



# Annual Report & Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER **2022**

[www.fortune.co.ke](http://www.fortune.co.ke)





**SECTION A**

**Introduction & Preliminary  
Information**

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# ABOUT US

Fortune Sacco, formerly known as Kirinyaga District Farmers Sacco, has undergone significant transformation over the years. From its origins in the 1970s as a banking service for coffee and dairy farmers, the Sacco has evolved into a community-based organization serving the diverse economic needs of its members. With fifteen branches and over 130 banking agents in Kirinyaga and Nairobi Counties, Fortune Sacco currently serves over 130,000 members with over Kshs. 3B in savings deposits and a Kshs. 5.0 B in loan portfolio. Its recent growth is attributed to the success of strategy of market driven initiatives responding to members' needs, the governance structure and staff. The Sacco has now attained the Tier-1 status.



**15 Branches**



**130K Membership**



**204 Employees**



## VISION

Empowered Members  
with improved living standards



## MISSION

We exist to provide quality  
financial and non-financial services

## FORTUNE STRATEGIC PILLARS



MEMBERSHIP



HUMAN RESOURCE



FINANCE



GOVERNANCE



ICT & BUSINESS PROCESSES

# BOARD OF DIRECTORS



**Mr. Rufus Kamau Ciira**  
CHAIRMAN



**Mr. Cyrus Mugo Njogu**  
VICE CHAIRMAN  
& CHAIRMAN-CREDIT COMMITTEE



**Mr. Stephen Munyi Ruita**  
TREASURER & CHAIRMAN  
FINANCE & ADMINISTRATION COMMITTEE



**Mr. Joseph Mugo Kigaa**  
HON SECRETARY



**Mr. Dickson Karai Ndwiga**  
DIRECTOR & CHAIRMAN  
EDUCATION & MARKETING COMMITTEE



**Mr. Joseph Wamwati Kinyeki**  
DIRECTOR



**Mr. Stephen Gatei Kithaka**  
DIRECTOR & CHAIRMAN AUDIT COMMITTEE



# SUPERVISORY BOARD



**Robert Njagi Njugi**  
CHAIRMAN



**Ann Mumbi Munene**  
SECRETARY



**Symon Muriithi Migwi**  
MEMBER

## OUR FOOTPRINT

**KES 16B** TRANSACTIONS



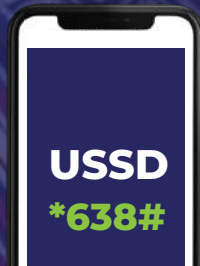
**132**  
AGENTS



**550**  
SACCO LINK ATMs



Fortune **eCash App**



Fortune **USSD Service**



**852648**  
FORTUNE  
MERCHANT

# LOAN PRODUCTS



## AGRICULTURAL LOANS

- Kahawa Development Loan
- Kahawa Advance Loan
- Tea Development Loan
- Tea Advance
- Ng'ombe Loan
- Maziwa Loan
- Rice Star
- Kilimo Biashara Loan



## CONSUMER LOANS

- Insurance premium financing
- Golden Salary Loan
- Super Golden Loan
- Salary Advance
- Fortune Mobile Loan



## MOBILE LOANS



## BUSINESS LOANS

- Fortune Asset Loan
- Fortune Project Finance
- Inuka Working Capital
- Zidisha Loan



