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SACCO SOCIETIES REGULATORY AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE, 2014**



Annual Report
And Financial Statements
For The Year Ended June 30, 2014

Securing Sacco Funds



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Vision

To be a distinguished Saccos regulator of global reputation.

Mission

To effectively regulate, supervise and develop the Sacco Industry by promoting sound business practices in order to enhance stability, growth and access to financial services.

Core Values

- (i). Integrity
- (ii). Transparency and Accountability
- (iii). Innovativeness.
- (iv). Professionalism
- (v). Teamwork
- (vi). Equity



KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Sacco Societies Regulatory Authority (SASRA) is a statutory state corporation established under the Sacco Societies Act 2008 (Cap 490B) of the Laws of Kenya (the Act) which came into full operation upon the gazettment of the Sacco Societies (Deposit-taking Sacco Business) Regulations, 2010 (the Regulations 2010) on 18th June 2010. SASRA is under the ministry of Industrialization and Enterprise Development who is responsible for the general policy and strategic direction of the Authority.

(b) Principal Activities

The principal mission SASRA is to effectively regulate and develop Sacco Societies by ensuring safety, soundness and integrity in their operations in order to enhance growth in savings and stability of the Sacco sub-sector.

Key Management

SASRA's day-to-day management is under the following key organs:

- Principal Secretary
- Chief Executive Officer
- Departmental Managers

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

Designation	Name
Chief Executive Officer	-Carilus Ademba, HSC
Chief Manager Sacco Supervision	-Peter Njuguna
Chief Manager Human Resource and Administration	-Dominic Muteshi
Chief Manager Finance & Planning	-Kenneth Opiyo
Corporation Secretary	-Roselyne Ragama

(d) Fiduciary Oversight Arrangements

The composition of the Board of directors who were responsible for the oversight responsibility was as follows:

Name	Position
John Bernard Nthuku, MBS	Chairman
Regina Oyaro	Member
Margaret Kiema	Member
Kakai Cheloti	Member
George Omino, Alternate to PS National Treasury	Member
Fredrick Pere, Alternate to CBK Governor	Member
Patrick Musyimi, Commissioner for Co-operative Development	Member



(e) Entity Headquarters

Britam Centre Building
Mara Ragati Road, Upperhill
P.O. Box 25089-00100
Nairobi, KENYA

(f) Entity Contacts

Telephone: 020-27117715/4
E-mail: info@sasra.go.ke
Website: www.sasra.go.ke

(g) Entity Bankers

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

(h) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O.Box 30084
GOP 00100
Nairobi, Kenya

(i) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

THE BOARD OF DIRECTORS



John. B. Nthuku, MBS
Chairman



Prof. Njunguna Ndungu,
CBK Governor, Board Member



Dr. Kamau Thugge
Ps. National Treasury



Kakai Cheloti
Board Member



Fredrick Pere,
Alternate to the CBK Governor



George Omino
Alternate to the PS National Treasury



Margarate K. Kiema
Board Member



Regina Oyaro
Board Member



Patrick Musyimi
Commissioner for cooperative
Development
Board Member



Carlus Ademba, HSC
Chief Executive Officer

MANAGEMENT TEAM



Carlus Ademba, HSC
Chief Executive Officer



Peter Njuguna
Chief Manager, SACCO Supervision



Kenneth Opiyo
Chief Manager, Finance & Planning



Dominic Muteshi
Chief Manager, Human Resource
and Administration



Roselyne Ragama
Corporation Secretary and
Head of Legal Affairs



John Mwaka
Manager Research and Policy
Development



Mbeche Alwang'a
Manager Information and
Communication Technology (ICT)



Nelson Walusala Nyogesa
Ag. Manager Internal Audit &
Risk Management

CHAIRMAN'S STATEMENT



**John. B. Nthuku, MBS
Chairman**

1.0 Introduction

It is my privilege and pleasure to present this Report and an honour to serve as Chairman of this Authority during the last financial year ended 30th June 2014. Indeed through our collaborative efforts, we were able to execute the Authority's mandate and strategies with much success. In reflecting on the financial year 2013-14, it proved to be an unsettling period dogged by global uncertainties, political transition which ushered in the first government under the new constitution, the implementation of devolved governments as well as the establishment of new independent and constitutional offices. SASRA being a regulator within the financial services sector had to navigate a number of legal challenges that included devolved of the co-operative functions.

2.0 Key Milestones

Increased level of compliance by Sacco's

By close of the transition period in June 2014, the Authority licenced additional 54 Sacco's to bring the total number of DTS complying with prudential regulations from 140 to 184. This now accounts for 99.2% of the Total Assets of Deposit Taking Sacco's (DTS).

Increased access to credit by SACCO's and SME's

The Authority undertook a survey on financial access to SME's by Deposit Taking Sacco's aimed at policy enhancement for products and services. The overall increase in Net Loans amounted to 17.3% in year 2013 i.e. K.sh 184.3 Billion from 157.1Billion in year 2012 exceeding target of 10%.

Protection of members Deposits in DTS Sacco's

The Authority also intensified surveillance of the DTS which resulted into increase of deposits by 15% from K.sh 149.2 Billion to K.sh 172.3 Billion. The Authority initiated review of legal and regulatory framework and developing trust deeds to implement the Deposit Guarantee Fund to address any potential financial distress in any of the regulated DTS.

Improvement of Governance in Deposit Taking Sacco's

Through collaboration with Co-operative University College of Kenya, trained DTS directors on Governance as part of capacity building initiative towards effective management of financial entities. Through this initiative, the Authority managed to train a total of 278 Directors in the last one year.

Integration of the Sacco Subsector to the mainstream financial services

Through the Authority initiatives, DTS were mainstreamed into the Credit Information Sharing that will allow them to list bad loans through credit reference bureaus. This initiative has resulted in lowering the Non-Performing Loan ratios from 7.4% in year 2012 to 4.7% in year 2013 on total Gross Loan portfolio among the regulated DTS. The regulated Sacco's have also been mainstreamed into Anti- Money Laundering initiative through the Joint Financial Sector Regulators collaboration i.e. CBK, CMA, RBA, IRA & SASRA.



3.0 Future focus

DTS participation in the National payment system Through the Joint Financial Regulators Forum collaboration initiative, and other relevant stakeholders, the Authority will take lead in ensuring DTS participate in this critical process as they offer Quasi banking services. Already some Sacco's have entered into partnership arrangements with commercial banks to offer checking accounts as part of service enhancement initiative.

