VISION

To be a leading world class preferred and trusted SACCO in the provision of unique, quality and highly efficient services to members

MISSION

To provide timely and conveniently innovative, competitive, affordable as well accessible products and services

CONTENTS **PAGE**

Ushuru Sacco Office block ongoing construction, inner view

USHURU CO-OPERATIVE SAVINGS & CREDIT SOCIETY LIMITED
P.O BOX 52072,
NAIROBI

10th March 2017

NOTICE

By the Authority of the Ushuru Sacco Board, and in compliance with the Society's By-Laws Rule 42, Notice is hereby given that the 31st Annual Delegates Meeting shall be held on Saturday the 25th March 2017 at the Flamingo Beach Resort and Spa, Mombasa starting at 9.00 a.m.

AGENDA

1. Reading of the Notice convening 31st Annual Delegates Meeting and the declaration of the meeting having been properly constituted.
2. Confirmation of the Minutes of the 30th Annual Delegates Meeting held on the 9th April 2016 at Hotel Cathay, Nakuru.
3. Matters arising there from.
4. Report of the National Chairman.
5. Address by the Guest of Honour.
6. Consider and approve the report of the National Chairman.
7. Receive the Reports of:
   (a) Branch Chairpersons.
   (b) Supervisory Committee.
8. Receive and approve the Auditor's Report and Accounts for the year ending 31st December 2016.
9. Consider and approve the operating Budget for the period covering 1st January 2018 to 31st December 2018, together with amendments to the year 2017 budget.
10. Disposal of the year 2016 surplus.
11. Fixing the Society's Borrowing Powers.
12. Appointment of the Society's Auditor for the financial year 2017.
13. Resolutions.
14. Elections of Board and Supervisory Committee members.
15. Any Other Business for which a notice has been given.

Please observe strict time of this meeting

FRANK ROBERT.
NATIONAL HON. SECRETARY

BOARD OF DIRECTORS

Isaac Kiprop
National Chairman

Frank Robert
National Hon. Secretary

Oliver Sikuku
National Vice Chairman

Clemence Wawuda
National Treasurer

Mark Odhiambo
Director

Onesmus Nzuki
Director

Samuel Wachiuri
Director

Dominic Mokaya
Director

Walter Murabula
Director

William Pudha
Chief Executive Officer

SUPERVISORY COMMITTEE

William Ndiritu
Chairman

Christopher Ngilu
Secretary

Joab Muniala
Member

MANAGEMENT STAFF

William Pudha
Chief Executive Officer

Edward Obilo
Finance Manager

Cynthia Mwakalama
Credit Manager

Wycliffe Mutuli
IT Manager

Elizabeth Ouko
Audit Manager

CHAIRMAN'S REPORT

Preamble

The Board of Directors is pleased to present the Annual Report and audited Financial Statements for the year ending 31st December 2016.

Economic review

The year 2016 presented yet another stable macro-economic environment for business. Overall inflation eased marginally from an average of 6.63 percent the previous year to 6.47 in 2016. The previous year's inflation was mainly attributable to increase in food prices due to delayed rains. This eased in the first half of 2016 as a result of improved weather conditions which boosted agricultural production and stable global oil prices. The foreign exchange market remained relatively stable despite heightened global uncertainties. On the other hand, stability of the Kenya Shilling was supported by the Central Bank of Kenya's closer monitoring of the market including but not limited to the period after the June 23, 2016 Brexit Vote.

The Co-operative Sector Overview

Despite the signing into law interest capping bill on 24th August 2016, which saw the bank lending rate reduced significantly, the SACCO has not had any major fluctuations on the loan uptake which means that our competitiveness is unscathed. We have ensured that all our special products are priced within the maximum commercial ceiling to maintain our competitiveness. However, it is wakeup call for the SACCO sector to be more proactive by coming up with innovative ways of income generation if the competitive edge is to be maintained. This is so critical dear delegates because it is safer to stay ahead of competition than to catch up with competition.

Performance Overview

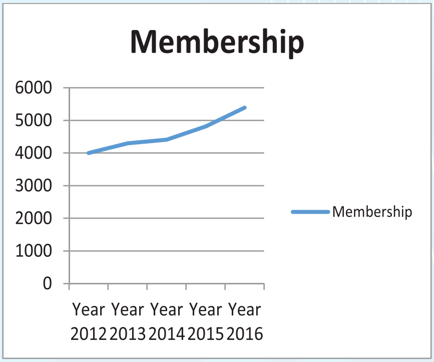
The SACCO has continued to witness a steady and sustainable growth in the past one year. Interest on loans and advances increased by 24% while the total income net of interest rebates on members' deposits (proposed) increased by 14.2% compared to the previous year. The SACCO recorded a 14% increase in total assets with member's deposits and loans growing by 13.6% and 13% respectively. The interest on members' deposits proposed went up by 14.2% while proposed dividends on share capital went up by 21.9% in comparison to the previous years as highlighted in the report of the Board of Directors. I am also pleased to report to you that during the 94th Ushirika Day held on 2nd July 2016, the Society was commended and rewarded with six coveted trophies for excelling in various competitive slots, which included best loan services and credit management within its category of Saccos nationally, as well as in the overall SACCO sub-sector in the country, lowest expenditure, highest Average savings Parastatal Sector (3rd Position), best managed SACCO nationwide (Kisumu branch), and finally Champions football (men).

Future Outlook

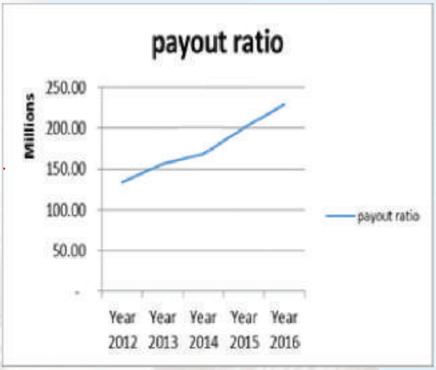
The financial sector in general projects a growth trajectory in 2017, the general elections notwithstanding. This therefore means that with strategic positioning, we stand to reap from the positive turnaround. I wish to reiterate that we commit to be more innovative in terms of services offered, bringing more members on board and employing Just in Time approach in cashing on various opportunities available to us. Other than the Sacco amendment Act 2017, we are not privy to any other legislations or regulations in the pipeline which may lead to punitive or facilitative operating environment. However, the fact of the matter is that the future belongs to those who prepare for it now.

In conclusion, I want to take this opportunity to extend special thanks to our members for your continued support as well as the board of directors, the supervisory committee, delegates and members of staff for helping us keep the promise to our members

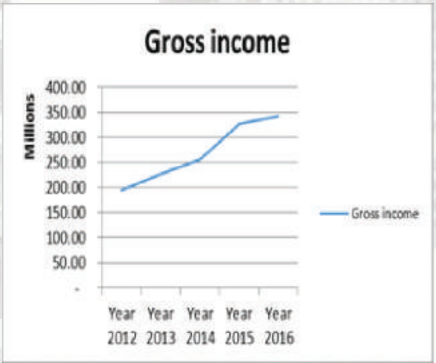
Isaac Kiprop
National Chairman

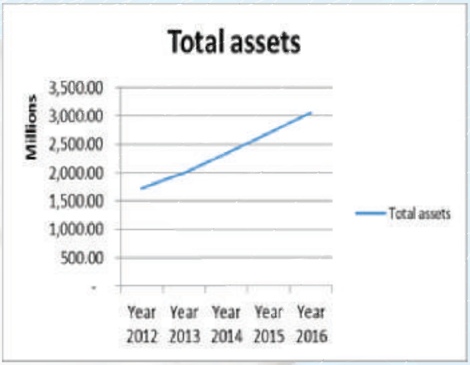

Membership
6000
5000
4000
3000
2000
1000
0
Year 2012
Year 2013
Year 2014
Year 2015
Year 2016
Membership

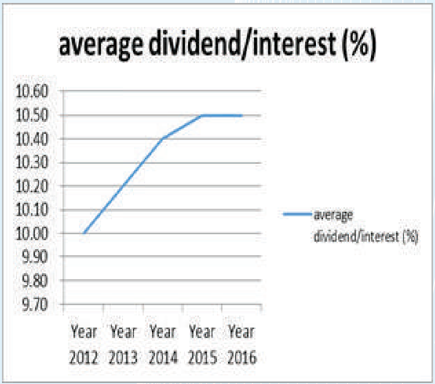

loan balances
Millions
3,000.00
2,500.00
2,000.00
1,500.00
1,000.00
500.00
-
Year 2012
Year 2013
Year 2014
Year 2015
Year 2016
loan balances

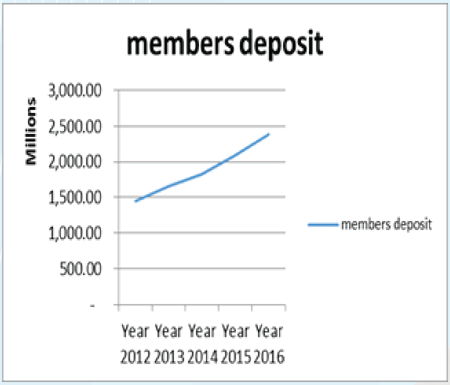

payout ratio
Millions
250.00
200.00
150.00
100.00
50.00
-
Year 2012
Year 2013
Year 2014
Year 2015
Year 2016
payout ratio

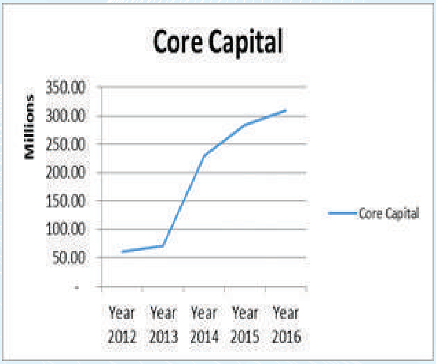

share capital
Millions
70.00
60.00
50.00
40.00
30.00
20.00
10.00
-
Year 2012
Year 2013
Year 2014
Year 2015
Year 2016
share capital

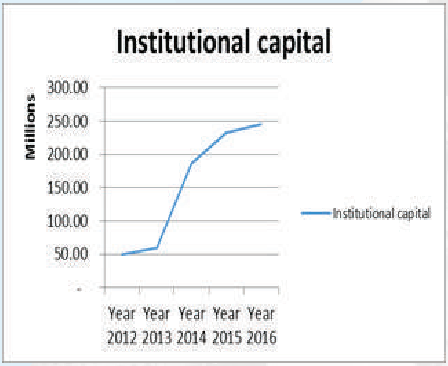

Gross income
Millions
400.00
350.00
300.00
250.00
200.00
150.00
100.00
50.00
-
Year 2012
Year 2013
Year 2014
Year 2015
Year 2016
Gross income


Total assets
Millions
3,500.00
3,000.00
2,500.00
2,000.00
1,500.00
1,000.00
500.00
-
Year 2012
Year 2013
Year 2014
Year 2015
Year 2016
Total assets


average dividend/interest (%)
10.60
10.50
10.40
10.30
10.20
10.10
10.00
9.90
9.80
9.70
Year 2012
Year 2013
Year 2014
Year 2015
Year 2016
average dividend/interest (%)


members deposit
Millions
3,000.00
2,500.00
2,000.00
1,500.00
1,000.00
500.00
-
Year 2012
Year 2013
Year 2014
Year 2015
Year 2016
members deposit


Core Capital
Millions
350.00
300.00
250.00
200.00
150.00
100.00
50.00
-
Year 2012
Year 2013
Year 2014
Year 2015
Year 2016
Core Capital


Institutional capital
Millions
300.00
250.00
200.00
150.00
100.00
50.00
-
Year 2012
Year 2013
Year 2014
Year 2015
Year 2016
Institutional capital

Ushuru Sacco Office block ongoing construction, outer view

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

Responsibilities
The delegates' role is to appoint the Board of Directors and External Auditors. The delegates consider and approve the Company's Audited Accounts and approve payment of dividends and interest on deposits to the members.