## MICRO-FINANCE LOANS

- Chama Loan
- Hasso Yangu
- Bizna Loan



# SAVINGS PRODUCTS



**LENGO**  
INVESTMENT ACCOUNT



**THAMANI**  
JUNIOR ACCOUNT



**FIXED DEPOSIT**  
RECEIPT (FDR) ACCOUNT



**MWELEKEO**  
BUSINESS SAVINGS



**GROUP**  
SAVINGS ACCOUNT



**PREMIUM**  
ACCOUNT

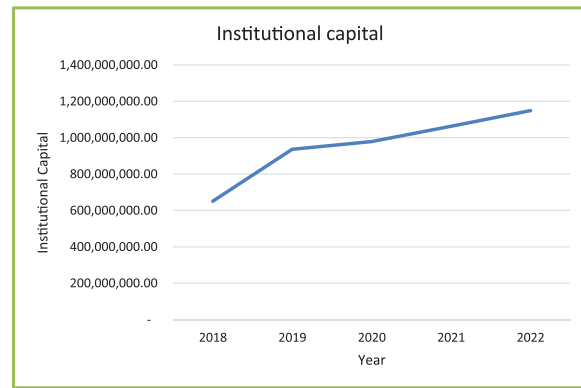
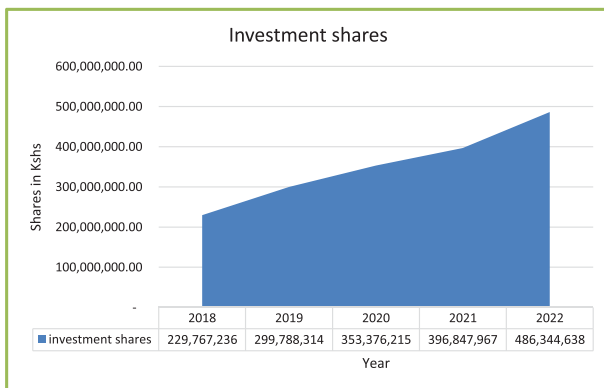
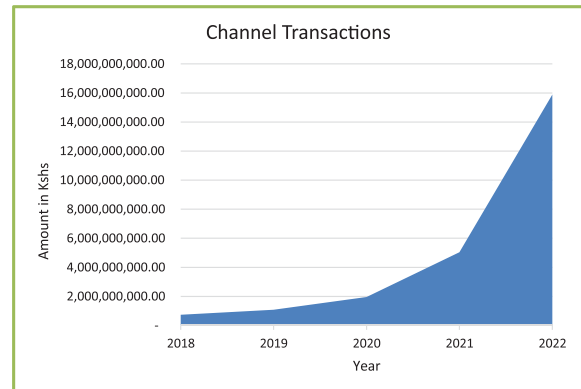
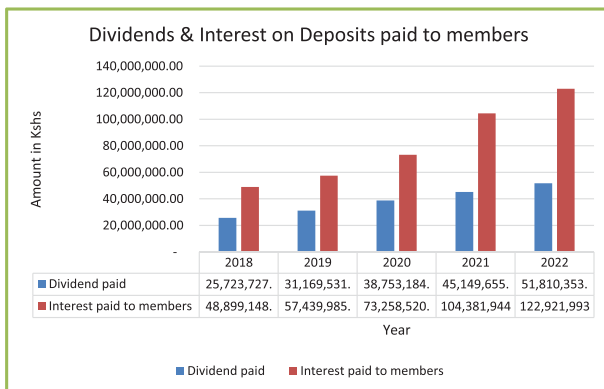
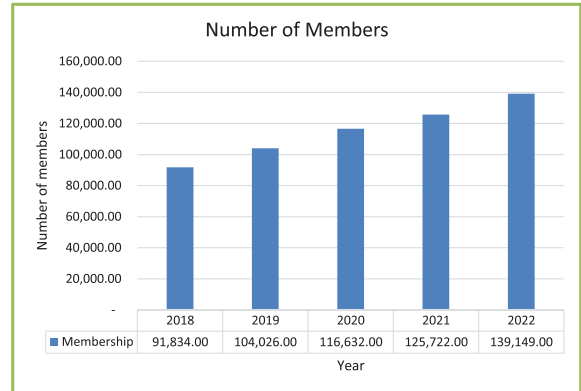


**ZIDISHA**  
SAVINGS ACCOUNT



**JIIINUE**  
INVESTMENT ACCOUNT

# KEY TRENDS FOR THE SACCO







## CHAIRMAN'S REPORT TO THE ANNUAL DELEGATES MEETING ON 31st APRIL 2023

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**MR. RUFUS KAMAU CIIRA**  
CHAIRMAN

A hearty welcome to all attending the 23rd Annual General Meeting of Fortune Sacco. It is again my special privilege and great pleasure to welcome each of you – delegates, Director for Co-operatives, board and Supervisory committee members and management. Please know that your attendance is really appreciated.

Fortune Sacco continued to transform and strengthen during the year under review. I will talk about our achievements shortly, but first I must describe the changing and challenging environment we face.

The challenges come from multiple sources – the increased competition for the tea and coffee farmers, commercial banks, the mobile lenders, and then, perhaps, worst of all, from some within our own membership.

On the first challenge on our tea sector, our members are being attracted to MFI due to lower rates and longer loan repayment period. To address this matter, we have reviewed our tea loan products by extending repayment period and offering a more flexible repayment plan. This will give members higher loan limits to invest in assets such as land purchase or tea farm leases. We are also considering investing in technology to drive tea loans to give the tea member further convenience. Through this intervention, we will remain competitive and retain our tea members.

On coffee, we continue to phase competition not only from other Sacco's, but also the recent trend of Coffee co-operatives giving large advances and asset financing. This has resulted in members having higher debt burdens significantly impacting recoverability of our coffee loans. However, we have mitigated the risks by adopting cashflows based lending as well as asking for securities for larger and longer term coffee loans.

Secondly, Central bank of Kenya has approved several banks to use risk based lending models. What this means, is that banks can now lend to borrowers who they previously avoided due to higher risk of default, by putting a higher risk premium on their loans.

As a result of this, we have witnessed some of our key business loan accounts being bought by commercial banks further challenging growth of our loan book. Let me remind you that 80% of our incomes come from loans. Without a consistent growth in loan book, the Sacco`s profitability and sustainability is threatened.