Central Liquidity System

To enable DTS's take care of short-term liquidity needs in carrying out Deposit Taking Business(DTB), the authority will facilitate creation of a working capital initiative similar to the Central Bank service in ensuring Sacco members enjoy uninterrupted services besides the prudential regulatory requirement.

Consolidation of Sacco's

This will allow more viable entities towards efficiency and effectiveness as financial intermediaries hence reduce risk of failure in line with the prudential requirements. In turn, this will promote safety and soundness of DTS's in contributing to the overall financial stability.

Facilitate shared services platform

This is aimed at licensed Sacco's reducing operational costs and leverage on pooled resources with focus on information sharing e.g. ICT linkage and strategic alliances with service providers.

4.0 Conclusion

Finally, I would also like to give special thanks to the full board of SASRA and the management for their excellent work in enabling the Authority move this far towards its regulatory mandate. I would also like to pass my gratitude to our dedicated staff of the Authority for providing support to the management to move the Authority's agenda forward.

JOHN NTHUKU

CHAIRMAN- Board of Directors

REPORT OF THE CHIEF EXECUTIVE OFFICER



Carilus Ademba, HSC
Chief Executive Officer

1.0 Introduction

SASRA is one of the financial services sector regulatory bodies recognised under the Vision 2030, Financial Services Sector Plan 2013-17 as a key institution in achievement of the Vision 2030 Economic Pillar initiatives. The Authority having started its operations in the year 2010 has progressed well in enhancing governance framework within the licenced DTS in Kenya. The three key activities mapped in the plan that SASRA is envisaged to implement in the Medium Term include;

- Full implementation of Risk Based Supervision framework as a surveillance mechanism for licensed Sacco's to reduce operational risk
- Facilitate savings mobilization via prudential regulations hence creating market confidence, and enhance financial access.
- Protection of members Savings by operationalization of DGF (Deposit Guarantee Fund) in event of failure by licensed DTS;s

2.0 Medium Term plan 2013-17 framework and corporate strategies

Transitional update

The year 2013-14, was a very unique year for the Sacco societies as it marked the final stretch to the end of the four years transition period upon which all the deposit taking Sacco societies are expected to fully comply with the Sacco societies Act, 2008 and the regulations thereof. As at the deadline of 17th June 2014, additional 54 DTS were licensed increasing the number to 184 hence compliance level of 99.2% of total Saccos under regulatory framework.

Risk-based Supervision

To be in line with peer regulators, the Authority adopted a CAEL rating framework for licensed Saccos in respect of their Capital Adequacy, Asset quality, Earnings and Liquidity to assess their financial soundness and suitability. The key effect was a drop in Non-Performing loans from K.sh 11.7 Billion as at June 2013 to K.sh 8.9 Billion in June 2014 representing 24% net effect based on the submitted returns.

Increase in access to Credit

Through a survey initiated by the Authority on access to credit by DTS's show a total Kshs185 billion was also disbursed as loans and advances representing an increase of 18% Total loans accounted for 76% of the total assets reinforcing the fact that Sacco's' core business is to mobilize savings and lend to their members.



Protection of members' deposits

The Authority initiated and developed Deposit Guarantee Fund (DGF) operational legal instruments and policies as part of the initiative to protect Sacco member's deposits in event of failure of licenced DTS. This was included as part of the legal and regulatory review aimed at strengthening the regulatory mandate. The effect is reflected in the members confidence shown of which total assets of the licensed deposit taking Sacco's increasing by Kshs 38 billion to Kshs 242 billion representing a 16.5% improvement from the year 2012-13. This growth in assets was funded mainly by member deposits which increased from Ksh.146 billion in 2012 to K.sh.172 billion in 2013-14, a 19.3% growth.

3.0 Operational milestones

Legal and regulatory reforms

Appreciating the dynamism in the market and with our mandate of developing the Sacco industry, the Authority embarked on review of the legislative framework with a view to addressing a few challenges noted in the course of the four years in operation. The key areas under review included the definition and computation of capital adequacy as well as provisions on investments inequities and properties by the deposit taking Sacco's. Besides, a number of emerging issues that can open up the industry have been considered. We have made proposals to amend the Sacco law to make provision for Credit Information Sharing by SACCOS with other players and to create a central liquidity facility for SACCOS to enable them obtain affordable funds.

Institutional and stakeholders capacity initiatives

In order to continue with the momentum and also improve on our delivery, we endeavour to build capacity of the industry and Authority's staff. A number of development initiatives targeting the industry and internal capacity developments were conducted during the year. This includes collaborative initiatives with Co-operative University of Kenya on training the board and management of the licenced DTS's

4.0 Challenges

Change in government policies

In the government's efforts to reform the financial services sector regulatory framework, the Authority is one of the institutions that have been proposed to be merged together with Capital Markets Authority (CMA), Retirements Benefit Authority (RBA) and Insurance regulatory Authority. As the board and management lead through this transition, uncertainty continues to affect the Authority's strategic objectives implementation that could lead to a regulatory gap. It is our belief that the transition process will be seamless and leave no room for regulatory lapse.

Institutional capacity

The Authority remains one of the most understaffed agencies considering its mandate that covers many institutions and spread across the whole country. Out of the 93 approved establishments, only 70 employees have been absorbed that pose a serious challenge in effective supervision to prevent failure. It is envisaged that this will be addressed along the on-going reforms of the parastatals.

5.0 Conclusion

Finally, I would like to thank the staff of SASRA for working diligently to accomplish supervisory responsibility effectively. Similarly, I also appreciate the cooperation accorded to the Authority by the Sacco Societies Board of Directors and their staff, Sacco members and other stakeholders. It is this cooperation that has enabled us achieve our supervisory objectives.

CARILUS ADEMBA, HSC
CHIEF EXECUTIVE OFFICER



CORPORATE GOVERNANCE STATEMENT

1.0 Board Oversight

The Board is committed to ensuring that the Authority's mandate as spelt out in the SACCO societies Act is run in a professional and transparent manner to take care of stakeholders interests as well as being responsible and accountable to the Government of Kenya, through the Ministry of Industrialization and Enterprise development by ensuring that the Authority complies with the law and the highest standards of corporate governance.

