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**THE SACCO SOCIETIES REGULATORY AUTHORITY
(SASRA)**

Our Ref: SASRA/SS/CS.4676/N-WDTS/VOL. 1 (10)

2nd March, 2023

**The Chief Executive Officer,
Law Society of Kenya Regulated Non-WDT Sacco Society Ltd,
P.O Box 6740-00100,
NAIROBI**

Dear Sir,

RE: APPROVAL AND OBSERVATION OF THE AUTHORITY ON THE SACCO'S AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2022

Pursuant to provisions of Section 41 of the Saccos Societies Act, 2008 as read with Reg. 56 (1) of the Sacco Societies (Non-Deposit-Taking Sacco Business) Regulations, 2020, the Authority has considered the Sacco's audited financial statements for the year ending 31st December 2022 for approval.

The Board of Directors of the Sacco was responsible for the preparation of the Audited Financial Statements of the Sacco in accordance with Section 40 of the said Act and takes responsibility for the same, while the External Auditor was responsible for auditing the said financial statements of the Sacco in accordance with Section 44 of the said Act as read with Reg. 57 of the aforesaid Regulations, and reports thereon and takes responsibility for the same.

The External Auditor was responsible for auditing the said financial statements of the Sacco in accordance with Section 44 of the said Act as read with Reg. 57 of the aforesaid Regulations, and to give reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue auditor's report thereon.

However, the Authority makes the following observations on the said Audited Financial Statements on the basis of the Authority's statutory mandate of on-site and off-site supervision of the Sacco.

1. The audited financial statements fairly comply with Reg. 56 (2) of the said Regulations subject to the External Auditors opinion, in respect of the level of disclosures required.
2. The Retained earnings and disclosed reserves to Core Capital stood at 38.4%, which is below the minimum Capital requirements ratio of more than 50% as prescribed in Regulation 11 (1). The Sacco is advised to ensure full compliance of the same by June 2023.

3. As presented, the annual reports and financial statements does not strictly comply with the recommended format by the Institute of Certified Public Accountants (ICPAK) and the international Financial Reporting Standards. Specifically, the Sacco has only provided for Kshs 60.4 Million contrary to the required Kshs 81.6 Million thereby exposing the loan book by Kshs 21.1 Million. The Sacco is advised to ensure adequate provision is made in the year 2023 in line with Regulation 42.
4. The Authority takes cognizance of the issues raised by the auditor in the management letter especially in regard to; financial performance and compliance, accounting and control matters, information technology issues and response to risks identified in the audit plan. These are pertinent concerns, which require the Sacco's urgent action to mitigate the risks thereof.
5. The board of directors shall present to the members the observations made herein in approving the audited financial statements in accordance with Regulation 56 (4) (b).

Subject to the foregoing observations and the auditor's opinion on the said audited financial statements, the Authority hereby approves the same for publication and presentation to the Sacco's Annual General Meeting.

Yours faithfully,



David Sandagi
FOR: CHIEF EXECUTIVE OFFICER

Copy: JM Associates LLP
Certified Public Accountants (K)
P.O Box 23598-00625
NAIROBI

CS NO. 4676

LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022

THE SACCO SOCIETY REGULATORY AUTHORITY
RECEIVED
02 MAR 2023
(Signature)
P. O. Box 25089-00100, NAIROBI

APPROVED
*for publication and presentation
to AGM or ADM subject to observations issued*
02 MAR 2023
SIGN: *(Signature)*
THE SACCO SOCIETIES REGULATORY AUTHORITY

CS NO. 4676
LAW SOCIETY OF KENYA REGULATED NON-WDT SOCIETY LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022

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LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022

Society information

Registered Office

LSK Sacco Limited
Crawford Business Park, 3rd Floor,
State House Road,
P.O Box 6740-00100
Nairobi, Kenya

Directors

The directors who held office during the year and to the date of this report were:

Board of directors:

Justus M. Munyithya	Chairman
Philbert Caleb Nadebu	Vice Chairman
Lawrence Mugambi Mungania	Treasurer
Kellen Njue	Hon. Secretary
Jackson Awele	Member
Gladys W. Kinyanjui	Member
Samuel Mwaniki	Member
Gad Gathu Kiragu	Member
Boniface Mutwiri Kinoti	Member

Supervisory committee:

Collins Wanderi	Chairperson
Joseph Makumi	Secretary
Salome Muhia	Member

Sacco principal administrator:

Samuel Ogosi Ogosi	Chief Executive Officer
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Principal Bankers:

Co-operative Bank of Kenya Kimathi Street Branch P.O. Box 7512-00200 Nairobi, Kenya	KCB Bank PLC Biashara Street, P.O. Box 45422-00100 Nairobi, Kenya.
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Independent Auditor:

JM Associates LLP
Certified Public Accountants
West Park Towers Mpesi lane, 8th Floor
P.O. BOX 23598-00625
Westlands, Nairobi.