Finally, sad to say, the one that hurts us the most is delinquency from our own members which continues to plague us and almost all other Sacco`s. At end of year, our delinquency rate was 13%, a slight increment from 12% last year. We continue to offer understanding and support to members who experience serious situations and must commend those who come in to inform us of adverse changes which affect their ability to repay; we will willingly work with such members. The other 'hard-pay' members cost the Sacco through higher provisions for loan losses and reduce our surpluses, and therefore our ability to pay higher dividends to members'. We have increased our loan recovery effort by increasing the capacity of the debt recovery unit who now have a staff complement of four. The team is led by a professional debt recovery manager who has had a wealth of experiencing working other banks and microfinance institutions. We have also recently provided the team with a motor vehicle to ease their movement. With this investment, we are confident of a better performance in our loan recoveries. I therefore implore each of you to remind all borrowers of their obligations – a Sacco is a cooperative – part of our success is cooperating, which includes living up to our commitments in loans. Besides, as the Sacco leadership, we should lead by example; borrowing wisely and paying promptly.

Having said all that, please let me reassure you that your Sacco, remains strong. I remind you that SASRA, as the Regulator of Sacco`s, publishes annual reports on the active Sacco`s so that everyone can easily verify their stability, Fortune included. Furthermore, the Board of Directors and management of the Sacco continue to be diligent in executing our strategic objectives and fiduciary responsibilities, including reporting to, and liaising with, the regulator, to ensure that our Sacco meets the required safe operating parameters. As at today, the Sacco has met all prudential requirements set by the regulator.

Despite all these challenges mentioned, Fortune had another very successful year. We have grown in membership, assets, share capital and in loan portfolio; we have maintained profitability, eliminated borrowings from our balance sheet, and improved dividends.

The Sacco achieved a key milestone in its history of being elevated to a large Sacco status by crossing the Kshs5 billion asset base. Assets rose from Kshs.4.5 billion to Kshs. 5.5 billion. This was mainly driven by growth in loan book from Kshs. 4.3b to Kshs. 5billion, members' deposits which rose from Kshs.2.7 billion to Kshs. 3.2 billion and share capital which rose from Kshs.396million to Kshs.486 million. The growth in deposits was as a result of improved products and services that enhanced customer experience as well as convenience offered by our digital channels.

During the year, revenue increased by 14% from Kshs. 800million to Kshs. 915 million. However, expenses also rose by 11% from Kshs.679million to Kshs.756million mainly from increase in administrative expenses. As a result, we made a surplus of Kshs.130 million a slight growth from Kshs.122 million attained last year.

In spite of this, the board has recommended an enhanced dividend payout of 13% up from 12%. In line with our new strategy of shared prosperity; we will in the coming years continue increasing returns to members in form of dividends and interest in back office deposits.

Our Strategic planning execution continues to expand and develop our Sacco. As a strategic initiative, we will focus on improving our loan asset quality so that non-performing loan ratio is well within the industry average of 10%. This is not a one-year journey, but we expect within three years to have gotten there. We will adopt a close management of the loan book and strong customer relationship management in order to walk with our members during the loan lifecycle. We will continue investing in credit staff capacity, especially on appraisal skills. We will also address integrity issues on the players in the loan cycle who include staff, the members and service providers such as valuers.

Other key strategic initiatives we are executing within the year will be expansion of our branch network by establishing a second branch in Nairobi. We will also be investing further in technology to provide our members convenience in service delivery. We will be operationalizing the call centre, internet banking as well as reinvent on our payment channels to ensure stability, reliability with added features such as float purchase. This will assist significantly in deposit mobilization. We will also be acquiring a document management software as we seek to centralize as well as digitize our documents management.

Before I close, allow me to reiterate our purpose. At Fortune Sacco, we recognize the critical role that our Sacco plays in bringing financial services to many who would not otherwise get such services. Apart from providing banking services and loans to members, we provide a platform for members to save and invest, providing returns in the form of dividends and interest, but more importantly providing many other benefits, including free financial advice and guidance to encourage members to grow their savings and assets. Since the transformation to a Sacco in 1998, we have continued to grow in membership, in our product offering, and in creating wealth for our members, to empower them to improve their living standards. We commit to continue growing, to be there providing unparalleled services and a financial safety net to our members into the future. We thank the ten thousand members who joined the Sacco last year and all existing members who are active in patronizing the Sacco products and services to their advantage. We especially thank those of you delegates, who continue to be active in participating in the Sacco activities and actively contribute at AGMs, member education forums, and most importantly, providing feedback, so we can improve further.

The trust and confidence of our stakeholders including you, our valued delegates, have been the vital fuel in our unstoping journey of steady growth and improvement. I feel humbled to thank each one of you, delegates, the Sub-County Co-operative Office, staff, and our members out there for continued support.