Good corporate governance is a fundamental facet of the culture and operations of the Authority and during the year 2013/14, the board focus was geared towards enforcement of its mandate as provided for under The Sacco Society's Act, 2008, of licensing and regulating of deposit-taking Sacco societies. The Board works through Committees to enhance corporate governance; and they advise the Board on various issues, reviews, and monitor tasks assigned to it with the aim of improving efficiency and effectiveness.

The following show records of the full board meeting attendance during the financial year;

Members	Attendance
Mr. Bernard Nthuku	10
Mr. Cheloti Kakai	10
Mrs. Margaret Kiema	9
Ms. Regina Oyaro	9
Mr. George Omino	8
Mr. Frederick Pere	9
Mr. Patrick Musyimi	9

During the period under review, the Board established the following committees:

a) Supervision, Research and Legal Committee

This Committee consisted of four members; Mr. Kakai Cheloti 'the Chair', Mr. George Omino, Mr. Fredrick Pere, and Mr. Patrick Musyimi, all non-executive members of the Board. The Committee met five (5) times during the financial year. It effectively performed the following duties:

- i) Providing policy guidance on technical aspects of the functions of the Authority in licensing and supervision of Saccos.
- ii) Reviewing and advising the Board on technology budgets as well as major investments in new operational models and informational technology platforms, investments, partnerships and alliances.
- iii) Making recommendations to the Board of Directors with respect to ICT and related projects and investments that require Board approval.
- iv) Reviewing and monitoring the Authority's research and development reports.
- v) Reviewing and monitoring operational strategy based on current social, economic and political factors.
- vi) Reviewing issues affecting the acceptance of the Authority's policy prescriptions by government and other stakeholders.

Meeting attendance

Members	31-07-2013	15-10-2013	04.12.2013	12.3.2014	14.5.2014	TOTAL
Mr. Kakai Cheloti	1	1	1	1	1	5
Mr. Fredrick Pere	1	1	1	1	1	5
Mr. George Omino	1	1	1	1	1	5
Mr. Patrick Musyimi	1	1	1	0	0	3



b) Audit, Risk Management and Corporate Governance Committee

This committee consisted of; Ms. Regina Oyaro 'the Chair', Mr. Fredrick Pere, Mr. Patrick Musyimi, and Mrs Margaret Kiema all of whom are non-executive members of the Board. The Committee met five (5) times during this financial year. The committee:

- i) Monitors and evaluates the adequacy of internal controls.
- ii) Evaluates the performance of the authority's internal audit function and the external independent auditors and is directly responsible for the oversight of the work of the external auditor.
- iii) Develops effective risk management strategies and policies.
- iv) Monitors compliance by the authority with the policies, legal and regulatory requirements. reviews, monitors and increases the quality and the extent of the authority's contribution to the social and economic development.
- v) Reviews significant reports prepared by the internal auditing department and management's responses.
- vi) Receives reports from management concerning the authority's conformity with public service code of conduct and applicable legal requirements.

Meeting attendance

Members	2.8.2013	17.10.2013	6.12.2013	17.3.2014	20.5.2014	TOTAL
Ms. Regina Oyaro	1	1	1	1	0	4
Mrs. Margaret Kiema	1	1	1	1	1	5
Mr. Frederick Pere	1	1	1	1	1	5
Mr. Patrick Musyimi	1	1	0	1	1	4

c) Finance, Human Resource Management and Administration Committee

This Committee consisted of; Mrs. Margaret Kiema 'the Chair', Mr. Kakai Cheloti, Ms. Regina Oyaro, and Mr. George Omino all of whom are non-executive members of the Board. The committee met six (6) times during the year under review,

- i) Reviewing and making recommendations to the Board on the financial strategy of the Authority ensuring its adequacy and soundness in providing for the Authority's current operations and long term stability.
- ii) Reviewing, discussing and making recommendations to the Board on significant financial planning, management and reporting issues of the Authority.
- iii) Ensuring all expenditures of the Authority are within the approved budgets; reviewing procurement and disposal plans and consolidated annual procurement plan and submitting them to the Board for approval.
- iv) Monitoring the management's strategy towards ensuring efficiency and integrity of the Authority's procurement systems.
- v) The Committee is responsible for developing a proactive Human Resource and Administration policies, procedures and strategies that retain and motivate staff for a higher performance in realizing the Authority's goals and objectives.
- vi) Reviewing the HR Policy Manual in line with the changing working environments.
- vii) Reviewing the organization structure of the Authority from time to time.
- viii) Developing, reviewing, implementing and monitoring staff training and development programmes;
- ix) Developing policies on staff performance management systems like Performance Appraisals, Job evaluation, Job Satisfaction and Performance Incentive Schemes.



Meeting attendance

Members	1.8.2013	16.10.13	Special finance	5.12.13	13.3.14	15.5.14	TOTAL
Mrs. Margaret Kiema	1	1	1	1	1	0	5
Ms. Regina Oyaro	1	1	1	1	1	1	6
Ms. Regina Oyaro	1	1	1	1	1	1	6
Mr. George Omino	0	1	1	1	1	1	5

2.0 Board Capacity building

Towards its efforts to enhance governance the board chairman and Mrs Margaret Kiema attended the International Credit Union Regulators Network(ICURN) annual conference and continuous education held in the United Kingdom from 14th 16th May 2014.

3.0 Board Performance Evaluation

As part of the annual continuous improvement efforts, the board conducted self-evaluation forum at Red court Hotel on 19th September 2013 at Boma Hotel through an independent consultant.

4.0 Risk management framework

The Board is responsible for monitoring compliance with the Authority's risk policies and procedures, and for reviewing their adequacy. The Board is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk controls and procedures, the result of which are reported to the Board Audit Risk and Corporate Governance Committee.

The Authority's risk management policies are established to identify and analyse the risks faced by the Authority, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Authority through its Internal Audit & Risk Department developed an Institutional Risk Management (IRM) framework geared towards assessment of risks and mitigation strategies which is reviewed annually.

The following key risks may impact on the Authority operations;

a) Liquidity Risk

Liquidity risk is the risk that the Authority will encounter in meeting obligations from its financial liabilities.

Management of Liquidity risk

The Authority approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable deficits or risking damage to the Authority's reputation.