The Management Board
The Board of Directors is responsible and accountable for the governance of the Society, and is mandated to conduct the business and operations of USHURU with integrity and in accordance with generally accepted corporate governance principles.

Management Board composition
The Board of Directors consists of nine members with the Chief Executive Office as ex-official. The separate roles of Board and the Chief Executive officer are practiced and clearly defined in the by laws that are regularly revised to be in line with legislation and statutes.
The Board meets each month to deliberate on management accounts and to discuss reports from each sub-committee besides dealing with any strategic issues and opportunities for the SACCO in the course of its business.

Supervisory Committee
The Supervisory Committee members are elected by and from the members of the Annual Delegates Meeting and it consist of three members. The members of the Committee retire on rotational basis. They are charged with safeguarding members fund by ensuring that proper policies are in place and the internal control system is adequate. No member of the Management Board may be elected to the Supervisory Committee.

Board committees
The Board has constituted several committees to assist in discharging its responsibilities and obligations. The society had five sub-committees Executive, credit, Education, Investment and Audit and two adhoc Committees Staff Advisory and Strategic and planning committee in place during the year with terms of reference clearly defined in the By-law to facilitate decision making of the Board of Directors in the execution of its powers, duties and authorities

1. Executive Committee - Chaired by Isaac Kiprop
2. Credit Committee - Chaired by Domnic Mokaya
3. Education Committee - Chaired by Oliver Sikuku
4. Investment Committee - Chaired by Clemence Wawuda
5. Audit Committee - Chaired by Samuel Wachiuri

Executive Committee
This consists of the Chairman, Vice Chairman, Secretary and Treasurer. Their function is to assist the CEO in the oversight and day-to-day management as well as providing general direction for the Company. This is in addition to those duties as prescribed in the By-laws.

Credit Committee
The credit committee is made up of three members drawn from the management committee. The committee is entitled to inquire carefully into the character and financial conditions of each loan applicant, and the guarantors, to ascertain ability of the applicant to repay the loan fully and promptly.

Education Committee
This committee consists of three members of the management committee with the vice-chairman as the head

of the committee. This committee is responsible for organizing educational tours, seminars and training to both members of the BOD and staff.

Investment Committee

Investment committee also constitutes three members from the management committee whose primary roles is to determine investment projects and savings the society can engage in or trade. This committee is chaired by the National Treasurer of the Society.

Audit Committee

This committee ensures Oversight and review of financial, audit and internal control issues, compliance to regulations, policies and best practices and it consists of not more than three members appointed from the Board, one of whom is to be conversant with financial and accounting matters. The executive officials are not members of the Audit Committee.

Board meetings and attendance

The full Board meets regularly, with at least twelve formal meetings a year, and serves a notice indicating a schedule of matters reserved for discussion. The directors receive appropriate and timely reports to enable them to exercise full and effective control over strategic, financial, operational, compliance and governance issues. A careful balance of formal and informal meetings throughout the year exists and there is an atmosphere of cordial relations. This creates an environment that encourages challenge, consultation, information sharing, innovative thinking and openness in communication. The directors have full access to corporate information and sufficient detail to enable a productive and open discussion. There is diversity in the Board which ensures that the level of debate is both detailed and of a high technical standard.

The table below is a summary of the attendance record of the directors at the full and the Board committee meetings.

	Board Meeting		Credit Committee		Education Committee		Supervisory Committee		Investment Committee		Audit Committee		Executive Committee	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
Isaac Kiprop	12	11											12	12
Oliver Sikuku	12	10			4	4							12	12
Frank Robert	12	11							4	4			12	11
Clemence Wawuda	12	10							3	3			9	7
Onesmus Nzuki	12	10			4	3					3	3		
Samuel Wachiuri	9	8	9	9							3	3		
Walter Murabula	9	4			3	2								
Domnic Mokaya	9	8	9	9							3	3		
Mark Odhiambo	12	8	12	4					3	2				
William Ndiritu							3	3						
Joab Muniala							4	2						
Christopher Ngilu							4	4						

Notes:

(a) Number of meetings convened during the year when the director was a member

(b) Number of meetings attended by director during the year

Conflicts of interest

All directors are under a duty to avoid conflicts of interest. This entails not engaging, directly or indirectly, in any business that competes or conflicts with the Society's business. The Society has established a robust process requiring directors to disclose outside business interests before they are entered into. Any potential or actual conflicts of interest are reported to the Honourable Secretary.

Internal controls

The Management recognises its role to grow shareholder value while adhering to approved risk assessment procedures and limits. This is done by identifying risks that may inhibit the Society from achieving its objectives, analysing those risks, avoiding certain risks and implementing plans for mitigating risks that remain.

The Board is committed to managing risk and to controlling its business and financial activities in a manner which enables it to maximise profitable business opportunities, manage and ensure compliance with applicable laws and regulations and enhance resilience to external events.

The effectiveness of the Society's internal control system is reviewed regularly by the Board through a Management framework and the Internal Audit function.

The Internal Audit function monitors compliance with policies and standards and the effectiveness of internal control structures of the Society through its programme of audits. The work of the Internal Audit function is focused on the areas of greatest risk as determined by a risk-based assessment methodology. The Internal Audit function reports to the Board Audit Committee.

The Society's business is conducted within a developed control framework, underpinned by policy statements, written procedures and control manuals. This ensures that there are written policies and procedures to identify and manage risk, including operational risk, liquidity risk and credit risk. The Board has established a management framework that clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated.

The performance of the Society's businesses is reported to the management and the Board. Financial information is prepared using appropriate accounting policies, which are applied consistently. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets.

Code of Conduct

The Society has a Code of Conduct, relating to the lawful and ethical conduct of business which is supported by the Society's core values. All directors, management and employees are required to observe the Code of Conduct and are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulators.

Communication with members

The Board recognizes the importance of good communications with all members. The Annual Delegates Meeting (ADM) as well as the published annual report is used as an opportunity to communicate with all members. The Board uses electronic means to communicate with members and members are encouraged to visit www.ushurusacco.com to receive our annual reports.

Going concern

The Board confirms that it is satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, it continues to adopt the going concern basis when preparing the financial statements.

The Directors are responsible for the preparation and presentation of the financial statements of USHURU SACCO Limited which comprise the statement of financial position at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The directors accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Employment equity

The Society is committed to the creation of an organisation that supports the equality of all employees and is committed to the elimination of any form of discrimination in the work place. Our policy covers recruitment, staff development, retention and cultural diversity.

The Society manages the development of functional skills through the "License-to-Work" approach. This approach ensures that all employees are competent to perform their specific duties within a given time frame.

Remuneration Policy

The remuneration for the Directors consists of sitting allowance paid quarterly, annual honoraria, monthly travelling allowances for attending Board and committee meetings. Information and disclosures relating to the Directors remunerations and salary emoluments paid to key management staff are contained in the financial statements. The Society endeavors to review and approve competitive remuneration packages, which are designed to attract, retain and motivate staff.

Corporate Social Responsibility

The Board is conscious of its Social obligation to conduct the affairs of the society in a manner that cherish ethical values, compliance to existing laws and regulations and concern to the community in general. The society engages in social activities on annual basis to accomplish this endeavor.

Terry Child Support and Youth Resource Centre, Machakos (2016)

SOCIETY INFORMATION

MANAGEMENT BOARD	: Mr. Isaac Kiprop	- National Chairman
	: Mr. Oliver Sikuku	- National Vice Chairman
	: Mr. Frank Robert Omondi	- National Hon. Secretary
	: Ms. Clemence Wawuda	- National Treasurer
	: Mr. Walter Murabula	- Member
	: Mr. Mark Odhiambo	- Member
	: Mr. Domnic Mokaya	- Member
	: Mr. Onesmus Nzuki	- Member
	: Mr. Samuel Wachiuri	- Member
	: Mr. William Pudha	- Chief Executive Officer
SUPERVISORY COMMITTEE	: Mr. William Ndiritu	- Chairman
	: Mr. Christopher Ngilu	- Secretary
	: Mr. Joab Muniala	- Member

REGISTERED OFFICE
: Ushuru Co-operative Savings and Credit Society Limited
: Forodha House 2nd Floor
: P.O. Box 52072, 00200
: NAIROBI

: Telephone: 020-2719660
: Email: ushurusacco@africaonline.co.ke

INDEPENDENT AUDITOR
: PKF Kenya
: Certified Public Accountants
: P.O. Box 14077, 00800
: NAIROBI

PRINCIPAL BANKERS
: Co-operative Bank of Kenya Limited
: Ukulima House Branch
: NAIROBI

LEGAL ADVISORS:
: J.Louis Onguto & Co. Advocate
: City House 3rd Floor
: NAIROBI

: Saende & Ochola Advocates
: Hazina Towers 7th Floor
: NAIROBI

: Keengwe & Co. Advocates
: Luther Plaza 1st Floor,
: NAIROBI

REPORT OF THE DIRECTORS

The directors submit their annual report together with the audited financial statements for the year ended 31 December 2016 which show the society's state of affairs.

Incorporation

The society is incorporated in Kenya under the Co-operative Societies Act, Cap. 490 and is in Kenya.

Principal activity

The principal activity of the society continues to be receiving savings from and provision of loans to its members.

Results

	2016 Shs	2015 Shs Restated*
Operating surplus before tax	27,413,898	47,632,990
Income tax expense	(3,774,509)	(5,917,289)
Surplus for the year	23,639,389	41,715,701
Interest on members' deposits	(238,750,400)	(218,413,682)

Investment shares

The issued and paid up share capital of the society was increased during the year from Shs. 52,998,978 (2014: Shs. 43,857,879) to Shs. 64,608,002 (2015: Shs. 52,998,978).