**CS NO. 4676
LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

Report of the board of directors

The Board of Directors submit their report together with the financial statements for the interim period ended 31 December 2022.

Incorporation

The society is a non-deposit taking Sacco incorporated in Kenya under the Co-operative Societies Act Cap 490 and licensed under the Sacco Societies Act No. 14 of 2008 and is domiciled in Kenya.

Business review

The Society's principal activity is to receive deposits from members and advance loans on interest.

Results

The annual report and financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Kenyan Co-operative Societies Act. The accounting policies have been applied consistently compared to the prior year.

	2022 Kshs	2021 Kshs
Surplus for the year	50,987,089	40,733,202
Tax charge	(4,699,476)	(3,584,164)
Surplus after tax	46,287,613	37,149,038
Interest on members' deposits	232,270,753	198,954,831
Retained surplus for the period	<u>18,270,071</u>	<u>13,464,195</u>

Full details of the financial position, results of operations and cash flows of the company are set out in these annual report and financial statements.

Terms of appointment of auditors

The Sacco's auditors, Messrs. JM Associates LLP CPA (K), who were appointed during the period have expressed their willingness to continue in office in accordance with section 25(4) of the Co-operative Societies (Amendment) Act No.2 of 2004.

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

By order of the Board Directors



2023

SECRETARY.

CS NO. 4676
LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022

Report of the directors (continued)

Statistical information

	2022	2021
Active members	5,096	6,985
Dormant members	5,290	3,258
	10,386	10,243

Employees of the Sacco - Male	8	10
- Female	23	24

	Kshs	Kshs
Total assets	3,309,723,378	2,907,145,135
Liquid assets	433,314,430	268,604,586
Loans and advances to members	2,809,817,434	2,534,802,179
Investments	2,357,910	2,187,627
Members' deposits & Savings	2,710,558,070	2,378,931,234
Core capital	296,101,366	262,745,361
Share capital	184,893,450	164,617,027
Institutional capital	113,565,826	98,128,334
Total liabilities	3,011,093,819	2,644,399,774
Total revenue	376,422,671	313,875,613
Total interest income	334,155,636	282,775,087
Interest on member savings	232,270,753	198,954,831
Total expenses	325,435,582	273,142,411
Net surplus before tax	50,987,089	40,733,202

Capital adequacy ratio

	STRDs		
Core capital/ Total assets	≥8%	8.95%	9.04%
Core capital/Total deposit	≥5%	10.92%	11.06%
Retained earnings & disclosed reserves/ Core capital	≥50%	38.35%	37.35%

Liquidity ratio

Liquid assets/ Total short-term liabilities	≥10%	16.02%	11.31%
Total loans/ Total deposits	≤85%	103.89%	106.73%

Operating efficiency ratios

Total delinquency loan /Gross loan portfolio	≤5%	4.7%	4.2%
Total expenses/Total Revenue		86.45%	87.02%
Interest on member deposits/ Total revenue		61.70%	63.39%
Interest rate on member's deposits		9.20%	9.00%
Dividend rate on members share capital		10.50%	10.00%

Key:

STRDs - Standard ratio requirement by the regulator

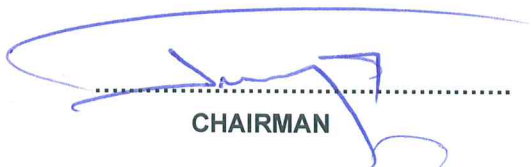
Statement of directors responsibilities

The Sacco Society Act, No.14 of 2008 requires the Board of Directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the society as at the end of the financial year and its operating results for that year in accordance with International Financial Reporting Standards (IFRS). It also requires the Board of Directors 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 Board of Directors 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 (IFRS) and in the manner required by the Co-operatives Societies Act, Cap 490. The Board of Directors is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the society and of its operating results in accordance with the International Financial Reporting Standards (IFRS). The Board of Directors 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 Board of Directors to indicate that the society will not remain a going concern for at least twelve months from the date of this statement.

Approved by the Board of Directors on.....2023 and signed on its behalf by:


.....
CHAIRMAN


.....
TREASURER


.....
MEMBER

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Law Society of Kenya Savings and Credit Cooperative Society Limited set out on pages 8 to 28 which comprise the statement of financial position at 31 December 2022 and the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Law Society of Kenya Savings and Credit Cooperative Society Limited at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Cooperative Societies Act 2015.

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 the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with those charged with governance, but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters are designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on the individual matters. There were no key audit matters identified.

Going Concern

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LAW SOCIETY OF KENYA SAVINGS AND CREDIT COOPERATIVE SOCIETY LIMITED (CONTINUED)

Management has not identified a material uncertainty that may cast significant doubt on the Society's ability to continue as a going concern, and accordingly none is disclosed in the financial statements of the Society. The auditor cannot guarantee the Society's ability to continue as a going concern.

