HARAMBEE SACCO
Empowerment. Development. Security

2021 CS/1916

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

HARAMBEE
SACCO

Empowerment
Development
Security

HARAMBEE DT SAVINGS AND CREDIT SOCIETY LIMITED

CS/NO:1916

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Mwangi & Kamwara Associates
Certified Public Accountants (Kenya)
Ramco Court C15
P.o Box 34458- 00100 Nairobi

CORPORATE PHILOSOPHY

OUR PURPOSE

To empower members to live with **dignity** and **accomplishment** throughout their lives.

Empowerment is about members experiencing more joy of saving, having peace of mind because they are confident to face financial uncertainties; and satisfaction and fulfilment because they are part of a SACCO that cares and provides them with opportunities for advancement and personal growth.

OUR VISION

To be the most trusted SACCO

OUR MOTTO

Your future Our Concern

OUR VALUES

Accountability and Empowerment

Service and Empathy

Harambee DT SACCO Picture of Future Success

Living the purpose while leveraging on enablers and mitigating challenges are what will make HSS successful. HSS's Picture of success is that of a SACCO with a regional presence, is a large one-stop financial solution provider to a membership that mirrors the country's demographics, and provides value-added services to growing sectors of the economy, eg., agriculture, energy etc.

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SOCIETY INFORMATION

BOARD OF DIRECTORS		
	Mr. Macloud Malonza, MBS, HSC	National Chairman
	Mr. Maurice Okoth	National Vice Chairman
	Mr. Charles Konzolo	National Treasurer
	Ms. Rollah Gatwiri	National Secretary
	Lt. Col. Stephen Nganga	Director
	Mr. Antony Akama	Director
	Ms. Mary Njuki	Director
	Mr. Luka Kiprono	Director
	Mr. Philip Mitei	Director
	Mr. Jacton Winda	Director-From Feb 2021
	Mrs. Millicent Simiyu	Director-From Feb 2021
SUPERVISORY COMMITTEE	Mr. Joseph Yamo	Chairman
	Mr. Charles Osore	Secretary
	Mr. Joseph Bwire	Member
CHIEF OFFICER	Dr. George Ochiri, MBS	Chief Excecutive Officer

REGISTERED OFFICE

LR No. 209/9966
Harambee Co-operative Plaza
P.O. Box 47815-00100
Nairobi, Kenya.

INDEPENDENT AUDITOR

Mwangi and Kamwara Associates
Certified Public Accountants (K)
P.O. Box 34458-00100
Nairobi

PRINCIPAL BANKERS

Co-operative Bank of Kenya Limited
Ukulima House Branch,
P.O. Box 74956-00200,
Nairobi

Kenya Commercial Bank Limited
KICC Branch
Nairobi

HARAMBEE SACCO
Empowerment. Development. Security

P.O. Box47815 - 00100 Nairobi
0709 – 943 000/100
Email: info@harambeesacco.com
Website: www.harambeesacco.co

Ref. No. HAR/ADM/2022

25th January 2022

TO ALL DELEGATES
HARAMBEE SACCO SOCIETY LTD

Dear Sir/Madam,

RE: NOTICE OF THE YEAR 2022 ANNUAL DELEGATES MEETING

Notice is hereby given that the Society's 51st **Annual Delegates Meeting** will be held on **Monday, 14th February, 2022** from **9.30 a.m.** at **Safari Park Hotel, Nairobi.** Registration of Delegates shall be done at the above said venue on the same day starting 6.30 am. Transport shall be available on the same day at Harambee Co-op Plaza from 6.00 a.m.

The Agenda shall be as follows:

1. To read the notice convening the meeting for the year 2022 Annual Delegates Meeting.
2. Address by the Board Chairman.
3. Address by the Guest of Honour.
4. To adopt and confirm Minutes of the 50th Annual Delegates Meeting held on 22nd February 2021 and discuss Matters Arising therefrom.
5. To receive and adopt the Audited Accounts for the year ended 31st December 2021 and Distribution of Surplus for the year 2021.
6. To receive the Treasurer's Report and to approve the year 2022 Revised and Proposed Budget for year 2023.
7. To receive the Supervisory Committee's Report.
8. To approve the proposed amendments on the Society By-Laws.
9. To pass Resolutions.
10. To appoint Society's Auditors for the year 2022.
11. Elections.
12. Any Other Business (for which 15 days' notice has been given).

Yours faithfully,

ROLLAH GATWIRI
HON. SECRETARY

Form ni...

*357#

to access funds **INSTANTLY** at your own **CONVENIENCE**

You can also:

- Withdraw funds
- Deposit funds
- Buy Airtime
- Pay for utilities

At the moment over 86% of our membership have subscribed to this platform and many are actively using this system.

“Despite the mutations of the Covid 19, and the new challenges that were presented by the new variants, the Society was at its best in terms of performance. It is in 2021 that Harambee SACCO shuttered its revenue generation history with an all-time high collection of Kes. 1billion growth from Kes. 3.2billion in 2020 as compared to 4.2b in 2021..

CHAIRMAN'S STATEMENT:

Dear Shareholders,

On behalf of the Board of Directors, I hereby present the annual report and financial statements for the year ending 31st December 2021.

As you are all aware, the second, third and fourth waves of the Covid – 19 pandemic and its associated variants had a devastating impact on both people and businesses around the globe. Yet despite all these emerging challenges, our co-operative society nurtured into an even stronger institution. Thanks to our robust strategy, resilience and strong work force.

Financial Performance:

According to the Kenya National Bureau of Statistics – 2021 Economic Survey report, the country's GDP decelerated by 0.3% in 2020 as compared to a revised growth of 5.0% in 2019. Despite most sectors recording negative growths due to the impact of the Covid-19 pandemic, the economy was supported by accelerated growth in agricultural production (4.8%), construction activities (11.8%), financial and insurance activities (5.6%) and health services activities (6.7%).

Outlook and Risks

The growth outlook is positive. The economy is projected to grow by 5.0% in 2021 and 5.9% in 2022. The rebound assumes that economic activity will normalize due to a full reopening of the economy, the Economic Recovery Strategy being successfully implemented, and Kenya capitalizing on an expected improvement in external liquidity and benefiting from initiatives to meet its external financing needs. Inflation is projected to remain within the Central Bank of Kenya's target range of 2.5% to 7.5%, and fiscal and current account deficits are forecast to narrow as a result of improved revenue collection and exports. Downside risks to the outlook could emanate from delays in the full reopening of the economy, failure to secure external financing to execute the budget, a slowdown in global growth, and disruptive social conditions during the run-up to the 2022 elections.

Harambee DT SACCO remains steadfast in its commitment to grow and maximise shareholders' wealth through a resilient business model.

Achievements:

Despite the mutations of the Covid 19, and the new challenges that were presented by the new variants, the Society was at its best in terms of performance. It is in 2021 that Harambee SACCO shuttered its revenue generation history with an all-time high collection of Kes. 1billion growth from Kes. 3.2billion in 2020 as compared to 4.2b in 2021. The Board is putting systems in place that will ensure this growth trajectory is not only sustained but improved through the deployment of a robust and resilient strategy.

Customer Satisfaction:

According to an in-house customer service survey that was carried out in November 2021 and which had a 93% response rate, the society had recorded massive improvements in several key areas. On products and services utilization, the Society scored a high of 54%, while on the area of customers recommending Harambee DT SACCO to non-members, the Society scored a high of 54%. The survey also established that 41% of members interviewed scored Harambee's products better than those of other SACCOs.

The issue of customer delight cupped the survey with 19% of the respondent observing that they had excellent experience while being served at Harambee DT SACCO, 60% noting that they had had good experience, while 21% noting that they had poor experience while being served in Harambee.

These are impressive indicators of how our Society is changing and the survey has also pointed out key areas of improvement which the Board is working closely with the Management to improve in the year 2022 and coming years.

Membership Recruitment:

Despite the harsh covid-19 conditions, the society was nonetheless able to recruit at least total 4,398 new members. It is interesting to note that we were able to go beyond our primary bond and in that membership segment, we netted 539 new members and 4 chama accounts. We believe the society can do better in this area and it therefore will be one of our key growth strategies going forward.

Delegates and Members Education:

As part of our strategic approach in empowering our delegates, the Society has designed an intensive and interactive educational package that will be actualized between the months of June and August 2022 and whose sole purpose is to bring on-board a more empowered and enlightened delegate.

On members education, the Society has put in place an elaborate education and awareness program focusing on key stakeholders that will be undertaken in the months of February and March 2022 before kicking off a country wide members education.

Branch Expansion:

While Digitalization of all our services and products has been one of our cornerstone strategic agendas, the Society has not in any way abandoned the old-school strategy of reaching and serving members through the brick-and-mortar model. In this regard, we shall focus on making the Marketing office in Nanyuki a fully-fledged branch this year and therefore make it the focal point for members from Nyeri, Meru, Isiolo and the greater upper easter region.

We shall also continue expanding our regional footprint through the opening of more Harambee Pesa Agencies. In 2021, the Society had successfully opened 14 agencies by close of year. We are projecting to add an additional 36 Harambee Pesa Agents across the 47 counties by close of 2022.

Eldoret

Nakuru

Challenges:

Due to several downtimes on the former mobile banking platform *346#, the Society was forced to register its own mobile banking platform and change to the current platform *357# thus abandoning the old system and its important to note that this bold move has seen improved service delivery to our membership across the country, at the moment over 86% of our membership have subscribed to this platform and many are actively using this system.

Cyber Security:

The threat of cyber theft in the modern financial world hangs on all financial institutions like the sword of Damocles. Cyber security therefore remains one of the biggest concerns in the financial sector and more specifically the Co-operative Sectors. We have invested heavily in both detective and preventive systems to secure our critical systems from cyber-attacks. These systems include Network Access Control (NAC), Privileged Access Management (PAM) and IDEA software for reconciliation of transactions. Similarly, the SACCO through its business continuity plan has ensured full time availability of services to its members.

The Way Forward:

The year 2022 presents us with a new challenge. A challenge that if we put our minds together and work very closely, we can very easily surmount. The Society has a two-fold hurdle i.e. ***Membership growth and Deposit Mobilization***

Membership growth: our Strategic plan projects a growth of 1,728 new members to stand at a membership of 76,002 from a low of 74,274. The Board is optimistic that given our strength, the society can mobilize up to 3,000 new members in 2022. I am therefore calling on all shareholders to up their game in this regard. Let's all each introduce one new member to the Society in 2022.

Those that have children, and those that are married, must feel encouraged to register their children and spouses to Harambee DT SACCO. This area alone will help record an exponential growth in the membership of the society.

Deposit Growth: all members currently have a share capital of about 22,000. We can all willingly and without coercion move our share capital to 40,000 shares per individual. Not forgetting venturing into such areas as opening fixed deposit accounts and fixing specific amount for about a year. All these are strategies that will go a long way in helping to build our institutional capital while reducing our reliance of the expensive external fundings.

We have challenges with financing our sink fund initiative given the many claims that we get in a year, we are therefore proposing that members increase their contribution to Kes. 400.

Conclusion:

In summary, on behalf of my Board, I most sincerely wish to take this opportunity to thank our Ministry, our regulator SASRA, the Apex bodies, our stakeholders, all the delegates, and staff of Harambee DT SACCO for their continued support. The future is bright and promising, only if we continue working closely together for the better good of our Society.

Thank you.

God bless you and long live Harambee Deposit Taking SACCO Society Limited.

MR. MACLOUD MALONZA, MBS, HSC
NATIONAL CHAIRMAN

BOARD OF DIRECTORS

Mr. Macloud Malonza
National Chairman

Mrs. Millicent Simiyu
Vice Chairperson

Ms.Rollah Gatwiri
National Treasurer

Lt Col Stephen Nganga
National Secretary

Mr. Antony Akama
Director

Mr. Luka Kiprono
Director

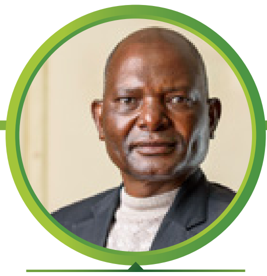
Jackton Winda
Director

Mr. Philip Mitei
Director

Dr. George Ochiri
C.E.O.

SUPERVISORY COMMITTEE

Mr. Joseph Yamo
Chairman



Mr. Charles Osore
Secretary

Mr. Joseph Bwire
Member


HARAMBEE SACCO
1234 4321 5000 7654
04/22
CHANNEL YOUR
SALARY
THROUGH HARAMBEE DT SACCO FOSA
BENEFITS OF CHANNELING YOUR SALARY THROUGH FOSA
Access to Loans such as:
Salary Advance
Salary in Advance
M-Boosta loans
Jisaidie 72 loan
Finje Chap chap
Jisort Advance
Longer Loan Repayment Period for Jisaidie loan
Easy & Fast access to your funds through M-Sacco & Saccolink ATM cards

“The customer being kings and queens – every effort shall be put in place to engage with the customer and in all possible fronts so as to build a formidable institution..

CEO'S STATEMENT:

Dear Shareholders,

Like the proverbial staircase, we began the journey in 2019 on the thematic pedestal ***'Reclaiming the Lost Glory',*** moved a rung higher in 2020 on the theme ***'The Harambee We Want'*** before climbing even higher in 2021 on the Theme – ***'Transformation for Better'***. I must confess that our journey of a thousand miles, has been one memorable tour.

Our aspiration has been to build on the lessons learnt in last in the past three years while paying attention to four key pillars namely, the ***member focus, financial stewardship,*** polishing our ***processes*** and entrenching **learning and growth** in the society, this has borne great fruits.

Member Focus:

On this thematic area of putting the membership first and specifically focusing on the customer delight program, the Society has invested heavily in the digitalization program. Members can now access all loans on-line and can even apply up to Kes. 1Million on their mobile phones.