Details of the reported Authority's ratio of current assets to current Liabilities at the reporting date and during and reporting period were as follow:

	2014	2013
At 30th June	4.31:1	1.45:1

b) Market Risks

Market risk is the risk that changes in market prices of goods and services as well as interest rates on financial assets held in bank deposits by the Authority that could negatively impact on the budget implementation of the Authority. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Authority transactions exposed to market risks are the financial assets held as bank deposits under cash and cash equivalents and the donor funds in view of timing differences.



c) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Authority's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The primary responsibility for the development and implementation of control to address operational risk is assigned to senior management within each department/unit. This responsibility is supported by the development of overall Authority's standards for the management of operational risk in the following areas:

- a) Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- b) Requirements for the reconciliation and monitoring of transactions.
- c) Compliance with regulatory and other legal requirements.
- d) Documentation of controls and procedures.
- e) Requirement for the yearly assessment of operational risks faced, and the adequacy of the controls and procedures to address the risks identified.
- f) Requirements for the reporting of operational losses and proposed remedial action.
- g) Development of contingency plans.
- h) Training and professional development.
- i) Ethical and business standards.
- j) Risk mitigation, including insurance where this is effective. Compliance with relevant GoK regulations is supported by a programme of regular review and undertaken by Internal Audit and Risk department.

The results of Internal Audit reviews are discussed with the Board and senior management of the Society.



CORPORATE SOCIAL RESPONSIBILITY STATEMENT

1.0 Introduction

The Regulatory Authority as part of its Strategy, is committed to the effective integration of a Corporate Social Responsibility (CSR) programmes into all areas of its work environment, by employees at all levels within the Authority, starting with the Board of Directors, the Chief Executive and Senior Management.

2.0 CSR Management Structure.

The principal responsibility to fulfil our wider corporate social responsibilities and see it as fundamental to the long-term sustainability and growth with the following structures.

BOD - HR and Administration committee

The committee is responsible for the CSR policy, and for reviewing and monitoring progress of the CSR programmes. The Board approves the programmes through a budgetary process.

The Chief Executive

The Chief Executive Officer is the custodian of all the Authority's Corporate Social Responsibility activities. He guides the Authority' CSR activities in line with the established policy.

CSR Management Committee

The CSR Management committee has the responsibility of resource allocation and coordinating a coherent CSR programmes for SASRA. It reviews the programmes and events annually to ensure the same is aligned to the corporate strategy.

3.0 Environmental Sustainability.

The Authority is keen on environmental sustainability programmes and collaborates with various government agencies such as NEMA on mapping the key activities to undertake on annual basis under the performance contracting framework. Activities under this initiative are geared towards environmental impact and sustainability.

During the year, the Authority through collaborative efforts by other financial sector regulators participated in a joint tree planting activity at Kuwinda Grounds in Ngong Forest by planting 200trees This earned the Authority performance rating of 'Very good" on evaluation by the Directorate of Performance Contracting under Ministry of Devolution and planning. The key Performance Indicators were;

- i) Plant 200 trees
- ii) Mitigate against pollution

4.0 Business Continuity and Resilience

The Authority in its efforts to protect its information assets and ensure continuity in operations initiated the implementation of a Disaster Recovery Solution funded by World Bank under the FLSTAP programme to the tune of K.sh 22.2 Million The collocation of the solution to an external hot site was achieved with I-WAY Africa as a service provider. This is in addition to the internal data mirroring and implementation of Information security policy under the guidance of ICT department.



5.0 Human Resource

The Authority towards being socially responsible to its Human capital is guided by policy approved by the board that specifies, recruitment, retention, workforce diversity in terms of skills and race, personal development as well as skills enhancement. In the competency survey carried out during the financial year besides the HR Policy, the certain activities were undertaken towards staff welfare in collaboration with other government agencies;

- i) Prevention of HIV infection- (NACC)
- ii) Prevention of Alcohol and Drug Abuse (NACADA)
- iii) Gender Mainstreaming (NCGEC)
- iv) Disability Mainstreaming (NCPWD)

The Authority's core values that guides the staff in performance of their duties as entrenched in the corporate strategy are;

- i. Integrity- Devotional service
- ii. Transparency- Operations in terms of regulatory mandate
- iii. Professionalism- Right skills in each functionality
- iv. Teamwork- Synergy
- v. Equity- Impartiality commitment

Communication to staff is both top up and bottom down depending on any policy changes or relevant information. The Authority held Quarterly CEO breakfast forums where key policy changes were discussed and also as a feedback initiative.

6.0 Community relations

SASRA recognizes its obligations to act responsibly, ethically and with integrity in its dealings with other stakeholders and the environment as a whole. The Authority to this end is committed to;

- i. Financial assistance to the economically disadvantaged institutions.
- ii. Reputational impact of the Authority's relationships with private and public entities government bodies, or specialized agencies.
- iii. Community service issues with focus on charitable giving, donations and sponsorship to institutions or specialized agencies.

During the year, the Authority undertook the following activities;

- i. Donation of books through the Joint Financial Regulators to selected disadvantaged schools in Mombasa worth K.sh 150,000
- ii. Visiting of a Children's home in Kayole and donated food stuffs worth K.sh 56,000

7.0 Conclusion

The Authority therefore follows the following principles;

- i. Demonstrating co-operative and sustainable governance
- ii. Encouraging environmental sustainability
- iii. Promoting social inclusion and diversity
- iv. Fostering economic development

CORPORATE SOCIAL RESPONSIBILITY (CSR)



SASRA staff members during a visit to Flomia children's home



SASRA staff members during the Joint Financial Sector Regulators tree planting exercise 2014



Sasra staff members during the joint Financial Sector Regulations tree planting exercise



REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of the Authority's affairs.

Principal activities

The principal activities of the Authority are:

- i) To license Sacco Societies to carry out deposit-taking business in accordance with the Act.
- ii) To regulate and supervise Sacco societies.
- iii) Hold, manage and apply the General Fund of the Authority in accordance with the Act.
- iv) Do all such other things as may be lawfully directed by the Minister.
- v) Perform such other functions as are conferred on it by the Act or by any other written law.

Results

The results of the Authority for the year ended June 30, 2014 are set out from page 20 to 39.

Directors

The members of the Board of Directors who served during the year are shown on page 3 in accordance with the Authority's Act 2008. All board members are appointed to serve for four years.

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance to the Public Finance Management (PFM) Act, 2012.

By Order of the Board

Roselyne Ragama
Corporation Secretary



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Sacco Societies Act 2008 requires the Authority's directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Authority as at end of every financial year and of its operating results for the year. It also requires the directors to ensure that the Authority keeps proper accounting records, which disclose, with reasonable accuracy, the financial position of the Authority. They are also responsible for safe guarding the Assets of the Authority.