Other information

The directors are responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and the requirements of the Kenyan Cooperative Societies Act 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

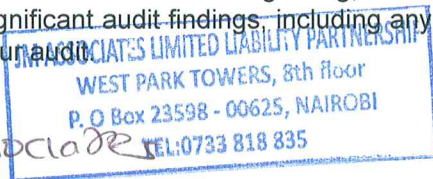
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LAW SOCIETY OF KENYA SAVINGS AND CREDIT COOPERATIVE SOCIETY LIMITED (CONTINUED)

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

- 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 internal control.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

J Mwangi



**Certified Public Accountants
Nairobi**

----- 22/2/2023 -----

The signing partner responsible for the independent audit CPA John Mwangi, Practising certificate No. P/ NO 2092.

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LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022

Statement of profit or loss

	Notes	2022 Kshs	2021 Kshs
Revenue			
Interest on loans and advances	4	312,672,837	260,519,867
Other interest income	5	22,153,924	22,915,544
Total interest income		334,826,761	283,435,411
Interest expense	6	(232,270,753)	(198,954,831)
Net interest income		102,556,008	84,480,580
Other operating Income	7	41,595,910	30,440,202
		144,151,918	114,920,782
Expenditure			
Administrative expenses	8	(26,385,878)	(11,733,190)
Personnel expenses	9	(34,511,248)	(31,643,123)
Financial expenses	10	(21,319,821)	(21,313,683)
Governance expenses	11	(4,949,460)	(5,543,333)
Marketing expenses	12	(3,173,767)	(894,374)
Other operating expenses	13	(2,824,655)	(3,059,877)
Surplus for the year		50,987,089	40,733,202
Tax charge	14	(4,699,476)	(3,584,164)
Net surplus for the year		46,287,613	37,149,038


CS NO. 4676
LAW SOCIETY OF KENYA REGULATED NON-WDT SOCIETY LIMITED
FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2022

Statement of financial position

	Notes	2022 Kshs	2021 Kshs
ASSETS			
Cash and cash equivalents	15	433,314,430	268,604,586
Trade and other receivables	16	3,956,742	3,807,630
Receivable from related party	17	134,001	15,548,272
Loans to members	18	2,749,352,268	2,494,492,069
Financial assets	19	2,357,910	2,187,627
Intangible assets	20	2,119,357	2,006,466
Property and equipment	21	117,936,322	119,946,137
Corporate tax recoverable	22	552,348	552,348
TOTAL ASSETS		3,309,723,378	2,907,145,135
LIABILITIES			
Corporate tax payable	22	721,876	-
Members' deposits	23	2,710,558,070	2,378,931,234
Trade and other payables	24	38,917,370	42,802,374
Payment to members and staff	25	260,896,503	222,666,166
TOTAL LIABILITIES		3,011,093,819	2,644,399,774
FINANCED BY			
Share capital	26	184,893,450	164,617,027
Reserves	27	113,736,109	98,128,334
		298,629,559	262,745,361
TOTAL CAPITAL AND LIABILITIES		3,309,723,378	2,907,145,135

The financial statements on pages 8 to 28 were approved for issue by the board of directors on

01/03/ 2023 and were signed on their behalf by:


.....
CHAIRMAN


.....
TREASURER


.....
MEMBER



CS NO. 4676
LAW SOCIETY OF KENYA REGULATED NON-WDT SOCIETY LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022

Statement of changes in equity

	Share capital Kshs	Retained earnings Kshs	Statutory reserve Kshs	Revaluation reserve Kshs	Total Kshs
Balance as at 01.01.2021	114,464,561	62,531,223	22,132,916	-	199,128,700
Surplus for the year	-	37,149,038	-	-	37,149,038
Share capital paid during the year	50,152,466	-	-	-	50,152,466
Proposed honoraria	-	(4,793,760)	-	-	(4,793,760)
Proposed dividends	-	(16,494,203)	-	-	(16,494,203)
Proposed staff bonus	-	(2,396,880)	-	-	(2,396,880)
Transfer to statutory reserves	-	(7,429,808)	7,429,808	-	-
Balance as at 31.12.2021	164,617,027	68,565,610	29,562,724	-	262,745,361
Balance as at 01.01.2022	164,617,027	68,565,610	29,562,724	-	262,745,361
Surplus for the year	-	46,287,613	-	-	46,287,613
Transfer to statutory reserves	-	(9,257,523)	9,257,523	-	-
Share capital paid during the period	20,276,423	-	-	-	20,276,423
Revaluation of quoted investments	-	-	-	170,283	170,283
Prior year adjustment (Note 28)	-	(2,938,573)	-	-	(2,938,573)
Proposed honoraria	-	(5,665,157)	-	-	(5,664,657)
Proposed dividends	-	(19,413,812)	-	-	(19,413,812)
Proposed staff bonus	-	(2,832,579)	-	-	(2,832,329)
Balance as at 31.12.2022	184,893,450	74,745,579	38,820,247	170,283	301,462,138