Dividends and interest

The management committee recommends payments of first and final dividend of 12% on share balance. They also recommend 10.5% on weighted members deposit and 9% on special savings.

Management board

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

Independent auditor

PKF Kenya was appointed during the year and continues in accordance with Co-operative Societies Act, Cap. 490.

BY ORDER OF THE BOARD

Signature.. date 8th March 2017

Secretary

*** - Refer to note 25**

FINANCIAL AND STATISTICAL INFORMATION

Membership		As at 31 December 2016 Numbers	2015 Numbers
As at 1 January		4,817	4,405
Members who joined within the year		738	519
Withdrawals during the year		(165)	(107)
		5,390	4,817
Comprising:	- Active	5,207	4,621
	- Dormant	183	196
		5,390	4,817
Number of employees		16	16

Financial	2016 Shs	2015 Shs
Total assets	3,064,675,481	2,697,617,348
Members' deposits	2,501,944,562	2,194,172,199
Loans and advance to members	2,435,313,623	2,153,121,256
Provision for loan losses	1,781,711	-
Investments	35,737,951	39,562,819
Total revenue	342,183,250	328,173,909
Total interest income	284,110,750	229,440,496
Total expenses	318,543,861	286,458,208
Investment shares	64,608,002	52,998,978
Statutory reserve	36,540,910	31,813,032
Appropriation account	104,258,659	91,841,530
Core capital	310,377,216	285,034,970
Institutional capital	245,769,214	232,035,992

Key ratios:	2016 %	2015 %
Capital adequacy ratios		
Core capital/Total assets	10.1%	10.6%
Core capital/Total deposits	12.4%	13.0%
Institutional capital/Total assets	8.0%	8.6%
Liquidity ratio		
Liquid assets/Total deposits and short-term liabilities	12%	13%
Operating efficiency/loan quality ratios		
Total expenses/Total revenue	93%	87%
Interest to members deposits/Total revenue	70%	67%
Interest rate on members' savings	10.5%	10.5%
Dividend rate on members share capital	12%	12%
Total delinquent loans/Gross loan portfolio	0.1%	0%

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Co-operative Societies Act, Cap. 490 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the society as at the end of the financial year and of its surplus or deficit for that year. It also requires the directors to ensure that the society keeps proper accounting records that are sufficient to show and explain the transactions of the society; that disclose, with reasonable accuracy, the financial position of the society and that enable them to prepare financial statements of the society that comply with the International Financial Reporting Standards and the requirements of the Co-operative Societies Act, Cap. 490. The directors are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Co-operative Societies Act, Cap. 490. 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 2016 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 Co-operative Societies Act, Cap. 490.

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.

So far as each of the directors is aware, there is no relevant audit information which the auditor is unaware of, and each of the directors has taken all the steps that ought to have been taken in order to become aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the board of directors on 8th March 2017 signed on its behalf by:

____________________ CHAIRMAN

____________________ BOARD MEMBER

____________________ BOARD MEMBER

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF USHURU SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

Opinion

We have audited the financial statements of Ushuru Savings and Co-operative Credit Society Limited set out on pages 8 to 42, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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 Sacco's financial position as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and Co-operative Societies Act, Cap. 490.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Sacco 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.

Other information

The directors are responsible for the other information. The other information comprises the report of the directors, financial and statistical information and statement of directors' responsibilities but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 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, 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.

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 IFRSs and the requirements of the Co-operative Societies, Act Cap. 490 and for such internal control 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.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF USHURU SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED (CONTINUED)

Responsibilities of directors for the financial statements (continued)

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 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. Those charged with governance are responsible for overseeing the society's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, 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 director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report 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 auditor's report. However, future events or conditions may cause the company 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.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF USHURU SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED (CONTINUED)

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

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.

The engagement partner responsible for the audit resulting in this report of the independent auditor is CPA Patrick Kuria - P/No. 2045.

PKF Kenya

Certified Public Accountants
Nairobi

March 9, 2017

100/17

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2016 Shs	2015 Shs Restated*
Revenue			
Interest income:			
- Interest on loans and advances	2 (a)	284,110,750	229,440,496
- Other interest income	2 (b)	12,070,915	27,969,985
Total interest income		296,181,665	257,410,481
Interest expenses	2 (c)	(238,750,400)	(218,413,682)
Net interest income		57,431,265	38,996,799
Other operating income	2 (d)	46,001,585	70,763,428
Impairment (charge) on loan and advances	8	(1,781,711)	-
Governance expenses	26	(25,804,097)	(20,846,062)
Administrative expenses	27	(43,729,012)	(37,649,675)
Other operating expenses	28	(4,704,132)	(3,631,500)
Surplus before tax		27,413,898	47,632,990
Income tax expense	5	(3,774,509)	(5,917,289)
Surplus for the year		23,639,389	41,715,701
Other comprehensive income:			
Items that will not be reclassified subsequently to surplus or deficit:			
Gain on property revaluation		-	3,920,000
Items that may be reclassified subsequently to surplus or deficit:			
- Fair value (loss) on available for sale financial assets	3	(3,824,868)	(2,358,071)
Total comprehensive income		19,814,521	43,277,630
Dividend:			
Proposed final dividend for the year		7,752,960	6,359,877

The notes on pages 13 to 42 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

*** - Refer to note 25**

	Notes	2016 Shs	As at 31 December 2015 Shs Restated*	2014 Shs Restated*
ASSETS				
Cash and bank balances	6	310,023,823	289,320,696	501,523,000
Receivables and prepayments	7	62,225,645	55,856,096	24,939,188
Loans and advances to members	8	2,433,531,912	2,153,121,256	1,738,645,750
Financial assets	9	35,737,951	39,562,819	41,481,778
Investment property	10	189,385,523	153,301,337	32,984,028
Assets held-for-sale	11	22,000,000	-	-
Property and equipment	12	5,137,585	6,223,028	3,345,698
Intangible assets	13	3,001,987	232,116	232,116
Tax recoverable	4	3,631,055	-	-
Total assets		3,064,675,481	2,697,617,348	2,343,151,558
LIABILITIES				
Other payables	14	13,603,303	7,623,893	15,723,251
Interest due	15	238,750,400	208,974,975	174,335,212
Member deposits	16	2,501,944,562	2,194,172,199	1,913,141,759
Tax payable	4	-	1,811,311	2,759,640
		2,754,298,265	2,412,582,378	2,105,959,862
FINANCED BY				
Share capital	17	64,608,002	52,998,978	43,857,879
Statutory reserve	18 (i)	36,540,910	31,813,032	23,469,892
Appropriation reserve	18 (iii)	104,258,659	91,841,530	63,424,503
RMF fund	18 (iv)	67,204,946	67,204,946	67,204,946
Revaluation reserve	18 (v)	1,960,000	2,940,000	-
Fair value reserve	18 (vi)	28,051,739	31,876,607	34,234,678
Dividend account	18 (vii)	7,752,960	6,359,877	4,999,798
		310,377,216	285,034,970	237,191,696
Total liabilities and capital		3,064,675,481	2,697,617,348	2,343,151,558

REGISTERED
SEC. 25 (9) CO-OPERATIVE SOCIETIES ACT. CAP. 490 (1997)
15 MAR 2017
COMMISSIONER FOR CO-OPERATIVE DEVELOPMENT

The financial statements on pages 8 to 42 were approved and authorised for issue by the board of directors on 8th March 2017 and were signed on its behalf by:

________________ CHAIRMAN

________________ BOARD MEMBER

________________ BOARD MEMBER

The notes on pages 13 to 42 form an integral part of these financial state[ments].

Report of the independent auditor - pages 5 to 7.

*** - Refer to note 25**

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2016	Notes	Share capital Shs	Statutory reserve Shs	Appropriation reserve Shs	Capital reserve Shs	RMF fund Shs	Revaluation reserve Shs	Fair value reserve Shs	Dividend account Shs	Total Shs
At start of year - as previosly stated		52,998,978	27,666,838	62,966,156	599,866	67,204,946	67,238,309	-	-	278,675,093
Prior year adjustment*										
- Transfer from payables		-	-	-	-	-	-	-	6,359,877	6,359,877
- Surplus on valuation of investment property		-	4,803,194	19,212,778	-	-	(24,015,972)		-	-
- Staff bonus provision reversal		-	-	3,285,000	-	-	-	-	-	3,285,000
- Increase in staff costs		-	(657,000)	(2,628,000)	-	-	-	-	-	(3,285,000)
- Transfers		-	-	9,005,596	(599,866)	-	(40,282,337)	31,876,607	-	-
At start of year - as restated*		52,998,978	31,813,032	91,841,530	-	67,204,946	2,940,000	31,876,607	6,359,877	285,034,970
Total comprehensive income:		-	-	23,639,389	-	-	-	(3,824,868)	-	19,814,521
Transfer of excess depreciation		-	-	980,000	-	-	(980,000)	-	-	-
Transfer to statutory reserve	18 (i)	-	4,727,878	(4,727,878)	-	-	-	-	-	-
Write back interest overprovison		-	-	278,578	-	-	-	-	-	278,578
Transactions with owners:										
Issue of investment shares	17	11,609,024	-	-	-	-	-	-	-	11,609,024
Dividends:										
- Paid 2015	18 (vii)	-	-	-	-	-	-	-	(6,344,735)	(6,344,735)
- 2015 overprovision		-	-	-	-	-	-	-	(15,142)	(15,142)
- Proposed 2016	18 (vii)	-	-	(7,752,960)	-	-	-	-	7,752,960	-
At end of year		64,608,002	36,540,910	104,258,659	-	67,204,946	1,960,000	28,051,739	7,752,960	310,377,216

The notes on pages 13 to 42 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

*** - Refer to note 25**

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2015	Notes	Share capital Shs	Statutory reserve Shs	Appropriation reserve Shs	Capital reserve Shs	RMF fund Shs	Revaluation reserve Shs	Fair value reserve Shs	Dividend account Shs	Total Shs
At start of year - as previously stated		43,857,879	23,469,892	54,029,883	599,866	67,204,946	41,660,408	-	-	230,822,874
Prior year adjustment* (Note 25)										
- Transfer from payables		-	-	-	-	-	-	-	4,999,798	4,999,798
- Depreciation on property and equipment		-	-	1,369,024	-	-	-	-	-	1,369,024
- Transfers		-	-	8,025,596	(599,866)	-	(41,660,408)	34,234,678	-	-
At start of year - as restated*		43,857,879	23,469,892	63,424,503	-	67,204,946	-	34,234,678	4,999,798	237,191,696
Total comprehensive income:		-	-	41,715,701	-	-	3,920,000	(2,358,071)	-	43,277,630
Transfer of excess depreciation		-	-	980,000	-	-	(980,000)	-	-	-
Transfer to statutory reserve	18 (i)	-	8,343,140	(8,343,140)	-	-	-	-	-	-
Write back interest overprovison		-	-	424,343	-	-	-	-	-	424,343
Transactions with owners:										
Issue of share capital	17	9,141,099	-	-	-	-	-	-	-	9,141,099
Dividends:										
- Paid 2014	18 (vii)	-	-	-	-	-	-	-	(4,999,798)	(4,999,798)
- Proposed 2015	18 (vii)	-	-	(6,359,877)	-	-	-	-	6,359,877	-
At end of year		52,998,978	31,813,032	91,841,530	-	67,204,946	2,940,000	31,876,607	6,359,877	285,034,970