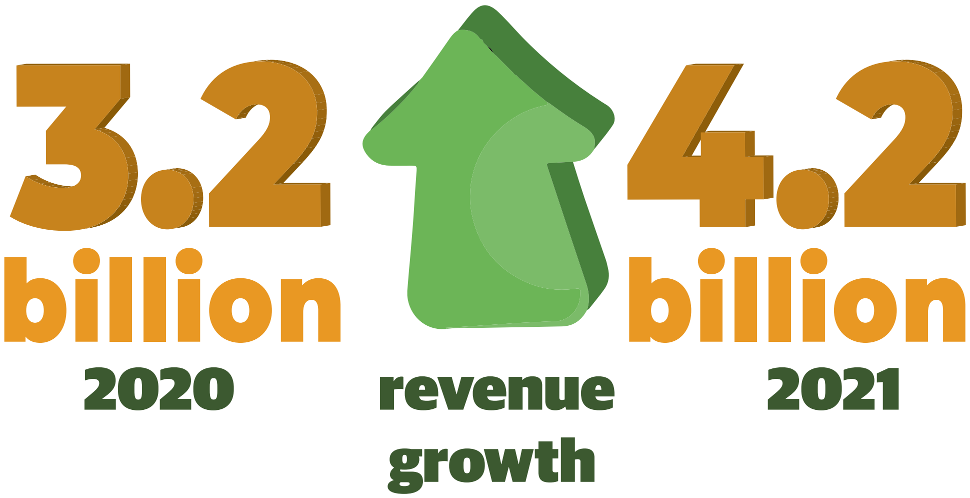
A highly interactive member's portal has also been deployed that allows access to the back-office activities such as checking loan balances, guarantors, loan and BOSA statements among other key services all at the comfort of one's home or office without visiting the SACCO unlike in the past.

Part of the digitalization strategy has been to establish SACCO Agencies dubbed ***"Harambee Pesa"*** that offers our banking services out in the estates and near our members. In 2021 we opened 14 agencies across the country and we are projecting to open over 50 before the close of 2022 so as to have a footprint in all the 47 counties across the country.

But even as we went on a digitalization spree, the Society did not neglect the time tested brick and mortar strategy. We began by modernizing our physical branches. The journey began in Kisumu, moved to Mombasa, Eldoret and finally Nakuru. 2022 will see the modernization of our Nairobi FOSA, and the upgrading of our Nanyuki Marketing office to a fully-fledged FOSA.

Financial Stewardship:

Never before had the Society crossed the Kes. 1 Billion mark in revenue growth in a single year. This we surpassed with ease. From a low of Kes. 3.2billion in 2020, we were able to hit a high of Kes. 4.2billion in total revenue earnings by December 31st 2021.



Polishing Policies and Procedures and Enhancing Learning and growth:

In the wake of the whirlwind speed with which digitalization has been evolving, the Society will endeavor to model strategies that embrace digitalization while putting in place high-end cybercrime security systems and policies that are adoptive to the market trends and those that will ensure a round-the-clock for the safety of the members funds.

To mitigate against any mounting risks, the society is looking at deploying a robust Risk and Compliance team dully equipped and trained to meet the advice on any emerging challenges. The risk and compliance team, working closely with the Audit department will be empowered to ensure that at any given time, Harambee DT SACCO works like clockworks, guarded by policies and procedures that motivate best practice in all areas of our operations from Finance, Operations, to Marketing and ultimately the Human Resources Departments.

Expectations for 2022 and beyond:

Being the second year of our 2021 – 2025 Strategic Plan, the Society is very keen to build on the existing lessons and laurels moving forward. A key thematic pillar in 2022 is **Institutional Strengthening** and specifically on the area of Balance Sheet Restructuring with a focus on ensuring that our Non-Earning Assets Ration stands at 18.3. A lot of effort will be put in this area to ensure that we draw maximum benefit from the exercise.

We shall also focus on the area of deepening digitalization - moving more services on-line thus ensuring that while we will not ignore the brick-and-mortar business model, we shall enhance services on the mobile and e-platforms to ensure 90% and above up-take on services online.

Learning and growth:

This thematic area holds the key to the future. Learning and adopting to the needs, desires and wants of our new customer base, while not neglecting the demands of our aging customers. We shall endeavor to review our procedures and policies in line with the latest developments in the market, while training our staff in new technologies, in the latest state of the art skills in handling the diverse membership needs while at the same time meeting their own dreams and aspirations. The customer being kings and queens – every effort shall be put in place to engage with the customer and in all possible fronts so as to build a formidable institution. Trainings and exposure trips for both customers and staff will be organized at all levels to ensure compliance and growth of the Society.

Conclusion:

Martin Luther King Jr. once opined that "We must build the dikes of courage to hold back the flood of fear". The same is true of Harambee DT SACCO Society Ltd. We have consistently built the dikes of courage in the last three years and now we are ready "to swim for new horizons", nothing will stop us from regaining our number one position in Kenya and Africa – the train has left the station, watch and wait!

For and on Behalf of Harambee DT SACCO Society Ltd

Dr. George Ochiri, MBS.
Chief Executive Officer

Senior Management Team

Dr. George Ochiri
Chief Executive Officer

Mr. John R. Munene
Finance Strategy & Investments

Elizabeth Obel
Human Resources & Administration

Renson Mwandoe
FOSA

Fridah Njeru
Business Development & Marketing

Daniel Tabut
Information Communication Technology (ICT)

John Odima
Loans Manager

Gladys Gichohi
Legal Services

Francis Kitonyi
Audit & Risk

David Awuor
Procurement

Kabukuru Gichuki
PR. & Comms. Manager
& Ag. CEO HICs

TREASURER'S STATEMENT

Kshs. 34.62 billion | **Our asset base**

> **"The board is confident that in year 2022 going forward the situation will be impressive and the core ratio of Institutional Capital to Total Asset will be achieved.**

Distinguished Guests, Chairman and Board of Directors of Harambee DT SACCO Society Ltd, 2021 recorded unmatched growth in Harambee's history. The total revenue grew by a whooping Kshs. 1.014 billion a growth of 32% compared to the previous financial year. These results are attributed to product differentiation, innovation and aggressive marketing drives that catalyzed an increase in the patronage of the Society's products by our members, improved operational efficiencies and cost control. Majority of key financial indicators recorded growth as highlighted below:-

Key Financial Performance Highlights

(a) Total Assets

The Society's total assets increased by Kshs.2.06 billion from Kshs.32.56 billion recorded in year 2020 to Kshs.34.62 billion in year 2021 representing a growth rate of 6%. The increase is attributed to growth of the loan book by Kshs. 2.508 billion from Kshs. 21.87 in year 2020 to Kshs. 24.38 in 2021.

In line with our Financial Stewardship strategic objective in the 2021-2025 Strategic plan, various initiatives and activities are on schedule for growth of total assets. These include but not limited to reducing the non-earning assets, growing loans and advances, aggressive marketing of Fedha Fixed Deposits and growing of salary accounts. These initiatives will improve liquidity, hence bolstering growth.

(b) Loans and advances to Members

The Society's loan book is integral in revenue generation contributing 81% of the income. In year under review, members' loans and advances went up by 11% equivalent to Kshs. 2.508 billion from KShs. 21.87 in year 2020 to Shs 24.38 in 2021. Although the Society recorded significant growth in loan book, members appetite for loans is still quite high and the management is working round the clock to ensure loans are disbursed as the applications are made. The board has formulated strategies that will spur internally generated funds and solve the Society's liquidity challenges both in the short and long term. I call upon members to patronize these initiatives once the management rolls out.

GROWTH HIGHLIGHTS 2020-2021

Total Assets

Kshs.34.62 billion	2021
Kshs.32.56 billion	2020

Loans and advances to Members

Kshs.24.38 billion	2021
Kshs.21.87 billion	2020

Members Deposits and Savings

Kshs.22.54 billion	2021
Kshs.21.52 billion	2020

Total Income

Kshs.4.229 billion	2021
Kshs.3.215 billion	2020

Operating Expenses

Kshs.3.615 billion	2021
Kshs.3.058 billion	2020

Surplus

Kshs.350.2 million	2021
Kshs.126.51 million	2020

(c) Members Deposits and Savings.

Members deposits and savings grew by 5% from Kshs. 21.52 billion reported in year 2020 to Kshs. 22.54 billion in 2021. The growth of members deposits and savings was impeded by almost equivalent withdrawals where the Society paid out a total Kshs.1.42 billion to 4,129 members who withdrew in 2021 compared Kshs1.32 Billion paid to 4,187 members who left the Society in 2020, 58 members less implying that the high savers in 2021 increased. In the last three years the Society has lost 17,730 members with total payout of Kshs 4.82 billion. A majority of these exits are attributed to retirement within the civil service cadres. Most of these are our founder members who make up the most loyal segment of our membership.

(d) Total Income

2021 marks the Society's best performance in its's history. The total revenue grew from Kshs. 3.215 billion in 2020 to Kshs.4.229 billion in year 2021. The budgeted income in 2021 Financial Year was Kshs 4.184 billion. This is an historic performance where we exceeded the budget by Kshs. 45 million. I therefore wish to thank the Board and Management for this success - we keep the momentum going forward.

(e) Operating Expenses

The Society's operating expenses for the year under review amounted to Kshs. 3.615 billion as compared to KShs. 3.058 billion reported in year 2020. The operating expenses increased by 18%. This is majorly attributable to finance costs due to term facilities and occasional use of Overdraft Facility from our bankers. The management will in due course bring forth robust measures to encourage cash retention and marketing our Fedha Fixed Deposit Product. I call upon you leaders to support and patronize these proposals.

(f) Surplus

The Society performance improved to book a surplus after tax of KShs.350.2 million in year 2021 as compared to KShs.126.51 reported in year 2020. These results were arrived at after netting off interest on members' deposits of Kshs1.44 billion in 2021 compared to KShs.1.166 billion in 2020. There is a Kshs. 282.36 million increment in interest payout for the year under review. The improvement was a result of growth of incomes and control on operating expenses.

(g) Compliance with Prudential Standards

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

RATIOS	STDs	2021	2020
Capital Adequacy Ratios			
Core Capital / Total Assets	≥10%	11%	11%
Core Capital / Total Deposits	≥8%	17%	16%
Institutional Capital / Total Assets	≥8%	5.1%	4.7%
Equities & Investments / Deposits	≤ 5%	8%	9%
Net Loans / Total Assets	70-80%	70%	67%
Deposits & Savings / Total Assets	70-80%	65%	66%
Liquidity Ratios			
Liquid Assets/Savings Deposits & Short Term Liabilities	≥15%	12%	17%
Liquid Assets/Savings Deposits & Long Term Liabilities		3%	5%
External Borrowing/ Total Assets	<25%	10%	9%
Current Assets / Current Liabilities		525%	582%
Loans & Advances / Deposits & Savings		108%	102%
Operating Efficiency Ratios			
Total Expenses / Average Assets		11%	10%
Interest on Members' Deposits / Total Revenue		34%	44%
Rate on Interest on Members' Deposits		7%	6%
Dividends Rates on Members' Share Capital		8%	6%
Total Delinquency Loans / Gross Loan Portfolio	≤ 5%	1.4%	2.0%

The critical ratio worth noting is the institutional adequacy as measured by institutional capital to total assets. Our asset base is at Kshs. 34.62 billion. The Society should be owning excess of Kshs. 3 billion to meet this ratio. I implore members to buy more shares as we plan to retain surplus in this financial year. The board is confident that in year 2022 going forward the situation will be impressive and the core ratio of Institutional Capital to Total Asset will be achieved.

MR. CHARLES KONZOLO
NATIONAL TREASURER


HARAMBEE
INSURANCE
AGENCY
insure what you love
Life is loving
WHAT YOU LOVE
INSURANCE IS PROTECTING THEM
We now have a fully-fledged Harambee Insurance Agency that can cater for all your insurance needs such as:
• Motor vehicle Insurance
• Education Policies for Children
• Medical Cover
• Travel Insurance
• Domestic Packages
• Personal Accident Cover
• Savings plans etc


GREAT
POSSIBILITIES
WITH
HARAMBEE
Pesa
Visit any of our Harambee pesa agents and enjoy the following services:
• Member Registration
• Cash Deposits
• Cash withdrawal
• Loan Repayment
• Balance Enquiry
• Mini Statements
HARAMBEE
Pesa
AGENT

SUPERVISORY COMMITTEE REPORT

SUPERVISORY REPORT SUMMARY

Mobilization of Funds	For a very long time the deposits have been in excess of loans but now the trend is changing.
Credit Management	The Society needs to generate more funds internally before turning to external sources of funds.
FOSAs	SACCO to adopt the module of transferring funds as instituted by the Co-operative Bank instead of issuing cheque to the branches.
Technology	Use of technology through; Seamless Hyper Convergence, IT Security, leverage on Analytics and Artificial Intelligence
Corporate Governance	We recommend corporate governance audit to give together assurance on the management of the SACCO
Performance of The Board	Increase of membership by 0.4% noted. There is need for aggressive campaigns to enhance performance.
Finance Department	Significant increase of assets by 6%. Capital Adequacy Ratio is at 65%, below the standard prescribed of 70% - 80%.
Human Resources/Staffing	Staffing level of 121 by end of 2021. Society to continuously endeavor to recruit only on critical need basis.
Records Management	Adequate staffing required and ensure all records are properly maintained before digitization is rolled out.
Disposal of Idle Assets	To-date idle assets continue to drain resources through rates, security and maintenance.

MANDATE

In pursuant to provision of Co-operative Act on mandate of the Supervisory Committee, the Committee conducted audit and inspection and summarized our findings as follows: -

Mobilization of funds (savings), Credit Management (loans), FOSA Operations, Technology, Corporate Governance, Finance and Human Resources, Records, Performance of the Board and Land project and property.

Mobilization of Funds

The SACCO to be preferred destination for cooperative issues.

The SACCO must embrace: -

Share drive – It is time the SACCO engaged in share drive to improve a critical ratio which is institutional capital.

Fixed Accounts – To augment the share drive the SACCO should introduce attractive interest rates on Fixed accounts.

However, the most important ratio, institutional capital did not improve in terms of statistics even though in value it improved. Therefore, it is our sincere prayer that the Board, Management and members will give this ratio the necessary attention since there is deadline for compliance.

Furthermore, remittance does not compare well with the increase in loan book value and the level of performance in the year just ended.

We appreciate the comparison between deposits and loan book. For a very long time the deposits have been in excess of loans but now the trend is changing.

Credit Management

In the period just ended, the Society's loan book was Kshs. 24.3B compared to the previous year Kshs. 21.8B an increase of 11.47%. We are happy to report that the SACCO has improved in its overall performance except for certain prudential ratios which must be improved for the SACCO to be seen to be in sound footing and this specifically addresses institutional capital.

