 30% on operating income

**10,828,000**

Tax @30% on other interest income

**4,067,600**

Tax claimable brought forward

1,025,926

Prior year adjustment

-

Withholding tax

-

Tax paid during the year

-

Less: Installment tax paid

(10,306,861)

**Tax payable/claimable**

**5,614,666**