The notes on pages 13 to 42 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

*** - Refer to note 25**

STATEMENT OF CASH FLOWS

	Notes	2016 Shs	2015 Shs
Cash from operating activities			
Interest income	2 (a)	284,110,750	229,440,496
Other interest income	2 (b)	12,070,915	27,969,985
Other operating income	2 (d)	42,716,603	45,162,941
Interest payments	2 (c)	(208,696,397)	(183,349,576)
Payment to employees and suppliers		(68,452,543)	(59,363,839)
Net cash from operating activities		61,749,328	59,860,007
Cash from/(used in) loans and advances			
Advances to members	8	(1,518,284,471)	(1,571,124,279)
Repayments	8	1,235,471,337	1,156,648,773
Increase in receivables and prepayments		(5,489,055)	(30,916,908)
Cash from/(used in) deposits			
Deposits received	16	490,775,557	522,873,527
Withdrawals	16	(183,003,194)	(241,843,087)
Increase in other payables		5,034,210	(8,261,758)
Net cash from/(used in operating activities before		86,253,712	(112,763,725)
Income tax paid		(9,216,875)	(6,865,618)
Net cash from/(used in) operating activities		77,036,837	(119,629,343)
Investing activities			
Purchase of property and equipment	12	(1,382,923)	(1,206,540)
Purchase of intangible assets	13	(4,500,730)	(348,000)
Purchase of investment property	10	(58,084,186)	(96,744,237)
Dividends received		2,384,982	1,584,515
Net cash (used in) investing activities		(61,582,857)	(96,714,262)
Financing activities			
Proceeds from shares issue	17	11,609,024	9,141,099
Dividend paid		(6,359,877)	(4,999,798)
Net cash from financing activities		5,249,147	4,141,301
Increase/(decrease) in cash and cash equivalent		20,703,127	(212,202,304)
Cash and cash equivalents at start of year		289,320,696	501,523,000
Cash and cash equivalents at end of year	6	310,023,823	289,320,696

The notes on pages 13 to 42 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

NOTES

1. Significant accounting policies

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

a) Basis of preparation

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

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

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

Going concern

The financial performance of the group is set out in the director's report and in the statement of comprehensive income. The financial position of the society is set out in the statement of financial position. Disclosures in respect of risk management are set out in note 22.

Based on the financial performance and position of the society and its risk management policies, the directors are of the opinion that the society is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

New and amended standards adopted by the society

A number of new and revised Standards and Interpretations have been adopted in the current year. Their adoption has had no material impact on the amounts reported in these financial statements.

New standards, amendments and interpretations issued but not effective

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

- Amendments issued in January 2016 to IAS 7 'Statement of Cash Flows' to improve information provided about an entity's changes in liabilities from financing activities through disclosure (as applicable) of: (i) changes from financing cash flows; (ii) changes from obtaining cash flows; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair value; and (v) other charges. There amendments are effective for annual periods beginning on or after 1 January 2017.

NOTES (CONTINUED)

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

(a) **Basis of preparation (continued)**

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

- Amendments issued in January 2017 to IAS 12 'Income Taxes' that are effective for annual periods beginning on or after 1 January 2017 clarify that unrealised losses on debt instruments that are carried at fair value give rise to a deductible temporary difference on which deferred tax arises where they are carried as cost for tax purposes.

- Amendments issued in June 2016 to IFRS 2 'Share - based Payment' which are effective for annual periods beginning on or after 1 January 2018 clarify the effects of vesting conditions on cash settled schemes, treatment of net settled schemes and modifications for equity settled schemes.

- IFRS 9 ‘Financial Instruments’ (Issued in July 2014) will replace IAS 39 and will be effective for annual periods beginning on or after 1 January 2018.It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and de-recognition.

  IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

  In respect of financial liabilities, the most significant effect of IFRS 9 where the fair value option is taken will be in respect of the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is at is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

  In respect of impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract.

  In respect of hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risks.

- IFRS 15 ‘Revenue from Contracts with Customers’ (issued in May 2014) effective for annual periods beginning on or after 1 January 2018, replaces IAS 11 ‘Construction Contracts’, IAS 18 ‘Revenue’ and their interpretations (SIC-31 and IFRIC 13,15 and 18).It establishes a single and comprehensive framework for revenue recognition based on a five-step model to be applied to all contracts with customers, enhanced disclosures, and new or improved guidance.

- IFRS 16 ‘Leases’ (issued in January 2016) 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 directors expect that the future adoption of IFRS 9, IFRS 15 and IFRS 16 may have a material impact on the amounts reported. However, it is not practicable to provide a reliable estimate of the effects of the above until a detailed review has been completed. The directors do not expect that adoption of the other Standards and Interpretations will have a material impact on the financial statements in future periods. The entity plans to apply the changes above from their effective dates noted above.

NOTES (CONTINUED)

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

b) **Critical estimates and judgement**

In the application of the accounting policies, the directors are required to make the 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.

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.

- **Impairment losses on loans and advances**

The society reviews its loan portfolios to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income , the society makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a society, or national or local economic conditions that correlate with defaults on assets in the society. The directors use estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Critical estimates have been made by the management in arriving at the discounted values of securities in order to arrive at the impairment charges for non-performing loans and advances. The values of securities are discounted using the International Financial Reporting Standards . International Accounting Standard 39 (IAS 39) on Financial Instruments: Recognition and Measurement' is based on historical experience and other relevant factors.

- **Fair value of financial instruments**

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them.

All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

The valuation of financial instruments is described in more detail in note 9.

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

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

NOTES (CONTINUED)

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

c) **Revenue recognition**

Interest income and expense

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

Fee and commission income

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

Other income

i) Entrance fee is recognised when a new member joins the society
ii) Dividend is recognised when the right to recieve income is established. Dividend are reflected as a component of other operating income based on the underlying classification of the equity instrument.
iii) Rental income is accrued by reference to time on a straight line basis over the lease term.
iv) Interest income is accrued by reference to time in relation to the principal outstanding and the effective interest rate applicable.

d) **Property and equipment**

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

Motor vehicles are subsequently shown at market value, based on periodic valuations less subsequent depreciation.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the statement of comprehensive income, in which case the increase is credited to the statement of comprehensive income to the extent of the decrease previously expensed. Decreases that offset previous increases of the same asset are charged to other comprehensive income; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to statement of comprehensive income) and depreciation based on the asset's original cost is transferred from the retained earnings to revaluation reserve.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the society and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to statement of comprehensive income during the financial year in which they are incurred.

NOTES (CONTINUED)

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

d) **Property and equipment (continued)**

Depreciation is calculated using the straight line method to write down the cost of each asset to its residual value or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

	Rate (%)
Equipment, furniture and fittings	12.5
Computers	33.3
Motor vehicles	25

The assets' residual values and lives are reviewed, and adjusted if appropriate at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating surplus. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings in the statement of changes in equity.

e) **Investment property**

Investment property are long-term investments in land and buildings that are not occupied substantially for own use. Investment property are initially recognised at cost and subsequently carried at fair value representing open market value at the reporting date Changes in fair value are recorded in statement of comprehensive income.

Subsequent expenditure on investment property where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other expenditure is recognised as an expense in the year which it is incurred.

Gains and losses on disposal of investment property is determined by reference to their carrying amount and are taken into account in determining operating surplus.

f) **Intangible assets - computer software**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Accounting software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straightline basis at the rate of 33.33% per annum.

g) **Impairment of non-financial assets and intangible assets other than goodwill**

At the end of each reporting period, Society reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

NOTES (CONTINUED)

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

g) **Impairment of non-financial assets and intangible assets other than goodwill (continued)**

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

h) **Financial instruments**

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

Financial assets

Financial assets are initially recognised 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 recognised at fair value and transaction costs are expensed in profit or loss.

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

- **Available-for-sale:** financial assets that are held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate. Such assets are classified as non-current assets except where the management intends to dispose the assets within 12 months of the reporting date. Subsequent to initial recognition, they are carried at fair value with gains or losses are recognised in other comprehensive income.

Interest on available-for-sale securities is calculated using the effective interest method and is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are also recognised in the statement of comprehensive income as part of other income when the society's right to receive payments is established.

- **Loans and receivables:** financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the statement of financial position date. Subsequent to initial recognition, such assets are carried at amortised cost using the effective interest rate method. Changes in the carrying amount are recognised in the statement of comprehensive income.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the society commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the society has transferred substantially all risks and rewards of ownership.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment of financial assets is recognised in the statement of comprehensive income under administrative expenses when there is objective evidence that the society will not be able to collect all amounts due per the original terms of the contract. Significant financial difficulties of the issuer, probability that the issuer will enter bankruptcy or financial reorganisation, default in payments and a prolonged decline in fair value of the asset are considered indicators that the asset is impaired.

NOTES (CONTINUED)

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

h) **Financial instruments (continued)**

- **Financial assets (continued)**

The amount of the impairment loss is calculated as the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate. Impairment losses are recognised in the statement of comprehensive income. For available for sale assets cumulative gains or losses previously recognised in other comprehensive income are reclassified to the statement of comprehensive income in the period.

Subsequent recoveries of amounts previously written off/impaired are credited to the statement of comprehensive income and for available for sale assets in other comprehensive income in the year in which they occur.

Gains and losses on disposal of assets whose changes in fair value were initially recognised in the statement of comprehensive income are determined by reference to their carrying amount and are taken into account in determining operating surplus. On disposal of assets whose changes in fair value were initially recognised in equity, the gains/losses are recycled to the statement of comprehensive income. Any resultant surplus/deficit after the transfer of the gains/losses are transferred to appropriation reserve.

Management classifies financial assets as follows:

Quoted investments and unquoted shares are classified as 'available-for-sale' financial instruments. The fair values of quoted investments are based on current bid prices at the reporting date. Where fair values cannot be reliably measured (unquoted investments), the society establishes fair value by using valuation techniques or carries these investments at cost less provision for impairment.

Cash in hand and balances with financial institutions, loan and advances, other receivables and tax recoverable are classified as loans and receivables and are carried at amortised cost.

Financial liabilities

The society's financial liabilities which include other payables, interest due, member deposits and tax payable fall into the following category:

- **Financial liabilities measured at amortised cost**: These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in the statement of comprehensive income under finance costs under the effective interest rate method.

