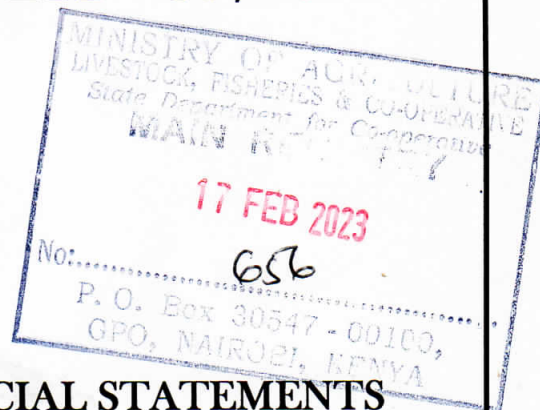


JEMBE SACCO SOCIETY LTD - CS / 2312



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

Agoro & Associates
Certified Public Accountants (K)
P.O.Box 43819 - 00100
Nairobi

**JEMBE SACCO SOCIETY LTD - CS / 2312
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**JEMBE SACCO SOCIETY LTD - CS / 2312
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SOCIETY INFORMATION

1. Executive Committee

Chairman	Mr. Habel Shitakaya
Vice Chairman	Mr. Maurice Tieni
Treasurer	Mr. Samuel Mureithi
Hon. Secretary	Mrs. Roseline S. Adhiambo

Credit Committee

Chairperson	Ms. Beatrice Shikokoti
Secretary	Mr. Ann M. Mwangi
Member	Ms. Mercyscah Mmbone

Education Committee

Chairman	Mr. Maurice Tieni
Secretary	-
Member	Mildred Wendo

Supervisory Committee

Chairman	Mr. Milton Shivachi
Secretary	Mr. Isaac Bolo
Member	Mr. Nelson Mudaki

2. Registered Office

Njengi House
Tom Mboya Street
P.O Box 52243 - 00100
Nairobi.

3. Principal Bankers

Co-operative Bank of Kenya
Ukulima - Branch
Nairobi

4. Auditors

Agoro & Associates
Certified Public Accountant (K)
P.O.Box 43819-00100
Nairobi

**JEMBE SACCO SOCIETY LTD - CS / 2312
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REPORT OF THE MANAGEMENT COMMITTEE

The committee submits their annual report together with the audited financial statements for the year ended 31st December 2022.

1. Incorporation

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

2. Principal Activity

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

3. Results

	<u>2022</u> <u>Kshs</u>	<u>2021</u> <u>Kshs</u>
Surplus / (deficit) before tax	778,571	768,543
Income tax expense	(37,192)	(33,281)
Net Surplus /(deficit) after tax	<u>741,379</u>	<u>735,262</u>
Interest on members' deposits	<u>6,400,000</u>	<u>6,600,000</u>
Dividends on share capital	<u>125,647</u>	<u>100,950</u>

4. Interests on members' deposits

The management Committee recommends payment of dividends on share capital of Kshs 1.60 per share or 8% (2021: Kshs 1.50 per share or 10%. They also recommended interest on members' deposits of 10.05 % (2021: 10.68%)

5. Management Committee

The management committee who served during the year and to the date of the report is shown on page 1.

6. Auditors

The auditors, Agoro & Associates have indicated their willingness to continue in office and hereby offer themselves for reappointment under the terms of sections 25(40) of the Co-operative Societies Act of 2004

By order of the management committee

Signature.....

Date.....*15th February*.....2023

Ho. Secretary

JEMBE SACCO SOCIETY LTD - CS / 2312
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STATISTICAL INFORMATION

		2022	2021
Membership	Active	210	196
	Dormant	-	-
	Total	210	196
No. of employees		1	1
		Kshs	Kshs
Total assets		77,063,404	74,038,244
Members deposits		63,698,838	61,790,491
Loans to members		61,860,147	61,402,573
Investments		11,058,616	9,339,916
Share capital		1,570,588	1,009,500
Core capital		5,789,305	4,955,568
Retained surplus and reserves		4,218,717	3,946,068
Total revenue		9,568,489	9,540,246
Total expenses		2,389,918	2,171,703
Key ratios	Min. ratio		
Capital adequacy ratios			
Core capital / total assets	8%	8%	7%
Core capital / total deposits	5%	9%	8%
Institutional / core capital	50%	73%	80%
Liquidity ratio			
Liquid assets / total deposits & short term liabilities	10%	13%	12%
External borrowing ratio	Max. ratio		
External borrowing / total assets	15%	-	-
Operating efficiency /loan quality ratios			
Total expenses / total revenue		25%	23%
Interest on members' deposits to revenue		67%	69%
Interest rate on members deposits		10.05%	10.68%
Dividend rate on share capital		8%	10%