The Directors accept 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 (IFRS) as well as International Public Sector Accounting Standards (IPSAS) and in the manner required by 'The Sacco Societies Act 2008'.

The Directors are of opinion that the financial statements give a true and fair view of the state of the financial affairs of the Authority and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

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

Approval of the financial statements

The Authority's financial statements were approved by the Board on 18/9/2014 and signed on its behalf by:

John Bernard Nthuku,
(Chairman)

MBS Carilus Ademba, HSC
(Chief Executive Officer)



REPORT OF THE AUDITOR

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON SACCO SOCIETIES REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE 2014

REPORT OF THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of SACCO Societies Regulatory Authority set out on pages 26 to 45, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, together with a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on the financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003 and submit the audit report in accordance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements 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 Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects the financial position of the Authority as at 30 June 2014, and of its financial performance and of its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Sacco Societies Act, 2008.

Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

20 May 2015



STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2014

Revenue from non-exchange transactions	Notes	2013-2014 K.sh	2012-2013 K.sh
Public contributions and donations	3	2,966,871	40,286,810
Fines, penalties and levies	4	144,056,539	130,037,962
Transfers from other governments	5	120,101,922	75,748,039
Total revenue		267,125,332	246,072,811
Expenses			
Employee costs	6	134,577,843	129,406,157
Operating and Maintenance Costs	7	61,181,210	49,195,882
Administration expenses	8	83,775,639	94,188,001
Total expenses		279,534,692	272,790,041
(DEFICIT) FOR THE PERIOD		(12,409,360)	(26,717,230)



**STATEMENT OF FINANCIAL POSITION
 FOR THE YEAR ENDED 30TH JUNE 2014**

ASSETS	Notes	2013-2014 K.sh	2012-2013 K.sh
Current Assets			
Cash and cash equivalents	9	86,369,999	65,992,046
Receivables from non-exchange transactions	10	9,335,155	10,147,998
Inventories	11	4,479,038	-
		100,184,193	76,140,044
Non-current assets			
Property, plant and equipment	12a	42,808,153	57,830,839
Intangible assets	12b	9,480,598	15,141,061
		52,288,750	72,971,900
TOTAL ASSETS		152,472,943	149,111,944
LIABILITIES			
Current Liabilities			
Trade and other payables from exchange transactions	13	2,091,985	1,269,255
Provisions	14	9,402,550	14,203,000
		11,494,535	15,472,255
Net assets			
Capital Reserves	15	176,978,623	157,230,545
Accumulated/deficit	16	(36,000,215)	(23,590,855)
Total net assets and liabilities		140,978,408	133,639,690
TOTAL LIABILITIES		152,472,943	149,111,944

13/5/2015

The Financial Statements were signed on

Be on behalf of the Board of Directors by:

John Bernard Nthuku, MBS
 Board Chairman

Carilus Ademba HSC,
 Chief Executive Officer



STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30TH JUNE 2014

	Capital development reserve	General reserve	Total
	Ksh	Ksh	Ksh
Balance as at 30 June 2012	54,400,329	3,126,373	57,526,702
Surplus/(deficit) for the period	-	(26,717,230)	(26,717,230)
Transfers to/from accumulated surplus	102,830,216		102,830,216
Balance as at 30 June 2013	157,230,545	(23,590,855)	133,639,688
Surplus/Deficit for the period	-	(12,409,360)	(12,409,360)
Transfer from devpt. Funds	19,748,078	-	19,748,078
Balance as at 30 June 2014	176,978,623	(36,000,215)	140,978,406

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2014

	2013-2014 K.sh	2012-2013 K.sh
Cashflows from operating activities		
Receipts		
Public contributions and donations	2,966,871	40,286,810
Internally Generated Revenue(AIA)	144,056,539	130,037,962
Government grants and subsidies	139,850,000	103,392,000
Less: Utilised in Capital expenditure	(19,748,078)	(27,643,961)
	267,125,332	246,072,811
Payments		
Employees Costs	134,577,843	129,406,157
Rent paid	20,811,049	20,167,858
Operating and Maintenance costs	83,714,573	87,071,353
	239,103,465	236,645,368
Net cashflows from operating activities	28,021,867	9,427,443
Cashflows from investing activities		
Purchase of property, plant, equipment and intangible assets	(19,748,078)	(1,243,961)
Increase in current receivables	(3,666,195)	(2,333,747)
Decrease in payables	(3,977,720)	(524,437)
Net cashflows used in investing activities	(27,391,993)	(4,102,145)
Cashflows from financing activities		
Proceeds from Gok for Devpt. Funds	19,748,078	26,400,000
Internally Generated Fund(AIA)	-	1,243,961
Net cashflows used in financing activities	19,748,078	27,643,961
Net increase/(decrease)in cash and cash equivalents	20,377,952	32,969,259
CASH AND CASH EQUIVALENTS AT 1 JULY 2013	65,992,046	33,023,098
CASH AND CASH EQUIVALENTS AT 30 JUNE 2014	86,369,999	65,992,046



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2014

	Original budget	Reviewed budget	Actual on comparable basis	Performance difference
	2013-2014	2013-2014	2013-2014	2013-2014
	Ksh	Ksh	Ksh	Ksh
Revenue				
Public contributions and donations	8,171,500	8,171,500	2,966,871	(5,204,629)
Fines, penalties and levies	188,387,528	188,387,528	140,120,548	(48,266,980)
Government grants and subsidies	133,850,000	133,850,000	139,850,000	6,000,000
Finance Income	3,513,872	3,513,872	3,935,991	422,119
Total income	333,922,900.00	333,922,900	286,873,410	(47,049,490)
Expenses				
Board Expenses	7,897,000	7,897,000	5,174,526	2,722,474
Rent paid	23,450,000	23,450,000	20,811,049	2,638,951
Employee Costs	155,148,000	155,148,000	131,343,093	23,804,907
Travel & Accommodation	24,724,500	24,724,500	11,582,942	13,141,558
Repairs & Maintenance of Equipments	8,508,400	8,508,400	7,834,188	674,212
Maintenance of M/ Vehicle	6,880,000	6,880,000	5,054,359	1,825,641
Office entertainment, Hospitality	3,720,000	3,720,000	2,328,043	1,391,957
Office Running and Maintenance	3,690,000	3,690,000	2,856,172	833,828
Printing & Stationery	5,590,000	5,590,000	3,990,677	1,959,323
Security Expenses	1,740,000	1,740,000	610,760	1,129,240
Postage & Telephone Exps	3,583,500	3,583,500	2,231,600	1,351,900
Legal and enforcement costs	12,816,500	12,816,500	1,548,000	11,268,500
ICT equip and ERP Support System	7,900,000	7,900,000	3,081,500	4,818,500
Office Refurbishment ,Partitions & Fittings	10,211,500	10,211,500	6,514,635	3,696,865
Furniture & Fittings	2,000,000	2,000,000	735,200	1,264,800
Office Equipment	2,000,000	2,000,000	880,000	1,120,000
Capacity Development Prog(Board & staff)	17,910,000	17,910,000	22,829,049	(4,919,049)
Development Professional fees & Charges	14,306,500	14,306,500	12,081,891	2,224,609
Motor Vehicle (Replacement)	9,000,000	9,000,000	8,536,743	463,257
Grants and subsidies paid	12,487,000	12,487,000	5,360,364	7,126,636
Total expenditure	333,922,900	333,922,900	255,384,790	78,538,110
Surplus for the period	-	-	31,488,620	31,488,620