All financial liabilities are classified as current liabilities unless the society has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Financial liabilities are derecognised when, and only when, the society's obligations are discharged, cancelled or expired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

NOTES (CONTINUED)

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

i) **Accounting for leases**

The society as lessee

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

The society as lessor

Assets leased to third parties under operating leases are included under investment property the statement of financial position.

Gains and losses on disposal of leased assets are determined by reference to their carrying amount and are taken into account in determining operating surplus.

j) **Taxation**

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

In particular under section 19A (4) of the Income Tax Act, the society being a designated society that carries on business as a Credit and Savings Co-operative Society, income tax only arises on interest income from non-members and any other income not arising from activities relating to advance or deposit from members.

k) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and 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.

l) **Investment shares**

Member interest are classified as equity where the entity has an unconditional right to refuse redemption of the members' shares.

Provisions in the Act, regulations or the Sacco by-laws impose unconditional prohibitions on the redemption of members' shares.

m) **Reserves**

- **Statutory reserve**
  Transfers are made to the statutory reserve fund at a rate of 20% of net operating surplus after tax in compliance with the provision of section 47 (1 and 2) of the Co-operative Societies Act, Cap 490. This reserve is not distributable.

- **Fair value reserve**
  The fair value reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectively realised, is recognised in the statement of comprehensive income. Where a revalue financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in the statement of comprehensive income.

  Gains and losses transferred from equity into statement of comprehensive income during the period are included in other gains and losses. The amounts in this reserve is not distributable.

NOTES (CONTINUED)

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

m) **Reserves (continued)**

- **Appropriation reserve**
  This comprises retained earnings and is distributable.

- **Revaluation reserve**
  This comprises surplus on revaluation of property and equipment and is not distributable.

- **RMF reserve fund**
  Members make contributions to the society to cater for insurance cover over deceased member loan balances and funeral expense benefits. The cover for the current financial year is provided by CIC. Contribution to this fund is currently set at Shs. 300 per member per month. The excess of members contributions over premium payments is recorded under RMF reserve fund. The carrying amount at the end of the period is recognised in the statement of changes in equity and the surplus is available for distribution to members.

- **Dividends account**
  Dividend is recognised as a liability by transferring funds from retained earnings to dividend account. Proposed dividends are disclosed as a separate component of equity. This reserve is distributable.

n) **Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. Comparatives have been adjusted as detailed on note 25 to the financial statements.

NOTES (CONTINUED)

	2016 Shs	2015 Shs
2. Revenue		
a) Interest income		
Interest on members loans	284,110,750	229,440,496
Total interest income	284,110,750	229,440,496
b) Other interest income		
Interest on fixed deposit account	1,600,191	156,768
Interest on term deposits	10,470,724	27,813,217
	12,070,915	27,969,985
c) Interest expenses		
Interest on members deposits	229,480,125	210,472,508
Interest on special savings	9,270,275	7,941,174
Total interest expense	238,750,400	218,413,682
Net interest income	57,431,265	38,996,799
d) Other operating income		
i) Income from core operating activities		
Rental income	3,906,000	1,381,500
Loan clearance commission	20,740,024	21,465,862
Bankers cheque commission	2,925	3,445
Dividends	2,384,982	1,584,515
Encashment commission	22,389	54,890
Entrance fee	396,500	226,000
Income from RMF (Note 23)	17,803,483	20,232,529
Miscellaneous income	745,282	1,798,715
Fair value gain on investment property (Note 10)	-	24,015,972
Total other operating income	46,001,585	70,763,428

3. Fair value loss on available for sale financial assets

Loss on valuation of financial assets during the year comprise the following:

	2016 Shs	2015 Shs
Co-opholdings Co-operative Society Limited shares	3,534,068	1,970,588
KUSCCO ordinary Shares	-	(761,081)
Co-operative Insurance Society Limited shares	290,800	1,148,564
	3,824,868	2,358,071

NOTES (CONTINUED)

4. Tax recoverable

	2016 Shs	2015 Shs
Taxation		
Balance brought forward	1,811,311	2,759,640
Add: Tax charge for the year	3,774,509	5,917,289
Less: withholding tax paid	(1,809,920)	-
Less: 2015 Tax paid	(1,811,311)	(2,759,640)
Less: 2016 Instalment tax paid	(5,595,644)	(4,105,978)
Tax due	(3,631,055)	1,811,311

5. Tax

	2016 Shs	2015 Shs
Current tax	3,774,509	5,917,289

The tax on the society's operating surplus before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

Reconciliation of the expense

	2016 Shs	2015 Shs
Surplust before tax	27,413,898	47,632,990
Tax calculated at a tax rate of 30% (2015: 30%)	8,224,169	14,289,897
Tax effects of:		
- expenses not deductible for tax purposes	94,430,805	84,162,276
- income not subject to tax	(98,880,465)	(92,534,884)
Tax charge	3,774,509	5,917,289

6. Cash and cash equivalents

Cash and cash equivalents at the end of the year comprise:-

	2016 Shs	2015 Shs
Cash in hand	10,672,663	174,317,480
Cash at bank	188,595,594	5,334,236
Short term bank deposits	110,755,566	109,668,980
Total	310,023,823	289,320,696

The weighted average effective interest rate on short-term bank deposits at year-end was 10.45% (2015: 10%).

NOTES (CONTINUED)

6. Cash and cash equivalents (continued)

For the purpose of the statement cash flows, the year end cash and cash equivalents comprise the above.

The carrying amounts of the society's cash and cash equivalents are denominated in Kenya Shillings (Shs).

7. Receivables and prepayments

	2016 Shs	2015 Shs
Trade receivables	7,185,477	7,588,353
Insurance premium (RMF)	2,862,868	2,226,100
Other debtors	48,157,271	42,921,719
Amount claimable from CIC	2,479,366	3,912,149
Loan disbursement control	1,990,486	798,611
Rent receivable	900,000	-
Credit Reference Bureau	569,240	308,721
	64,144,708	57,755,653
Provision for bad debts	(1,919,063)	(1,899,557)
Net other receivables	62,225,645	55,856,096

Ageing of receivables

	2016 Shs	2015 Shs
0 - 30 days	60,235,159	55,057,485
over 30 days	1,990,486	798,611
Total	62,225,645	55,856,096

In the opinion of the directors, the carrying amounts of receivables and prepayment approximate to their fair value.

The directors are of the opinion that the society's exposure is limited because the debt is widely held.

The carrying amounts of the society's receivables are denominated in Kenya Shillings (Shs.)

8. Loans and advances

	2016 Shs	2015 Shs
At start of year	2,153,121,256	1,738,645,750
Granted during the year	1,518,284,471	1,571,124,279
Repaid during the year	(1,236,092,104)	(1,156,648,773)
	2,435,313,623	2,153,121,256
Provision for loan losses	(1,781,711)	-
At year end	2,433,531,912	2,153,121,256

NOTES (CONTINUED)

8. Loans and advances (continued)

Loans and advances comprise of the following:	2016 Shs	2015 Shs
Normal loans	1,597,184,342	1,577,432,684
School fees loans	49,445,369	7,750,642
Emergency loans	18,990,337	23,492,243
Refinancing loans	544,620,262	392,623,261
Defaulter loans	1,212,677	2,720,103
Almasi loans	817,857	485,128
Jongea loans	2,729,384	1,372,085
Shujaa loans	198,831,021	137,347,500
Tiba loans	18,375,505	7,058,783
Mpoa loans	3,106,869	2,838,827
	2,435,313,623	2,153,121,256

Movement in provisions

	2016 Shs	2015 Shs
At start of year	-	-
Increase provisions	1,781,711	-
At end of year	1,781,711	-

The provision at the end of year as per IAS 39 is Shs. 1,781,711. The Society's financial statements are prepared based on the International Financial Reporting Standards framework hence the provisions are based as per IAS 39.

Ageing of loans to members is as follows:	2016 Shs	2015 Shs
Due within the year	67,696,546	68,543,436
Due after one year	2,365,835,366	2,084,577,820
	2,433,531,912	2,153,121,256

The society has a loan guard policy on all classes of loans issued by Co-perative Insurance Company Limited in which there is compensation of insured loan balance in the event of death or total disability of a member.

The society's credit risk arises primarily from loan receivables. The directors are of the opinion that the society's exposure is limited because the debt is widely held.

All loans are dominated in Kenya Shillings (Shs.).

Loans to insiders

Insiders are deemed to be employees, members of supervisory committees and directors of the society. The following loans were granted to insiders:

NOTES (CONTINUED)

8. **Loans and advances (continued)**

Loans to insiders (continued)	2016 Shs	2015 Shs
Total loans outstanding at end of year:	52,633,565	41,685,264
Loans to board members	15,744,972	11,277,998
Loans to branch officials	14,551,268	13,024,587
Loans to supervisory committee members	4,284,700	4,666,417
Loans to other employees	18,052,625	12,716,262
Total loans and advances	52,633,565	41,685,264

9. **Financial assets**

Available-for-sale

	2016 Shs	2015 Shs
Co-opholdings Co-operative Society Limited shares	26,561,430	30,095,498
KUSCCO ordinary Shares	5,761,081	5,761,081
Co-operative Insurance Society Limited shares	3,415,440	3,706,240
Total investments	35,737,951	39,562,819

	2016 Shs	2015 Shs
Income from available for sale financial assets (Note 2e))	2,384,982	1,584,515

The fair values of financial assets are categorised as follows:

Level 2: where fair values are based on adjusted quoted prices and observable prices of similar financial assets.

Level 3: where fair values are not based on observable market data.

Year ended 31 December 2016	Level 2 Shs	Level 3 Shs	Total Shs
Available-for-sale	29,976,870	5,761,081	35,737,951
Year ended 31 December 2015			
Available-for-sale	33,801,738	5,761,081	39,562,819

Credit risk primarily arises from the changes in the market value and the financial stability of the respective quoted companies.

Management monitors the credit quality of financial assets by:
- discussion at the management and board meetings;
- reference to external historical information available;
- discussions with the society's investment advisors;

The maximum exposure to credit risk as at reporting date is the carrying value of the financial

NOTES (CONTINUED)

10. Investment property

	2016 Shs	2015 Shs
At start of year	153,301,337	32,984,028
Additions	58,084,186	96,744,237
Transfers (to) assets held for sale (Note 11)	(22,000,000)	-
Fair value gains (Note 2 (d))	-	24,015,972
Depreciation	-	(442,900)
At end of year	189,385,523	153,301,337

The fair value of investment property was determined by reference to the market prices of similar properties of the type and in the area in which the property is situated. The valuation was carried out by Paragon Property Valuers and Consultants Limited an independent professional valuer with recent experience in the location and category of the investment property being valued.