**JEMBE SACCO SOCIETY LTD - CS / 2312
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STATEMENT OF THE MANAGEMENT COMMITTEES' RESPONSIBILITIES

The Co-operative Societies Act requires the Management Committee to prepare accounts for each financial year, which give a free and fair view of the state of affairs of the society at the end of the financial year and its operating results for that year. It also requires the Committee to ensure that the society keeps proper accounting records, which disclose, with reasonable accuracy at any time, the financial position of the society. They are also responsible for safeguarding the Assets of the society and ensuring that the business of the society has been conducted in accordance with its objectives, by-laws and any other resolutions made at society's general meeting..

The Management Committee accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Co-operative Societies Act, 2004. The Management Committee is of the opinion that the financial statements give a true and fair view of the state of affairs of the society and of its operating results in accordance with IFRS. The Management Committee further accepts 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.

Nothing has come to the attention of the management committee to indicate that the society will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the management committee on 15TH FEB 2023 and signed
on its behalf by;

Chairman:


Treasurer:


Secretary:


JEMBE SACCO SOCIETY LTD - CS / 2312
ANNUAL REPORT AND FINANCIAL STATEMENTS
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REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF JEMBE SACCO SOCIETY LTD

Opinion

We have audited the financial statements of JEMBE Sacco Society Limited, set out on page 9 to 20, which comprise the statement of financial position as at 31st December 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Society as at 31st December 2022, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the Kenyan 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 Society in accordance with both the ICPAK's Code of Ethics for Professional Accountants (ICEPA) that is consistent 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 of the financial statements in Kenya, and we have fulfilled our 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.

1. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the year ended 31st December 2022. We communicated these matters to the management committee, but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and informing our opinion thereon, and we do not express a separate opinion on these matters. We have nothing to report in this regard

2. Other Information

The management committee are responsible for the other information. The other information comprises the Chairman's report, supervisory committee report and the statement of directors' responsibilities. The other information 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.

JEMBE SACCO SOCIETY LTD - CS / 2312
ANNUAL REPORT AND FINANCIAL STATEMENTS
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REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF JEMBE SACCO SOCIETY LTD (CONT'D)

In connection with our audit of the financial statements, our responsibility is to review 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 material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard

When we read the other reports expected to be made to us after the date of the independent auditor, if we conclude that there is material misstatement therein, we are required to communicate the matter to the management committee.

3. Management Committees' Responsibility for the Financial Statements

The management committee are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and requirements of the Kenyan Co-operative Societies Act Cap 490 and for such internal control as directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management committee 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 management committee either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

4. 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 consolidated financial statements.

JEMBE SACCO SOCIETY LTD - CS / 2312
ANNUAL REPORT AND FINANCIAL STATEMENTS
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REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF JEMBE SACCO SOCIETY LTD (CONT'D)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of 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 directors.

- Conclude on the appropriateness of the management committees' 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 Co-operative 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Society to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Society audit. We remain solely responsible for our audit opinion.

**JEMBE SACCO SOCIETY LTD - CS / 2312
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022**

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF JEMBE SACCO SOCIETY LTD (CONT'D)**

We communicated with the management committee 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.

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

Report on Other Legal and Regulatory Requirements

As required by the Kenyan Co-operative Societies Act Cap 490, we report to you that the financial statements are in agreement with the books of accounts kept by the society and that, based on our audit, nothing has come to our attention that causes us to believe that the Society's business has not been conducted:

- i) In accordance with the provisions of the Co-operative Societies Act
- ii) In accordance with the Co-operative Society's objectives, by-laws and any other resolutions made by the Society at a general meeting.

The engagement partner responsible for the audit resulting in this independent auditor's report is
CPA Linus Otieno Agoro - P/No 2225

**AGORO AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS (K)**

P.O.BOX 43819-00100

NAIROBI

Date:.....