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FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022

Statement of cash flows

	Notes	2022 Kshs	2021 Kshs
Cashflow from operating activities			
Interest receipts	2,3	334,826,761	283,435,411
Other operating income	7	37,473,388	30,440,202
Interest expense	6	(198,978,003)	(86,570,378)
Payment to employees and suppliers		(70,185,118)	(50,972,648)
		103,137,028	176,332,587
Working capital changes			
Loans to members	18	(275,015,255)	(527,360,993)
Trade and other receivables	16	(149,112)	6,466,579
Receivable from related party	17	12,475,698	(100,172)
Deposits from members	23	329,517,026	303,270,491
Trade and other payables	24	2,347,328	27,017,274
		172,312,713	(14,374,234)
Net Cash from operating activities before tax			
Income tax paid		(3,977,600)	(4,901,845)
		168,335,113	(19,276,079)
Cashflow from investing activities			
Purchase of property and equipment	21	(285,001)	(66,015,948)
Purchase of intangible assets	20	(642,730)	(1,036,770)
Financial assets movement		-	(50,000)
Net cash used in investing activities		(927,731)	(67,102,718)
Cashflow from financing activities			
Share capital contribution movement		20,276,423	50,152,466
Dividends and honorarium paid		(22,973,961)	(3,267,056)
Dividends paid		-	(10,239,978)
Net cash used in financing activities		(2,697,538)	36,645,432
Cash and cash equivalents at the start of the year		268,604,586	318,337,951
Net cash increase during the year		164,709,844	(49,733,365)
Cash and Cash equivalents at the end of the year	15	433,314,430	268,604,586

Notes to the financial statements

1. Summary of significant accounting policies

(a) General information

LSK Sacco Society Limited is domiciled in Kenya where it is incorporated under the Kenyan Cooperative Societies Act, Cap 490 as a savings and credit cooperative society. The address of its registered office and principal place of business are set out on Page 1.

(b) Basis of preparation

These financial statements have been prepared on a going concern basis and in compliance with the International Financial Reporting Standard issued by the International Accounting Standards Board. The financial statements are presented in Kenya Shillings (Kshs). The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the society's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The financial statements are presented in Kenya Shillings ("Kshs") which is the Society's Functional Currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income or expenses'.

(d) Revenue recognition

Interest on members' loans and any other income is recognized on the year it is earned by the Society. Revenue shall be measured at the fair value of the consideration received or receivable. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

i) Entrance fee is recognized when a new member joins the society;

ii) Dividend is recognized when the right to receive income is established. Dividend are reflected as a component of other operating income based on the underlying classification of the equity instrument;

iii) Commission income is recognized upon successful completion of the transaction;

iv) Miscellaneous income is recognized upon performance of the services agreed on.

v) Interest income is recognized on an accrual's basis in the profit or loss for the year using the effective yield on the asset. Interest income includes income from loans and advances. When financial assets become impaired, interest income is thereafter not recognized until such time that recoverability is assured.

Notes to the financial statements (continued)

1 Summary of significant accounting policies (continued)

(e) Property and equipment

All property and equipment are stated at cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on assets is calculated using the reducing balance method to allocate their cost to their residual values over their estimated useful lives, as follows:

Furniture, office equipment & partitions	– 12.5%
Office space	- 2.5%
Computer equipment	- 30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Property and equipment are revalued regularly whenever events or changes in circumstances indicate that the carrying amount differs materially from its fair value at the balance sheet date. The increase in value is recognized under revaluation surplus in the statement of changes in equity.

Gains and losses on disposal are determined by reference to their carrying amounts and are included in profit or loss.

(f) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the society. All other leases are classified as operating leases.

Rights to assets held under finance leases are recognised as assets of the society at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss.

Assets held under finance leases are included in property, plant and equipment, and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

The Society did not recognise rights of use of assets and lease liabilities for the leases as there were no registered leases during the period.

Notes to the financial statements (continued)

1 Summary of significant accounting policies (continued)

(g) Trade receivables

Trade and other receivables are initially recognised at the transaction price. Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest method.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value net of bank overdrafts.

(i) Share capital

Ordinary shares are classified as 'share capital' in equity.

(j) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Society has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(k) Income tax

a) Current income tax

The income tax expense for the period comprises current and deferred income tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the financial statements (continued)

1 Summary of significant accounting policies (continued)

(l) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value.

(m) Employee benefits

(i) Retirement benefit obligations

The Society and all its employees contribute to the National Social Security Fund, which is a defined contribution schemes. The Society 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 periods. The society did not engage any employees on a permanent basis during the period hence no such remittances were made.

