

KENYA HIGHLANDS SACCO SOCIETY LTD

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

31ST DECEMBER 2016

**Chumo and Associates
Certified Public Accountants (K)
Certified Public Secretaries (K)
P. O Box 1592-20200
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C/S 6336- Kenya Highlands Sacco Society Limited
Financial Statements
For the Year Ended 31st December 2016

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C/S 6336- Kenya Highlands Sacco Society Limited
Society's Information
For the Year Ended 31st December 2016

The Board and Supervisory Committee Members

Board Members:

Richard Mutai	: Chairman
Johana Kimetto	: Vice Chairman
Reuben Too	: Hon. Secretary
David Langat	: Treasurer
Erick Korir	: Member
Joseph Cheruiyot	: Member
Isaac Ngetich	: Member
Denis Korir	: Member
Jackson Biegon	: Member

Supervisory Committee:

Paul Chirchir	: Chairman
Geoffrey Rotich	: Hon. Secretary
Daniel Sitienei	: Member

Registered Office:

Kenya Highland Sacco Society Ltd
Kapsoit Market-Temiik Hse
P.O Box 2085-20200
Kericho

Principal Bankers:

Co-operative Bank of Kenya
Kericho Branch

Independent Auditors:

Chumo and Associates
Certified Public Accountants(K)
Certified Public Secretaries (K)
ARK PLAZA 3RD FLOOR
P.O Box 1592-2020,
KERICHO

C/S 6336- Kenya Highlands Sacco Society Limited
Statistical Information
For the Year Ended 31st December 2016

Membership	2016	2015
Active	61,593	51,175
Dormant	8,523	9,885
Total	70,116	61,060

Financial	Kshs	Kshs
Total Assets	2,158,713,684	1,694,999,700
Member's Deposit	1,522,956,972	1,160,327,108
Loans and Advances to Members	951,747,636	770,839,152
Investments	8,392,300	8,392,300
Core Capital	518,376,256	430,856,057
Share Capital	111,751,605	95,818,831
Building Share	96,123,289	62,351,615
Institutional Capital	310,501,362	272,685,612
Total Revenue	336,421,183	262,204,987
Total Interest Income	239,012,525	194,413,544
Total Expenses	283,468,745	243,878,857
Interest on Members' Deposit	102,962,503	93,960,842
Dividend on Share Capital	22,518,111	13,136,685

Employees of the Sacco	51	49
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Key Ratios

Capital Adequacy Ratio

Core Capital/Total Assets	24.08%	24.10%
Core Capital/Total Deposits	34.13%	35.24%
Institutional Capital/Total Assets	14.45%	14.78%

Liquidity Ratio (15%)

Liquid Assets/Total Deposit & Long Term Liabilities	67.23%	67.20%
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Operating Efficiency/Loan Quality Ratios

Total Expenses/ Total Revenue	84.26%	93.01%
Interest on Members' Deposit/Total Revenue	30.18%	35.83%
Interest Rate on Members' Deposit	14.20%	13.67%
Dividend Rate on Members' Share Capital	10.00%	10.00%
Total Delinquency Loans/Gross Loan Portfolio	1.36%	1.54%

**C/S 6336- Kenya Highlands Sacco Society Limited
Financial Statements
For the Year Ended 31st December 2016**

2ND ANNUAL DELEGATES MEETING

CHAIRMAN'S REPORT

C/S 6336- Kenya Highlands Sacco Society Limited
Report of the Board of Directors
For the Year Ended 31st December 2016

The Members of the Board of Directors submit their report together with the interim financial statements for the period ended 31st December 2016.

Incorporation

The society is registered in Kenya under the Ministry of Industrialization and Enterprise Development, Regulated by Cooperative Societies Act and licensed under the Sacco Societies Act No 14 of 2008. The address of the registered office is set on page 1.

Principal Activity

The principal activity of the society is to receive member's deposits and offer loans.

Results

	2016	2015
	Ksh.	Ksh.
Surplus(Deficit) Before Tax	54,961,227	19,793,205
Income Tax	2,008,790	1,467,075
Net Surplus(Deficit) After Tax (Before Donation)	52,952,437	18,326,130
Interest on Members' Deposit	102,962,504	93,960,842

The Board of Directors

The members of the board of directors who served during the period and to the date of this report is as listed on page 1.