STATEMENT OF RECONCILIATION (BUDGET VS FINANCIAL PERFORMANCE)

	Ksh
Surplus/Deficit per Financial performance	(12,409,360.06)
<i>Add: Non Cash items</i>	
Provision of Depreciation & Amortization expense	40,431,227.17
Provision for:	
Staff leave	1,225,950.00
Staff Gratuity	2,008,800.00
Audit fees	232,000.00
Surplus/Deficit as per Budget performance	31,488,620



NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation of financial statements

The Authority's financial statements have been prepared in accordance and compliance with International Public Sector Accounting Standards (IPSAS).

The measurement of financial transactions is on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method and the financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Authority and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account legal and contractual defined terms of payment and excluding taxes or duty. The Authority assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Authority has concluded that it is acting as a principal in its revenue arrangements except for GoK grants which are mainly non-exchange transactions. Revenue earned and received by the Authority consisted of the following items as provided for in Section 16 of the Act:

i) Sacco Deposits Levy and Licence fees recognized when received and its probable that economic benefits will flow to the Authority.

The Authority recognizes revenues from levies, fees and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue.

ii) GoK Grants to the Authority via Exchequer towards the expenditure incurred by the Board in the exercise of its powers or the performances of its functions under the Act recognized when received and are accounted for in accordance to IAS 28-Government grant; and;

iii) All monies from other source provided for and donated to the Authority that are recognized when contracts have been signed and payments disbursed based on deliverables or tangible transfer of equipment received. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.



NOTES TO THE FINANCIAL STATEMENTS CONT....

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, the Authority has presented reconciliation between the actual comparable amounts in the financial statements and budget based on timing or entity differences.

c) Property, plant and equipment

All property, plant and equipment are recorded at cost. Depreciation is calculated using the straight line method to write down the cost of each asset to its residual value over its predetermined useful life. Cost includes expenditure that is directly attributable to the acquisition of the items. When an asset is acquired within a period of at least nine (9) months of the accounting period, full depreciation of the year shall be provided while if acquired within three (3) months of the accounting period, no provision shall be charged to income as stipulated in the Authority's policy. All other repair and maintenance costs are recognized in surplus or deficit as incurred.

The annual depreciation rates in use are:

Motor vehicles	25%
Computer, hard wares and accessories	33.3%
Office equipment	25%
Furniture and Fittings	12.5%

The assets residual values and lives are reviewed and adjusted if appropriate at each reporting date. Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in surplus or deficit.

d) Intangible assets

Intangible assets acquired separately are initially recognized at cost. These consist of development costs that are directly attributable to design, testing and installation of identifiable and unique Computer software products controlled by the Authority and is amortized over the expected useful life of three years. Costs associated with maintaining computer software programmes are expensed and treated in the Statement of comprehensive income.



NOTES TO THE FINANCIAL STATEMENTS CONT....

e) Impairment of non-financial assets

The carrying amounts of the society's tangible and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such condition exists the recoverable amount of the asset is estimated to determine the extent of impairment loss (if any). If the recoverable amount of the asset is estimated to be less than its carrying amount an impairment loss expense is recognized immediately, unless the relevant asset is carried at revalued amount in which case the impairment loss is treated as a decrease in revaluation reserve.

Where an impairment loss subsequently reverses, the carrying amount of the asset increases to the revised estimate of its recoverable amount, but only to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

A reversal of an impairment loss is recognized as income immediately unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment is treated as an increase in revaluation reserve. The Authority did not have non-financial assets for measurement of impairment during the year under review.

f) Impairment of financial assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or an entity offinancial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cashflows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- » The Authority debtors are experiencing significant financial difficulty;
- » Default or delinquency in interest or principal payments;
- » The probability that debtors will enter bankruptcy or other financial reorganization;
- » Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults) However, the financial assets including levies from Sacco's were recovered in the 1st quarter of the following financial year.

g) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.



NOTES TO THE FINANCIAL STATEMENTS CONT....

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- » Raw materials: purchase cost using the weighted average cost method.
- » Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority. However, the Authority reported inventory of unutilised stationary and loose tools available in the store as at end of the financial period as an asset.

h) Provisions

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.



NOTES TO THE FINANCIAL STATEMENTS CONT....

i) Contingent Liabilities

The following are some of the contingencies that the board anticipates to occur in future;

- » Collectability of levies,
- » Pending litigation in court by a licenced Sacco on remittance of levies as well as Challenge of enforcement actions by two SACCO's
- » Possible claims on assessments as a result of counter claims.

However, the Authority has no potential contingent liability in this financial year.

j) Changes in accounting policies and estimates

The Authority recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical. The Authority has applied accounting policies and estimates consistently in all the years presented and where possible restated.

k) Lease payments

The Authority signed an operating lease for rental premises with the landlord. The rental payments for the premises are recognized in the Statement of Comprehensive Income as expense based on terms of the lease agreement and all risks and rewards remain with the lessor i.e. the landlord British American Insurance Company Ltd.

l) Employee benefits

Employee entitlement to gratuity is recognized when they accrue to employees. Provision is made for the estimated liability of such entitlements as a result of service rendered by employees up to the balance sheet date. The estimated monetary liability for employees accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual subject to legal and policy provisions.

m) Retirement benefit obligations

The Authority operates a defined contribution scheme for all employees by paying fixed contributions into a separate entity. The assets of these schemes are held in a separately administered fund that is funded by contribution from the Authority and employees.