(ii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual. There were no such liabilities during the period.

(n) Intangible assets

Intangible assets relate to computer software.

Intangible assets are initially recorded at cost and thereafter stated at historical cost less amortisation. Amortisation is calculated on a straight-line basis to write down the cost of each asset to its residual value over the estimated useful life (or lease period in the case of goodwill) using the following rates:

Computer software	30%
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(o) Statutory reserves

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

Notes to the financial statements (continued)

2 a) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Society makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Income taxes

Significant judgment is required in determining the Society's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Society recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Useful lives of property, equipment and software

The Society's management determines the estimated useful lives and related depreciation charges for its property and equipment. The rates used are set out in Note 1 (e).

Notes to the financial statements (continued)

2 b) Financial risk management objectives and policies

The Society's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk. The society's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the society does not hedge any risks.

Financial risk management is carried out by the Board of Directors. The board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Market risk

(i) Foreign exchange risk

The society is not exposed to foreign exchange risks.

(ii) Price risk

The society holds any financial instruments subject to price risk including financial investments which are reported at fair value.

(iii) Interest rate risk

The society has long term advances from the Kenya Mortgage Refinance Company and the Women Enterprise Fund which are not subject to interest rate risk.

Credit risk

Credit risk arises from cash and cash equivalents as well as advances to members, including outstanding receivables and committed transactions. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Society.

Credit risk arises from loan to members, cash at bank and short term deposits with banks, as well as trade and other receivables. A provision for doubtful loans is made to reduce the credit risk- Note 17.

	2022	2021
	Kshs	Kshs
Loan to members (Note 18)	2,749,352,268	2,494,492,069
Trade and other receivables (Note 16)	3,956,742	3,807,630
Cash at bank (Note 15)	433,314,430	268,604,586
	<u>3,186,623,440</u>	<u>2,766,904,285</u>

The Society hold collateral for loans and advances to members. A provision has been made non-performing loans as per the regulations. All other receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

Notes to the financial statements (continued)

2 b) Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management performs cash flow forecasting and monitors rolling forecasts of the Society's liquidity requirements to ensure it has sufficient cash to meet its operational needs.

The table below analyses the Society's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	2022 Kshs	2021 Kshs
- Trade and other payables (note 24)	38,917,370	42,802,374
- Members' deposits (note 23)	2,710,558,070	2,378,931,234
	<u>2,749,475,440</u>	<u>2,421,733,608</u>

Capital management

The Society's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Fair value estimation

The society does not hold any major financial instruments subject to fair value estimation.

3 New Standards and Interpretations

Standards and interpretations not yet effective

The society has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the society's accounting periods beginning on or after January 1, 2023 or later periods.

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the annual report and financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after January 1, 2023.

It is unlikely that the amendment will have a material impact on the society's annual report and financial statements.

Notes to the financial statements (continued)

Standards and interpretations not yet effective (continued)

Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in annual report and financial statements that are subject to measurement uncertainty."

The effective date of the amendment is for years beginning on or after January 1, 2023.

It is unlikely that the amendment will have a material impact on the society's annual report and financial statements.

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after January 1, 2023. It is unlikely that the amendment will have a material impact on the society's annual report and financial statements.

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Notes to the financial statements (continued)

	2022 Kshs	2021 Kshs
4 Interest Income		
Interest on loans to members	312,672,837	260,519,867
	<u>312,672,837</u>	<u>260,519,867</u>
5 Other interest income		
CIC Money market	16,608,882	19,244,956
Dividend income	671,125	660,324
Interest from KUSCCO savings	4,873,917	3,010,264
	<u>22,153,924</u>	<u>22,915,544</u>
6 Interest Expense		
Interest on member's deposits	232,270,753	198,954,831
	<u>232,270,753</u>	<u>198,954,831</u>
7 Other Operating Income		
Entrance fees	668,000	563,000
Loan insurance	21,070,934	8,517,001
Deposit offsetting	6,625,488	3,721,577
Lump sum deposits	839,614	1,955,924
Loan clearance	7,436,574	9,695,695
Loan restructuring	286,137	899,180
Loan rescheduling	313,641	486,703
Share transfer	13,000	7,600
Loan application	-	4,244,522
Deposit refund processing	120,000	141,000
Sundry income	4,122,522	108,000
Law society of Kenya Housing hosting charges	100,000	100,000
	<u>41,595,910</u>	<u>30,440,202</u>
Sundry income includes legal fee received, parking fees received and un-identified banking of more than 6 years.		
8 Administrative expenses		
Audit fees	280,200	290,000
Printing & stationery	488,276	497,428
Subscription and licensing fee	142,360	225,582
Supervision and recoverable fees	-	25,200
Legal fees	35,531	656,781
Consultancy and valuation fees	37,000	235,000
General office expenses	613,396	463,915
Telephone and internet	2,531,717	2,341,352
System annual support	823,600	-
Back up & data replication services/IT expenses	665,236	448,957
Loan guard insurance	18,275,328	3,419,193
IT security expenses	167,805	203,000
Website	22,040	19,720
Bad debts written off	-	1,138,534
Water & electricity	606,380	661,156