From the financial statement for the last Annual Delegates meeting in the previous year provision for loans delinquency was Kshs.363,862,010.31 compared to the current provision of Kshs.416,979,131. This compares very well to the industry average which stands at 5% whereas the SACCO is at 1.4%. This is commendable and the management is encouraged to maintain and improve the tempo.

In the previous year we pointed out that the Society's outstanding external loan Kshs.3,023,056,488 that attracted an interest expense of Kshs.267,071,827.

During the period under review, the amount increased to Kshs.3,466,944,444 which has attracted interest expense of Kshs.401,036,790. This is an area of concern and the Board, Management and members must address this issue urgently.

The Committee recommends that before gearing, the Society needs to generate more funds internally before turning to external sources of funds. It is imperative that we use more of equity than debt to finance our operations.

FOSAs

In the year just concluded, the Committee conducted audit and inspection in the various FOSAs which indicated that the internal controls were effective. However, the following areas were not satisfactory:-

1. Petty cash – The expenditure in most of the FOSAs are on the increase.
2. Reconciliation statement have outstanding issues.
3. Staffing level – Some of the FOSAs were understaffed,

In the previous report we indicated that the following key areas required reconciliation: -

- Main account, M-SACCO, ATM, Mpesa, Banker Cheque and Point of sale of transaction

In our considered opinion these areas must be dealt with decisively.

Finally, the Committee recommends that the SACCO adopts the module of transferring funds as instituted by the Co-operative Bank instead of issuing cheque to the branches.

Technology

We recommend that SACCO adopts appropriate step to achieve the following:-

In alignment with the 2021 -2025 organizational strategy, ICT was the innovation and driving force providing digital quantum leap unrivaled by its peers. Not only did ICT churn out more digital products, but it accelerated the speed of service delivery to its members, provided Account status check via SMS ensuring accountability, provided alternate deliverable channels like Agency Banking amid others.

In the year 2022, Harambee DT SACCO will endeavor to augment the use of technology through the following avenues:-

1. **Provide Seamless Hyper Convergence**

   Members will be provided with seamless and integrated SACCO services across several frontiers. You will be able to transact through Web Portal, Mobile Channel, SACCO Agency Services and ATM providing unlimited options all integrated and transparent to the member.

2. **Security First**

   Realizing the risk on the cyber space and the sad stories occasioned by cyber breaches, Harambee DT SACCO is providing cyber security the weight it deserves starting with the Governances, investing in the right technology and people to ensure a robust security ecosystem moving forward.

3. **Leverage on Analytics**

   Our Members will now be provided with customized products based on their transactional habits. Using big data and predictive analytics, we will be able to envisage and offer tailored products to our members meeting the specifics needs ensuring financial growth and alleviating their financial pain points.

4. **Artificial Intelligence**

   With the use of Artificial Intelligence, the society we will double if not triple its operational efficiency by cutting down redundancies, adjust and predict credit scores, prevent and detect fraud, offer smart underwriting decision for insurance among other inherent capabilities.

Corporate Governance

Corporate governance is at the epicenter of decision-making in any organization. In this regard, all decisions that can either be profitable to an organization or occasion losses are at heart of corporate governance and therefore to serve various interest that exist. In the SACCO we recommend corporate governance audit to be carried out to give together assurance on the management of the SACCO.

Performance of The Board

On average the committees of the Board performed well based on the current performance. Moving forward, the SACCO should introduce a performance evaluation matrix to enhance improvement and enhance the current skills in the SACCO and reduce gaps in skills, knowledge and attitude to ensure continuity. We recognize slight increase of membership by 0.4% and wish to state that this is an area for aggressive campaign to enhance performance.

Finance Department

On positive note, it is worth noting that there was a significant increase of assets from the previous balance of Kshs.32.5 Billion to the current balance of Kshs.34.6 Billion. This is a commendable improvement of 6%.

Another Capital Adequacy Ratio that needs attention is deposits and Savings/Total Assets whereas the Society is oscillating between 66% in the previous year and 65% in the current year. The SACCO is yet to achieve the standard prescribed of between 70% and 80%. We therefore recommend to the management to use all strategies available to meet this prudential ratio.

Human Resources/Staffing

From financial statement notes to the accounts number 8, the number of full time staff as at 31st December 2020 was 125 an increase of 2 from 123 in the previous year. By the end of year 2021, the Society's total staffing level was 123. The committee encourages the Society to continuously endeavor to recruit only on critical need basis.

Records Management

There is urgent need to carry out stock of all our records. We noted that some files cannot be traced as from 2018. This is as a result of misfiling. This may cause delay in sink-fund claims.

We recommend that the section be beefed with adequate staff and ensure all records are properly maintained before digitization is rolled out. Loan forms disbursed are not yet filed. We recommend that the Section be renovated so as to portray the good image of the Society.

Disposal of Idle Assets

It is regrettable that disposal of Nyali Assets has dragged on for a considerable long period. In this regard the Board and Management have made feeble attempt to dispose off the matter. However, it is apparent that they have not been successful. In the year 2016 we recommended that these assets be sold at the current valuation. To-date they continue to drain resources through rates, security and maintenance. Please delegates make a decisive resolution to dispose.

MR. JOSEPH YAMO
CHAIRMAN, SUPERVISORY COMMITTEE


Harambee Tume Open
BOND
Tuna Believe YOU'RE IN THE NEED OF
INVESTING YOUR HARD EARNED CASH.
Member Categories
1. Members under check-off arrangement
2. Individuals (Employed, SMEs, Diaspora members, Spouses and children of existing members)
3. Groups (Chamas), Registered Community Based Organisations (CBOs) and Non-Governmental Organisations (NGOs)
4. Corporates

FINANCE, STAFF AND ADMINISTRATION COMMITTEE

"The mobile banking platform has been made user friendly and seamless and during year 2021, the SACCO issued 164,946 online loans worth Kshs. 3,920,202,393.00 representing 18% of the total loans issued in 2021.

The Human Capital

The key function of the Human Capital is to ensure that Harambee DT SACCO is aligned towards the achievement of her Strategic intent in the most effective and efficient manner through; Recruitment & Selections, Training & Development Safe & Healthy Working environment, Performance Management, Talent & Retention Management, Staff Welfare, Salaries and Benefit Administration.

The Society's total staffing level of 123 staff are distributed in the following categories:

S/No	Category	No. of Staff	
		2020	2021
1	Permanent & Pensionable	112	113
2	3-5 Years Contract (in Grades 9 – 6)	7	7
3	1year Contracts	6	3
	TOTAL	**125**	**123**

Workplace Covid Management Year 2021

The year 2020/2021 posed a new era of lockdowns and social distancing practices with the covid-19 outbreak. This impacted on our business operations and also accelerated the use of digital platforms in service delivery. The digital evolution has also heightened the importance of operational efficiency to ensure business viability across the globe.

To mitigate the risk of spreading COVID-19 while ensuring un-interrupted financial services to members, the SACCO undertook various timely measures including adequately providing employees with Personal Protective Equipment (PPE), strictly observing the Government protocols, Staff rotation, telecommuting, enhancing our digital touchpoints and encouraging members to patronize online-based products,

Staff achievement

The timely measures amidst the anticipated downside risks posed by COVID-19 pandemic, saw the SACCO register excellent growth in the year 2021. Key among the areas being: growth of the Loan Book Portfolio by over **Kshs.2.5 Billion** and deposit growth by over **Kshs.1 Billion.**

This indeed was an extra ordinary achievement that confirms that staff worked tirelessly with dedication and commitment and recorded tremendous results despite the challenging work environment of 2021. Turnover closed at **Kshs.4.229B** against a target **Kshs.4.184B**

Recruitment & Selections

The SACCO is an equal opportunity employer and has over the years maintained a regional balance with near equal representation on gender balance. The major milestone to transformation for 2021/2022 is institutional strengthening. To drive this strategic agenda, during the year 2020/2021 the society recruited and on boarded a total of eleven **(11)** new staff in various cadres. The recruitment process is ongoing in line with the Organization's establishment to ensure optimum staffing levels and enhanced organizational performance.

Salaries & Wages Administration

Due to unprecedented business environment posted by Covid -19, the Society only managed to pay 5% annual increase for the unionized staff and suspended the implementation of annual salary increment for management staff and other parts of the Collective Bargaining Agreement (2021 - 2022)

Training and Development

The Covid 19 impacted directly on the function of training & development due to the social distancing protocols. This notwithstanding our key focus remains, continuously empowering the staff and holistically building capacity of the human capital by ensuring that employees acquire the right skill sets to deliver on the strategic mandate of the SACCO and their individual career growth.

Work Place Health & Safety

The department has been more meticulous about the health and safety of its staff by emphasizing to all employees to follow Covid-19 prevention protocols. Further, to safeguard the health of the employees we have broadened the Staff medical cover to include Covid-19 testing and resultant treatment. We undertake fumigation of the Plaza and all our branches on a monthly basis. We continue to closely monitor the health and safety of our employees.

Disciplinary Matters

Of utmost importance to the Society is to have a disciplined workforce to drive its vision and corporate intent The society therefore does not condone any form of indiscipline from staff members and any breach of the set out Policies, Procedures and Regulations are dealt with decisively but in a fair, transparent manner and in consistent with the provisions of the HR disciplinary procedures, the employment act and other relevant employment regulations.

Staff Separations / Exits

In the year 2021, we had a number of exits from the Society as shown below;

	PARTICULARS	YEAR
No.	**Reasons for Exits**	**2021**
1.	Death	1
2.	Resignation	1
3.	Dismissals	3
4.	Mandatory Age Retirement	3

The Society remains the employer of choice in 2021 as the labour turnover was low as stipulated above. The Staff work/life balance and general welfare remains a top priority of the SACCO.

Information Communication and Technology (ICT)

Information Technology remains a key driver of our business. The SACCO has achieved greater milestones by harnessing technology. In the year 2021, the SACCO changed it's mobile banking platform from *346# to *357#; a code that is fully owned by Harambee DT SACCO dubbed Harambee M-Cash. This has enabled the SACCO to offer better services to members with reduced interruptions. As at December 2021, 86% of our members had subscribed to use the platform. All members are encouraged to take up this service.

The portfolio of our online products and services continues to grow. During the year under review, the SACCO introduced two [2] more loan products namely Inuka 84 and Inuka 72 loans with a maximum online limit of up to Kshs. 1 Million. The mobile banking platform has been made user friendly and seamless and during year 2021, the SACCO issued 164,946 online loans worth Kshs. 3,920,202,393.00 representing 18% of the total loans issued in 2021. Members are encouraged to utilize this platform to get SACCO services conveniently.

SACCO has invested heavily in detective and preventive systems to secure its critical systems from cyber-attacks. These systems include Network Access Control (NAC), Privileged Access Management (PAM) and IDEA software for reconciliation of transactions. Similarly the SACCO through its business continuity plan has ensured full time availability of services to its members.

Harambee Pesa Agency services during the financial year grew from 2 agents to 14 agents spread across 12 Counties **(Nairobi, Nakuru, Kericho, Kisii, Embu, Meru, Kakamega, Homabay, Migori, Taita Taveta, Kitui and Makueni).** The SACCO will roll out this service to all the Counties in 2022.

To this end, the SACCO through Technology is committed to ensuring that members are empowered to achieve most of the services they need by way of self-service thus reducing turnaround time.

Conclusion

The SACCO is focused on discharging its mandate of improved performance management and achievement of Society's transformational agenda of being the most trusted SACCO. We call upon Stakeholders to support the SACCO's initiatives and programs that will motivate employees, enhance service delivery and financial performance.

MR. CHARLES KONZOLO
CHAIRMAN – FS&A COMMITTEE

CREDIT COMMITTEE REPORT

Year 2021 was another difficult year for our members and for the Society due to the adverse effects of COVID 19 pandemic. Despite these challenges, the growth of the society's loan book continued on an upward trajectory, members continued to get their loans on time and the quality of the loan book also continued to improve.

The society's loan book grew from Kshs 21.8 billion in 2020 to Kshs 24.3 billion in 2021, representing a growth of 11.47%. For these achievements, the credit committee once again sincerely appreciates all the members for their support and continued patronization of the Society's credit products and services during the year 2021, and the staff for contributing towards this commendable growth.

FOSA products contributed kshs.539.6 million, made possible due to a growth in salary accounts of 4,781 over the last two years. The increase in accounts bolstered the FOSA income to hit the Kshs. 2 billion mark. It is imperative therefore, that in the year 2022, a special emphasis will be on growing the number of salary accounts as this translates to instant transactional income that boosts the Society's return on investment, otherwise known as dividends.

This report of the Credit committee covers the loan disbursements comparisons for the years 2019 to 2021, the loan book balances from 2017 to 2021, the uptake of the new online credit products, FOSA credit performance and the loan default management, as detailed below;

1. Loan Disbursements

Table 1. Loan disbursements in 2021 increased by 7.96% from Kshs 20.3 billion to 21.9 billion as shown below;

	2019 Kshs	2020 Kshs	2021 Kshs
JAN	1,574,679,626	1,693,649,243	1,910,822,662
FEB	1,095,608,400	1,377,252,382	1,788,357,557
MAR	1,136,733,179	1,552,734,551	1,808,776,968
APR	955,763,600	1,205,284,359	1,849,591,658
MAY	1,225,994,972	1,223,968,079	2,061,757,230
JUN	1,065,632,734	1,474,076,974	1,635,607,290
JUL	1,276,681,609	1,613,493,680	1,951,650,984
AUG	1,440,307,403	1,940,478,018	1,652,457,147
SEPT	1,370,890,961	1,942,185,584	2,205,828,777
OCT	1,475,037,254	2,075,165,972	1,803,750,389
NOV	1,585,134,954	1,696,358,393	1,732,796,108
DEC	1,542,160,823	2,523,643,165	1,534,195,099
Total	**15,744,625,515**	**20,318,290,400**	**21,935,591,869**
Growth (Kshs)	**-**	**4,573,664,885**	**1,617,301,469**
Percentage (%)		**29.05**	**7.96**

Loan Book

Table 2. Loan book balances from 2017 to 2021 : The Loan book has grown by Kshs 2.508 billion or 11.47% in 2021 as compared to 2020. An increase from Kshs 21.8 billion to 24.3 billion as shown below;

Year	Loan Book (Kshs)
2017	14,638,498,453
2018	15,959,454,753
2019	18,311,648,649
2020	21,872,223,127
2021	24,380,868,205

Table 3. Loan book growth from 2017 to 2021 : Illustrated graphically.