By Order of the Board

SignatureDate

Hon. Secretary

**C/S 6336- Kenya Highlands Sacco Society Limited
Statement of Board of Directors' Responsibilities
For the Year Ended 31st December 2016**

The Sacco Societies Act, No 14 of 2008 requires the Board Members to prepare Financial Statement for each year which give a true and fair view of the state of affairs of the society as at the end of financial year and of its operating results for that year in accordance with IFRS. It also requires the Board Members 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 the 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 Sacco Societies Act, No 14 of 2008. The Board of Directors are 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 IFRS. The Board of Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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 on2016 and signed on its behalf by:

Chairman

Board Member

Treasurer

Date

Date

Date

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF KENYAHIGHLANDS SACCO SOCIETY LIMITED

Report on the Financial Statements

We have audited the accompanying financial statement of **Kenya Highlands Sacco Society Limited**, as set out on pages 8 to 26 which comprise the Statement of financial position as at 31st December, 2015 and statements of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant policies and other explanatory notes.

The Board Members' Responsibility for the Financial Statement

The Board of Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Sacco Societies Act. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. The Kenyan Sacco Societies Act also requires the Board of Directors to ensure that the society maintains proper books of accounts which are in agreement with the Statement of financial position and Statement of comprehensive income.

Auditor's Responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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 the internal control relevant to the society'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 society's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Society's financial affairs as at 31st December, 2015 the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the SACCOs Societies Act.

Report on Other Legal Requirements

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

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

Matengo & Associates
Financial & Management Consultants

: CPA Meshack Matengo
: Registration No. 2061

Date _____ **2016**

C/S 6336- Kenya Highlands Sacco Society Limited
Financial Statements
For the Year Ended 31st December 2016

Statement of Comprehensive Income

		2016	2015
Revenue	Notes	KSH	Kshs
Interest on Loans and Advances	3(a)	209,139,653	179,500,802
Other Interest Income	3(b)	29,872,872	14,912,742
Total Interest Income		239,012,525	194,413,544
Interest Expenses	4	(107,733,304)	(97,803,645)
Net Interest Income		131,279,221	96,609,898
Other Operating Income	5	97,408,658	67,791,443
Administration Expenses	6	(173,726,652)	(144,608,137)
Net Operating Surplus/(Deficit) Before Income Tax		54,961,227	19,793,205
Income Tax Expenses	8	(2,008,790)	(1,467,075)
Net Surplus/(Deficit) for the year		52,952,437	18,326,130

C/S 6336- Kenya Highlands Sacco Society Limited
Financial Statements
For the Year Ended 31st December 2016

Statement of Financial Position

		2016	2015
Assets	Notes	Kshs	Kshs
Cash and Cash Equivalent	9	1,023,923,402	799,077,145
Prepayments and Sundry Receivables	10	58,973,686	37,615,977
Inventory	11	1,196,884	1,229,879
Loans and Advances to Members	12	951,747,636	770,839,152
Other Financial Assets	13	8,392,300	8,392,300
Prepaid Operating Lease Rentals	14	12,614,653	21,631,718
Intangible Assets	15(i)	7,561,050	6,933,500
Property Plant and Equipment	15(ii)	94,304,073	49,280,030
Total Assets		2,158,713,684	1,694,999,700
Liabilities			
Members Deposits	16	1,522,956,972	1,160,327,108
Current Income Tax Payable	17	894,252	783,075
Provision for Interest on Deposits	18	102,962,504	93,960,842
Trade and Other Payables	19	496,048	2,056,541
Risk Management Fund	20	13,027,651	7,016,075
Total Liabilities		1,640,337,427	1,264,143,641
Equity			
Shares Capital	21	111,751,605	95,818,831
Building Shares	22	96,123,289	62,351,615
Reserves	23	310,501,362	272,685,612
Total Equity		518,376,256	430,856,057
Total Liabilities and Equity		2,158,713,684	1,694,999,699

The financial statements on pages 8 to 26 were authorized for issue by the Board of Directors and signed on its behalf by:

Chairman

Board Member

Treasurer

Date

Date

Date

C/S 6336- Kenya Highlands Sacco Society Limited
Financial Statements
For the Year Ended 31st December 2016