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Notes to the financial statements (continued)

	2022 Kshs	2021 Kshs
8 Administrative expenses (Continued)		
CRB reports	43,616	56,028
General repairs & maintenance	137,253	167,785
Service charge	808,392	808,392
Insurance all risks	632,580	-
File storage charges	75,168	75,167
	26,385,878	11,733,190
9 Personnel Expenses		
Salaries and wages	20,092,942	18,065,469
House allowance	3,899,000	3,437,806
Staff medical expense	3,817,480	4,103,639
Loan default collection commission	2,214,121	2,225,444
Special duty allowance	-	523,377
Staff travelling & subsistence	544,584	595,572
Staff Education	384,713	-
Staff welfare	564,300	580,000
Team building	292,088	-
NSSF & Pension fund	1,040,185	821,246
Fuel allowance	761,460	600,672
Responsibility allowance	500,736	300,334
Staff leave allowances	399,639	389,564
	34,511,248	31,643,123
10 Financial expenses		
Provision for non-performing loans	20,155,056	20,155,055
Bank charges	1,164,765	1,158,628
	21,319,821	21,313,683
11 Governance expenses		
Committee sitting allowance	3,742,900	4,371,485
Committee travelling & subsistence	233,782	392,007
Committee GPA cover	304,138	-
Committee education and training	289,360	69,850
Strategic plan	80,500	269,500
Members education expenses	26,953	38,301
AGM expenses	271,827	394,878
By law review	-	7,312
	4,949,460	5,543,333
Committee sitting allowance break-down:		
Justus Munyiya	221,431	
Lawrence Mugambi	271,432	
Philbert K. Nadebu	350,004	
Kellen Njue	278,575	
Gladys Wamaitha	442,857	
Boniface Mutwiri	500,004	
Samuel Mwaniki	592,862	
Jackson Awele	157,146	
Gad Gathu Kiragu	242,860	
Collins Wanderi	214,290	
Joseph Makumi	228,576	
Salome Beacco	242,863	
TOTAL	3,742,900	

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Notes to the financial statements (continued)	2022 Kshs	2021 Kshs
12 Marketing expenses		
Marketing and publicity	2,905,948	572,124
Corporate and social responsibility	135,000	180,000
Bulk SMS	91,069	-
Recruitment commission	41,750	142,250
	3,173,767	894,374
13 Other Operating Expenses		
Depreciation	2,294,816	2,558,260
Amortization	529,839	501,617
	2,824,655	3,059,877
14 Tax charge		
Current tax	4,699,476	3,584,164
	4,699,476	3,584,164
15 Cash and Cash Equivalents		
CIC Money market	277,817,314	188,208,431
KUSCCO fixed deposits	55,659,657	50,789,966
Co-operative bank -savings account	53,275,955	25,437,052
Co-operative bank-current account	10,322,355	2,053,266
KUSCCO central finance	913,115	788,889
Housing finance	17,583	17,583
Petty cash	29,169	29,225
KCB savings account	35,279,282	1,280,174
	433,314,430	268,604,586
For the purposes of the statement of cash flows, cash and cash equivalents comprise of the above.		
16 Trade and other receivables		
Prepaid expenses	30,000	304,138
Interest receivables from loans	2,399,546	1,834,112
Co-operative bank	-	19,000
Prepaid medical insurance	1,527,196	1,596,380
Chancery wright parking fee	-	54,000
	3,956,742	3,807,630
17 Receivable from related party		
Balance at start of the year	15,548,272	15,448,272
LSK Housing hosting charges	100,000	100,000
Prior year adjustment	(2,938,573)	-
Transactions for the year	(12,575,698)	-
Balance at end of the year	134,001	15,548,272

Prior year adjustment relates to overstated hosting charges to LSK Housing Cooperative Society Limited in the year 2018, which were recognized by the society. This was occasioned by overstatement of the housing cooperative's revenue which was subsequently used as the basis for determination of the hosting charges.