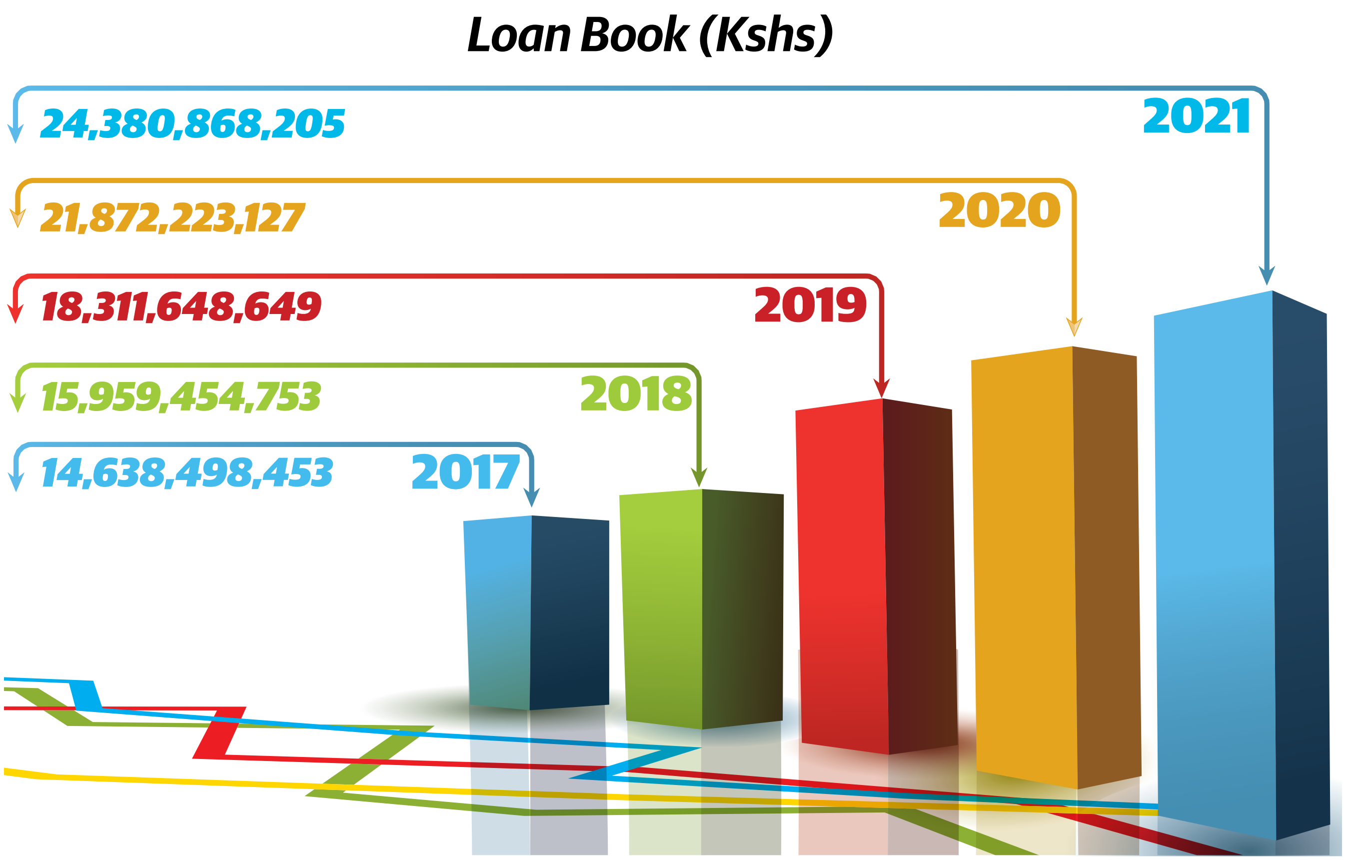


Table 4. Loans disbursed in year 2020 and 2021 : Illustrated as per SACCO credit products.

The SACCO has continued to offer a diversified range of credit products to the members as shown in the table below ;

	2020			2021		
TOTAL	**No.**	**Amount (Kshs)**	**%**	**No.**	**Amount (Kshs)**	**%**
Jisaidie 60	10,885	6,979,288,000.00	**34.35**	10,114	6,582,270,000.00	**30.01**
Jisaidie 72	3,744	4,096,906,000.00	**20.16**	3,206	3,149,321,000.00	**14.36**
Development	8,572	3,676,124,000.00	**18.09**	9,683	3,505,006,000.00	**15.98**
Salary Advance	10,198	2,022,836,912.00	**9.96**	11,652	1,898,425,192.00	**8.65**
Emergency	27,339	1,753,376,197.00	**8.63**	20,569	1,320,732,912.00	**6.02**
Inuka	-	-	**-**	3,043	2,895,665,000.00	**13.20**
M-Boosta	54,461	613,734,187.00	**3.02**	65,695	889,795,493.00	**4.06**
School Fees	6,471	649,524,010.00	**3.20**	5,751	508,340,786.00	**2.32**
Salary In Advance	9,753	129,741,251.00	**0.64**	8,988	116,736,883.00	**0.53**
Dividend Advance	33,838	396,559,843.00	**1.95**	67,175	935,817,180.00	**4.27**
Jisort Advance	-	-	**-**	1,519	44,778,945.00	**0.20**
Finje Chap chap	-	-	**-**	2,321	49,029,478.00	**0.22**
Harambee Home Loan	-	-	**-**	1	3,150,000.00	**0.01**
Karibu Loan	1	200,000.00	**0.00**	105	25,275,000.00	**0.12**
Harambee Jenga Loan	-	-	**-**	2	11,248,000.00	**0.05**
TOTAL	**165,262**	**20,318,290,400.00**	**100.00**	**209,824**	**21,935,591,869.00**	**100.00**

2. Online Loans Issued In Year 2021

Table 5. Online Loans disbursed : The SACCO disbursed a total of Kshs 3.920 billion though the online platform in the year 2021 , representing about 18 % of the total loans disbursed, as shown in the table below ;

	Online Loans		Manual Loans		Total Loans		Percentage of online loans	
Loan Type	**Number**	**Approved Amount (Kshs)**	**Number**	**Approved Amount (Kshs)**	**Number**	**Approved Amount (Kshs)**	**Number (%)**	**Approved Amount (%)**
Development Loan	1,765	385,359,000.00	7,925	3,122,888,000.00	**9,683**	**3,505,006,000.00**	**18**	**11**
Emergency Loan	11,658	688,671,929.00	8,918	632,445,683.00	**20,569**	**1,320,732,912.00**	**57**	**52**
School Fee Loan	2,456	148,828,808.00	3,296	359,561,978.00	**5,751**	**508,340,786.00**	**43**	**29**
Jisaidie Top-up Loan	989	384,506,000.00	9,135	6,204,906,000.00	**10,114**	**6,582,270,000.00**	**10**	**6**
Salary Advance Loan	2,894	360,395,195.00	8,767	1,539,174,997.00	**11,652**	**1,898,425,192.00**	**25**	**19**
Finje Chap Chap Loan	2,321	49,029,478.00	-	-	**2,321**	**49,029,478.00**	**100**	**100**
Jisort Advance Loan	1,519	44,778,945.00	-	-	**1,519**	**44,778,945.00**	**100**	**100**
Salary in Advance Loan	7,961	101,087,914.00	1,027	15,662,969.00	**8,988**	**116,736,883.00**	**89**	**87**
Jisaidie 72 Loan	205	82,777,000.00	3,003	3,069,244,000.00	**3,206**	**3,149,321,000.00**	**6**	**3**
M-Boosta Loan	65,695	889,795,493.00	-	-	**65,695**	**889,795,493.00**	**100**	**100**

	Online Loans		Manual Loans		Total Loans		Percentage of online loans	
Loan Type	Number	Approved Amount (Kshs)	Number	Approved Amount (Kshs)	Number	Approved Amount (Kshs)	Number (%)	Approved Amount (%)
Dividend Advance	67,173	540,392,530.00	-	-	67,175	935,817,180.00	100	58
INUKA Loan	221	82,307,000.00	2,824	2,815,462,000.00	1,828	2,142,581,000.00	12	4
INUKA 72 Loan	444	166,183,000.00	771	586,901,000.00	1,215	753,084,000.00	37	22
Karibu Loan	-	-	105	25,275,000.00	105	25,275,000.00	-	-
Harambee Home Loan	-	-	1	3,150,000.00	1	3,150,000.00	-	-
Harambee Jenga Loan	-	-	2	11,248,000.00	2	11,248,000.00	-	-
TOTALS	164,946	3,920,202,393.00	49,979	18,851,904,138.59	209,824	21,935,591,869.00	79	18

3. FOSA Salary Advances Disbursement Report

The FOSA salary advance has continued to grow over the years as the number of salary accounts grew:

Year	Value of salary advances
2018	0.88b
2019	1.65b
2020	2.02b
2021	1.86b

FOSA also handles about 50% of the BOSA credit applications thereby enhancing member contact, and consequently impacting positively on the transactional income.

4. Loan Default Management

The Society continued cleaning the loan book from the historical issues arising from the past years. The number of members affected by these historical issues have significantly dropped. As at the end of year 2021 the SACCO reported an improvement in the portfolio at risk (PAR) of 1.43% from 1.56% as at 31st December 2020, which is well below the industry standard of 5%. This PAR is expected to continue improving in 2022 and beyond.

Finally, we once again commend the entire membership and staff for the immense contributions in 2021 that saw the SACCO maintain the growth in the loan book and the significant improvement in the quality of the loan book.

MR. MAURICE OKOTH
CHAIRMAN, CREDIT COMMITTEE

EDUCATION AND GOVERNANCE COMMITTEE REPORT.

The role of the Education and Governance Committee is to provide education to members, staff and the board; ensuring SACCO membership and excellent customer service is observed; as well as ensuring the SACCO is governed in accordance with its code of corporate governance and all other relevant guidelines. The Committee is supported by the Business Development & Marketing Department and the Company Secretary Department.

The Society registered better growth in 2021 as compared to 2020 which was largely slowed down by the Covid-19 Pandemic. This growth was supported by the development and implementation of an effective Business Development & Marketing strategy. In the reporting period, we achieved the following:-

Sales & Marketing

The Society onboarded **4,398 new members** through various strategic initiatives including but not limited to; member education, member recruitment drives (which included out of common bond membership that netted 539 new members and 4 chamas). Further to the Society engaged Business Development Executives (BDEs) and Telemarketing officers to increase the membership numbers as well as increase the share of the wallet of the existing members.

Other high-level activities that supported business growth included; **Product development & enhancement** where the Society introduced new products such as Inuka loan, Shamba loan, Bima Advance, collateral lending and loan refinancing facility. **Product Campaigns** were instrumental in enhancing the uptake of Society products and services. Some of the successful product campaigns undertaken include; Harambee M-Cash, Dividend Advance, Mortgage, Saccolink ATM Cards, Harambee Pesa Agency and Inuka loan campaign. Finally, **branding activities** played a key role in improving the brand image and visibility. This was achieved through promotional materials like calendars, notebooks, and T-shirts and branding of our new Eldoret and Nakuru FOSA branches. The Society also aired a corporate documentary on **NTV "Ushirika Series"** which was well received by our stakeholders.

These efforts have gone a long way in helping bolster the Society's financial position. Our assets grew from Kes. 32.5B in 2020 to stand at an all-time high of Kes. 34.6B by close of 2021. The Society also recorded a substantial growth of the Society's loan book which stood at Kes 24.38 billon in 2021 from a low of Kes. 21.87 billion in 2020.

Customer Service

The long-term goal of the Society is to **attract and retain a happy youthful membership** by creating a superior personalized customer experience and leveraging on partnerships to offer products that are responsive to member needs. To achieve this, the Society embarked on **digitalization and innovation** which entails adoption of technologies that enable members to interact with the SACCO and transact at any time wherever they are. For instance, the Society was able to push all the loan products online such that members are able to easily and promptly access credit facilities. The introduction of a more efficient, robust yet easy to use mobile platform dubbed **'Harambee M-Cash"** has greatly enhanced member experience.

The Society's commitment to attracting and retaining a happy youthful membership led us to: Seek member feedback through social media interactions and customer satisfaction surveys; increase member engagements through SMS broadcasts; resolve member concerns through emails and the call center and focus on member appreciation during the **'global customer service week'.**

The Society endeavored to meet and most importantly exceed members' expectations and continues to put in place strategies that will improve member experience in the year 2022.

Social Media

The Society engaged a fulltime Social Media Officer and this tremendously increased our social media presence and interactions. Our members gave very positive reviews on our agility in giving prompt feedback and solutions. By the end of 2021, the Society was aboard most of the Social Media platforms, notably **Facebook, Twitter, Instagram, LinkedIn, YouTube, Whatsapp** and **TikTok.** We had a total of **18,598 followers** on social media and 8 active WhatsApp groups.

Our social media goal for the year 2021 was to increase members' awareness of our products and services and improve the image of Harambee DT SACCO. We can confidently report that we have turned around the engagements as evidenced by the Customer Satisfaction Survey undertaken towards the end of the year which showed that 74% of the participants had positive social media interactions with us. We recognize that the world is going digital and social media cannot be ignored.

Community Social Responsibility (CSR)

Giving back to the community is an essential part of who we are. We aim to improve the lives of not only our members but also the community at large. In the year 2021, we undertook our CSR with the Triple-bottom line approach in mind i.e. **people, profit and planet** or simply put – the 3P's. For the Society, this was about ensuring the success of our business in the long term while contributing to the socio-economic development of the communities around us.

The Society continued engaging in its social performance program through which we delivered water & sanitation facilities and humanitarian aid to the needy amongst local communities. We also donated sports gears and TV sets to some of our stakeholders and sponsored local community projects e.g. construction of a multi-purpose hall for RC Church.

Our CSR initiatives created a real opportunity for us to impact on people's lives positively. Partnering with communities helped us stay focused on our role of realizing better and more prosperous communities.