Statement of Changes in Equity

	institutional capital	building shares	retained earnings	proposed dividends	capital reserve	general reserve	statutory reserve	total
As at 1st Jan 2015	80,415,027	51,418,882	30,148,532	16,930,270	78,214,064	71,240,000	74,756,885	403,123,661
Prior year adjustment								-
Changes in equity in 2015								-
Profit/(loss) for the year			18,326,130					18,326,130
Share issued	15,403,804	10,932,733						26,336,536
Changes in the year			(3,665,226)				3,665,226	-
2014- paid dividend				(12,730,270)				(12,730,270)
2014-paid Honorarium				(3,000,000)				(3,000,000)
2014-Paid for staff Ex gratia				(1,200,000)				(1,200,000)
2015-Proposed dividend			(13,136,685)	13,136,685				-
2015-proposed honorarium			(2,000,000)	2,000,000				-
2015-Provision for staff Ex gratia								-
balance as at 31st Dec 2015	95,818,831	62,351,615	29,672,752	15,136,684	78,214,064	71,240,000	78,422,111	430,856,057

Statement of Changes in Equity

	institutional capital	building shares	retained earnings	proposed dividends	capital reserve	general reserve	statutory reserve	total
As at 1st jan 2016	95,818,831	62,351,615	29,672,752	15,136,684	78,214,064	71,240,000	78,422,111	430,856,057
Prior year adjustment								-
changes in equity in 2016								-
profit/(loss) for the year			52,952,437					52,952,437
Share issued	15,932,774	33,771,674						49,704,448
changes in the year			(25,590,487)			15,000,000	10,590,487	-
2015- paid dividend				(13,136,685)				(13,136,685)
2015-paid Honorarium				(2,000,000)				(2,000,000)
2015-Paid for staff Ex gratia				-				-
2016-Proposed dividend			(22,518,111)	22,518,111				-
2016-Proposed Honorarium			(2,600,000)	2,600,000				-
2016-Provision for staff Ex gratia			(1,000,000)	1,000,000				-
balance as at 31stDec 2016	111,751,605	96,123,289	30,916,591	26,118,110	78,214,064	86,240,000	89,012,598	518,376,257

C/S 6336- Kenya Highlands Sacco Society Limited
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Statement of Cash Flow

	Notes	2016 Kshs	2015 Kshs
Cash Flows from Operating Activities			
Interest Receipts and Other Receipts		333,321,336	261,079,237
Interest Payments		(107,733,304)	(98,026,252)
Payment to Employees and Suppliers		(149,112,685)	(134,473,742)
		76,475,347	28,579,243
(Increase)/ Decrease in Operating Assets			
Prepayments and Sundry Receivables		(21,157,709)	(19,848,159)
Inventory		32,995	(588,519)
Increase/Decrease in Net Loan to Members		(180,908,484)	33,315,604
Increase / (Decrease) in Operating Liabilities			
Deposit from Members		362,629,864	118,220,225
Trade and Other Payables		(1,560,494)	(4,229,279)
Risk Management Fund		6,011,575	(2,158,585)
Net Cash from Operating Activities Before Income Taxes		241,323,095	153,290,530
Income Tax Paid		(1,897,613)	(1,291,488)
Net Cash from Operating Activities		239,425,482	151,999,042
Cash Flow from Investing Activities			
Purchase of Property & Equipment		(50,378,833)	(7,277,798)
		0.00	(11,911,951)
Proceeds on Disposal of Plant & Equipment		0.00	-
Purchase of Intangible Assets		(3,868,000)	(5,280,000)
Dividend Received		3,099,847	(1,125,750)
Net Cash from Investing Activities		(51,146,986)	(23,343,999)
Cash Flow from Financing Activities			
Share Capital Contribution		49,704,448	26,336,536
Dividend Paid		(13,136,685)	(12,730,270)
Net Cash from Financing Activities		36,567,763	13,606,266
Net(Decrease)/Increase in Cash and Cash Equivalent		224,846,259	142,261,309
Cash and Cash Equivalent at the beginning of the year		799,077,143	656,815,834
Cash and Cash Equivalent at the end of the year	9	1,023,923,402	799,077,143

C/S 6336- Kenya Highlands Sacco Society Limited
Financial Statements
For the Year Ended 31st December 2016

Notes to the Financial Statement

These notes form part and parcel of the accounts and therefore should read in conjunction therewith;

1) Basis of Preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards. The financial statements are prepared under the historical cost convention as modified to include the revaluation of certain properties and investments.

i) Accounting Policies

a) Comparatives

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

b) Income Recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Interest income includes interest on loans and advances with members, and is recognized in the period in which it is earned. Fees and commission is recognized at the time of effecting the transaction.

c) Investments

The investments are stated at cost.

d) Property and Equipment

Property and equipment are not stated at cost or as professionally re-valued from time to time less accumulated depreciation.