The fair valuation of investment property is considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the property, consistent with prior periods. Management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs. There were no transfers between level 1, 2 or 3 fair values during the year.

The table above presents the changes in the carrying value of the investment property arising from these fair valuation assessments.

11. Assets held-for-sale

Investment property located at Airport View Estate and owned by the society, has been reclassified to assets held for sale following the approval by the management to dispose off the asset.

	2016 Shs	2015 Shs
Transfer from investment property (Note 10)	22,000,000	-

NOTES (CONTINUED)

12. **Property and equipment**

Year ended 31 December 2016

	Motor vehicles Shs	Computers Shs	Equipment, furniture and fittings Shs	Total Shs
Cost				
At start of year	3,920,000	5,835,784	7,187,749	16,943,533
Additions	-	886,305	496,618	1,382,923
At end of year	3,920,000	6,722,089	7,684,367	18,326,456
Comprising:				
Cost	-	6,722,089	7,684,367	14,406,456
Revaluation	3,920,000	-	-	3,920,000
	3,920,000	6,722,089	7,684,367	18,326,456
Depreciation				
At start of year	980,000	5,369,724	4,370,781	10,720,505
Charge for the year	980,000	527,820	960,546	2,468,366
At end of year	1,960,000	5,897,544	5,331,327	13,188,871
Net book values	1,960,000	824,545	2,353,040	5,137,585
Year ended 31 December 2015				
Cost				
At start of year	-	5,137,044	6,679,949	11,816,993
Additions	-	698,740	507,800	1,206,540
Revaluation	3,920,000	-	-	3,920,000
At end of year	3,920,000	5,835,784	7,187,749	16,943,533
Comprising:				
Cost	-	5,835,784	7,187,749	13,023,533
Revaluation	3,920,000	-	-	3,920,000
	3,920,000	5,835,784	5,835,784	16,943,533
Depreciation				
At start of year	-	4,998,982	3,472,312	8,471,294
Charge for the year	980,000	370,742	898,469	2,249,211
At end of year	980,000	5,369,724	4,370,781	10,720,505
Net book values	2,940,000	466,060	2,816,968	6,223,028

Motor vehicles were professionally valued on 13 June 2015 by Automobile Association of Kenya on the basis of open market. The book values of the motor vehicles were adjusted to the revaluations and the resultant surplus net of deferred tax was credited to other comprehensive income.

NOTES (CONTINUED)

13. Intangible assets (software)

	2016 Shs	2015 Shs
Cost		
At start of year	6,488,166	6,140,166
Additions	4,500,730	348,000
At end of year	10,988,896	6,488,166
Amortisation		
At start of year	6,256,050	5,908,050
Amortisation charge	1,730,859	348,000
At end of year	7,986,909	6,256,050
Net book value	3,001,987	232,116

Amortisation costs of Shs. 1,730,859 (2015: Shs. 348,000) are included in other operating expenses in the statement of comprehensive income.

14. Other payables

	2016 Shs	2015 Shs
Sundry payables	5,298,693	2,102,626
Purchase of software (NAV 2016)	1,800,293	-
Rent deposit	1,200,000	1,200,000
Audit fee	750,000	130,000
Mpesa deposit account	513,798	695,602
Staff bonus provision	3,425,000	3,285,000
Other payables	615,519	210,665
Total other payables	13,603,303	7,623,893

In the opinion of the directors, the carrying amounts of other payables approximate to their fair value.

The average credit period on purchases from suppliers is 30 days. No interest is charged on other payables.

The carrying amounts of the society's other payables are denominated in the Kenya Shillngs (Shs.).

15. Interest due to members

	2016	2015
At the start of the year	208,974,975	183,773,920
Provisions for the year	238,750,400	208,974,974
Write back of overprovision of interest payable	(278,578)	(424,343)
Payments during the year	(208,696,397)	(183,349,576)
At end of year	238,750,400	208,974,975

The carrying amounts of the society's interest due is denominated in Kenya Shillngs (Shs).

NOTES (CONTINUED)

16. **Members' deposits**

	2016 Shs	2015 Shs
At the start of the year	2,096,594,617	1,832,003,951
Deposits during the year	385,725,901	343,944,845
Withdrawals/refunds during the year	(98,971,840)	(79,354,179)
	2,383,348,678	2,096,594,617
Members' investment savings		
At the start of the year	97,577,582	81,137,808
Deposits during the year	105,049,656	178,928,682
Withdrawals/refunds during the year	(84,031,354)	(162,488,908)
	118,595,884	97,577,582
Total member savings	2,501,944,562	2,194,172,199

There are no members holding more than 20% of total members deposits.

The carrying amounts of the society's members' deposits are denominated in Kenya Shillngs (Shs).

17. **Investment shares**

	2016 Shs	2015 Shs
At start of year	52,998,978	43,857,879
Contributions for the year	11,609,024	9,141,099
At end of year	64,608,002	52,998,978
Comprising of:		
Paid up	62,184,585	50,813,134
Partly paid	2,423,417	2,185,844
	64,608,002	52,998,978

18. **Reserves**

Included in the members balances are the following reserves which are as a result of statutory requirements:-

i) **Statutory reserve**

	2016 Shs	2015 Shs
At start of year - as previously stated	27,666,838	23,469,892
Prior year adjustment		
Transfer from appropriation reserve	4,146,194	-
At start of year - as restated	31,813,032	23,469,892
Transfer from appropriation reserve account	4,727,878	8,343,140
At end of year	36,540,910	31,813,032

NOTES (CONTINUED)

18. Reserves (continued)

	2016 Shs	2015 Shs
ii) Capital reserve		
At start of year - as previously stated	599,866	599,866
Prior year adjustment		
Transfer to appropriation reserve	(599,866)	(599,866)
At start and end of year - as restated	-	-
iii) Appropriation reserve		
At start of year - as previously stated	62,966,156	54,029,883
Prior year adjustments:		
- Depreciation on property and equipment	-	1,369,024
- Capital reserve	599,866	599,866
- Transfer from revaluation reserve	8,405,730	7,425,730
- Surplus on valuation of investment property	19,212,778	-
- Staff bonus provision reversal	3,285,000	-
- Increase in staff costs	(2,628,000)	-
At start of year - as restated	91,841,530	63,424,503
Interest written back to provisions	278,578	424,343
Surplus for the year	23,639,389	41,715,701
Transfer of from revaluation reserve	980,000	980,000
Transfer to statutory reserve	(4,727,878)	(8,343,140)
Proposed dividend	(7,752,960)	(6,359,877)
At end of year	104,258,659	91,841,530
iv) RMF fund		
At start of year	67,204,946	67,204,946
Transfer to appropriation reserve	-	-
At end of year	67,204,946	67,204,946
(v) Revaluation reserve		
At start of year - as previously stated	67,238,309	41,660,408
Prior year adjustments:		
- Surplus on valuation of investment property	(24,015,972)	(7,425,730)
- Transfer of excess depreciation	(980,000)	-
- Surplus on fair value of financial assets	(39,302,337)	(34,234,678)
At start of year - as restated	2,940,000	-
Gain on valuation of property and equipment	-	3,920,000
Transfer of excess depreciation	(980,000)	(980,000)
At start and end of year - as restated	1,960,000	2,940,000
(vi) Fair value reserve		
At start of year - as previously stated	-	-
Prior year adjustments:		
Transfer from revaluation reserve	31,876,607	34,234,678
At start of year - as restated	31,876,607	34,234,678
Fair value loss	(3,824,868)	(2,358,071)
At end of year	28,051,739	31,876,607

NOTES (CONTINUED)

18. **Reserves (continued)**

(vii) **Dividend account**

The total proposed dividend for the year is 12% of investment shares (2015: 12%) amounting to a total of Shs. 7,752,960 (2015: Shs. 6,359,877).

	2016 Shs	2015 Shs
At start of year	6,359,877	4,999,798
Paid during the year	(6,344,735)	(4,999,798)
Overprovision in prior year	(15,142)	-
Proposed during the year	7,752,960	6,359,877
At end of year	7,752,960	6,359,877

19. **Investment in subsidiary**

	2016 Shs	2015 Shs
At start of year - as previously stated	38,760,080	-
Addition during the year	-	38,760,080
Prior year adjustment:		
Transfer to receivable from related party	(38,760,080)	(38,760,080)
At start and end of year - as restated	-	-

20. **Related party transactions**

(i) **Key management personnel remuneration**

	2016	2015
Short term employee benefits	8,264,028	7,727,904
Post employment benefits	384,188	366,264
	8,648,216	8,094,168

21. **Commitments**

Contractual commitments for the acquisition of investment properties

At the reporting date these commitments were as follows:	2016 Shs	2015 Shs
Investment properties	216,795,993	-

NOTES (CONTINUED)

22. Risk management objectives and policies

Financial risk management

The society's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk.

The society's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the society's financial performance.

Risk management is carried out by the board of directors and focuses on overall risk management, as well specific areas, such as liquidity risk,interest rate risk, credit risk, and investment of excess liquidity.

(a) Market risk

- *Interest rate risk*

The society's exposure to interest rate risk arises from loans and advances and members' deposits.

Financial assets and liabilities advanced and obtained at different rates expose the society to interest rate risk. Financial assets and liabilities obtained at fixed rates expose the society to fair value interest rate risk, except where the instruments are carried at amortised costs.

The table below summarises the effect on post-tax surplus had interest rates been 1 percentage point higher, with all other variables held constant. If the interest rates were lower by 1 percentage point, the effect would have been the opposite.

	2016 Shs	2015 Shs
Effect on surplus - arising from loans and advance - increase	18,940,717	15,296,033
Effect on surplus - arising from members balances - (decrease)	(23,794,874)	(21,984,625)

- *Price risk*

The society is exposed to equity securities price risk because of investments held by the society and classified on the statement of financial position as 'Available-for-sale' fair value through the statement of comprehensive income.

The society's investments in equity of other entities derive their market value from the quoted prices of publicly traded shares which are included in the Nairobi Stock Exchange (NSE).

The table below summarises the impact of increases/decreases of the NSE on the society's post-tax surplus for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 5% with all other variables held constant and all the society's equity instruments moved according to the historical correlation with the index:

	Impact on other comprehensive income	
Index	**2016 Shs**	**2015 Shs**
NSE	1,498,844	1,690,087

A 5% sensitivity rate is being used when reporting price risk internally to key management personnel and represents managements assessment of the reasonably possible change in market rates of stock prices.

NOTES (CONTINUED)

22. Risk management objectives and policies (continued)

Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of suffering financial loss, should any of the society's member fail to fulfil their contractual obligations to the society. Credit risk arises mainly from member's loans and advances. The members loans and advances are mostly secured by guarantees of other members and members' deposits.