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Notes to the financial statements (continued)	2022 Kshs	2021 Kshs
18 Loans to Members		
Balance at start of the year	2,534,802,179	2,007,441,186
Disbursements during the year	1,438,717,869	1,769,422,760
Repayment from CIC for deceased members	(8,924,124)	(12,167,721)
Offset from deposits	(70,571,077)	(40,871,139)
Repayments during the year	(1,084,207,413)	(1,189,022,907)
Gross loan balance	2,809,817,434	2,534,802,179
Provision for loan loss	(60,465,166)	(40,310,110)
Balance at end of the year	2,749,352,268	2,494,492,069

Members loan listing and the ledger has a difference of Kshs 296.00

Ageing analysis	No. of Accounts	Provision	Portfolio	Provision	
Performing	1,510	1%	2,501,406,440	25,014,064	22,709,107
Watch	145	5%	175,520,877	8,776,044	7,839,407
Substandard	46	25%	107,028,391	26,757,098	17,245,731
Doubtful	15	50%	9,510,052	4,755,026	7,917,616
Loss	38	100%	16,351,674	16,351,674	22,348,033
Total	1,754		2,809,817,434	81,653,906	78,059,894

Provision for impairment

At start of the year	40,310,110	20,155,055
Charge to profit or loss account	20,155,056	20,155,055
At end of the year	60,465,166	40,310,110
Balance in expected provision for impairment	21,188,740	37,749,784

19 Financial Assets	No. of shares		
Quoted Investments			
KCB Group Plc	5,119	197,337	234,874
Stanbic bank Uganda Ltd	32,000	22,720	189,441
Safaricom Plc	26,900	567,590	170,280
Nation Media Group Plc	1,100	16,500	147,843
East African Breweries Limited	1,100	187,000	144,600
Equity bank Plc	10,000	462,000	142,548
Kenya Electricity Generating Co. Plc	5,000	15,550	132,366
Housing Finance Group Plc	5,500	29,810	87,569
Scan Group Plc	2,000	6,260	53,108
Kenya Re-Insurance Co	2,579	4,642	36,137
Access Kenya Ltd	900	8,640	9,000
		1,518,049	1,347,766

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Notes to the financial statements (continued)

		2022 Kshs	2021 Kshs
19 Financial Assets (continued)	No. of shares		
Unquoted Investments			
Co-op bank (K) Ltd	420,000	420,000	420,000
CIC Insurance Co.Ltd	13,800	312,801	312,801
KUSCCO Ltd	571	57,060	57,060
LSK Housing Cooperative Society Ltd	50	50,000	50,000
		<u>839,861</u>	<u>839,861</u>
		<u>2,357,910</u>	<u>2,187,627</u>
20 Intangible Assets			
Computer software			
Cost			
At start of the year		5,759,921	6,023,151
Additions		642,730	1,036,770
Adjustment		-	(1,300,000)
At end of the year		<u>6,402,651</u>	<u>5,759,921</u>
Amortization:			
At start of the year		3,753,455	3,251,838
Amortization charge for the year		529,839	501,617
At end of the year		<u>4,283,294</u>	<u>3,753,455</u>
Net book value		<u>2,119,357</u>	<u>2,006,466</u>

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21 Property and Equipment	Land Kshs	Furniture & fittings Kshs	Office equipment Kshs	Office space Kshs	Office partitions Kshs	Computers & accessories Kshs	Total Kshs
Cost or Valuation							
As at 1 January 2021	-	4,364,028	100,560	56,238,572	3,452,396	7,943,418	72,098,974
Additions	65,200,000	-	571,068	-	-	244,880	66,015,948
As at 31 December 2021	65,200,000	4,364,028	671,628	56,238,572	3,452,396	8,188,298	138,114,922
Depreciation							
As at 1 January 2021	-	1,870,979	17,772	6,383,575	1,325,389	6,012,810	15,610,525
Charge for the period	-	311,631	81,732	1,246,375	265,876	652,646	2,558,260
As at 31 December 2021	-	2,182,610	99,504	7,629,950	1,591,265	6,665,456	18,168,785
As at 31 December 2021	65,200,000	2,181,418	572,124	48,608,622	1,861,131	1,522,842	119,946,137
Cost or Valuation							
As at 1 January 2022	65,200,000	4,364,028	671,628	56,238,572	3,452,396	8,188,298	138,114,922
Additions	-	-	83,520	-	-	201,481	285,001
As at 31 December 2022	65,200,000	4,364,028	755,148	56,238,572	3,452,396	8,389,779	138,399,923
Depreciation							
As at 1 January 2022	-	2,182,610	99,504	7,629,950	1,591,265	6,665,456	18,168,785
Charge for the year	-	272,677	81,922	1,215,216	232,636	492,365	2,294,816
As at 31 December 2022	-	2,455,287	181,426	8,845,166	1,823,901	7,157,821	20,463,601
As at 31 December 2022	65,200,000	1,908,741	573,722	47,393,406	1,628,495	1,231,958	117,936,322

- **Birika Land:** The board of directors is in the process of coming up with a detailed plan on how to utilize the land and consider disposing excess land not useful to the society.