Increases in the carrying amount arising on revaluation are credited to a revaluation surplus. Decreases that offset previous increases of the same asset are charged against the revaluation surplus; all other decreases are charged to the income statement. Each year the difference between depreciation based on the re-valued carrying amount of an asset (the depreciation charged to the income statement) and depreciation based on the assets original cost is transferred from the revaluation surplus to revenue reserves.

e) Depreciation

Depreciation on other property and equipment is calculated to write off their cost or valuation under the reducing balance method. The annual rates in use are:

Building	2.50%
Plant and Machinery	13.00%
Motor Vehicles	25.00%
Furniture, Fittings and Equipment	13.00%
Computers, Copiers and Other Accessories	30.00%

Notes to the Financial Statement

i) Accounting Policies (Cont.)

f) Computer Software Development Costs

Generally, costs associated with developing computer software programs are recognized as an expense incurred. However, costs that are clearly associated with an identifiable and unique product which will be controlled by the society and has a probable benefit exceeding the cost beyond one year, are recognized as an intangible asset.

Expenditure which enhances and extends computer software programs beyond their original specifications and lives is recognized as a capital improvement and added to the original costs of software. Computer software development costs are recognized as assets are stated at cost less amortization. Amortization is calculated at 30% on a reducing balance basis over the estimated useful lives not exceeding a period of three years.

g) Receivables and Prepayments

Receivables and prepayments are stated at nominal value less write-down for any amounts expected to be irrecoverable.

h) Taxation

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

Deferred taxation is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax. A deferred tax asset is recognized to the extent that is probable that future taxable profits will be available against which the unused tax credits can be utilized.

Originated Loans and Provision for Loan Impairment

- Loans and advances are recognized when cash is advanced to members.
- A provision for loan impairment is established if there is objective evidence that the society will not be able to collect all amounts due according to the original contractual terms of the loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, including amounts recoverable from guarantees and collateral, discounted to the original effective interest rate of loans.
- A general provision for loan impairment is established to cover losses that are judged to be present in the lending portfolio at the balance sheet date, but which have not been specifically identified as such. The provision is based on the Board of Directors' assessment of the latent risk of default known to be present in the portfolio of the society's advances.
- When a loan is deemed uncollectible, it is written off against the related provision for impairments. Subsequent recoveries are credited to the provision for impairment in the profit and loss account.

C/S 6336- Kenya Highlands Sacco Society Limited

Financial Statements

For the Year Ended 31st December 2016

Notes to the Financial Statement

i) Accounting Policies (Cont.)

i) Cash and Cash Equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, short-term liquid investments which are readily convertible into known amounts of cash and which are within three months to maturity when acquired.

Bank overdrafts are payable on demand and form an integral part of the cash management and are included as a component of cash and cash equivalents for the purposes of the statement of cash flow, where applicable.

j) Financial Instruments

Financial assets and liabilities are initially recognized on the society's balance sheet at cost using settlement date accounting, when the society has become a party to the contractual provisions of the instrument.

Loans and receivables originated by the society and not held for trading

Loans and receivables including advances originated by the society and held to maturity are measured at amortized cost.

Financial Assets

Financial assets are recognized initially at cost using settlement date accounting. Loans and receivables originated by the bank are subsequently measured at amortized cost. Gains or losses on changes in fair value of each category of asset are reported net in the income statement in the year in which it arises. All financial assets are subject to review for impairment at the year end.

Impairment and uncollectability of financial assets

At each balance sheet date, all financial assets are subject to review of impairment. If it is probable that the society will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held to maturity investments carried at amortized cost, an impairment or bad debt loss has occurred. The carrying amount of the asset is reduced to its estimated recoverable amount through use of an allowance account. The amount of the loss incurred is included in the income statement for the period. If a loss on a financial asset carried at fair value (recoverable amount is below original acquisition cost) has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative net loss that had been recognized directly in equity is removed from equity and recognized in the income statement for the period even though the financial asset has not been derecognized.