Mama Fatuma Children's Home Christmas Donation

Handwashing Kits Donation

Stakeholder Relations

Forging formidable and mutually beneficial connections with different stakeholder groups remained an important pursuit for us. This stemmed from our understanding that developing credible, united voices with other industry stakeholders about issues that affect the Cooperative movement, products and services presents an opportunity for us to shape/influence the agenda of the Cooperative movement as well as share knowledge with other societies thereby improving SACCO's products/service offering.

In the year under review, we participated in the operationalization of the National Co-operatives Policy developed by the State Department for Cooperatives (SDC). We also participated in Cooperative Leaders and Supervisory Committee workshops organized by the Cooperative Alliance of Kenya (CAK). We hosted various SACCOs from as far as Malawi, Uganda and Tanzania who came for exposure visits to our Society as a center of excellence. On the other hand, we were hosted by Solutions SACCO to benchmark our Agency banking platform. We supported various SACCOs in their product launches and anniversary celebrations. These include STIMA DT SACCO, Tai SACCO, Mhasibu SACCO, Yetu SACCO and Kimisitu SACCO. Looking back, we can proudly say we fulfilled the basic cooperative principle of **Cooperation among Cooperatives.**

Corporate Governance

The implementation of good corporate governance practices in our SACCO has resulted in continuous improvement in the management of board processes and the transparency of governance for Members.

In the year under review, we focused on many strategic initiatives key among them being to reduce the risks and costs that accrue due to litigation. This we achieved by ensuring litigation matters against the SACCO remained minimal. We also ensured that contracts between the SACCO and other service providers were in place. The department also oversaw sink fund claims by members, next of kin and dependents of deceased members.

Branch/Delegates Affairs

During the year under review, we successfully conducted the following activities:

- **Regional Delegates Education Meetings:** The Society held 2021 Regional Delegates Education Meetings countrywide that were conducted successfully whereby delegates were briefed on the Society's products, services, and performance. The delegates also raised issues which were addressed exhaustively, minimizing the ADM time.
- **Branch By-Elections:** We coordinated by-elections in various branches where there were vacancies because of transfers, retirement, and death to fill the vacant positions for better service delivery to our members
- **Induction Training:** The Society conducted induction training for the new delegates as promised during Regional Delegates Meeting to empower and inspire them to drive the strategic business growth of the Society and to bring them to speed with the current performance of the Society. After the trainings, most delegates were able to increase their monthly deposits contributions and share capital. They were also issued with monthly reporting tool to improve on the quality of feedback from Branches.

Conclusion

The Education and Governance Committee is expected to continue its key role of creating value for the Society's business through new strategies for **business growth, improving member experience, forestalling exits** while ensuring members are more involved and feel a sense belonging to a SACCO that empowers them to live with **dignity** and **accomplishment** throughout their lives.

MS. ROLLAH GATWIRI
CHAIRLADY - EDUCATION AND GOVERNANCE BOARD COMMITTEE

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk committee's mandate is to ensure that our SACCO is managed effectively, particularly financial information provided and effectiveness of internal controls as guided by policies and the regulatory framework. This is achieved by having an independent Internal Audit & Risk function.

The Audit and Risk committee supports the function and takes an independent review of all the processes and policy violation or improvements as recommended.

In this age of cybercrime and by virtue of being a financial institution one of our biggest risks relate to cyber fraud. Our focus as a committee has been primarily on putting in place measures to mitigate fraud, improve the internal control environment, champion a culture of compliance to not only the laws and regulations but also to internal policies.

The Committee draws its mandate from the SACCO Act section 57(2) and SASRA guidelines. The roles and responsibilities of the audit committee are in place, outlined in the Internal Audit Charter.

Membership

The Board audit committee consist of three (3) members appointed from the board.

The Committee's Key Audit Activities during the year

- Reviewed internal Audit plan for the year ended 31st December 2021
- Reviewed internal Audit reports and related reports in every quarter
- Reviewed Information System Audit Report
- Reviewed Terms of reference of the External Auditors
- Discussed external services audit plan for the year ended 31st December 2021-
- Reviewed Management Letter for the year ended.
- Monitoring SACCO's risk management system and reviewed SACCO's Top risks and how they were being managed.
- Reviewed reports on Information Security

Risk Management

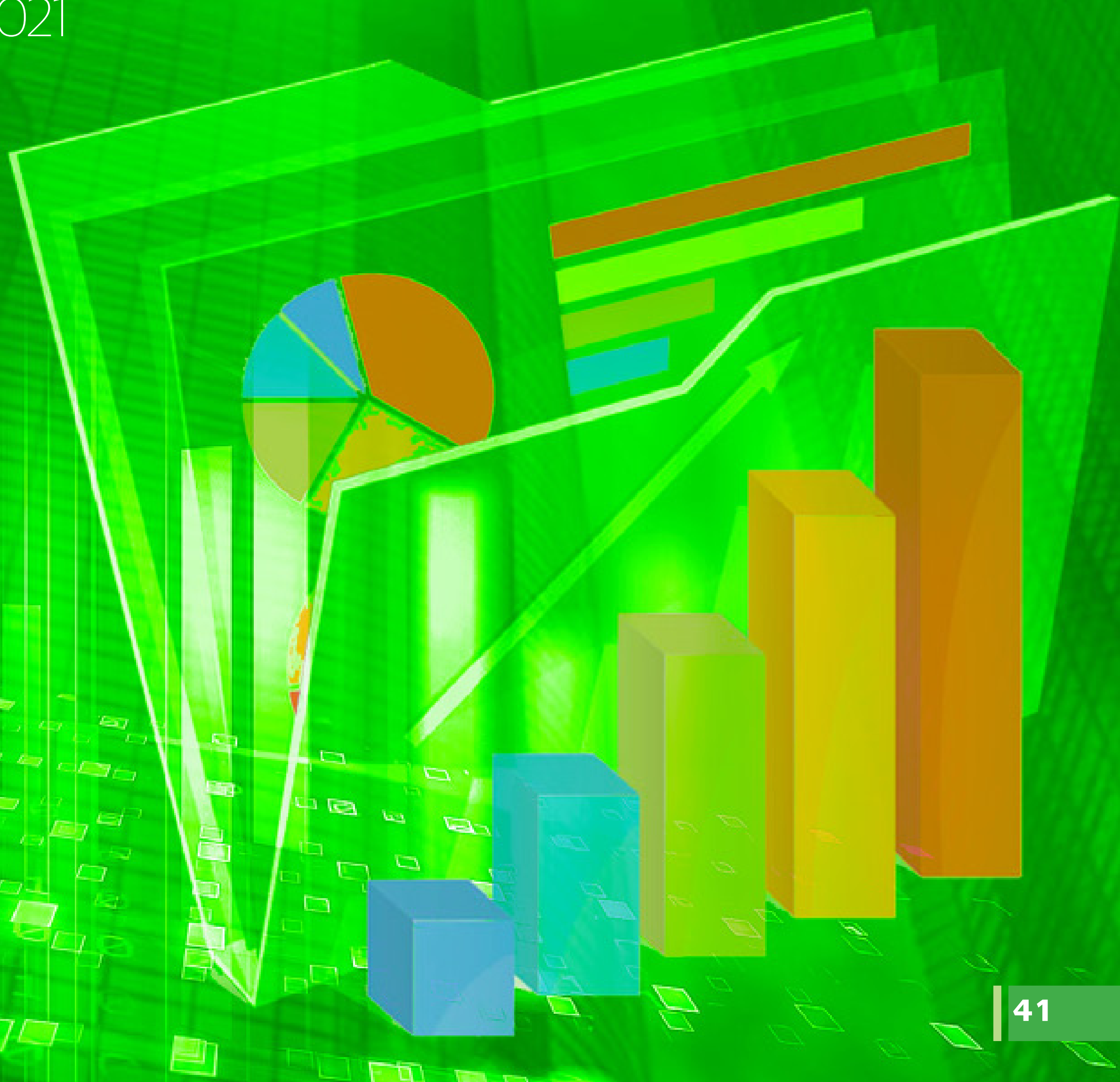
The Board understands that having an effective risk management framework is fundamental for the healthy control, compliance and prevention of the accumulation of unacceptable levels of risk at Harambee DT SACCO. Thus, in an effort to improve risk management practices of the SACCO, in **August** 2021 the Board approved implementation of proposal to separate the Risk and compliance function from Internal Audit function.

As a committee we are expected to ensure that we are ahead of the curve with regards to ensuring that we have insights into what could go wrong (risk), what we need to do to prevent the risk from crystalizing and proactively guiding the Board of Directors on how to go about putting in place measures to safeguard the SACCO. We are championing a culture of compliance to processes and policies; proactively engaging on process improvement opportunities that will ensure that risks that could negatively impact the SACCO are mitigated and exploiting positive risks /opportunities.

LT COL STEPHEN M NGANGA
CHAIRMAN- AUDIT AND RISK COMMITEE

FINANCIAL STATEMENTS & NOTES
CS/1916

FOR THE YEAR ENDED
31 DECEMBER 2021



REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2021 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 licensed under the SACCO Societies Act No.14 of 2008, and is domiciled in Kenya.

Principal Activity

The principle activities of the society are receiving shares and deposits and giving out loans to its members.

RESULTS:

	2021	2020
	Kshs	Kshs
Surplus/(deficit) before tax	396,727,376	156,744,992
Income Tax Expense	(33,908,606)	(30,225,481)
Surplus for the year	362,818,770	126,519,511
Other Comprehensive Income net of tax	(12,574,836)	-
Total Comprehensive Income for the year	350,243,935	126,519,511
Interest on Members Deposits and Savings	1,449,285,059	1,166,921,315

Investment Shares

The issued and paid up share capital of the Society increased during the year from Ksh.1,988,324,747 to Ksh.2,056,298,992

Dividends and Interest

The directors have recommended payment of 8.0% (2020: 6.0%) as dividend on investment shares and pay 7.0% (2020: 6.0%) interest on SACCO deposits.

Directors

The directors who held office during the year and to the date of this report are shown on page 7 and 14.

Independent Auditor

Mwangi and Kamwara Associates - LLP were appointed during the year and have expressed their willingness to continue in accordance with the 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 19th January 2022.

BY ORDER OF THE BOARD

Signature.. Date 28/01/2022

MS. ROLLAH GATWIRI
SECRETARY
NAIROBI.

STATISTICAL INFORMATION

		2021	2020
Membership		**No.**	**No.**
Active		72,869	72,601
Dormant		1,405	1,405
		74,274	74,006
Number of branches		5	5
Number of employees:			
Male		71	72
Female		52	53
Total		**123**	**125**
Financials		**Ksh.**	**Ksh.**
Total Assets		34,623,118,937	32,562,641,763
Liquid Assets		786,499,196	1,020,562,539
Current Assets		28,843,822,709	26,760,484,265
Loans & Advances to Members		24,380,868,205	21,872,223,127
External Borrowing		3,466,944,444	3,023,056,488
Members' Deposits & Savings		22,540,473,020	21,526,054,381
Savings Deposits and Short Term Liabilities		6,662,030,072	5,965,823,632
Financial Investments		1,834,439,345	1,847,014,181
Core Capital		3,828,398,243	3,511,884,470
Share Capital		2,056,298,992	1,988,324,747
Institutional Capital		1,772,099,250	1,523,559,723
Long-term Liabilities		12,186,030	20,703,946.32
Current Liabilities		5,346,277,499	4,595,707,718
Total Revenue		4,229,803,635	3,215,258,192
Total Interest Income		3,428,569,158	2,667,804,673
Total Expenses		3,615,369,448	3,058,513,199
Net (Deficit)/Surplus Before Tax		396,727,376	156,744,992

		2021	2020
RATIOS	**Statutory Requirements**		
Capital Adequacy Ratios			
Core Capital / Total Assets	≥10%	11%	11%
Core Capital / Total Deposits	≥8%	17%	16%
Institutional Capital / Total Assets	≥8%	5.1%	4.7%
Equities & Investments / Deposits	≤ 5%	8%	9%
Net Loans / Total Assets	70-80%	70%	67%
Deposits & Savings / Total Assets	70-80%	65%	66%
Liquidity Ratios			
Liquid Assets/Savings Deposits & Short Term Liabilities	≥15%	12%	17%
Liquid Assets/ Deposits and Long Term Liabilities		3%	5%
External Borrowing/ Total Assets	<25%	10%	9%
Operating Efficiency Ratios			
Total Expenses / Average Assets		11%	10%
Interest on Members' Deposits / Total Revenue		34%	44%
Rate on Interest on Members' Deposits		7.0%	6.0%
Dividends Rates on Members' Share Capital		8.0%	6.0%
Total Delinquency Loans / Gross Loan Portfolio	≤ 5%	1.4%	2.0%

STATEMENT 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 2021 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 19th Janauray 2022 and signed on its behalf by:

.... **CHAIRMAN**

.... **TREASURER**

.... **HON SECRETARY**

MWANGI & KAMWARA
ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF HARAMBEE SAVINGS & CREDIT CO-OPERATIVE SOCIETY LIMITED

Opinion

We have audited the financial statements of Harambee Savings and Credit Co-operative Society Limited (the society) set out on pages 49 to 78, which comprise the statement of financial position as at 31 December 2021, 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 31 December 2021, 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.