The Authority has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior period. The Authority contributions to the defined contribution schemes are charged to the Income statement account in the year in which it relates.

The Authority also contributes to a mandatory statutory defined contribution pension scheme, the National Social Security Fund (NSSF) at varying values for its employees as legislated from time to time.



NOTES TO THE FINANCIAL STATEMENTS CONT....

n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the various commercial banks at the end of the financial year.

o) Trade and other receivables

Receivables are recognized at anticipated realizable value less an allowance for any uncollectible amounts. An estimate/specific provision is made for doubtful receivables based on the review of all outstanding amounts at the year end. Any write off must be done when all reasonable steps to recover them have been taken without success.

p) Related parties

The Authority has disclosed all related party transactions during this reporting period under notes to the financial statements No. 6 and 7(b).



NOTES TO THE FINANCIAL STATEMENTS CONT...

3 Public contributions and donations	2014	2013
	K.Sh	K.Sh
FSD Reimbursement	2,966,871	40,286,810
Total	2,966,871	40,286,810
This relates to reimbursed cost for for capacity building workshops and training from Financial Sector Deepening during period for sponsored programmes.		
Reconciliation of public contributions and donations		
Current year receipts	3,166,721	40,470,310
Conditions met-transferred to revenue	(2,966,871)	(40,286,810)
Conditions to be met-remain liabilities	199,850	183,500
4 Internally Generated Revenue(AIA)		
Deposit Levies from Sacco	124,454,548	116,262,010
Licence renewal fees	15,330,000	11,970,000
License application fees	336,000	321,000
Sales of tender documents	9,000	288,000
Income from Fixed Deposit	3,926,991	1,196,952
Total	144,056,539	130,037,962
5 Gok Grants and Subsidies		
Recurrent grants received	93,000,000	76,992,000
Development grants received	46,850,000	26,400,000
Total	139,850,000	103,392,000
Less: Utilised for Capital Expenditure		
Property,Plant & Equipment	(16,666,578.00)	(1,243,961.00)
Intangible Asset	(3,081,500.00)	(26,400,000.00)
Total	(19,748,078.00)	(27,643,961.00)
Total Gok Grants and subsidies	120,101,922.00	75,748,039.00
6 Employee costs		
Employee related costs-salaries and wages	108,493,646	104,180,963
Employee related costs-contributions to pensions	8,946,448	8,551,830
Staff Medical expense	12,687,849	12,661,920
Club membership subscription	1,070,413	575,111
NSSF employer contribution	144,737	141,000
Provision for gratuity	2,008,800	2,008,800
Provision for outstanding leave days	1,225,950	1,286,533
Total	134,577,843	129,406,157



NOTES TO THE FINANCIAL STATEMENTS CONT....

	K.Sh	K.Sh
7 Operating and Maintenance Costs		
7a) Board Expenses	7,861,435	6,569,876
7b) Depreciation and amortization expense	40,431,227	36,144,673
7c) Other Operating and Maintenance expenses	12,888,547	6,481,333
Total	61,181,210	49,195,882
7a Board Expenses		
Sitting allowances for regular meetings	1,974,263	3,107,046
Honoraria and airtime	1,020,000	916,818
Other Board Expenses:		
Special Meeting & Other forums costs (i.e Joint Regulators)	2,180,263	2,546,012
Capacity Devpt. Costs (Travel,Accom & Other allow	2,686,909	-
	7,861,435	6,569,876
7b Depreciation and amortization expense		
Property,plant and equipment	31,689,264	28,428,849
Intangible assets	8,741,963	7,715,824
	40,431,227	36,144,673
7c Other Operating and Maintenance expenses		
ICT Equipment maintenance costs	7,421,366	1,632,627
Motor Vehicles repair	2,212,566	1,430,478
Repair & Maintenance	412,822	407,585
Motor vehicle Fuel and oil	1,878,269	2,423,857
Motor vehicle Insurance	963,524	586,785
	12,888,547	6,481,333
8 Administration expenses		
Advertising and promotion	1,301,792	1,179,395
Admin fees/newspaper & cleaning	1,575,488	1,238,798
Audit fees	232,000	232,000
Consulting fees	12,325,881	42,922,674
Office Consumables	827,233	844,082
Electricity and water	209,461	206,039
Legal expenses	1,548,000	1,097,000
Postage expenses	94,600	133,805
Printing and stationery	3,990,677	1,366,790
Rent and rates	20,811,049	20,167,858
Security costs	610,760	843,380
Promotional materials & Events(COG,FIRE)	4,058,574	2,585,237
Donation	-	20,000
Stakeholders workshop	-	520,425
Telecommunication(Airtime & telephone)	2,137,000	2,084,935
Training(Capacity development)	20,142,140	11,525,085
Hospitality and Supplies	2,328,043	1,302,173
Travel, Accommodation, Subsistence and other staff costs	11,582,942	5,918,326
Total	83,775,639	94,188,001



NOTES TO THE FINANCIAL STATEMENTS CONT....

	K.Sh	K.Sh
9 Cash and Cash Equivalents		
Bank	6,274,653	5,893,459
Cash-on-hand	95,346	98,587
Short-term deposits	80,000,000	60,000,000
Total	86,369,999	65,992,046
10 Trade Receivables		
Oustatnding Levies	1,075,406	2,598,558
Deposits and Prepayments	7,093,877	7,217,178
Other receivables	199,850	183,500
Staff Advances	936,952	119,693
KRA Tax Credit	29,070	29,070
Total current receivables	9,335,155	10,147,998
(a) Outstanding deposit Levy		
Biashara Sacco	136,603	136,603
Borabu Farmers Sacco	599	-
Chemelil Sacco	-	22,454
Dimkes Sacco	103,377	-
Hazina Sacco	13,380	4,953
K- Unity Sacco	118,566	118,566
Konoin Sacco	92	128,636
Kenpipe Sacco	19,853	-
Kipsigis Edis Sacco	24,281	-
Meru South Farmers Sacco	432	432
Kenya Cannery Sacco	305,859	305,859
Mombasa Teachers Sacco	2,137	-
Metropolitan Teachers Sacco	91	-
Mwalimu Sacco	24,469	24,469
Magereza Sacco	10	-
Nyamira Tea Growers Sacco	20,000	20,000
NRS Sacco	130,521	130,521
Nyambene Arimi Sacco	-	86,263
Sheria Sacco Society	-	1,439,289
Tenhos Sacco	711	-
Siaya Teachers sacco	-	161,772
Universal Traders Sacco	18,741	18,741
Trans National Sacco	4	-
Wakenya Pamoja Sacco	5	-
Wakulima Dairy Sacco	20	-
Isiolo Teachers Sacco	155,657	-
Total	1,075,406	2,598,558

These relates to deposit levies invoiced and not received by 30th June 2014. Receipt of the amount of K.sh 136,603 due from Biashara Sacco is subject to court appeal judgement.