Financial liabilities

After initial recognition, the society measures all financial liabilities including customer deposits other than liabilities held for trading at amortized cost.

Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealers margin) are subsequently measured at their fair values

2. Currency

The financial statements are presented in Kenya shillings (Kshs). Assets and liabilities are stated at fair values.

C/S 6336- Kenya Highlands Sacco Society Limited
Financial Statements
For the Year Ended 31st December 2016

Notes to the Financial Statement

	2016	2015
	Kshs	Kshs
3(a) Interest Income		
BOSA Loans	150,224,897	131,830,987
FOSA Advances	58,914,756	47,669,814
Total	209,139,653	179,500,802
3(b) Other Interest Income		
Interest on Bank Deposits	29,872,873	14,912,742
Total	29,872,873	14,912,742
Totals Interest Income	239,012,525	194,413,544
4 Interest Expense		
Interest on Term Deposit	4,770,800	3,842,803
Interest on Members Savings	102,962,503	93,960,842
total	107,733,304	97,803,645
5 Other Operating Income		
Entrance Fees	343,850	338,000
Dividend on Investment	3,099,847	1,125,750
Processing Fees BOSA	78,411,710	59,570,034
Sale of Loan Forms	3,906,800	2,849,000
Fees on BOSA Loans	3,569,227	1,323,214
Fees on FOSA Advances	8,077,224	2,585,445
Total	97,408,658	67,791,443
6 Expenses		
Financial Expenses		
Net provision for Loan Losses	17,528,057	17,903,889
Total	17,528,057	17,903,889
Operating/Administrative Expenses		
Personal Expenses		
Salaries and Wages	39,832,600	32,233,749
Other Staff Benefits	38,814,871	32,407,714
Travel and Subsistence	54,495	146,805
Total	78,701,967	64,788,268

C/S 6336- Kenya Highlands Sacco Society Limited
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Notes to the Financial Statement

	2016	2015
	Kshs	Kshs
6 Expenses (Cont.)		
Administration Expenses		
Bank Charges	6,179,190	2,117,148
Printing and Stationary	1,721,887	2,130,500
Security Services	7,440,304	7,076,253
Insurance Expenses	9,965,529	9,368,636
Auditors' Remuneration Fees	255,200	208,800
Rent and Rates	4,036,056	3,924,111
Legal Fees	2,227,857	1,173,514
Licence Fees	198,000	516,000
Water and Electricity	1,271,035	1,172,960
Repairs and Maintenance	4,966,834	4,075,881
Consultancy Fees	2,468,000	749,102
Post, Telephone and Internet	3,092,716	484,169
Internal Transport and Fuel	402,514	355,821
Cleaning Expenses	1,402,812	1,019,987
Fines and Penalties	0	3,231,087
Impairment Cost	0	1,349,054
Sundry Expenses	714,571	551,699
Total	46,342,504	39,504,720
Governance Expenses		
Board Training and Education	6,515,376	3,449,142
Members' Education	634,955	369,400
Sitting Allowances	2,900,036	2,492,250
AGM Expenses	290,040	280,485
Board Travelling Allowances	1,517,396	1,347,110
Board Entertainment	37,530	71,845
Delegates Expenses	343,410	234,500
Committee Welfare	0	40,200
Total	12,238,743	8,284,932
Depreciation and Amortization		
Depreciation Expenses	5,354,789	5,920,661
Amortization Expenses	12,257,515	7,064,680
Total	17,612,304	12,985,340

C/S 6336- Kenya Highlands Sacco Society Limited
Financial Statements
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Notes to the Financial Statement

	2016	2015
	Kshs	Kshs
6 Expenses (Cont.)		
Marketing Expenses	1,303,077	1,140,987
Public Relation and Advertisements	1,303,077	1,140,987
Total		
Total Expenditure	173,726,652	144,608,137
7 Net Operating Surplus		
The following items have been charged in arriving at net operating surplus		
a) Depreciation and Amortization	5,354,789	5,920,661
Depreciation of Property, Plant and Equipment	12,257,515	6,111,343
Amortization of Intangible Assets	17,612,304	12,032,004
Total		
b) Employee Benefit Expense		
Salaries and Wages	39,832,601	32,233,749
Other Staff Benefits	38,814,871	32,407,714
Travel and Subsistence	54,495	146,805
Total	78,701,967	64,788,268
c) Operating Lease		
Operating Lease Rental Expense	4,036,056	3,924,111
Total	4,036,056	3,924,111