PARTNERS: ROBERT KAMWARA, DANIEL MWANGI
ASSOCIATES: RUTH MUGO, ANDREW MULOGOLI, TIMOTHY MWACHANYA
WWW.MKAUDITORS.COM I info@mkauditors.com 020-2633423 I 0722 788 834 I 0722 626 755 RAMCO COURT, SUITE A-23 MOMBASA I ROAD P.O.BOX 34458 - 00100 NAIROBI - KENYA

MWANGI & KAMWARA ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matters
Adoption and implementation of IFRS The adoption and implementation of IFRS 9 is a key audit matter in the preparation of the financial statements of the SACCO Society. This affects the classification of financial assets and liabilities, measurement of the financial assets and liabilities, de-recognition of the same and impairment of the financial assets. IFRS 9 requires the SACCO to consider forward looking information forecasting on future economic conditions when measuring expected credit losses. This involves the engagement of experts in macro-economic analysis.	The SACCO Society did not engage an expert in the area. However, a monthly and quarterly analysis was performed by the management of the Society with the guidance of the Board, monitoring the GDP, Consumer Price Indices and Inflation rates, Producer Price index and other Lead Economic Indicators.
Recoverability of Trade Receivables	
Included in the trade receivables are amounts outstanding as unrealizable. The figure arose from past poor record keeping and system migration. The significance of the balances in the financial statements is material and the members passed a resolution in the Annual Delegates Meeting to start providing for it.	We audited the unrealizable asset account and the related reconciliations which have been outstanding. The suspense write offs have a potential of attracting future liabilities. However a provisions have been made for the year ended 31st December 2021 was passed affecting the retained earnings of the Society.
Expected Credit Loss (ECL)	
The Expected Credit loss (ECL) is computed and accounted for based on whether the financial instruments are classified as stage 1 or 2/3. The components that are crucial to calculate ECL include: Exposure at Default (EAD), Probability of Default (PD), Loss Given default (LGD) and discount rate.	The directors judgement with the help of the management was applied to determine the appropriateness and compliance to the standard of the methods used to determine the expected cash flows, and expected prepayments. We noted this is done appropriately We also assessed whether there were sufficient disclosures on key judgements and assumptions used in determining the expected credit losses. Based on the evidence obtained, we conclude that a fair adoption of IFRS 9 has been attempted.

MWANGI & KAMWARA
ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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

MWANGI & KAMWARA ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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 report that:

i. 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.
ii. We are not aware of any irregularities or illegal acts that have been committed by the directors, employees or the SACCO Society itself and
iii. We have no grounds to believe that the SACCO Society is insolvent or that there is a significant risk that it may become insolvent.

MWANGI & KAMWARA ASSOCIATES

Mwangi and Kamwara Associates
Certified Public Accountants
Nairobi

Mwangi & Kamwara Associates P.O Box 34450 - 00100 Nairobi Kenya

20th January 2022

CPA Robert Gathogo Kamwara, Practicing Certificate No. 1873
Signing Partner responsible for the independent audit

STATEMENT OF COMPREHENSIVE INCOME

		2021	2020
INCOME	**Notes**	**Kshs**	**Kshs**
INTEREST INCOME:			
Interest -Loans and advances to members	**2(a)**	3,410,942,234	2,642,071,217
Other interest -Investments	**2(b)**	17,626,924	25,733,456
Total Interest income		**3,428,569,158**	**2,667,804,673**
Interest expenses	**4**	(1,449,285,059)	(1,166,921,315)
Net Interest Income		**1,979,284,099**	**1,500,883,358**
NON INTEREST INCOME:			
Dividend income	**3**	147,382,598	137,657,356
Fees and commissions	**5**	377,765,832	348,995,312
Other operating income	**6**	58,379,236	60,800,850
Total Non Interest Income		**583,527,666**	**547,453,519**
TOTAL OPERATING INCOME		**2,562,811,764**	**2,048,336,876**
OPERATING EXPENSES:			
Financial expenses	**7**	(1,105,891,495)	(874,938,930)
Personnel expenses	**8**	(364,669,498)	(449,648,321)
Administration expenses	**9**	(199,635,848)	(145,391,687)
Governance expenses	**10**	(221,171,438)	(220,928,985)
Marketing expenses	**11**	(115,955,282)	(55,841,923)
Other operating expenses	**12**	(85,212,492)	(65,828,396)
Depreciation & amortization expense	**13**	(73,548,336)	(79,013,642)
Total Operating Expenses		**(2,166,084,388)**	**(1,891,591,884)**
Operating Surplus Before Taxation		**396,727,376**	**156,744,992**
Income tax expense		(33,908,606)	(30,225,481)
Net Surplus/ for the Year after Tax		**362,818,770**	**126,519,511**
OTHER COMPREHENSIVE INCOME			
Loss on revaluation of financial assets		(12,574,836)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**350,243,935**	**126,519,511**
Dividends			
Proposed dividends		**164,503,919**	**119,303,895**

The notes on page 53 -78 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

		2021		2020
ASSETS	**Notes**	**Kshs**		**Kshs**
Cash and cash equivalents	22	786,499,196		1,020,562,539
Receivable and prepayments	19	3,676,455,308		3,827,191,643
Loans & advances to members	14	24,380,868,205		21,872,223,127
Financial investments	21	1,834,439,345		1,847,014,181
Inventories	20	-		40,506,957
Investment property	15	3,020,000,000		3,020,000,000
Land projects	16	629,317,479		626,364,689
Rights of use assets (IFRS 16)	32	9,004,997		17,850,139
Fixed assets	17	224,977,881		207,850,419
Intangible assets	18	61,556,525		83,078,069
Total Assets		**34,623,118,937**		**32,562,641,763**
LIABILITIES				
Interest, dividends to members & honoraria	28	1,643,170,028	-	1,321,891,533
Members' deposits and savings	23	22,540,473,020		21,526,054,381
Borrowings	25	3,466,944,444		3,023,056,488
Lease liabilities (IFRS 16)	33	12,186,030		20,703,946
Payables and accruals	26	236,163,027	-	242,644,073
Land projects deposits	24	330,990,468		330,922,735
Taxation	27	-		8,115,624
Total Liabilities		**28,229,927,017**		**26,473,388,780**
EQUITY				
Share capital	29	2,056,298,992	-	1,988,324,747
Statutory reserves	30	1,113,210,710		1,113,210,710
Revaluation Reserves	30	2,564,793,677		2,577,368,513
Capital Reserves	30	158,366,719		158,366,719
Retained Earnings	30	500,521,821		251,982,294
Total Equity		**6,393,191,920**		**6,089,252,983**
Total Equity and Liabilities		**34,623,118,937**		**32,562,641,763**

APPROVED
for publication and presentation to AGM or ADM subject to observations issued
01 FEB 2022
SIGN:..........................
THE SACCO SOCIETIES REGULATORY AUTHORITY

The notes on page 53 -78 form an integral part of these financial statements.

The Financial Statements were approved and authorised for issue by the Board of Directors on 19th January 2022 and were signed by:

.... Chairman

.... Treasurer

.... Secretary

STATEMENT OF CHANGES IN EQUITY

	Share Capital Kshs	Statutory Reserves Kshs	Revaluation Reserves Kshs	Capital Reserves Kshs	Retained Earnings Kshs	Total Kshs
2021						
At start of the year	**1,988,324,747**	**1,113,210,710**	**2,577,368,513**	**158,366,719**	**251,982,296**	**6,089,252,985**
Prior year adjust. -Overprovision of Interest					69,605,723	69,605,723
	1,988,324,747	**1,113,210,710**	**2,577,368,513**	**158,366,719**	**321,588,019**	**6,158,858,709**
Surplus for the year					350,243,935	350,243,935
Issue of share capital	67,974,245					67,974,245
Loss on revaluation of financial assets			(12,574,836)		12,574,836	-
Staff Bonus & Honoraria					(19,381,049)	(19,381,049)
Proposed dividends					(164,503,919)	(164,503,919)
At end of the period- 31 Dec 2021	**2,056,298,992**	**1,113,210,710**	**2,564,793,677**	**158,366,719**	**500,521,821**	**6,393,191,920**
2020						
At start of the year	**1,977,509,771**	**1,113,210,710**	**2,577,368,513**	**158,366,719**	**283,806,700**	**6,110,262,413**
Prior year adjustment -inventory					(39,040,020)	(39,040,020)
	1,977,509,771	1,113,210,710	2,577,368,513	158,366,719	244,766,680	6,071,222,393
Surplus for the year					126,519,511	126,519,511
Issue of share capital	10,814,976					10,814,976
Transfers:						
- To statutory reserve						-
Proposed dividends					(119,303,895)	(119,303,895)
At end of the year	**1,988,324,747**	**1,113,210,710**	**2,577,368,513**	**158,366,719**	**251,982,296**	**6,089,252,985**

The notes on page 53 -78 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES:	**Kshs**	**Kshs**
Cash flow from operating activities:		
Interest receipts from loans	3,410,942,234	2,642,071,217
Interest payments	(1,585,893,681)	(1,443,342,892)
Interest paid on lease liabilities	(4,825,310)	(3,470,212)
Other operating and non interest receipts	453,771,992	435,529,618
Payments to suppliers & employees	(1,062,322,584)	(1,006,850,883)
Net cash (used)/generated before working capital changes	**1,211,672,652**	**623,936,848**
(Increase)/Decrease in operating assets:		
Net Loans & advances to members	(2,508,645,078)	(3,560,574,477)
Trade Receivables & prepayments	(423,115,388)	68,694,790
Decrease/(Increase) in inventory	40,506,957	4,855,000
Members' deposits & savings	1,014,418,640	1,383,464,768
Payables & accruals	(6,481,046)	7,863,518
Net cash flow from operating activities before income tax	**(671,643,264)**	**(1,471,759,553)**
Income tax paid	(42,051,865)	(30,844,832)
Net cash spent from operating activities	**(713,695,128)**	**(1,502,604,385)**
Cash flow from investing activities:		
Purchase of property, plant & equipment	(55,449,293)	(27,351,822)
Cash paid for in respect of right -of -use assets	-	-
Cash paid for in respect of prepaid operating lease rentals	-	-
Purchase of investments	-	(50,000,000)
Purchase of software	(4,859,826)	(5,779,847)
Purchase of land projects	-	-
Dividends received	147,382,598	137,657,356
Net cash (spent)/used from investing activities	**87,073,479**	**54,525,687**
Cash flow from financing activities:		
Share capital contributions	67,974,245	10,814,976
Dividend	(119,303,895)	(128,537,953)
Loan proceeds received	3,234,280,483	3,234,280,483
Loan repayments	(2,790,392,527)	(1,542,764,585)
Net cash from financing activities	**392,558,306**	**1,573,792,920**
Net (decrease)/increase in cash and cash equivalents	(234,063,343)	125,714,222
Cash and cash equivalents at the beginning of the year	1,020,562,539	894,848,317
Cash and cash equivalents at the end of the year	**786,499,196**	**1,020,562,539**

The notes on page 53 -78 form an integral part of these financial statements.

NOTES

Basis of 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 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.

Siginificant 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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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).

(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.

Computers hardware	30.0%
Office Equipment	12.5%
Furniture & Fittings	12.5%
Motor vehicles	25.0%

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(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) 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 the 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement will not comprise SPPI.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The society determines the business models at a level that reflects how the society's financial assets are managed together to achieve a particular business objective. The society's business model does not depend on management's intentions for an individual instrument. Therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The society has more than one business model for managing its financial instruments which reflect how the society manages its financial assets in order to generate cash flows. The society's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The society considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the society does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios.

(f) Accounting for leases

The society assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The society as lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the society recognizes a right-of-use asset and a lease liability. The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the society is reasonably certain to exercise that option.

The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the society's incremental borrowing rate is used.

For leases that contain non-lease components, the society allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortized cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Leasehold land and buildings are subsequently carried at revalued amounts, based on annual/triennial valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not estimated, useful life would not exceed the lease term expected to pass to the society at the end of the lease term, the estimated useful life would not exceed the lease term.

Increases in the carrying amount arising on revaluation are recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognized in other comprehensive income. All other decreases are charged to profit or loss. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost (excess depreciation) is transferred from the revaluation reserve to the retained earnings.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognized in profit or loss on a straight-line basis over the lease period.

The society as lessor

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments received under operating leases are recognized as income in profit or loss on a straight-line basis over the lease term.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Amounts due from lessees under finance leases are recognized as receivables at the amount of the society's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the society's net investment outstanding in respect of the leases.

Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position.

Management has made various judgements and estimates under IFRS 16 as detailed below:

Incremental borrowing rate: To determine the incremental borrowing rate, the society:

- where possible, uses recent third-party financing received AS a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g.. term, country, currency and security.

Lease term/period: In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are terminated).

For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the society is typically reasonably certain to extend (or not to terminate).
- If any leasehold improvements are expected to have a significant remaining value, the society is typically reasonably certain to extend (or not terminate).
- Otherwise, the society considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Key sources of estimation uncertainty

Accounting for leases under IFRS 16

Most extension options in offices and vehicles leases have not been included in the lease liability, because the society could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the society becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

The carrying amounts of right-of-use assets and lease liabilities are disclosed in notes 32 and 33, respectively.

(g) Provision for liabilities and other charges.

Provisions are recognized 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 recognized 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.

(h) 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.

(i)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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

- 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.

Amendments to IFRS 16 Covid-19 Related Rent Concessions (issued on 28 May 2020)

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the society's financial statements.

(j) 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 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 'management. Instead, an entity recognizes the proceeds from selling such items, and the 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.

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.

Significant accounting judgements, estimates and assumptions

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 relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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 behavior.

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;

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

- 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

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 is carried out by the Audit sub-committee under policies approved by the 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 a rises 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 or 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

(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 viability that are not based on observable market data (unobservable inputs).