JEMBE SACCO SOCIETY LTD - CS / 2312
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022

Statement of profit or loss and other comprehensive income

	Notes	2022 Kshs	2021 Kshs
Revenue			
Interest on loans to members	2	7,507,772	7,465,240
Total interest		7,507,772	7,465,240
Interest expenses	3	(6,400,000)	(6,600,000)
Net interest income		1,107,772	865,240
Other operating income	4.	2,060,717	2,075,006
Total operating income		3,168,489	2,940,246
Governance expenses	5.	914,300	754,535
Administrative expenses	6.	487,983	438,389
Personnel expenses	7.	812,983	795,585
Professional expenses	8.	93,100	99,400
Other operating expenses	9.	19,692	22,391
Loan loss provision	12.	61,860	61,403
Total Expenses		2,389,918	2,171,703
Net Surplus before tax		778,571	768,543
Income tax expense	21.	(37,192)	(33,281)
Net Surplus after tax		741,379	735,262

**JEMBE SACCO SOCIETY LTD - CS / 2312
ANNUAL REPORT AND FINANCIAL STATEMENTS
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Statement of Financial Position

	Notes	2022 Kshs	2021 Kshs
ASSETS			
Cash and cash equivalents	10.	304,689	719,718
Trade and other receivables	11.	3,725,888	2,453,276
Loans to members	12.	61,860,147	61,402,573
Investments	13.	11,058,616	9,339,916
Property, plant and equipment	14.	114,064	122,761
TOTAL ASSETS		77,063,404	74,038,244
LIABILITIES			
Members' deposits	15.	63,698,838	61,790,491
Interest on members deposits	16.	6,400,000	6,600,000
Trade payables & accruals	17.	1,175,261	692,185
TOTAL LIABILITIES		71,274,099	69,082,676
EQUITY			
Share Capital	18.	1,570,588	1,009,500
Reserves	19.	4,218,717	3,946,068
TOTAL EQUITY		5,789,305	4,955,568
TOTAL EQUITY & LIABILITIES		77,063,404	74,038,244

REGISTERED
SEC. 25(7) Co-operative Societies
ACT CAP 480 (Amended 2004)
17 FEB 2023
DAVID M. MURIRA
COMMISSIONER OF CO-OPERATIVES

The Financial statements on pages 9 to 20 were approved by the Management Committee on 15 FEB 2023 2023 and were signed on their behalf by:-

CHAIRMAN.....

SECRETARY.....

TREASURER.....

Date 15/2/23 2023



**JEMBE SACCO SOCIETY LTD - CS / 2312
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022**

Statement of Changes in Equity:

	Share capital Kshs	Statutory reserve Kshs	Capital reserve Kshs	Loan loss reserve Kshs	Retained Surplus Kshs	Total Kshs
Year ended 31st Dec. 2022						
As at 1.1.2022	1,009,500	2,192,511	683,432	223,718	846,407	4,955,568
Prior year adjustment	-	-	-	-	-	-
Additions	561,088	-	-	-	-	561,088
Surplus / (deficit) for the year	-	-	-	-	741,379	741,379
Transfer to statutory reserve	-	148,276	-	-	(148,276)	-
Proposed dividends	-	-	-	-	(125,647)	(125,647)
Proposed honoraria and bonus	-	-	-	-	(395,000)	(395,000)
Loan impairment charge	-	-	-	51,916	-	51,916
As at 31.12.2022	1,570,588	2,340,787	683,432	275,634	918,864	5,789,305
Year ended 31 Dec. 2021:						
As at 1.1.2021	908,000	2,045,459	683,432	162,315	754,147	4,553,353
Prior year adjustment	-	-	-	-	-	-
Additions	101,500	-	-	-	-	101,500
Surplus / (deficit) for the year	-	-	-	-	735,262	735,262
Transfer to statutory reserve	-	147,052	-	-	(147,052)	-
Proposed dividends	-	-	-	-	(100,950)	(100,950)
Proposed honoraria and bonus	-	-	-	-	(395,000)	(395,000)
Loan impairment charge	-	-	-	61,403	-	61,403
As at 31.12.2021	1,009,500	2,192,511	683,432	223,718	846,407	4,955,568

**JEMBE SACCO SOCIETY LTD - CS / 2312
ANNUAL REPORT AND FINANCIAL STATEMENTS
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Statement of Cash flow:

	Notes	2022 Kshs	2021 Kshs
Cash flow from operating activities			
Interest receipts	2.	7,507,772	7,465,240
Other operating income	4.	96,934	40,000
Interest payments	16.	(6,600,000)	(7,700,000)
Payments to employees and suppliers	20.	(2,215,267)	(1,979,955)
		(1,210,561)	(2,174,715)
(Increase)/decrease in operating assets			
Loans to members	12.	(457,574)	12,893,686
Trade and other receivables	11.	(1,282,556)	(560,497)
Increase/(decrease) in operating liabilities			
Members deposits	15.	1,908,347	(15,944,437)
Trade payables and accruals	17.	(33,632)	(439,400)
Net cash from operating activities before taxes		(1,075,976)	(6,225,363)
Income tax paid	17.	(33,281)	(83,921)
Net cash from operating activities		(1,109,257)	(6,309,284)
Cashflow from investing activities			
Sale / (purchase of investments)	13.	(1,718,700)	3,499,206
Purchase of assets		(10,995)	-
Investment interests received		478,947	497,456
Dividends received	4.	1,484,836	1,537,550
Net cash from investing activities		234,088	5,534,212
Cash flow from financing activities			
Share Capital contributions	18.	460,138	10,700
Dividends paid	17.	-	-
Net cash flow from financing activities		460,138	10,700
Net increase/(decrease) in cash & cash equivalents		(415,031)	(764,372)
Cash and cash equivalent at the beginning of the year		719,718	1,484,090
Cash at cash equivalents the end of the year	10.	304,687	719,718

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements of the society have been prepared in accordance and comply with the International Financial Reporting Standards (IFRS) and the Sacco Societies Act No. 14 of 2008. The financial statements are prepared under the historical cost convention and are expressed in Kenya Shillings.

(b) Going Concern

Based on the financial performance and position of the Sacco and its risk management policy the directors are of the opinion that the Sacco will be in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis

(c) Revenue Recognition

Revenue is derived substantially from Sacco business and related activities and comprises of interest income and non-interest income. Income is recognized on accrual basis in the period in which it is earned.

(i) Interest

Interest income and expense for all interest-bearing instruments are recognized in the profit and loss as it accrues considering the effective interest rate of the asset or any applicable floating rate. The effective interest rate is the rate that discounts the estimated future cash flows through the expected life of financial asset or liability.

(ii) Dividends Income

Dividend income is recognized once the shareholders right to receive payment has been confirmed.

(d) Property, Plant and Equipment:

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Costs includes expenditures that directly attributable to the acquisition of the asset.

Depreciation:

Property, plant and equipment are stated at cost less depreciation.

Depreciation is calculated on a reducing balance basis to write off the assets over their estimated useful lives at the following annual rates:

Computer and accessories -30%

Office equipment -12.5%

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

(ii) Subsequent Costs

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

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

Notes to the Financial Statements (Continued)

(e) Intangible Assets -Softwares

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

The cost incurred to acquire and bring to use specific computer software licenses are capitalized. The costs are amortized on a straight-line basis over the expected useful lives using annual rate of 20% and are recognized in the profit and loss.

Costs associated with maintaining the software are recognized as an expense as incurred.

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

Amortization methods, useful life and residual values are reviewed at each reporting date and adjusted if appropriate

(f) Statutory Reserve Fund:

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

(g) Share capital and members' deposits:

The first Kshs 5,000/= is treated as share capital i.e 250 ordinary shares of Kshs 20/= each. Any other contribution is treated as members' deposits.

(h) Financial Assets and Liabilities

(i) Recognition

The Sacco recognizes the loans, deposits and advances on the date which they originated. All other financial instruments are recognized on the trade date which is the date the Sacco becomes a party to the contractual provisions of the instrument.

All financial Asset or financial liability is measured initially at fair value plus for an item not at fair value through profit and loss transactions that are directly attributable to its acquisition or issue.

(ii) Classification

The Sacco classifies its financial assets into the following categories.

Loans and Receivables

Loans and Receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market.

They arise when the Sacco provides money directly to borrowers (Sacco members). They are recognized at the date the money is disbursed to the borrower.

Amortized cost is calculated using the effective interest rate method. The amortization is included in the interest income.

Notes to the Financial Statements (Continued)

Held - to- Maturity

These are financial assets with fixed or determinable payments and fixed maturities that the Sacco's management has a positive intention and ability to hold to maturity.

The sale of a significant amount of held-to maturity assets would taint the entire category leading to reclassification as available for sale. These assets are held at cost.

Financial Liabilities

The Sacco classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost.

Derecognition

A financial asset is derecognized when the Sacco loses control over the contractual rights that comprise that asset. This occurs when the rights are realized, expire or are surrendered.

A financial liability is derecognized when its contractual obligations are discharged or cancelled or expires.

Held-to-maturity instruments and loans and receivables are derecognized on the day they are repaid in full or when they are transferred by the Sacco to a third party.