C/S 6336- Kenya Highlands Sacco Society Limited
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Notes to the Financial Statement

	2016	2015
	Kshs	Kshs
8 Income Tax Expense		
Income Tax		
Provision for the year	2,008,790	1,467,075
Total	2,008,790	1,467,075
 Reconciliation of Tax Expense		
Interest on Bank Deposits		-
Net Income from ATM		-
M-PESA Commission		-
Dividend Received- BOSA	2,349,673	1,125,750
Other Income from BOSA	2,112,782	103,796
Total	4,462,456	1,229,546
 50% Taxable Income	2,231,228	614,773
Net Surplus/(Deficit) from FOSA	4,464,740	4,275,476
	6,695,968	4,890,249
 30% of Chargeable Income	2,008,790	1,467,075
 The tax of the society differs from the theoretical amount that would arise using the basic tax rate as follows:-		
 9 Cash and Cash Equivalents		
cash and cash equivalent at the end of the year comprise:-		
Cash in Hand	76,809,303	59,267,224
Cash at Bank	947,114,099	739,809,921
Total	1,023,923,402	799,077,145
The year-end cash and cash equivalents for purposes of the statement of cash flows comprised cash in hand and deposits held at the bank and also the bank overdraft.		
 10 Prepayments and Sundry Receivables		
(a) Accrued Interest	20,882,785	26,926,330
(b) External Debtors	38,090,901	10,689,647
Total	58,973,686	37,615,977

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Financial Statements
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Notes to the Financial Statement

	2016	2015
	Kshs	Kshs
11 Inventory		
Stock of Stationary- Resale	103,100	93,500
Stock of Stationary- Consumable	1,093,784	1,136,379
Total	1,196,884	1,229,879
12 Loan to Members		
At the start of the year	770,839,152	804,154,756
Granted during the year	1,813,964,005	1,141,668,531
Interest Charged	209,139,653	203,545,229
Repayments during the year	1,807,562,632	1,343,867,589
At the end	986,380,178	805,500,927
Less Provisions	(34,632,542)	(34,661,775)
Loans and Advances to Members	951,747,636	770,839,152

Aging of past due impaired	Loan Portfolio	Rate	Provision on Loan Loss
0 days(performing -1% provision)	925,407,318	1%	9,254,073
1-30 days (watch-5%)	20,380,561	5%	1,019,028
31-180 days (substandard-25%)	10,575,699	25%	2,643,925
180-360 days (doubtful-50%)	16,602,169	50%	8,301,084
>361 days or 12 instalments overdue (100%)	13,414,432	100%	13,414,432
Total	986,380,178	-	34,632,542

	2016	2015
	Kshs	Kshs
Movement in the allowances for doubtful debts		
Balance at the beginning of the year	34,661,775	16,757,886
Impairment losses recognized on receivables	17,528,057	60,217,114
Impairment losses reversed	(17,557,290)	42,313,225
Balance at the end of the year	34,632,542	34,661,775

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Financial Statements
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Notes to the Financial Statement

	2016	2015
	Kshs	Kshs
13 Other Financial Assets		
Shares KUSCCO Ltd	31,000	31,000
Shares CIC Ltd	901,000	901,000
Shares Safaricom Ltd	1,275,000	1,275,000
Shares Co-operative Bank Ltd	5,875,300	5,875,300
Shares Kerussu Ltd	310,000	310,000
Total	8,392,300	8,392,300
14 Prepaid Operating Lease Rentals		
(a) Kabianga Lease Hold Property		
Cost		
Balance B/D	7,294,718	7,294,718
Total Cost	7,294,718	7,294,718
Amortization		
Balance B/D	2,507,647	2,072,459
Amortization charges for the year	4,787,071	435,188
Total accumulated lease hold amortization charges	7,294,718	2,507,647
N.B.V Balance at the end of the year	0.00	4,787,071
(b) Kericho Lease Hold Property		
Cost		
Balance B/D	11,517,086	11,045,170
Additional	-	471,916
Total Cost	11,517,086	11,517,086
Amortization		
Balance B/D	4,396,469	2,454,483
Amortization charges for the year	1,941,986	1,941,986
Total accumulated lease hold amortization charges	6,338,455	4,396,469
N.B.V Balance at the end of the year	5,178,630	7,120,617