NOTES (CONTINUED)

		2021	2020
2 (a)	**Interest income from Loans & Advances to members**	**Kshs**	**Kshs**
	BOSA loans & advances to members	3,249,026,524	2,489,970,763
	FOSA loans & advances to members	161,915,710	152,100,455
		3,410,942,234	**2,642,071,217**
(b)	**Other interest income**		
	Interest on money market &	11,069,959	17,568,696
	Bank deposits	6,556,965	8,164,760
		17,626,924	**25,733,456**
3	**Dividend Income**		
	Dividend quoted & unquoted shares	142,267,602	137,657,356
	Dividends from KUSCCO shares	5,114,996	-
		147,382,598	**137,657,356**
4	**Interest expense**		
	Interest expense on members deposits	1,449,285,059	1,166,921,315
		1,449,285,059	**1,166,921,315**
5	**Fees & Commissions Income**		
	Loans processing fees	202,032,192	181,965,177
	Commissions received & other charges	95,937,727	88,618,432
	Salaries processing fees	25,413,200	19,320,130
	Members withdrawal fees	14,885,068	6,155,500
	Deposits withdrawal processing commissions	13,966,302	14,557,736
	Cash withdrwal fees	12,127,000	11,811,760
	Dormant accounts activation fees	7,455,200	17,879,200
	Bankers cheques fees	4,038,600	3,927,760.00
	Entrance fees	842,243	2,857,587
	Member statements	667,900	595,400
	Property transfer fees	400,400	1,306,630
		377,765,832	**348,995,312**
6	**Other operating income**		
	Rental income	58,009,313	53,914,313
	Harambee SACCO Insurance Agency Income	204,100	-
	Tender income	94,000	361,760
	Premier club	71,823	88,600
	Penalties and fines	-	6,406,178
	Sale of obsolete assets	-	30,000
	Net operating income	**58,379,236**	**60,800,850**

NOTES (CONTINUED)

7 Finance expenses

	2021 (Kshs)		2020 (Kshs)
Provision for unrealizable assets	583,150,425		583,150,425
Interest on bank loan	401,036,790		240,859,353
Interest on bank overdraft	61,874,976		26,218,474
Interest on Leases property	4,825,310	-	3,470,212
Interest In Fixed Deposit / Call Accounts	3,193,254		2,634,379
	1,054,080,754		**856,332,844**
Net provision for loan losses	51,810,741		18,606,086
Total	**1,105,891,495**		**874,938,930**

8 Personnel Expenses

	2021 (Kshs)		2020 (Kshs)
Salaries and Wages - Basic Salary	163,850,745		167,535,368
Housing & Commuter Allowance	72,894,655		77,876,748
Staff Medical Insurance Cover	36,816,465		31,213,882
Pension Fund Employer Contribution	20,961,052		20,991,734
Staff Extraneous Allowances	10,221,300		9,067,800
Staff Leave Allowance	9,463,024		9,207,813
Gratuities	7,397,827		7,555,426
Staff Welfare	6,551,420		1,929,610
Staff Training Expenses	5,658,747		3,414,680
Group Life Insurance Cover	5,105,213		4,771,026
Staff Recruitment & Advertisement Expenses	4,909,800		4,197,353
Staff Annual Party	4,017,000		4,988,000
Staff Travel Expenses	3,463,670		2,577,503
Staff Uniform	3,319,352		-
Staff Personal Accident Insurance Cover	2,046,920		2,046,920
Casual Expenses	1,503,983		1,434,875
Staff Transfer Expenses	1,371,526		263,724
Staff Overtime	1,278,373		6,644,520
Staff Utility Allowance	1,080,000		933,833
Staff Long Service Awards	600,000		-
Workman's Compensation Insurance Cover	588,271		588,271
Provision for Outstanding leave days	497,752		373,258
Staff Entertainment	446,355		747,015
NSSF Employers' Contribution	328,800		304,600
Staff Benevolence and Funeral Expenses	297,250		1,129,950
Staff Responsibility Allowances	-		148,075
Staff- Voluntary Early Retirement	-		89,706,338
	364,669,498		**449,648,321**
No. of fulltime staff			
The number of full time staff as at 31 Dec 2021	123		125

NOTES (CONTINUED)

		2021 (Kshs)	2020 (Kshs)
9	**Administrative Expenses**		
	Inventory Expenses	41,338,352	-
	Computer & Software Expenses	36,221,812	17,897,519.99
	Government computer Services -GCS	27,440,159	25,691,925.09
	Professional Fees	22,158,065	15,155,971.14
	Sink fund deficits	14,874,847	14,197,758
	Telephone, postage & Cables Expenses	14,821,262	13,441,939.69
	Licences	10,975,691	11,328,303.00
	Legal Fees	6,978,390	2,525,960.00
	Bank Charges	6,924,902	30,886,254
	Audit & Statutory Supervision Expenses	4,762,100	3,559,481.00
	Stamp duty	3,517,580	-
	Bad debts written off	2,678,025	3,559,508
	Subscription & Donations	2,596,544	6,130,355.00
	Printing & Stationery Expenses	1,956,277	1,016,713.00
	Paybill Charges	1,910,768	-
	Harambee Pesa Agency Expenses	481,074	-
		199,635,848	**145,391,687**
10	**Governance Expenses(Member related costs)**		
	Travelling & Education	83,803,748	56,611,603
	Branch Delegates Allowances	62,557,385	56,548,512
	Annual Delegate Meeting Expenses	29,235,693	26,312,963
	Board of Directors Sitting Allowances	28,067,600	26,591,311
	Strategy and Policies Review	13,387,804	6,962,573
	Delegate Induction Training	2,663,185	46,446,000
	Delegate Group Personal Accident Cover	1,456,023	1,456,023
		221,171,438	**220,928,985**
11	**Marketing Expense**		
	Advertising and Public Relations Expenses	82,219,867	48,833,868
	Member Recruitment Expenses	18,061,360	16,000
	Products development & promotion Expenses	11,512,250	4,404,850
	Customer Care costs	4,161,805	2,587,206
		115,955,282	**55,841,924**
12	**Other operating Expenses**		
	Repairs and Maintenance	30,021,961	22,335,343
	Security	19,459,503	16,854,877
	Water and electricity bills	13,135,079	10,494,330
	Cleaning and Hygiene-Plaza	8,897,637	7,467,843
	Assets insurance	8,566,531	8,236,479
	Rent and rates	2,807,990	10,000
	General Expenses	1,731,913	58,939
	Motor Vehicle running expenses	591,878	370,585
		85,212,492	**65,828,397**

NOTES (CONTINUED)

13	Depreciation & Amortisation expense	2021 (Kshs)	2020 (Kshs)
	Amortisation of intangible expense	26,381,370	35,604,885
	Depreciation charge	38,321,824	35,453,914
	Amortization Expenses on Right Use Asset	8,845,142	7,954,841
		73,548,336	**79,013,640**

14	Loan To Members	2021 (Kshs)	2020 (Kshs)
A	**BOSA Loans**		
	Jisaidie Loans Top-up Loan	9,683,618,977	9,763,329,855
	Development Loan	4,922,627,359	5,097,703,351
	Jisaidie 72 Loan	4,233,561,346	4,788,173,890
	Inuka Loan	2,662,402,299	-
	Inuka 72 Loan	744,668,415	-
	Dividend in Advance loan	511,019,167	356,998,203
	Emergency Loan	479,177,070	693,406,271
	Defaulter Loan	406,504,344	317,131,345
	School Fee Loan	201,461,839	257,888,317
	M-Boosta Loan	120,168,772	102,846,991
	Mkombozi Loan	26,311,751	32,865,091
	Karibu Loan	24,748,036	789,318
	Mortgage Loan-Construction	10,551,239	-
	Mortgage Loan-Purchase	3,115,736	-
	MOU Loan	1,374,960	3,187,779
	Maendeleo Loan	57,001	160,692
	Safaricom Product Loan	2	195
		24,031,368,313	**21,414,481,298**
	Less:		
	Loan loss provision	(416,979,131)	(365,168,391)
		23,614,389,182	**21,049,312,907**
B	**FOSA Loans**		
	Salary Advance Loan	668,461,504	736,048,199
	Personal Loan	71,237,234	77,769,465
	Finje Chap Chap Loan	9,203,949	-
	Jisort Advance Loan	9,162,672	-
	Salary in Advance Loan	8,413,664	9,092,555
		766,479,023	**822,910,219**
	Total Loan To Members	**24,380,868,205**	**21,872,223,127**

NOTES (CONTINUED)

14 Loan To Members (Cont'd)

			2021 (Kshs)	2020 (Kshs)
Loans Movement Schedule		**BOSA Loans**	**FOSA Loans**	**Total**
		Ksh	**Ksh**	**Ksh**
At the start of the year		21,049,312,907	822,910,219	21,872,223,127
Granted during the year		19,826,621,371	2,108,970,498	21,935,591,869
Repayments made during the year		(16,844,565,965)	(2,165,401,694)	(19,009,967,660)
Loan loss provision		(416,979,131)	-	(416,979,131)
Balance at the end of the year		**23,614,389,182**	**766,479,023**	**24,380,868,205**
Aging of Non Performing Loans	**No. of accounts**	**Total Loan portfolio**	**Provision**	**Net loan balance**
0 Days Performing - 1%	130,131	23,295,957,630	232,959,576	23,062,998,054
1-30 Days Watch - 5%	7,209	1,154,607,039	57,730,352	1,096,876,687
31-80 Days Substandard - 25%	3,288	288,928,210	72,232,053	216,696,158
181-360 Days Doubtful - 50%	354	29,201,900	14,600,950	14,600,950
>360 Days Loss - 100%	258	39,456,200	39,456,200	-
	141,240	**24,808,150,980**	**416,979,131**	**24,391,171,849**
			VARAINCE	**(10,303,644)**

There is a unreconciled difference between the Member's loan listings and General ledger balances of Kshs10,303,644. Reconciliation of this variance is ongoing.

The society has a loan guard policy on all classes of loans issued by CIC insurance in which there is compensation of insured loan balance in the event of death or total permanent disability of a member

In the opinion of the directors, the carrying amounts of loans and advances to customers approximate their fair value.

The effective interest rate on loans is 13.5% (2020:12%)

NOTES (CONTINUED)

14 Insider loans and Advances

	2021 (Kshs)	2020 (Kshs)
At start of year	**306,805,978**	**292,539,251**
Advances	295,780,851	598,605,115
Interest charged	43,091,805	38,565,269
Repayment	(308,338,275)	(622,903,657)
At end of year	**337,340,359**	**306,805,978**
Insider loans and Advances		
Directors	45,055,517	32,396,731
Supervisory	7,793,224	2,475,752
Key Management staff	77,336,396	77,010,934
Other Employees	207,155,222	194,922,560
	337,340,359	**306,805,978**

Loans and advances to Directors and staff (related parties) are subject to interest rates that are applicable to all members, have due dates at the end of every month and are fully secured.

15 Investment properties

		2021 (Kshs)	2020 (Kshs)
Value as at 1st Jan 2021		3,020,000,000	3,020,000,000
Addition		-	-
Value as at 31st Dec 2021		**3,020,000,000**	**3,020,000,000**
Movement in investment properties			
	Harambee Plaza	**Others**	**TOTAL**
	Ksh.	**Ksh.**	**Ksh.**
Value as at 1st January 2021	1,700,000,000	1,320,000,000	3,020,000,000
Revaluation done during the year	-	-	-
Value as at 31st Dec 2021	**1,700,000,000**	**1,320,000,000**	**3,020,000,000**

The properties were valued by Dansal & Associates Ltd In September 2019 on the basis of market value. The gain arising from the change in the fair value of the properties was recognised in the Income Statement for the period (IAS 40 clause 35).

Other land and buildings include other properties owned by the Society such as Nyali Houses.

Investment properties

	2021 (Kshs)	2020 (Kshs)
Rental income (Note 6)	58,009,313	53,914,313
Direct rental expenses arising from investment properties that generate rental income	(40,502,183)	(35,101,179)
Net rental income	**17,507,130**	**18,813,134**

NOTES (CONTINUED)

16 Land Projects

		2021 Kshs	2020 Kshs
Greenfields		452,168,422	452,168,422
Muranga		68,000,000	68,000,000
Kisumu		57,954,474	55,000,000
Siaya		40,000,000	40,000,000
Nanyuki		12,018,900	12,018,900
Voi 1		3,219,105	3,219,105
Mombasa		953,026	953,026
Busia		783,568	783,568
Uasin gishu		215,600	215,600
Athi river		115,517	115,517
Samburu		-	1,000
Kitale		-	684
Provision for bad debts		(6,111,133)	(6,111,133)
		629,317,479	**626,364,689**

Some of the land projects were valued by Dansal & Associates Ltd in September 2019 on the basis of market value. The gain arising from the change in the fair value of the land projects has been recognised in the Income Statement for the period (IAS 40 clause 35).

NOTES (CONTINUED)

17 FIXED ASSETS

	Equipment Kshs (12.5%)	Fixtures and Fittings Kshs (12.5%)	Furniture Kshs (12.5%)	Computers Kshs (30%)	Motor Vehicle Kshs (25%)	Total Kshs
Year 2021						
COST						
As at January 2021	**253,443,990**	**141,148,116**	**21,218,373**	**247,931,540**	**9,584,664**	**673,326,682**
Additions	5,784,579	36,582,726	2,378,165	10,703,822	-	55,449,293
Disposal	-	-	-	-	-	-
As at December 2021	**259,228,569**	**177,730,842**	**23,596,538**	**258,635,362**	**9,584,664**	**728,775,975**
DEPRECIATION						
As at January 2021	**135,027,705**	**79,234,274**	**14,165,014**	**228,374,937**	**8,674,334**	**465,476,264**
Charge for the year	15,525,108	12,312,071	1,178,941	9,078,127	227,582	38,321,830
Disposal	-	-	-	-		-
As at December 2021	**150,552,813**	**91,546,345**	**15,343,954**	**237,453,065**	**8,901,917**	**503,798,094**
NET BOOK VALUE						
As at December 2021	**108,675,756**	**86,184,497**	**8,252,584**	**21,182,297**	**682,747**	**224,977,881**
Year 2020						
COST						
As at January 2020	**250,775,798**	**123,492,036**	**20,340,833**	**241,781,529**	**9,584,664**	**645,974,860**
Additions	2,668,192	17,656,080	877,540	6,150,011	-	27,351,822
Disposal	-	-	-	-	-	-
As at December 2020	**253,443,990**	**141,148,116**	**21,218,373**	**247,931,540**	**9,584,664**	**673,326,682**
DEPRECIATION						
As at January 2020	**118,111,093**	**70,389,440**	**13,157,391**	**219,993,536**	**8,370,891**	**430,022,350**
Charge for the year	16,916,612	8,844,835	1,007,623	8,381,401	303,443	35,453,914
Disposal	-	-	-	-		-
As at December 2020	**135,027,705**	**79,234,274**	**14,165,014**	**228,374,937**	**8,674,334**	**465,476,264**
NET BOOK VALUE						
As at December 2020	**118,416,285**	**61,913,842**	**7,053,359**	**19,556,603**	**910,330**	**207,850,419**

NOTES (CONTINUED)

18 INTANGIBLE ASSETS

	2021 Kshs	2020 Kshs
Cost		
As at 1st January	329,907,989	324,128,142
Additional	4,859,826	5,779,847
As at 31 December	**334,767,815**	**329,907,989**
Amortization		
As at 1st January	246,829,920	211,225,035
Charge for the year	26,381,370	35,604,885
As at 31 December	**273,211,290**	**246,829,920**
Net Book value		
As at 31 December	**61,556,525**	**83,078,069**