**SECTION B**

**Financial Statements**

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**SOCIETY INFORMATION**

**BOARD OF DIRECTORS** : Rufus Kamau Cira - Chairman  
: Cyrus Mugo Njogu - Vice chairman  
: Stephen Munyi Ruita - Treasurer  
: Joseph Mugo Kigaa - Hon. Secretary  
: Joseph Wamwati Kinyeki - Director  
: Stephen Gatei Kithaka - Director  
: Dickson Ndwiga Karai - Director

**SUPERVISORY COMMITTEE** : Robert Njagi Njugi - Chairman  
: Anne Mumbi Munene - Secretary  
: Symon Muriithi Migwi - Member

**THE CHIEF EXECUTIVE OFFICER** : Amos Kimotho Njeru

**REGISTERED OFFICE** : Fortune Sacco Society Limited  
: Fortune Plaza  
: Opposite ACK Cathedral  
: P.O. Box 559,10300  
: KERUGOYA

**INDEPENDENT AUDITOR** : Davella LLP  
: Certified Public Accountants  
: P.O. Box 23833, 00100  
: NAIROBI

**PRINCIPAL BANKERS** : Co-operative Bank of Kenya Limited  
: KERUGOYA

: KCB Bank Kenya Limited  
: KERUGOYA

: Sidian Bank Limited  
: KERUGOYA

: African Banking Corporation Limited  
: WESTLANDS

: Equity Bank Limited  
: KERUGOYA

: Absa Bank Kenya Plc  
: KERUGOYA

**LEGAL ADVISOR** : Kibue Mugiira & Mbagara Advocates  
: P.O. Box 1375, 00232  
: RUIRU



## REPORT OF THE DIRECTORS

The directors submit their annual report together with the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of the society.

### INCORPORATION

The society is incorporated in Kenya under the Co-operative Societies Act, Cap. 490 and is domiciled in Kenya. It was registered as a deposit taking Sacco under the Sacco Societies Act No. 14 of 2008 with effect from 19 May 1998.

### PRINCIPAL ACTIVITIES

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

RESULTS	2022 Shs	2021 Shs
Profit before tax	130,717,748	121,600,917
Income tax expense	-	-
Profit for the year	<u>130,717,748</u>	<u>121,600,917</u>
Total comprehensive income for the year	<u>130,923,254</u>	<u>122,709,049</u>
Interest on members' deposits	<u>122,921,993</u>	<u>104,381,944</u>

### INVESTMENT SHARES

The issued and paid up share capital of the society was increased during the year from Shs. 396,847,967 to Shs. 486,344,638.

### DIVIDENDS AND INTEREST

The directors have recommended payment of 13% (2021: 12%) as dividend on investment shares and 8% (2021: 8%) interest on sacco back office deposits.

### BOARD OF DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 1. In accordance with the society's by laws, three directors; Dickson Karai Ndwiga, Stephen Gatei Kithaka and Stephen Munyi Ruita retire by rotation and being eligible, offer themselves for re-election.

### TERMS OF APPOINTMENT OF THE AUDITOR

Davella LLP were appointed as auditors in the year, and have indicated willingness to continue in office until the date of rotation of the society auditor in accordance with the Sacco Societies Act No. 14 of 2008. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

### BY ORDER OF THE BOARD

Signature.......... date..... 17.13.....2023

Hon Secretary

## **CORPORATE GOVERNANCE STATEMENT**

Corporate governance is the process and structure used to manage business affairs of the society towards enhancing prosperity and corporate accounting with the ultimate objective of realizing members' long term value while taking into account the interest of other stakeholders.

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

### **Board of directors**

The board meets monthly to deliberate on the society's financial performance and discuss reports from each sub-committee and deal with any strategic issues and opportunities for the sacco. Board and committee papers are supplied in time to members, in appropriate form and quality to facilitate effective deliberations. Board of directors have access to relevant information through the office of the Chief Executive Officer.

Board meetings are held in line with the annual calendar except when critical business necessitates ad hoc meetings. The following meetings were held during the year ended 31 December 2022;

	<b>No. of</b>	<b>Membership</b>	<b>Average</b>
Full Board	12	7	100
Finance and Administration	6	4	100
Credit Committee	6	3	100
Audit and Risk Management Committee	6	3	100
Education and Marketing Committee	6	4	100
Supervisory Committee	8	3	100

### **Board sub-committees**

The society had the following sub-committees in place during the year with terms of reference clearly defined in the by laws to facilitate decision making of the management board in the execution of its powers, duties and authorities.

#### **(a) Finance and Administration Committee**

The committee is established in accordance with the Sacco by law 56 to deal with finance, investment and staff matters. The committee is chaired by Stephen Munyi Ruita. Other members are; Cyrus Mugo Njogu, Rufus Kamau Cira and Joseph Mugo Kigaa.

#### **(b) Credit Committee**

The committee is formed in accordance with the provisions of Regulation 60 (8) of the Sacco Societies (Deposit – Taking Sacco Business) with the responsibility of reviewing and overseeing the overall lending policy. The committee is chaired by Cyrus Mugo Njogu. Other members are Stephen Munyi Ruita and Dickson Ndwiga Karai.

#### **(c) Audit and Risk Management Committee**

This committee is formed in accordance with the Sacco regulation 56 and by law to review the financial conditions of the Sacco society and its internal controls. The committee is chaired by Stephen Gatei Kithaka. Other members are Joseph Wamwati Kinyeki and Joseph Mugo Kigaa.

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Board sub-committees (continued)**

**(d) Education and Marketing Committee**

The committee is established in accordance with the Sacco by law 57 to deal with business development as well as members, delegates and staff education matters. The committee is chaired by Dickson Ndwiga Karai. Other members are Stephen Gatei Kithaka, Joseph Wamwati Kinyeki and Rufus Kamau Cira.