Offsetting

Financial assets and liabilities are offset, and the net amount reported on the statement of financial position when there is a legally enforceable right to set-off the recognized amount and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously

(i) Identification and measurement of impairment of financial assets

At each reporting date, the Sacco assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset than can be estimated reliably

The Sacco considers evidence of impairment at both a specific asset and collective level.

All individually significant financial assets are assessed for specific impairment.

All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Sacco on terms that the Sacco would not otherwise consider, indications that a borrower or issuer will enter Sacco bankruptcy, the disappearance of an active market for a security, would not otherwise consider, indications that a borrower or issuer will enter Sacco bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Notes to the Financial Statements (Continued)

In assessing collective impairment, the Sacco uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling.

Default rate, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Losses are recognized in profit or loss and reflected in an impairment account against loans and advances

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and present value of Interest on the impaired asset continues to be recognized through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss

(j) Income tax expense

Income tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of a previous year.

(l) Cash and cash equivalents

For the purpose of presentation of the cash flows in the financial statements the cash and cash equivalents include cash and balances with banks available to finance the Sacco's day-to-day operations 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

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

(m) Provisions for liabilities and other charges

Provisions are recognized when the Sacco has a present obligation (legal or constructive) as a result of past event, it is probable that the Sacco will be required to settle the obligation and reliable estimate can be made of the amount of obligation.

The amount recognized of the obligation as a provision is the best estimate consideration required to settle the present obligation as at the reporting date taking into account the risks and uncertainties surrounding the obligation.

(n) Comparatives

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

JEMBE SACCO SOCIETY LTD - CS / 2312
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022

Notes to the Financial Statements (Continued)

	2022	2021
	Kshs	Kshs
2. Interest income		
Interest on members loans	7,507,772	7,465,240
Total	7,507,772	7,465,240
3. Interest expenses		
Interest on members' deposits	6,400,000	6,600,000
Total	6,400,000	6,600,000
4. Other operating income		
Co-op bank dividends	1,481,529	1,536,756
CIC Unit Trust Interests	247,947	221,873
Entrance fees	59,150	34,000
KUSCCO fixed deposit interests	231,000	275,583
KUSCCO dividends	660	794
CODIC dividends	2,647	-
Insurance contribution - bal after payment	37,784	-
Miscellaneous income	-	6,000
Total	2,060,717	2,075,006
5. Governance expenses		
Committee sitting allowances	345,800	346,700
AGM expenses	240,000	120,135
Committee and staff education	143,500	165,700
Members education	185,000	122,000
Total	914,300	754,535
6. Administrative expenses		
Printing and Stationery	12,160	9,581
Office expenses	19,327	14,162
Office rent	208,188	208,188
Telephone and postage	54,750	31,400
Bank charges	31,662	25,440
Insurance - asset	8,451	42,978
Ushirika day expenses	31,000	-
Repair and maintenance	22,845	7,300
Travelling and transport	1,100	840
Donation / funeral support	10,000	10,000
Software maintenance	44,000	44,000
Business permit-License	44,500	44,500
Total	487,983	438,389
7. Personnel expenses		
Salaries and wages	664,611	660,605
Staff medical cover	148,372	134,980
Total	812,983	795,585

**JEMBE SACCO SOCIETY LTD - CS / 2312
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022**

Notes to the Financial Statements (Continued)

	2022	2021
	Kshs	Kshs
8. Professional expenses		
Audit fees	65,000	70,000
Supervision fees/Recoverable expenses	6,700	7,200
VAT on audit fees	10,400	11,200
Tax consultancy	6,000	6,000
Dividend calculation charge	5,000	5,000
Total	93,100	99,400
9. Other operating expenses		
Depreciation	19,692	22,391
Total	19,692	22,391
10. Cash & Cash Equivalents		
Savings Account	103,655	433,526
Current Account	76,206	266,807
Cash in hand	17,558	15,385
Mpesa paybill balance	107,270	4,000
Total	304,689	719,718
11. Trade and other receivables		
Employer	3,379,232	2,105,072
Loan defaulters - Erick Ochieng	-	9,944
Rental deposits	98,709	98,709
CIC Unit Trust Accrued interests	247,947	221,873
Benevolent fund	-	17,678
Total	3,725,888	2,453,276
The Kshs 9,944 written off in 2022 represented unrecoverable loan of a member who left the Sacco The 2022 AGM resolved a write off of the amount in the 2022 books		
12. Loans to Members		
Opening balance	61,402,573	74,296,259
Add: Issued during the year	47,831,030	22,475,394
Less: Repayments during the year	(47,373,456)	(35,369,080)
Closing balance	61,860,147	61,402,573
Movement in loan loss provision		
As at 1st January	223,718	162,315
Charge for the year	61,860	61,403
Written off during the year	(9,944)	-
Transfer to credit reserve	275,634	223,718
Ageing of loans and advances	Outstanding	Expected credit
	loans	loss
Stage 1 - performing loans	61,860,147	61,860
Stage 2 - doubtful loans	-	-
Total	61,860,147	61,860