NOTES TO THE FINANCIAL STATEMENTS CONT....

	K.Sh	K.Sh
(b) Deposits and Prepayments		
Britam Ltd-Rent and Parking	1,790,640	1,790,640
Britam Ltd-Rent and Parking	1,704,479	1,704,479
Alpine Coolers-Water dispenser	5,000	5,000
Prepayments:		
Motor Vehicle Insurance	695,958	463,809
GPA cover	200,425	160,144
Staff Medical Cover	2,697,375	2,699,494
Assets Insurance	-	393,612
Total	7,093,877	7,217,178
[c] Other receivable		
Strathmore business school	-	183,500
AFI Business Conducting training	181,095	-
FSD-Board Evaluation & SAM Training Support	18,755	-
Total	199,850	183,500
11 Inventories		
Stationery & Loose tools closing stock	4,479,038	-
Total	4,479,038	-

This relates to unutilised stationery and loose tools available in the store as at 30th June 2014 carried forward.

13a Property, Plant and Equipment

	MOTOR VEHICLES	COMPUTER HARDWARE	PARTITIONS	OFFICE FURNITURE	OFFICE EQUIPMENTS	TOTAL
Cost	K.Sh	K.Sh	K.Sh	K.Sh	K.Sh	K.Sh
At 1 July 2012	22,718,174	7,799,300	5,984,809	3,656,393	5,365,113	45,523,789
Additions	-	44,476,253	-	266,976	11,047,294	55,790,523
Disposals	-	-	-	-	-	-
At 30 June 2013	22,718,174	52,275,553	5,984,809	3,923,369	16,412,407	101,314,312
Additions	8,536,743	-	6,514,635	735,200	880,000	16,666,578
Disposals	-	-	-	-	-	-
At 30 June 2014	31,254,917	52,275,553	12,499,444	4,658,569	17,292,407	117,980,890
Depreciation						
At 1 July 2012	6,987,694	4,239,257	1,244,303	1,027,670	1,555,700	15,054,624
Depreciation	5,679,544	17,407,759	748,101	490,421	4,103,024	28,428,849
At 30 June 2013	12,667,238	21,647,016	1,992,404	1,518,091	5,658,724	43,483,473
Depreciation	7,813,729	17,407,759	1,562,430	582,321	4,323,024	31,689,264
Disposals	-	-	-	-	-	-
At 30 June 2014	20,480,967	39,054,775	3,554,834	2,100,412	9,981,748	75,172,737
Net book values						
At 30 June 2013	10,773,950	13,220,778	8,944,609	2,558,157	7,310,659	42,808,153
At 30 June 2014	10,050,936	30,628,537	3,992,405	2,405,278	10,753,683	57,830,839

NOTES TO THE FINANCIAL STATEMENTS CONT....



NOTES TO THE FINANCIAL STATEMENTS CONT....

12b	Intangible Assets	
	Cost	Ksh
	At 1 July 2012	2,530,640
	Additions	20,640,002
	At 30 June 2013	23,170,642
	Additions	3,081,500
	At 30 June 2014	26,252,142
	Amortization	
	At 1 July 2012	313,757
	Amortization	7,715,824
	At 30 June 2013	8,029,581
	Amortization	8,741,963
	At 30 June 2014	16,771,544
	Net book values	
	At 30 June 2014	9,480,598
	At 30 June 2013	15,141,061



NOTES TO THE FINANCIAL STATEMENTS CONT....

	K.Sh	K.Sh
13 Trade and other payables		
Trade payables (See (a))	1,749,340	1,244,258
Other payables (See (b))	342,645	24,997
Total trade and other payables	2,091,985	1,269,255
(a) Trade Payables		
Flament Company	14,086	14,512
Nation Media Group	79,800	79,800
Wayden Flowers	-	128,000
Gatwick Tech Enterprises Limited	-	675,000
Insurance Regulatory Authority	-	331,946
Pampa Grill Ltd	-	15,000
Jomumu	651,464	-
Vas Consultant Ltd	320,160	-
Africa Confederation of Co-op	440	-
Toyota Kenya Ltd	490	-
Symphony ltd	682,900	-
Total	1,749,340	1,244,258
(b) Other Payables		
Salaries Payable	21,120	21,120
Shirika Sacco Deductions	196	-
staff benevolent fund	9,000	-
Director of pensions	8,027	-
Tax Control Account	3,877	3,877
Stale cheques payable:		
Sanitization on HIV/AIDS	37,220	-
Workshop sitting allowance for Board	14,000	-
March 2013 temporary salaries	140,448	-
Board training sitting allowance	42,000	-
Board training on evaluation sitting allowance	14,000	-
Staff attending job evaluation	2,557	-
Hall hire for workshop	50,200	-
Total	342,645	24,997



NOTES TO THE FINANCIAL STATEMENTS CONT....

14 Current Provisions	Gratuity	Leave benefits	Audit Fees	Total
	K.sh	K.sh	K.sh	K.sh
Balance at 1 July 2013	6,361,200	7,609,800	232,000	14,203,000
Additional provisions raised	-	1,225,950	232,000	1,457,950
Provision utilized/paid	(6,026,400)		(232,000)	(6,258,400)
Balance as at 30 June 2014	334,800	8,835,750	232,000	9,402,550
15 Capital Reserves				
Balance b/f		157,230,545		54,400,329
Funds received for CAPEX		19,748,078		27,643,961
Donations-FLSTAP				
ERP Supply & installation		-		19,098,402
Supply of ICT Equipments		-		56,087,853
		176,978,623		157,230,545
16 Accumulated surplus/deficit				
Balance b/f as June 2013		(23,590,855)		3,126,374
Surplus/Deficit for the Period		(12,409,360)		(26,717,229)
Balance as at 30th June 2014		(36,000,215)		(23,590,855)




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