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Financial Statements
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Notes to the Financial Statement

	2016	2015
	Kshs	Kshs
14 Prepaid Operating Lease Rentals (Cont.)		
(c) Litein Lease Hold Property		
Cost	11,440,035	-
Additional	-	11,440,035
Total cost	11,440,035	11,440,035
Amortization		
Balance B/D	1,716,005	-
Amortization charges for the year	2,288,007	1,716,005
Total accumulated lease hold amortization charges	4,004,012	1,716,005
N.B.V Balance at the end of the year	7,436,023	9,724,030-
Total prepaid operating lease rentals(a+b+c)	12,614,653	21,631,718
15(i) Intangible Assets		
Cost		
Balance B/D	10,280,000	10,864,053
Additional	3,868,000	5,280,000
Derecognised	-	(5,864,053)
Total Cost	14,148,000	10,280,000
Amortization		
Balance B/D	3,346,500	4,889,999
Amortization charges for the year	3,240,450	2,971,500
Depreciation on Impaired asset	-	(4,514,999)
Total Accumulated lease hold amortization charges	6,586,950	3,346,500
N.B.V Balance at the end of the year	7,561,050	6,933,500

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 Financial Statements
 For the Year Ended 31st December 2016

Notes to the Financial Statement

15(ii) Property, Plant & Equipment

	Land Kshs	Building Kshs	Machinery Kshs	M/Vehicle Kshs	Computers Kshs	Furniture Kshs	Equipment Kshs	Total Kshs
Cost Valuation at 1.1.2015								
Balance at Jan 2015	800,000	45,327,033	2,530,470	9,849,073	18,468,460	6,593,680	3,546,241	87,114,956
Additions in 2015	-	-	628,500	-	4,499,860	1,137,800	1,011,638	7,277,798
Disposal account 2015	0	0	0	0	0	0	0	0
Balance at Dec 2015	<u>800,000</u>	<u>45,327,033</u>	<u>3,158,970</u>	<u>9,849,073</u>	<u>22,968,320</u>	<u>7,731,480</u>	<u>4,557,879</u>	<u>94,392,754</u>
Bal at Jan 2016	800,000	45,327,033	3,158,970	9,849,073	22,968,320	7,731,480	4,557,879	94,392,754
Additions in 2016	42,000,000	6,259,066	25,000		1,713,127	381,640		50,378,833
Disposals acc	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Bal at Dec 2016	<u>42,800,000</u>	<u>51,586,099</u>	<u>3,183,970</u>	<u>9,849,073</u>	<u>24,681,447</u>	<u>8,113,120</u>	<u>4,557,879</u>	<u>144,771,587</u>
Accumulated Depreciation								
Balance at Jan 2015	-	14,447,593	549,815	5,390,510	13,816,056	3,190,572	1,797,518	39,192,063
Depreciation for 2015	-	771,986	339,190	1,114,641	2,745,679	590,318	358,847	5,920,661
Balance at Dec 2015	-	<u>15,219,579</u>	<u>889,005</u>	<u>6,505,151</u>	<u>16,561,735</u>	<u>3,780,890</u>	<u>2,156,365</u>	<u>45,112,724</u>
Bal at Jan 2016	0	15,219,579	889,005	6,505,151	16,561,735	3,780,890	2,156,365	45,112,724
Depreciation for 2016	0	909,163	298,345	835,980	2,435,914	563,190	312,197	5,354,789
Bal at Dec 2016	<u>0</u>	<u>16,128,742</u>	<u>1,187,350</u>	<u>7,341,131</u>	<u>18,997,649</u>	<u>4,344,080</u>	<u>2,468,562</u>	<u>50,467,514</u>
N.B.V at Dec 2015	<u>800,000</u>	<u>30,107,454</u>	<u>2,269,965</u>	<u>3,343,922</u>	<u>6,406,585</u>	<u>3,950,590</u>	<u>2,401,514</u>	<u>49,280,030</u>
N.B.V at Dec 2016	<u>42,800,000</u>	<u>35,457,357</u>	<u>1,996,620</u>	<u>2,507,941</u>	<u>5,683,799</u>	<u>3,769,040</u>	<u>2,089,317</u>	<u>94,304,073</u>