Credit risk is the single largest risk for the society's business; the directors therefore carefully manage the exposure to credit risk. The credit risk management and control are centralised in a credit risk commitee, which reports to the board of directors.

i) Credit risk measurement

The society takes on exposure to credit risk which is the risk of financial loss to the society if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Society's loans and advances to members.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed by obtaining guarantees from members. Credit risk in the society, is also managed through a framework of policies and procedures. Origination and approval roles are segregated with different levels of the credit committee having authorities to approve loans upto a certain amount based on their position in the organization hierarchy.

The credit grades within society are based on a probability of default. The society structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to the nature and type of loans. The society grades its loans into five categories on the basis of the following criteria:

(1) **Performing loans**, being loans which are well documented and performing according to contractual terms;
(2) **Watch loans**, being loans whose principal or interest have remained un-paid for one day to thirty days or where one instalment is outstanding;
(3) **Substandard loans**, being loans not adequately protected by the current repayment capacity and the principal or interest have remained un-paid between thirty-one to one eighty days or where two to six instalments have remained outstanding;
(4) **Doubtful loans**, being loans not adequately protected by the current repayment capacity and the principal or interest have remained un-paid between one hundred and eighty one to three hundred and sixty days or where seven to twelve instalments have remained outstanding; and
(5) **Loss loans,** being loans which are considered uncollectible or of such little value that their continued recognition as receivable assets is not warranted, not adequately protected and have remained un-paid for more than three hundred and sixty days or where more than twelve instalments have remained outstanding.

ii) Problem credit management and provisioning

Across all its loan portfolios, the society employs a disciplined approach to impairment allowances evaluation, with prompt identification of problem loans being a key risk management objective. The society maintains both collective and specific impairment allowances for credit losses, the sum of which is sufficient to reduce the book value of credit assets to their estimated realisable value.

NOTES (CONTINUED)

22. **Risk management objectives and policies (continued)**

Financial risk management (continued)

(b) **Credit risk (continued)**

ii) **Problem credit management and provisioning (continued)**

A primary indicator of potential impairment is delinquency. However, not all delinquent loans (particularly those in the early stage of delinquency) will be impaired. An account is considered to be delinquent when payment is not received on the due date. Accounts that are overdue by more than 30 days are considered delinquent. For delinquency reporting purposes, the society follows industry standards, measuring delinquency as of 1, 30, 180, 360 and above 361 days past due. Accounts that are overdue by more than 30 days are closely monitored and subject to specific collection processes.

Specific impairment allowances reduce the aggregate carrying value of credit assets where there is specific evidence of deterioration in credit quality. A collective allowance is maintained to cover potential impairment in the existing portfolio that cannot be associated with specific credit. These allowances are reviewed and updated on a regularly basis.

The process used for recognising the impairment provisions is are generally raised at the difference between the outstanding amount of the loan and the present value of the estimated future cash flows which includes the realisation of collateral except where the collateral value is typically realised in less than 12 months then the loan impairment is calculated using the forced sale value of the collateral without further discounting. In certain cases involving bankruptcy, fraud and death, the loss recognition process is accelerated.

The society writes off loans and advances net of any related allowances for impairment losses when it determines that the loans are uncollectable and securities unrealisable. This determination is reached after accessing objective evidence or occurrence of significant changes in the borrower or issuer's financial position such that they are no longer able to repay the obligation, or that proceeds from the sale of collateral will not be sufficient to pay back the entire exposure. This is done after exhausting all other means including litigation.

- **Loans and advances that are neither past due nor impaired**

  The society classifies loans and advances under this category if they are up to date and in line with their contractual agreements such loans would have demonstrated the meeting of their financial and non-financial conditions and the borrowers would have proven capacity to repay the loans. These exposures will normally be maintained largely within approved facility programs and with no depiction of impairment or distress signs. These exposures are categorised as normal accounts (category 1) in line with internal guidelines and those issued by regulators where applicable. A collective provision on the total outstanding balances is made and appropriated from revenue reserves to statutory credit risk reserves.

- **Past due but not impaired**

  This category includes exposures that are between 1 – 180 days past due, where losses have been incurred but have not been identified. These exposures are graded as category 2 or 3 in line with our internal guidelines.

- **Impaired loans and advances**

  Impaired loans and advances are those which the society determines that it is probable that it will be unable to collect all principal and interest due according to the terms of the loan securities agreement(s). These loans are graded between categories 4 (181-360 days) and 5 (over 360 days) using the society's internal credit rating system. The society establishes a specific allowance for impairment losses that represents the estimate of losses that will be incurred in its loan portfolio.

NOTES (CONTINUED)

22. Risk management objectives and policies (continued)

Financial risk management (continued)

(b) Credit risk (continued)

ii) Problem credit management and provisioning (continued)

The society exposure to credit risk is analysed as follows:

- **Collateral**

The society holds collateral against all loans and advances to members in the form of cash, fixed deposits and other members guarantees.The society has developed specific policies and guidelines for the acceptance of different classes of collateral.

Estimates of the collateral's fair values are based on the value of collateral independently and professionally assessed at the time of borrowing, and re-valued with a commensurate with nature and type of the collateral and credit advanced. Collateral structures frequency and covenants are subjected to regular review to ensure they continue to fulfil the intended purpose.

NOTES (CONTINUED)

22. **Risk management objectives and policies (continued)**

(b) **Credit risk (continued)**

- **Concentration of risks of financial assets with credit risk exposure**

Year ended 31 December 2016	Loans to members Shs	Loans to board and committee members Shs	Loans to management staff Shs	Loans to other staff members Shs	Total Shs
Neither past due nor impaired	2,376,776,168	20,029,672	14,551,268	18,052,625	2,429,409,732
Past due but not impaired	4,122,180	-	-	-	4,122,180
Individually impaired	1,781,711	-	-	-	1,781,711
Gross	2,382,680,058	20,029,672	14,551,268	18,052,625	2,435,313,623
Less: allowance for impairment	(1,781,711)	-	-	-	(1,781,711)
Net	2,380,898,347	20,029,672	14,551,268	18,052,625	2,433,531,912
Year ended 31 December 2015					
Neither past due nor impaired	2,108,648,239	15,944,415	13,024,587	12,716,262	2,150,333,503
Past due but not impaired	2,787,753	-	-	-	2,787,753
Individually impaired	-	-	-	-	-
Gross	2,111,435,992	15,944,415	13,024,587	12,716,262	2,153,121,256
Less: allowance for impairment	-	-	-	-	-
Net	2,111,435,992	15,944,415	13,024,587	12,716,262	2,153,121,256

NOTES (CONTINUED)

22. **Risk management objectives and policies (continued)**

(c) **Liquidity risk**

Cash flow forecasting is performed by the finance department monthly by monitoring the society's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed facilities at all times so that the society does not breach limits on any of its facilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the society's management maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses assets and liabilities into the relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

Year ended 31 December 2016

	Current to 1 year Shs	1 to 5 years Shs	Total Shs
- Member savings	2,501,944,562	-	2,501,944,562
- Other payables	13,603,303	-	13,603,303
- Interest due to members	238,750,400	-	238,750,400
	2,754,298,265	-	2,754,298,265

Year ended 31 December 2015

	Current to 1 year Shs	1 to 5 years Shs	Total Shs
- Member savings	2,194,172,199	-	2,194,172,199
- Other payables	7,623,893	-	7,623,893
- Interest due to members	208,974,975	-	208,974,975
- Tax liability	1,811,311	-	1,811,311
	2,412,582,378	-	2,412,582,378

NOTES (CONTINUED)

23. Risk management fund

Statement of income and expenditure

	2016 Shs.	2015 Shs.
Income		
Members contributions during the year	16,173,991	14,517,500
Premiums on loans issued	10,298,773	10,932,325
Total income	26,472,764	25,449,825
Other income		
Interest earned	4,591,755	7,745,792
Other income	624,300	541,879
Total other income	5,216,055	8,287,671
Total income	31,688,819	33,737,496
Expenses		
Members refund and loan offset	2,280,544	1,932,412
Loans written off	70,100	4,133,138
Funeral expenses paid	180,000	220,000
Committee expenses	540,000	540,000
Insurance premium	10,814,692	6,678,900
Bank charges	-	517
Total claims	13,885,336	13,504,967
Net surplus for the year	17,803,483	20,232,529

24. 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 member's deposit (as shown in the Statement of Financial Position) less cash and cash equivalents and equity (comprising investment shares, reserves and appropriation account). The directors reviews 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 2015.

NOTES (CONTINUED)

24. Capital management (continued)

Internally imposed capital requirements (continued)

The debt-to-capital ratios at 31 December 2016 and 2015 were as follows:

	2016 Shs	2015 Shs
Total members deposits (Note 16)	2,501,944,562	2,194,172,199
Total cash and bank balances (Note 6)	(310,023,823)	(289,320,696)
Net debt	2,191,920,739	1,904,851,503
Total equity	302,624,256	278,675,093
Gearing ratio	7.2:1	6.8:1

25. Prior year adjustments

The following changes were made to the comparatives figures for the year ended 31 December 2015.

- The society was recognising fair value gains on investment property under revaluation reserve through other comprehensive income. Changes have been made to recognise the fair value gains through surplus or deficit as per the requirements of IAS 40 'Investment property'. The fair value gains have now been recognised under other income.
- Transfer of capital reserves to appropriation reserve
- Transfer of investment in subbsidiary to receivable from related party
- Transfer of proposed dividends from other payables to proposed dividends acount in the statement of changes in equity.

The effect of the above changes is increase/(decrease) of the account balances as detailed below.