**(e) Supervisory Committee**

The committee is established under Rule 28 of the Co-operative Society Rules to ensure that adequate checks and balances are put in place and that the principles of transparency and accountability are observed. The committee is composed of three independent members who are appointed by delegates during the Annual General Meeting namely; Robert Njagi Njugi - chairman, Ann Mumbi Munene - secretary and Symon Muriithi Migwi - member.

To the best of our knowledge, no situation of conflict of interest arose at the board.

**Internal controls**

The society has systems and processes to ensure that requisite controls, physical security of assets and reporting of accurate and up-to date information with a comprehensive accounting system is in place.



**FINANCIAL AND STATISTICAL INFORMATION**

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	<b>2022</b>	<b>2021</b>
	<b>Numbers</b>	<b>Numbers</b>
<b>Membership</b>		
- Active	130,929	125,722
- Dormant	8,220	25,782
<b>Number of branches</b>	15	15
<b>Number of employees</b>		
- Male	90	91
- Female	114	115
	<b>2022</b>	<b>2021</b>
	<b>Shs</b>	<b>Shs</b>
<b>Financial</b>		
Total assets	5,563,038,459	4,588,080,830
Core capital	1,424,543,854	1,271,819,753
Institutional capital	1,148,578,938	1,062,805,339
Members' deposits	3,210,840,158	2,738,558,671
External borrowings	-	36,910,677
Loans and advance to members	5,057,806,521	4,307,901,139
Provision for loan losses and suspended interest	646,717,600	522,939,831
Investments	35,049,901	34,844,395
Total revenue	917,107,037	800,893,764
Total interest income	777,408,284	690,983,395
Total expenses	756,442,508	679,292,847
Investment shares	486,344,638	396,847,967
Statutory reserve	275,067,196	248,882,546
Appropriation reserve	663,132,020	622,760,694
Loan loss reserve	-	3,328,546
<b>Key ratios:</b>	<b>2022</b>	<b>2021</b>
	%	%
<b>Capital adequacy ratios</b>		
Core capital/total assets	26%	28%
Minimum ratio	10%	10%
Core capital/total deposits	44%	46%
Minimum ratio	8%	8%
Institutional capital/total assets	21%	23%
Minimum ratio	10%	10%
<b>External borrowing ratio</b>		
External borrowing/total assets	0%	1%
Maximum ratio	25%	25%
<b>Liquidity ratio</b>		
Liquid assets/total deposits & short-term liabilities	26%	19%
Minimum ratio	15%	15%
<b>Operating efficiency/loan quality ratios</b>		
Total expenses/total revenue	82%	85%
Interest on member deposits/total revenue	13%	13%
Interest rate on members' deposits	8%	8%
Dividend rate on members share capital	13%	12%
Total delinquent loans/gross loan portfolio	13%	12%

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Sacco Societies Act No. 14 of 2008 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the society as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the society keeps proper accounting records that are sufficient to show and explain the transactions of the society; that disclose, with reasonable accuracy, the financial position of the society and that enable them to prepare financial statements of the society that comply with the International Financial Reporting Standards and the requirements of the Sacco Societies Act No. 14 of 2008. The directors are also responsible for safeguarding the assets of the society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Sacco Societies Act No. 14 of 2008. They also accept responsibility for:

- i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii. Selecting and applying appropriate accounting policies; and
- iii. Making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the society as at 31 December 2022 and of the society's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Sacco Societies Act No. 14 of 2008.


In preparing these financial statements the directors have assessed the society's ability to continue as a going concern. Nothing has come to the attention of the directors to indicate that the society will not remain a going concern for at least the next twelve months from the date of this statement.

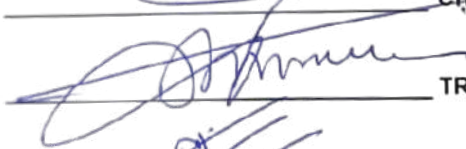
With respect to each director at the time this report was approved;


- (a) there is, so far as the person is aware, no relevant audit information of which the society's auditor is unaware; and
- (b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the society's auditor is aware of that information.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 17<sup>th</sup> March 2023 and signed on its behalf by:

  
\_\_\_\_\_  
CHAIRMAN

  
\_\_\_\_\_  
TREASURER

  
\_\_\_\_\_  
BOARD MEMBER



Audit | Tax | Advisory

## Report of the Independent Auditor to the members of Fortune Sacco Society Limited

### Opinion

We have audited the financial statements of Fortune Savings and Credit Co-operative Society Limited (the Sacco), set out on pages 11 to 63, which comprise the Statement of Financial Position as at 31 December 2022, Statement of Comprehensive Incomes, Statement of changes in equity and Statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Sacco as of 31 December 2022 and of its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Sacco Societies Act No. 14 of 2008, Laws of Kenya.

### Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' 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' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to the audit of financial statements in Kenya, and 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and informing our opinion thereon and we do not provide a separate opinion on these matters. The key audit matters are summarised below:

#### 1. Loans loss provisions

As described in the notes to the financial statements, the impairment losses have been determined in accordance with IFRS 9, Financial Instruments.