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Financial Statements
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Notes to the Financial Statement

	2016	2015
	Kshs	Kshs
16 Members Deposits		
a) Savings Deposits		
At the start of the year	406,403,975	362,773,992
Deposits during the year	221,539,794	49,447,433
Withdrawal/refund during the year	(56,864,548)	(5,817,450)
Sub-Total	684,808,317	406,403,975
b) Short Term Deposits		
At the start of the year	66,720,373	54,322,165
Deposits during the year	268,997,852	307,413,026
Withdrawal/refund during the year	(263,906,060)	(295,014,818)
Sub-Total	71,812,165	66,720,373
c) Non-Withdrawable Deposits		
At the start of the year	687,202,760	625,010,726
Deposits during the year	103,784,781	77,522,381
Withdrawal/refund during the year	(24,651,051)	15,330,347
Sub-Total	766,336,490	687,202,760
Total	1,522,956,972	1,160,327,108
17 Tax Payable		
Balance B/D	783,075	607,488
Charge for the year	2,008,790	1,467,075
Amount paid	(1,897,613)	(1,291,488)
Total	894,252	783,075
18 Provision for Interest on Deposits		
Interest on Group Shares	586,038	405,982
Interest on Unwithdrawable Deposits	102,376,465	93,554,860
Total	102,962,503	93,960,842
19 Trade and Other Payables		
Excise Duty Payable	-	-
Audit Fees Payable	155,200	208,800
Suspense	-	-
Out growers Remittance	340,848	1,847,741
Total	496,048	2,056,541

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Financial Statements
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Notes to the Financial Statement

	2016	2015
	Kshs	Kshs
20 Risk Management Fund		
Risk Management Fund	13,027,651	7,016,075
Total	13,027,651	7,016,075
21 Share Capital		
balance b/f	95,818,831	80,415,027
Contribution for the year	15,932,774	15,403,804
Total	111,751,605	95,818,831
22 Building Share		
Balance B/F	62,351,615	51,418,882
Contribution for the year	33,771,674	10,932,732
Total	96,123,289	62,351,615
23 Reserves		
Prior Year's Retained Earnings	29,672,752	30,148,532
Prior Year Adjustment	-	-
Current Year's Surplus	1,243,838	(475,780)
Statutory Reserves	89,012,598	78,422,111
Capital Reserves	78,214,064	78,214,064
General Reserves	86,240,000	71,240,000
Proposed Dividends	22,518,111	13,136,685
Proposed Honoraria	2,600,000	2,000,000
Proposed Staff Ex-Graitia	1,000,000	-
Total	310,501,363	272,685,612

C/S 6336- Kenya Highlands Sacco Society Limited
Financial Statements
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Notes to the Financial Statement

	2016	2015
	Kshs	Kshs
24 Related Parties Transaction		
a) Board Remuneration		
Honorarium/Allowances	2,000,000	2,000,000
Total	2,000,000	2,000,000
b) Loan to Board of Directors		
At the start of the year	5,751,514	6,509,415
Granted during the year	7,872,200	5,916,920
Interest charged	1,036,625	1,218,536
Repayment during the year	(8,958,460)	(7,893,357)
Balance at the end of the year	5,701,879	5,751,514
c) Loan to Staff		
At the start of the year	31,226,389	40,842,293
Granted during the year	27,675,348	17,105,858
Interest charged	5,996,114	5,151,399
Repayment during the year	(17,555,263)	(31,873,161)
Balance at the end of the year	47,342,588	31,226,389

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Financial Statements
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Notes to the Financial Statement

	2016	2015
	Kshs	Kshs
Revenue		
Interest on Loans And Advances	57,672,630	51,516,215
Total Interest Income	57,672,630	51,516,215
Interest Expenses	(45,501,210)	(27,364,988)
Net Interest Income	12,171,420	24,151,228
Other Operating Income	104,726,458	66,554,880
Staff Expenses	(45,227,801)	(36,811,517)
Bod Expenses	(5,810,462)	(3,839,746)
Administration Expenses	(42,143,328)	(35,479,663)
Financial Expenses	(17,559,563)	(8,951,945)
Marketing Expenses	(1,691,984.00)	(1,347,762)
Total Expenditure	(112,433,138)	(86,430,631)
Net Surplus/(Deficit) for the year	4,464,740	4,275,476