**JEMBE SACCO SOCIETY LTD - CS / 2312
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022**

Notes to the Financial Statements (Continued)

	2022	2021		
	Kshs	Kshs		
13. Investments				
CIC shares, 5,832 @1/=	5,832	5,832		
Co-op Holdings shares 1,685,040 @1/=	1,685,040	1,685,040		
CODIC shares	26,331	26,331		
KUSCCO shares	17,513	17,513		
CIC Unit Trust Investment - Benevolent	418,700	-		
CIC Unit Trust Investment	4,905,200	4,605,200		
KUSCCO Fixed deposits	4,000,000	3,000,000		
Total	11,058,616	9,339,916		
14. Property plant and equipment				
Year ended 31st Dec. 2022	Computer & Accessories	Furniture & Fittings	Office fixtures & Equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs
As at 1.1.2022	375,500	405,935	71,619	853,054
Additions	-	-	10,995	10,995
As at 31.12.2022	375,500	405,935	82,614	864,049
Depreciation				
As at 1.1.2022	358,513	318,771	53,009	730,293
Charge for the year	5,096	10,896	3,701	19,692
As at 31.12.2022	363,609	329,667	56,710	749,985
Net Book Value				
Balance as at 31.12.2022	11,891	76,269	25,904	114,064
Year ended 31st Dec. 2021	Computer & Accessories	Furniture & Fittings	Office fixtures & Equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs
As at 1.1.2021	375,500	405,935	71,619	853,054
Additions	-	-	-	-
As at 31.12.2021	375,500	405,935	71,619	853,054
Depreciation				
As at 1.1.2021	351,233	306,319	50,350	707,902
Charge for the year	7,280	12,452	2,659	22,391
As at 31.12.2021	358,513	318,771	53,009	730,293
Net Book Value				
Balance as at 31.12.2021	16,987	87,164	18,610	122,761
15. Members' deposits	2022	2021		
	Kshs	Kshs		
Opening balance	61,790,491	77,734,928		
Add: Contributions during the year	9,071,089	3,579,421		
Less: refunds and offsets during the year	(7,162,742)	(19,523,858)		
Closing balance	63,698,838	61,790,491		

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Notes to the Financial Statements (Continued)

	2022	2021
	Kshs	Kshs
16. Interest on members' deposits:		
Opening balance	6,600,000	7,700,000
Add: Provision for the year	6,400,000	6,600,000
Less: Payments during the year	(6,600,000)	(7,700,000)
Total payable	6,400,000	6,600,000
17. Trade Payables & Accruals		
Proposed honoraria and Staff bonus	395,000	395,000
Proposed dividends	125,647	100,950
Statutory deductions	-	8,554
Audit fees and related charges	93,100	99,400
Benevolent fund	413,322	-
Income tax payable - note 21	37,192	33,281
Withdrawable savings	111,000	55,000
Total	1,175,261	692,185
18. Share Capital		
Opening balance	1,009,500	908,000
Add: Dividends capitalized	100,950	90,800
Add: Contributions during the year	460,138	10,700
Closing balance	1,570,588	1,009,500
19. Reserves		
Retained surplus	918,864	846,407
Statutory reserve	2,340,787	2,192,511
Capital reserve	683,432	683,432
Loan loss reserve	275,634	223,718
Total	4,218,717	3,946,068
20. Payments to employees and suppliers		
Total expenses for the year	2,389,918	2,171,703
Less: Accrued expenses;		
Audit fees and related charges	(93,100)	(99,400)
Impairment provision	(61,860)	(61,403)
Salaries and wages	-	(8,554)
Depreciation	(19,692)	(22,391)
Actual payments during the year	2,215,267	1,979,955
21. TAX COMPUTATION		
Taxable income		
CIC Unit Trust Interest	247,947	221,873
Taxable interest income @ 50%	123,974	110,937
Tax thereon @ 30%	37,192	33,281
Less: Tax paid	-	-
Net principal tax payable	37,192	33,281