This was considered a key audit matter, as IFRS 9 is a complex accounting standard which requires significant judgment to determine the impairment reserve.

Key areas of judgment include:-

- The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Sacco's expected credit loss model;
- Assumptions used in the expected credit loss model.

Our audit procedures included understanding and testing of the design and operating effectiveness of the key controls over the Sacco's impairment process, for example:-

- Controls over identification of which loans are impaired. For individually significant loans, this included controls over credit grading and the monitoring process;

## **Report of the Independent Auditor (Continued)**

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### **Report of the independent auditor to the members of Fortune Savings and Credit Co-operative Society Limited (Continued)**

#### **Key Audit Matters (Continued)**

##### **1. Loans loss provisions (Continued)**

- We assessed the modelling techniques and methodology against the requirements of IFRS 9; and
- We assessed the controls over the completeness and accuracy of data input into the impairment mode.

Additionally, our procedures included challenging the suitability of the approach and methodology adopted by the Sacco to ensure these are consistent with the requirements of the International Financial Reporting Standards (IFRS) and industry norms.

Procedures performed included the following:-

- Performed a credit assessment of a sample of advances assessed as non-performing in credit risk stage 3 and determining whether the evaluation was appropriate. We then assessed the reasonableness of the amount and timing of the estimated cash flows including realisable value of collateral placed; and
- Performed a credit assessment of a sample of loans assessed as Stage 2 and Stage 3 to determine whether their grading was appropriate;
- Validated the appropriateness of the related disclosures that are presented in note 8 and note 22 to the financial statements.

Based on our procedures, we consider the directors' key assumptions and methodology applied to be reasonable.

##### **2. Information technology control environment**

The Society is highly dependent on information systems and system security, including controls over access rights to such systems, are critical and therefore represent a key audit matter. We tested the design and implementation of the society's controls around the information technology environment and operating effectiveness for controls that were critical to databases within the scope of our audit and the financial reporting process. Where our procedures identified deficiencies, we assessed the design and implementation of any controls that mitigated the identified risks and extended the scope of our tests of operating effectiveness of controls and/or substantive audit procedures.

##### **Other Information**

The directors are responsible for the other information, which comprises the Chairman's Report and Report of the Directors as required by the SACCO Societies' Act, No 14 of 2008. The other information does not include the financial statements and our auditor's report thereon.

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

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 on the other information that we obtained prior to the date of this auditor's report, 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.

## **Report of the Independent Auditor (Continued)**

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### **Responsibilities of the Directors and Those Charged with Governance for the Financial Statements**

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Sacco Societies Act No. 14 of 2008, and for such internal controls as the Directors determine are 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. The Directors and those charged with governance are responsible for overseeing the Society's financial reporting process.

### **Auditor's Responsibilities for the Audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud, or error, and to issue an auditors report that includes our opinion. Reasonable assurance is 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 the users taken on the basis of these financial statements.

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

- Identify and asses 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 of our opinion. The risk of not detecting material misstatements 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 controls.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal controls.
- Evaluate the appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by the Directors.



## Report of the Independent Auditor (Continued)

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### Auditor's Responsibilities for the Audit of the financial statements (Continued)

- Conclude on 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 Society's ability to continue as 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 are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on other legal and regulatory requirements

In our opinion the information given in the report of the directors on pages 8 is consistent with the financial statements. Further, the accounting and other records required by the Sacco Societies Act No. 8 of 2008 to be kept by the Society have been properly kept.

The engagement partner responsible for the audit resulting in this independent auditors' report is **CPA R. Okoth – P/No 2380**.

*R. Okoth*

For and On Behalf of:  
Davella LLP  
Certified Public Accountants (Kenya)  
Nairobi, Kenya



Dated *17th March* .....

2023

Fortune Savings and Credit Co-operative Society Limited C/S - 8379  
Annual Report and Financial Statements  
For the year ended 31 December 2022

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	2,022 Shs	2021 Shs
<b>Revenue</b>			
Interest on loan and advances	2 (a)	710,111,426	663,111,032
Other interest income	2 (b)	<u>67,296,858</u>	<u>27,872,363</u>
<b>Total interest income</b>		777,408,284	690,983,395
Interest expenses	2(c)	<u>(126,286,051)</u>	<u>(124,767,507)</u>
<b>Net interest income</b>		651,122,233	566,215,888
Net fee and commission income	2(d)	96,847,471	92,727,647
Other operating income	2(e)	42,851,282	17,182,722
Impairment (charge) on loan and advances	8	(123,777,769)	(118,814,604)
Impairment losses on cash and cash equivalents	6	(935,790)	1,404,975
Governance expenses	25	(48,080,939)	(32,602,076)
Marketing expenses	27(i)	(29,946,781)	(32,119,015)
Staff costs	26	(201,561,608)	(172,288,095)
Other administrative expenses	27(ii)	(147,158,607)	(126,215,289)
Other operating expenses	28	<u>(108,641,744)</u>	<u>(106,010,251)</u>
<b>Profit before tax</b>		130,717,748	121,600,917
Income tax expense	5	<u>-</u>	<u>-</u>
<b>Profit for the year</b>		130,717,748	121,600,917
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
- Fair value gain/(loss) on equity instruments at fair value through other comprehensive income	9	<u>205,506</u>	<u>1,108,132</u>
<b>Total comprehensive income</b>		<u><u>130,923,254</u></u>	<u><u>122,709,049</u></u>

The notes on pages 16 to 63 form an integral part of these financial statements.