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	2022 Kshs	2021 Kshs
22 Taxation		
Balance b/f	(552,348)	765,333
Taxes Paid	-	(765,333)
Tax recoverable	<u>(552,348)</u>	<u>-</u>
Withholding tax	(35,019)	-
Instalment tax paid	(3,942,581)	(4,136,512)
Tax charge	4,699,476	3,584,164
Tax payable	<u>721,876</u>	<u>(552,348)</u>
23 Members' Deposits		
(a) Non-withdrawable deposits		
At start of the year	2,374,981,572	2,071,711,081
Contribution during the year	381,312,256	414,587,017
Deposits received from CIC for deceased members	14,427,588	25,305,621
Interest & dividends capitalised to deposits	111,427,085	55,710,153
Transfer shares	(16,377,683)	(43,662,680)
Loan offsets	(75,706,553)	(46,370,647)
Deducted to benevolent fund	(7,579,800)	(4,819,200)
Paid to beneficiaries (Deceased)	(18,489,676)	(28,894,402)
Transfer to payable accounts (Deceased)	(25,631,303)	(23,973,443)
Withdrawals during the year	<u>(33,833,888)</u>	<u>(44,611,928)</u>
At end of the year	2,704,498,598	2,374,981,572
(a) Term deposits		
(i) Junior Savings	5,159,220	3,290,960
(ii) Holiday Savings	<u>900,252</u>	<u>658,702</u>
Total member's deposits	2,710,558,070	2,378,931,234
<i>Members deposit listing and the ledger has a difference of Kshs 418.00</i>		
24 Trade and other payables		
Deceased members accounts	31,115,070	23,973,443
Unidentified bank deposits	5,933,722	9,998,306
Benevolent funds contribution	569,067	8,219,200
Statutory deductions	738,032	-
Audit Payable	139,200	125,000
Other accrued expenses	287,479	56,800
Kenya School of Law	100,000	-
Contingent liabilities	34,800	34,800
Supervision & recoverable fees	-	25,200
Aberdares water	-	10,701
Withdrawals dues (Exited -members)	-	716
VAT on Audit fees	-	20,000
Withholding Tax (Dynamic NAV)	-	17,400
Kuscco consultancy	-	132,500
Co-operative bank consultancy	-	66,120
Office 2000 plus stationery	-	15,061
Other payables	<u>107,127</u>	<u>107,127</u>
	38,917,370	42,802,374

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	2022 Kshs	2021 Kshs
25 Payments to members, committee & staff		
At start of the year	222,666,166	100,077,412
Payments during the year	(221,928,792)	(100,050,920)
Proposed interest on members' deposits	232,247,581	198,954,831
Proposed dividend on share capital	19,413,812	16,494,203
Proposed honoraria	5,665,157	4,793,760
Proposed staff bonus	2,832,579	2,396,880
	<u>260,896,503</u>	<u>222,666,166</u>
26 Share capital		
At start of the year	164,617,027	114,464,561
Issued during the year	20,276,423	50,152,466
At end of the year	<u>184,893,450</u>	<u>164,617,027</u>
27 Reserves		
Retained earnings	74,745,579	68,565,610
Statutory reserve	38,820,247	29,562,724
Revaluation reserves	170,283	-
	<u>113,736,109</u>	<u>98,128,334</u>
28 Transactions with directors and staff		
a) Staff salaries	<u>34,511,248</u>	<u>31,643,123</u>
b) Board of directors Honoraria & sitting allowance		
Justus M. Munyithya	620,911	706,627
Lawrence Mugambi Mungania	670,912	720,913
Philbert Caleb Nadebu	749,484	806,628
Kellen Njue	678,055	692,341
Gladys W. Kinyanjui	842,337	928,054
Boniface Mutwiri Kinoti	899,484	985,198
Samuel Mwaniki	992,341	1,006,627
Jackson Awele	556,625	678,055
Gad Gathu Kiragu	642,340	685,198
Collins Wanderi	613,770	656,628
Joseph Makumi	628,056	642,342
Salome Muhia	642,342	656,633
	<u>8,536,657</u>	<u>9,165,244</u>

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 LAW SOCIETY OF KENYA REGULATED NON-DT SOCIETY LIMITED
 FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 31 DECEMBER 2022

Notes to the financial statements (continued)

	2022 Kshs	2021 Kshs
28 Transactions with directors and staff (continued)		
b) Loans to staff		
As at start of the year	12,211,663	11,628,378
Disbursements during the year	16,919,304	5,651,500
Repayments during the year	(14,588,730)	(5,068,215)
As at the end of the year	<u>14,542,237</u>	<u>12,211,663</u>
c) Loans to board members		
As at start of the year	105,140,007	77,665,373
Disbursements during the year	19,494,000	75,250,853
Repayments during the year	(43,074,782)	(47,776,219)
As at the end of the year	<u>81,559,225</u>	<u>105,140,007</u>

29 Comparative figures

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

30 Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of the Directors' Report.

31 Contingencies

There were no contingencies during the period ended December 31, 2022 (2021: Nil)