	2015 Shs
i) Other income	24,015,972
ii) Revaluation reserve	(64,298,309)
iii) Statutory reserve	4,146,194
iv) Appropriation reserve	28,875,374
v) Other payables	3,285,000
vi) Capital reserve	(599,866)
vii) Fair value reserve	31,876,607
viii) Investment in subsidiary	(38,760,080)
ix) Other receivable	38,760,080
x) Staff costs	3,285,000

NOTES (CONTINUED)

26. GOVERNANCE EXPENSES

	2016 Shs	2015 Shs
ADC expenses	3,425,300	2,492,760
Delegates education	2,976,850	2,099,300
Members education	2,404,105	1,931,636
Board and branch officials training	4,137,638	3,986,044
Board sitting allowances	5,588,000	3,900,414
Board travel and other expenses	5,807,910	4,908,100
Branch meeting expenses	851,084	894,999
Board insurance	182,045	147,498
Ushirika day celebrations	431,165	485,311
Total governance expenses	25,804,097	20,846,062

27. ADMINISTRATIVE EXPENSES

	2016 Shs	2015 Shs
Employment:		
Salaries and wages	23,764,000	22,878,640
Staff medical and insurance	1,913,979	1,868,210
National Social Security Fund	39,800	40,600
Provident fund	822,637	749,078
Staff education	2,299,025	1,866,850
Total employment costs	28,839,441	27,403,378
Other administrative expenses:		
Travel and subsistence	1,589,200	1,343,200
Printing and stationery	1,289,956	681,865
Cash in transit expenses	414,400	153,960
Audit fees	750,000	130,000
Supervision and filing fee	75,200	13,200
VAT charge non recoverable	120,000	19,200
Strategic plan and consultancy expenses	514,000	544,000
Legal fees	196,251	148,449
Bank charges	585,488	422,530
Dividend computation expenses	25,000	20,000
Social responsibility	300,000	181,500
Subscription and donations	190,000	114,500
Entertainment	436,017	299,689
Telephone and postage and airtime	968,344	900,526
Marketing, publicity and advertisement	4,544,283	3,362,893
Motor vehicle expenses	730,804	658,534
Recruitment commission	28,600	5,700
Computer expenses	788,278	608,410
Sundry expenses	703,477	638,141
Bad debts written-off	620,767	-
Provision for bad debts	19,506	-
Total other administrative expenses	14,889,571	10,246,297
Total administrative expenses	43,729,012	37,649,675

28. **OTHER OPERATING EXPENSES**

	2016 Shs	2015 Shs
Establishment:		
Depreciation on property and equipment	2,468,366	2,249,211
Amortisation of intangible assets	1,730,859	348,000
Depreciation on investment property	-	442,900
Rates and rent	37,661	264,628
Water, fuel and electricity	5,000	15,644
Repair and maintenance	462,246	311,117
Total other operating expenses	4,704,132	3,631,500

29. **Incorporation**

Ushuru Savings and Credit Co-operative Society Limited is registered in Kenya under the Cooperative Societies Act and is domiciled in Kenya.

30. **Presentation currency**

The financial statements are presented in Kenya Shillings (Shs.)

USHURU SACCO SOCIETY LIMITED
OPERATING BUDGET PROPOSAL- YEAR 2018

PARTICULARS	A/C	ACTUAL 2016	BUDGET 2016	BUDGET 2017	BUDGET 2018
INCOME		KSHS	KSHS	**KSHS**	**KSHS**
Interest on Members loans	0-101	284,110,750.00	234,780,000.00	253,980,000.00	300,060,000.00
Interest on Securities	0-201	6,478,318.00	5,300,000.00	5,600,000.00	5,600,000.00
Interest on Savings A/C	0-203	3,777,902.00	12,500,000.00	15,000,000.00	6,000,000.00
RMF Net Income	0-208	17,803,482.00	19,297,600.00	20,176,400.00	20,176,400.00
Rent Income	0-212	3,906,000.00	3,906,000.00	3,906,000.00	9,900,000.00
Cash Office Income	0-106	21,272,363.00	22,455,600.00	22,905,600.00	22,905,600.00
Entrance Fee	0-215	396,500.00	250,000.00	250,000.00	250,000.00
Sundry Income	0-213	2,623,240.00	2,304,500.00	3,396,000.00	2,994,000.00
TOTAL INCOME		**340,368,555.00**	**300,793,700.00**	**325,214,000.00**	**367,886,000.00**
EXPENDITURE					
Salaries & Wages	1-104	12,430,180.00	12,548,422.00	13,779,114.00	15,778,260.00
House Allowance	1-105	4,824,080.00	4,762,296.00	4,829,832.00	6,045,480.00
Staff Medical Expenses	1-106	1,826,864.00	1,900,000.00	1,900,000.00	2,000,000.00
Leave Allowance	1-107	306,500.00	368,000.00	368,000.00	465,750.00
Comutter Allowance	1-102	2,538,240.00	2,546,208.00	2,571,408.00	3,339,000.00
Responsibility Allowance	1-103	240,000.00	252,000.00	252,000.00	252,000.00
Provident Fund	1-109	822,637.00	916,382.00	1,008,684.00	1,157,720.00
N.S.SF	1-108	39,800.00	90,320.00	220,320.00	220,320.00
Staff Travel & Subsistence	1-110	1,589,200.00	1,652,600.00	1,812,600.00	2,040,000.00
Staff Training/Education	1-111	2,299,025.00	2,500,000.00	2,687,000.00	2,907,000.00
Ushirika Day	1-206	431,165.00	500,000.00	500,000.00	600,000.00
Repairs & maintence	1-114	462,246.00	470,000.00	450,000.00	500,000.00
Depreciation	1-310	4,199,225.00	3,500,000.00	3,500,000.00	3,500,000.00
Legal and fees	1-302	196,251.00	200,000.00	200,000.00	400,000.00
Audit and Supervision	1-303	945,200.00	900,000.00	1,200,000.00	1,200,000.00
		1			
Subsription/Donations	1-125	190,000.00	250,000.00	250,000.00	300,000.00
Bank charges	1-301	586,877.00	600,000.00	650,000.00	650,000.00
Insurance	1-123	503,271.00	840,000.00	840,000.00	870,000.00
Provision for bad debts	1-312	640,273.00	2,000,000.00	2,000,000.00	2,500,000.00
Income tax	1-311	3,500,964.00	6,500,000.00	6,000,000.00	5,000,000.00
Delegates meeting.	1-209	3,425,300.00	3,500,000.00	4,000,000.00	4,878,000.00
Branch Delegates Meetings	1-207	851,084.00	1,150,000.00	1,320,000.00	1,376,500.00
Board/Superv & Branch sitting All.	1-201	5,588,000.00	5,590,000.00	5,759,000.00	6,409,000.00
Board/Superv. & Branch Travel All.	1-202	5,557,910.00	5,582,800.00	6,558,800.00	6,958,800.00
Board/Superv. & Branch Education	1-203	4,137,638.00	4,500,000.00	4,700,000.00	4,900,000.00
Delegates Education	1-210	2,976,850.00	3,000,000.00	3,350,000.00	3,770,000.00
Other committee expenses	1-202	250,000.00	250,000.00	250,000.00	250,000.00
Education to Members	1-210	2,404,105.00	2,500,000.00	2,500,000.00	2,600,000.00
Entertainment	1-127	436,017.00	350,000.00	400,000.00	500,000.00
Dividend calculation	1-314	25,000.00	25,000.00	25,000.00	25,000.00
Printing and stationery	1-115	1,289,956.00	1,350,000.00	950,000.00	1,350,000.00
Postage &Telephone	1-118	968,344.00	1,080,000.00	1,140,000.00	1,238,400.00
Rent and rates	1-120	37,661.00	200,000.00	300,000.00	600,000.00
Computer expenses	1-131	788,278.00	825,000.00	725,000.00	875,000.00
Strategic Plan	1-129	514,000.00	800,000.00	1,000,000.00	1,000,000.00
Motor Vehicle expenses	1-132	496,693.00	500,000.00	650,000.00	650,000.00
Marketing and publicity	1-121	4,544,283.00	4,600,000.00	5,600,000.00	5,600,000.00
Social Responsibility	1-133	300,000.00	300,000.00	300,000.00	750,000.00
Recruitment commission	1-211	28,600.00	30,000.00	30,000.00	30,000.00
Licence Fees	1-134	-	70,000.00	70,000.00	70,000.00
security/cash in Transit	1-135	414,400.00	568,000.00	620,000.00	620,000.00
Sundry expenses	1-128	708,477.00	650,000.00	650,000.00	750,000.00
Total Expenditure		**74,314,595.00**	**80,717,028.00**	**85,916,758.00**	**94,926,230.00**
Surplus / deficit		**266,053,960.00**	**220,076,672.00**	**239,297,242.00**	**272,959,770.00**

AMMENDMENTS TO 2017 BUDGET-SUPPLEMENTARY

ITEM	A/C	FROM	TO	CHANGE
INCOME				
Interest on loans	0-101	253,980,000.00	295,980,000.00	42,000,000.00
Interest on Savings	0-203	15,000,000.00	6,000,000.00	(9,000,000.00)
Rent Income	0-212	3,906,000.00	550,500.00	(3,355,500.00)
Totals		272,886,000.00	**302,530,500.00**	29,644,500.00
EXPENDITURE				
Personel Expenses	1-104-109	23,448,354.00	26,485,540.00	3,037,186.00
Repairs & Maintainance	1-114	450,000.00	500,000.00	50,000.00
Legal Fees	1-302	200,000.00	400,000.00	200,000.00
Income Tax	1-311	6,000,000.00	4,000,000.00	(2,000,000.00)
Subscription/Donations	1-125	250,000.00	280,000.00	30,000.00
Printing & Stationery	1-115	950,000.00	1,300,000.00	350,000.00
Computer/Internet Expenses	1-131	725,000.00	845,000.00	120,000.00
Social Responsibility	1-133	300,000.00	750,000.00	450,000.00
Telephone & Postage	1-118	1,140,000.00	1,168,800.00	28,800.00
Rent & Rates	1-120	300,000.00	400,000.00	100,000.00
Entertainment	1-127	400,000.00	450,000.00	50,000.00
Sundry Expenses	1-128	650,000.00	730,000.00	80,000.00
Totals		34,813,354.00	**37,309,340.00**	2,495,986.00

Notes to ammendments of 2017 Budget

1. Interest on loans (0-101)

Based on figures generated for this income in 2016, a higher revenue is anticipated in 2017 hence an increase of Kshs. 42,000,000 due to a steady income from disbursement of main & refinancing loans.

2. Interest on Savings (0-203)

Deposits held in reserve account is anticipated to decrease hence less income expected.

3. Rent Income (0-212)

Rental income is expected to reduce due to disposal of both Airport View House and Saachi Plaza Floor.

4. Personel Expenses(1-104-109)

The increase is due to review of staff salary and emoluments.

5. Repairs & Maintainance(1-114)

The increase represents underprovision in the original budget of 2017.

6. Legal Fees(1-202)

The increase represents underprovision in the original budget of 2017.

7. Income Tax (1-311)

The decrease is due to overprovision based on 2016 actual figures. There was a decrease of income from investments and other sources.

8. Subscriptions/Donations (1-125)

The increase represents underprovision in the original budget of 2017.

9. Printing & Stationery (1-115)

The increase represents underprovision in the original budget of 2017.

3

10. Computer/Internet expenses (1-135)

The increase is to cater for bulk sms and antvirus renewal.

11. Social Responsibility (1-133)

The increase is cater for CSR in our Kisumu, Mombasa and Eldoret branches.

12. Telephone & Postage (1-118)

The increase is to cater for increased courier services and charges to and from branches.

13. Rent & Rates(1-120)

The increase represents underprovision in the original budget of 2017.

14. Entertainment (1-127)

The increase represents underprovision in the original budget of 2016.

15. Sundry Expenses (1-128)

The increase represents underprovision in the original budget of 2016.

CAPITAL BUDGET PROPOSAL	**2017**
FURNITURE & FITTINGS	1,500,000.00
EQUIPMENT	270,000.00
COMPUTER & ACCESORIES	650,000.00
	2,420,000.00

4

NOTES

NOTES