Report of the independent auditor - pages 7 to 10.

**STATEMENT OF FINANCIAL POSITION**

	Notes	2022 Shs	2021 Shs
<b>ASSETS</b>			
Cash and cash equivalents	6	821,699,017	512,588,223
Other receivables and prepayments	7	44,396,428	44,094,530
Loans and advances to members	8	4,411,088,921	3,784,961,308
Other financial assets	9	35,049,901	34,844,395
Right-of-use-assets	10	22,570,664	26,189,016
Property and equipment	11	190,859,963	150,530,123
Intangible assets	12	29,022,476	26,674,625
Tax recoverable	5	8,351,089	8,198,610
		<u>5,563,038,459</u>	<u>4,588,080,830</u>
<b>LIABILITIES:</b>			
Other payables	13	619,543,459	259,611,060
Members' deposits	14	3,210,840,158	2,738,558,671
Retirement benefit obligations	15	87,379,028	80,309,415
Lease liabilities	16	10,352,238	13,037,701
Borrowings	17	-	36,910,677
		<u>3,928,114,883</u>	<u>3,128,427,524</u>
<b>FINANCED BY:</b>			
Investment shares	18	486,344,638	396,847,967
Statutory reserves	19 (i)	275,067,196	248,882,546
Appropriation reserve	19 (ii)	663,132,020	622,760,694
Fair value reserves	19 (iii)	14,005,702	13,800,196
Loan loss reserve	19 (iv)	-	3,328,546
Dividends reserve	19 (v)	144,563,667	128,883,702
Proposed dividends	19 (vi)	51,810,353	45,149,655
		<u>1,634,923,576</u>	<u>1,459,653,306</u>
<b>TOTAL LIABILITIES AND CAPITAL</b>		<u>5,563,038,459</u>	<u>4,588,080,830</u>
		<b>0</b>	

The financial statements on pages 11 to 63 were approved and authorised for issue by the board

of directors on 17<sup>th</sup> March 2023 and were signed on its behalf by:

  
 \_\_\_\_\_ **CHAIRMAN**  
  
 \_\_\_\_\_ **TREASURER**  
  
 \_\_\_\_\_ **BOARD MEMBER**

The notes on pages 16 to 63 form an integral part of these financial statements.

Report of the independent auditor - pages 7 to 10.

Fortune Savings and Credit Co-operative Society Limited C/S - 8379  
Annual Report and Financial Statements  
For the year ended 31 December 2022

**STATEMENT OF CHANGES IN EQUITY**

Year ended 31 December 2022	Notes	Share capital Shs	Statutory reserves Shs	Appropriation reserve Shs	Fair value reserve Shs	Loan loss reserve Shs	Dividend reserve Shs	Proposed dividends Shs	Total Shs
At start of year		396,847,967	248,882,546	622,760,694	13,800,196	3,328,546	128,883,702	45,149,655	1,459,653,306
<b>Total comprehensive income:</b>									
- profit for the year		-		130,717,748	-	-	-	-	130,717,748
- gain on equity instruments at fair value through other comprehensive income		-	-	-	205,506	-	-	-	205,506
Transfer from loan loss reserve	8	-	-	3,328,546	-	(3,328,546)	-	-	-
Transfer to statutory reserve		-	26,184,651	(26,184,651)	-	-	-	-	-
Transfer to dividend reserve		-	-	(15,679,965)	-	-	15,679,964.59	-	-
<b>Transactions with owners:</b>									
Issue of investment shares	18	89,496,671	-	-	-	-	-	-	89,496,671
<b>Dividends:</b>									
- Paid 2021	19 (vi)	-	-	-	-	-	-	(45,149,655)	(45,149,655)
- Proposed 2022	19 (vi)	-	-	(51,810,353)	-	-	-	51,810,353	-
At end of year		<u>486,344,638</u>	<u>275,067,197</u>	<u>663,132,020</u>	<u>14,005,702</u>	<u>-</u>	<u>144,563,667</u>	<u>51,810,353</u>	<u>1,634,923,576</u>

The notes on pages 16 to 63 form an integral part of these financial statements.

Report of the independent auditor - pages 7 to 10.