19 Receivables and Prepayments

		2021	2020
a	**Unrealizable Assets**		
	As at 1 January 2021	2,898,782,817	3,481,913,227
	Unreconciled balance in the year	9,298,702	20,015
	Provision for the year	(583,150,425)	(583,150,425)
	Balance of Unrealizable Asset	**2,324,931,094**	**2,898,782,817**
b	**Others Receivables**		
	Remittances due	1,134,569,199	894,543,774
	Interest receivable	120,867,121	171,369,492
	Claims due from insurance	10,102,861	20,971,148
	Rent receivables	97,796,174	106,999,123
	Harambee Investment Society ltd	208,494,100	4,677,450
	Other receivables	175,241,317	125,394,397
		1,747,070,772	**1,323,955,384**
	Less: Provision for bad & doubtful debts	(395,546,558)	(395,546,558)
	Charge for the year	-	-
		1,351,524,214	**928,408,826**
	TOTAL	**3,676,455,308**	**3,827,191,643**

NOTES (CONTINUED)

20 Inventories

	2021 Kshs	2020 Kshs
Consumables	-	40,506,957
The Society did not hold any inventory with realisable value as at the close of the year 2021	**-**	**40,506,957**

21 Financial investments

		2021	2020
a	**Quoted**	**Kshs**	**Kshs**
	Investments - KENGEN SHARES	237,516	358,569
	Co-operative Bank(Shares)	43,501,853	55,880,429
	Investments - CIC	197,181,058	197,181,058
		240,920,426	**253,420,056**
b	**Unquoted**		
	Investments - CODIC	-	75,206
	Investment-Kenya Mortgage Refinancing company-KMRC	25,000,000	25,000,000
	Investments - Harambee Housing Investment Society Ltd	50,000,000	50,000,000
	Investments - KUSCCO(shares)	141,689,619	141,689,619
	Investments - COOP HOLDINGS	1,376,829,300	1,376,829,300
		1,593,518,919	**1,593,594,125**
	Total financial investment	**1,834,439,345**	**1,847,014,181**

Financial Investments

Security	Value per share	No. of Shares
Co-op Holdings	9.50	1 44,929,400
CIC	3.50	56,337,445
Cooperative Bank	12.30	3,536,736
KUSCCO	100.00	1,416,896
KENGEN	4.14	57,371

NOTES (CONTINUED)

22 Cash and cash equivalent

	2021 Kshs	2020 Kshs
Cash in Hand		
Treasury Cash - FOSA	26,332,243	50,940,174
Cash in Hand BOSA	6,104,454	6,029,657
Cash in Hand FOSA	4,948,033	4,943,609
Cash at Bank		
Mpesa Bank account	519,714,890	233,541,750
CIC Money Market	286,380,063	305,910,104
CBA Mortgage A/C	47,008,939	45,192,754
Deposits with KUSCCO	38,829,317	36,875,218
Cooperative bank savings account-main	6,728,826	7,404,393
MPESA Utility Bank Account	1,337,678	-
Bank - Statutory Reserve Account	193,741	2,293,199
Current accounts	(151,078,988)	327,431,681
	786,499,196	**1,020,562,539**

23 Members deposits and Savings

	2021 Kshs	2020 Kshs
Member Deposits MPA	21,224,720,448	20,155,938,467
Member Savings Acc FOSA	1,091,369,767	1,165,547,554
Harambee Plaza Shares-H.P.S	164,022,044	164,059,055
Fixed Deposit / Call Deposit Accounts	49,544,569	36,686,688
Harambee Investment Savings Account	8,906,066	3,158,885
Giant Junior Savings Account	1,721,911	663,663
Corporate Savings Acc FOSA	188,215	68
	22,540,473,020	**21,526,054,381**

2021 Movement in Deposits and savings

	Withdrawable Deposits	Short term Deposits	Non withdrawable Deposits	Total Deposits
As at 01 January	164,059,055	20,196,447,772	1,165,547,554	21,526,054,381
Deposits during the year	29,916,514,507	94,312,376	3,196,425,623	33,207,252,506
Withdrawal/refunds during the year	(29,990,692,294)	(74,497,930)	(2,127,643,643)	(32,192,833,867)
As at 31 December	**89,881,267**	**20,216,262,218**	**2,234,329,535**	**22,540,473,020**

2020 Movement in Deposits and savings

As at 01 January	1,165,547,554	204,568,360	20,155,938,467	21,526,054,381
Deposits during the year	26,899,931,584	74,297,360	3,282,384,737	30,256,613,681
Withdrawal/refunds during the year	(26,794,292,551)	(63,407,340)	(2,015,449,021)	(28,873,148,912)
As at 31 December	**1,271,186,587**	**215,458,380**	**21,422,874,183**	**22,909,519,150**

There are no members holding more than 25% of total members deposits.

NOTES (CONTINUED)

			2021 Kshs	2020 Kshs
24	**Land Projects deposits**			
	Greenfields		321,635,603	321,635,603
	Kisumu		3,622,733	3,395,000
	Voi Plots		2,526,737	2,526,737
	Mombasa plots		1,909,756	1,909,756
	Busia plots		773,568	773,568
	Uasin gishu		271,000	271,000
	Athi River Plots		232,071	232,071
	Muranga project		14,000	14,000
	Siaya		5,000	5,000
			330,990,468	**330,762,735**
25	**Borrowings**			
	Loan Capital - Kuscco		-	-
	Term Loan - CoopBank		2,145,000,000	2,745,000,000
	Workig Capital & Insurance Financing loans		1,321,944,444	278,056,488
			3,466,944,444	**3,023,056,488**
	Loans Movement			
	At 1st January		3,023,056,488	1,331,540,590
	Advanced in the year		3,234,280,483	3,234,280,483
	Repayments		(2,790,392,527)	(1,542,764,585)
	Balance as at 31st December		**3,466,944,444**	**3,023,056,488**
	The borrowings are analysed as follows:			
	Current		3,466,944,444	3,023,056,488
	Non -current		-	-
			3,466,944,444	**3,023,056,488**

The Term loan from Cooperative Bank of Kenya is secured by a legal charge on LR/209/9966 Harambee plaza and a lien over the society's savings deposits with the bank.

There are no borrowings exceeding the core capital nor are there any borrowings exceeding 25% of the total assets.

The exposure of the society's borrowings to interest rate changes and the contractual reprising dates at the reporting date are as follows:

Non-interest bearing		-	-
6 months or less		-	-
6 - 12 months		-	-
1 - 5 years		3,466,944,444	3,023,056,488
Over 5 years		-	-
		3,466,944,444.30	**3,023,056,488**

In the opinion of the directors, the carrying amounts of short-term borrowings approximate their fair value.

The carrying amounts of the society's borrowings are denominated entirely in Kenya Shillings.

NOTES (CONTINUED)

26 Payables & Accruals

	2021 Kshs	2020 Kshs
Other payables & accruals	122,686,928	114,552,419
Society returned cheques	46,048,875	46,068,540
Creditors & accruals- Sale of properties (Houses)	33,555,015	33,555,015
Society general control account-Funds in transists	23,055,342	23,057,034
Unallocated receipts	6,026,283	2,878,928
Provisions for outstanding leave days	3,209,018	2,711,266
Harambee Investment-Land deposits	1,581,565	18,430,317
Coretech payables	-	1,390,553
	236,163,027	**242,644,073**

In the opinion of the directors, the carrying amounts of other payables approximate their fair value. The maturity analysis of the society's other payables is as follows:

	0 to 1 month	2 to 3 months	4 to 12 months	Total
2021	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Trade payables	9,714,327	122,686,928	-	132,401,256
Accruals	-	-	6,026,283	6,026,283
Other payables	37,389,714	3,209,018	57,136,756	97,735,488
	47,104,042	**125,895,946**	**63,163,039**	**236,163,027**
2020				
Trade payables	-	18,430,317	-	18,430,317
Accruals	-	-	18,097,926	18,097,926
Other payables	100,556,313	2,878,928	102,680,589	206,115,830
	100,556,313	**21,309,245**	**120,778,515**	**242,644,073**

27 Taxation

	2021 Kshs	2020 Kshs
As at 01 January	8,115,624	8,734,975
Charge for the year	33,908,606	30,225,481
Payment made during the year	(42,051,865)	(30,844,832)
As at 31 December	**(27,634.21)**	**8,115,624**

NOTES (CONTINUED)

		2021 (Kshs)	2020 (Kshs)
28 a	**Interests Members deposits**		
	As at 01 January	1,202,587,638	1,211,931,388
	Proposed interest on members deposits	1,449,285,059	1,166,921,315
	Payments during the year	(1,122,981,915)	(1,176,265,065)
	Prior year Over provision	(69,605,723)	-
	As at 31 December	**1,459,285,059**	**1,202,587,638**
b	**Dividended, Honoraria & Staff Bonus**		
	As at 01 January	119,303,895	128,537,953
	Payments during the year	(119,303,895)	(128,537,953)
	Proposed dividends to members	164,503,919	119,303,895
	Proposed BOD Honoraria & Staff Bonus	19,381,049	-
	As at 31 December	**183,884,968**	**119,303,895**

The directors recommended a provision of 7% (2020:6%) interest on members deposits and a provision of 8% (2020:6%) dividends on share capital.

29 Share Capital

Undetermined number of shares of Kshs 20/= each issued and paid

As at 01 January	1,988,324,747	1,977,509,771
Issued Share Capital	67,974,245	10,814,976
As at 31 December	**2,056,298,992**	**1,988,324,747**

30 Reserves

Assets revaluation reserve	2,564,793,677	2,577,368,513
Statutory reserves	1,113,210,710	1,113,210,710
Capital reserves	158,366,719	158,366,719
Retained Earnings	500,521,821	251,982,294
	4,336,892,928	**4,100,928,236**

31 Sinking fund

Income	217,706,811	229,649,716
Receipts from CIC	699,990,869	501,195,213
Claims in transit	10,102,861	20,971,148
Contributions during the year	**927,800,541**	**751,816,077**
Expenditure		
Funeral expenses	710,093,729	522,166,361
Premiums Paid to CIC for Loan Guard Insurance Cover	232,581,659	243,847,474
Loans claimable from CIC		
	942,675,388	766,013,835
	(14,874,847)	**(14,197,758)**

NOTES (CONTINUED)

		2021 (Kshs)	2020 (Kshs)
32	**Rights of use assets (IFRS16)**		
	Cost:		
	At start of the year	29,710,183	34,217,953
	New lease	-	-
	Eliminated after end of lease	-	(4,507,770)
	At end of the year	**29,710,183**	**29,710,183**
	Accumulated depreciation:		
	At start of the year	11,860,043.00	8,412,972
	Charge for the year	8,845,143	7,954,841
	Eliminated upon lease end		(4,507,770)
	At end of the year	20,705,186	11,860,043
	Carrying Amount	**9,004,997**	**17,850,140**
33	**Lease liabilities (IFRS 16)**		
	Non Current	-	-
	Current	12,186,030	20,703,946
		12,186,030	20,703,946
	Total Cash Outflow for leases in the year		
	Payment of principle portion of the lease liability	8,517,917	9,052,170
	Interest paid on lease liabilities	4,825,310	3,470,212
		13,343,226	**12,522,382**
34	**Staff Gratuity**		
	At start of the year	15,386,660	9,357,278
	Addition provision during the year	8,042,663	7,555,426
	Payment during the year	(13,923,007)	(1,526,044)
	At end of the year	**9,506,315**	**15,386,660**
	Analyzed as:		
	Current	-	-
	Non Current	9,506,315	15,386,660
		9,506,315	**15,386,660**
35	**Other Accrued liabilities**		
	Staff Outstanding leave days		
	At start of the year	2,711,266	2,338,008
	Charge to income statement	497,752	373,258
	At end of the year	**3,209,018**	**2,711,266**

NOTES (CONTINUED)

		2021 (Kshs)	2020 (Kshs)
36	**Related party transactions and balances**		
	The following transactions were carried out with related parties:		
a	**Insider deposits**		
	Total deposits and savings outstanding at year end		
	Due to Supervisory Committee	5,220,020	4,422,520
	Due to directors	30,159,911	24,740,720
	Due to key management	26,970,697	24,576,497
	Due to other employees	71,949,228	66,428,744
	At end of year	**134,299,856**	**120,168,481**
b	**Senior management personnel compensation**		
	Post employment benefit	56,887,284	54,536,826
	Due to other employees	307,782,214	395,111,495
		364,669,498	**449,648,321**
c	**Insider loans and Advances**		
	At start of year	306,805,978	292,539,251
	Advances	295,780,851	598,605,115
	Interest charged	43,091,805	38,565,269
	Repayment	(308,338,275)	(622,903,657)
	At end of year	**337,340,359**	**306,805,978**
	Analysis of Insider loans and Advances:		
	Directors	45,055,517	32,396,731
	Supervisory	7,793,224	2,475,752
	Key Management staff	77,336,396	77,010,934
	Other Employees	207,155,222	194,922,560
		337,340,359	**306,805,978**

Loans and advances to Directors and staff (related parties) are subject to interest rates that are applicable to all members, have due dates at the end of every month and are fully secured.

37 Commitments and contingencies

There are a number of cases against the SACCO pending before the courts for which rulings were yet to be made. The directors based on advise from the legal advisers do not expect any major claims to arise from these cases. Therefore no provision has been made in these financial statements.

38 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 2021 and 2020 were as follows:

	2021 (Kshs)	2020 (Kshs)
a) Core capital of not less than Shs 10 million		
As per statement of financial position	3,828,398,243	3,511,884,470
b) Core capital of not less than 10% of total assets		
As per statement of financial position	11%	11%
c) Institutional capital of not less than 8% of total assets		
As per statement of financial position		
	5%	5%
d) Core capital of not less than 8% of total deposits		
As per statement of financial position	17%	16%

39 Incorporation

Harambee Savings and Credit Co-operative Society Limited is registered in Kenya under the SACCO Societies Act No. 14 of 2008 as Savings and Credit Co-operative Society and is domiciled in Kenya.

40 Presentation currency

The financial statements are presented in Kenya Shillings (Shs.)/Kenya Shillings rounded off to the nearest shilling.

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