Fortune Savings and Credit Co-operative Society Limited C/S - 8379  
 Annual Report and Financial Statements  
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**STATEMENT OF CHANGES IN EQUITY (Continued)**

Year ended 31 December 2021	Notes	Share capital Shs	Statutory reserves Shs	Appropriation reserve Shs	Fair value reserve Shs	Loan loss reserve Shs	Dividend reserve Shs	Proposed dividends Shs	Total Shs
At start of year		353,376,215	224,340,736	506,517,625	12,692,064	86,068,520	110,477,345	38,753,184	1,332,225,689
Total comprehensive income:									
- profit for the year		-	-	121,600,917	-	-	-	-	121,600,917
- gain on equity instruments at fair value through other comprehensive income		-	-	-	1,108,132	-	-	-	1,108,132
Transfer from loan loss reserve	8	-	-	82,739,974	-	(82,739,974)	-	-	-
Transfer to statutory reserve		-	24,541,810	(24,541,810)	-	-	-	-	-
Transfer to dividend reserve		-	-	(18,406,357)	-	-	18,406,357	-	-
Transactions with owners:									
Issue of investment shares	18	43,471,752	-	-	-	-	-	-	43,471,752
Dividends:									
- Paid 2020	19 (vi)	-	-	-	-	-	-	(38,753,184)	(38,753,184)
- Proposed 2021	19 (vi)	-	-	(45,149,655)	-	-	-	45,149,655	-
At end of year		<u>396,847,967</u>	<u>248,882,546</u>	<u>622,760,694</u>	<u>13,800,196</u>	<u>3,328,546</u>	<u>128,883,702</u>	<u>45,149,655</u>	<u>1,459,653,306</u>

The notes on pages 16 to 63 form an integral part of these financial statements.

Report of the independent auditor - pages 7 to 10.



Fortune Savings and Credit Co-operative Society Limited C/S - 8379  
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**STATEMENT OF CASH FLOWS**

	Notes	2022 Shs	2021 Shs
<b>Cash flows from operating activities</b>			
Interest income on loans and advances	2 (a)	710,111,426	663,111,032
Other interest income	2 (b)	67,296,858	27,872,363
Interest paid on members' deposits	2 (c)	(122,921,993)	(104,381,944)
Interest paid on borrowings	2 (c)	(1,401,220)	(14,841,641)
Interest paid on lease liabilities	2 (c)	(1,935,828)	(1,943,922)
Other interest expense	2 (c)	(27,009)	(3,600,000)
Net fee and commission income	2 (d)	96,847,471	92,727,647
Other operating income	2 (e)	41,491,956	15,802,523
Payment to employees and suppliers		<u>(161,618,731)</u>	<u>(402,039,164)</u>
Net cash from operating activities		<u>627,842,930</u>	<u>272,706,894</u>
<b>(Decrease) in operating assets</b>			
Advances to members	8	(6,166,277,375)	(4,527,612,315)
Repayments	8	<u>4,999,146,319</u>	<u>3,967,336,958</u>
Net cash (used in) loans and advances		<u>(1,167,131,056)</u>	<u>(560,275,357)</u>
<b>Increase in operating liabilities</b>			
Deposits received	14	35,605,710,239	23,115,569,215
Withdrawals	14	<u>(34,742,002,597)</u>	<u>(22,709,472,928)</u>
Net cash from members' deposits		<u>863,707,642</u>	<u>406,096,287</u>
<b>Net cash from operating activities before income taxes</b>			
		324,419,516	118,527,824
Income tax paid		<u>(152,479)</u>	<u>(1,179,659)</u>
<b>Net cash from operating activities</b>		<u>324,267,037</u>	<u>117,348,165</u>
<b>Cash flows (used in) investing activities</b>			
Purchase of property and equipment	11	(53,899,182)	(35,142,319)
Dividends received	2 (e)	1,359,326	1,380,199
Purchase of intangible assets	12	<u>(5,309,887)</u>	<u>348,721</u>
<b>Net cash (used in) investing activities</b>		<u>(57,849,743)</u>	<u>(33,413,399)</u>
<b>Cash flows (used in)/from financing activities</b>			
Proceeds from issue of investment shares	18	89,496,671	43,471,752
Changes in restricted cash balances	6	25,600,000	(6,000,000)
Payments of principal portion of the lease liabilities	16	(4,076,172)	(3,473,908)
Proceeds from borrowings	17	-	-
Repayment of borrowings	17	0	(33,333,334)
Dividends paid	19 (vi)	<u>(45,149,655)</u>	<u>(38,753,184)</u>
<b>Net cash (used in)/from financing activities</b>		<u>65,870,844</u>	<u>(38,088,674)</u>
<b>Movement in cash and cash equivalents</b>			
Cash and cash equivalents at start of year		489,410,879	443,564,787
Increase in cash and cash equivalents		<u>332,288,138</u>	<u>45,846,092</u>
Cash and cash equivalents as at end of the year	6	<u><u>821,699,017</u></u>	<u><u>489,410,879</u></u>

The notes on pages 16 to 63 form an integral part of these financial statements.

Report of the independent auditor - pages 7 to 10.



#### OUR BRANCHES

Sagana Branch  
Mwea Branch  
Kagio Branch  
Kiamutugu Branch  
Kerugoya Branch

Karumandi Branch  
Kianyaga Branch  
Kimunye Branch  
Kutus Branch  
Nairobi Branch

Kagumo Branch  
Kibirigwi Branch  
Kiangai Branch  
Baricho Branch  
Makutano Branch

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