

CS 10410

P.C.E.A RUIRU SACCO

REGULATED NON-WITHDRAWABLE DEPOSIT TAKING SACCO

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2021

**EXTERNAL AUDITORS.**



Maina Kimani & Associates-CPA (K)

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**Statistical Information**

	2021	2020
<b>Membership</b>		
Dormant members	2,128	2,146
Active Members	3,691	3,027
<b>Total Members</b>	<b>5,819</b>	<b>5,173</b>

	<u>Kshs</u>	<u>Kshs</u>
<b>Financials</b>		
Total assets	548,567,323	472,770,728
Members' deposits	449,087,494	398,024,783
Loans to members	376,793,502	361,808,302
Share Capital	15,491,411	11,553,628
General reserve	17,753,542	-
Capital reserve	2,200,000	2,200,000
Statutory Reserves	2,001,152	2,001,152
Retained Earnings	9,573,263	860,871
Core capital	47,019,368	16,615,651
Institution capital	31,527,957	5,062,023
Proposed Interest on deposits	31,436,125	18,037,050
Current Assets	26,859,008	20,711,328
Money Market	142,280,355	88,177,459
Current Liabilities	42,703,508	43,716,381
Total Revenue	62,141,244	52,771,125
Total expenditure	48,071,017	49,500,988

**Key Ratios**

<b>Capital adequacy</b>		
Core capital to Total assets	8.57%	3.51%
Core capital to Total deposits	10.47%	4.17%
Institutional Capital to Total Assets	5.75%	1.07%

**Liquidity Ratio**

Liquid Assets /Total deposits & Longterm liabilities (1:1)	23:03	11:46
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**Operating efficiency**

Interest rate on Members Deposits	7.00%	4.60%
Dividends rate on shares	10%	4%
Total expenditure/ Total revenue	77%	83%
Return on Members Deposit as a % of Turnover	51%	25%

Total delinquency loans / Gross loans portfolio

6.14

5.45

SACCO EMPLOYEES

MALE 3  
FEMALE 4

MALE 3  
FEMALE 4

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**Board of Directors 's Report**

The Board of Directors submit their report and audited financial statements for the year ended 31st December, 2021

**General Information**

The society is incorporated in Kenya under the Sacco's Act No 14 of 2008  
Its domiciled in Kenya.

**Principal Activity**

The principal activity of the Sacco is to promote thrift amongst its members by affording them an opportunity for accumulating their savings and to create thereby a source of funds from which loans can be availed to them exclusively for provident and productive purpose at a fair and reasonable rates of interest,

**Results for the year**

This is as tabulated below:-

	<b>2021</b>	<b>2020</b>
	<b><u>Kshs.</u></b>	<b><u>Kshs.</u></b>
Gross Turnover	62,141,244	52,771,125
Total expenditure	<u>(16,634,892)</u>	<u>(31,414,598)</u>
<b>Surplus before Tax</b>	<b><u>45,506,353</u></b>	<b><u>21,356,527</u></b>
Tax Provision	(2,121,621)	(1,933,129)
<b>Surplus After Tax before Appropriation</b>	<b><u>43,384,732</u></b>	<b><u>19,423,398</u></b>

**Dividends & Interest on Deposits**

	<b>2021</b>	<b>2020</b>
	<b><u>Kshs.</u></b>	<b><u>Kshs.</u></b>
<b>The Board of Directors recommends as follows;</b>		
a) Payment of dividends of 10 % ( 2020 -4 %)	1,549,141	462,145
b) Interest on members deposits 7 % (2020 - 4.6.%)	31,436,125	18,037,050
c) Honorarium 1.5 % (2020 -1.5%) on deposit Interest	471,542	270,556

The Board of Directors who served during the year and to the date of the report are list on page 3

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**Board of Directors s Report Contd,**

Board of Directors and Professional Advisers

**Board of Directors**

Bernard M Maina	Chairman
Zachary G. Kibera	Vice Chairman
Lydia N Mucheru (PhD)	Hon.Secretary
Edward N. Gacheru	Treasurer
Winnie N. Ndungu	Member
Isaac Gitau	Member
Alice W . Muturi	Member
Daniel Gachoka	Member
Elizabeth Kiongo	Member

**Supervisory Committee**

Esther N. Ndicu	Chairperson
Victor Mwangi N.	Secretary
Christopher Wainaina	Member

**Registered Office**

PCEA Ruiru Sacco Society Ltd  
P o Box 1497-00232  
Ruiru

**Principal Bankers**

Co-operative Bank of Kenya Limited  
National Bank  
Equity Bank  
Kenya Commercial Bank  
Family Bank

**External Auditors**

Messrs. Maina Kimani & Associates  
Certified Public Accountants(k)  
P O Box 21933-00200  
Nairobi



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**P.C.E.A RUIRU SACCO - REGULATED NON-WITHDRAWABLE DEPOSIT TAKING SACCO  
FINANCIAL STATEMENTS AND REPORTS  
FOR THE PRIOD ENDED 31ST DECEMBER, 2021**

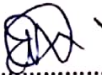
**STATEMENT OF BOARD OF DIRECTORS RESPONSIBILITIES**

The Sacco's 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 SACCO as at the end of the financial year and of its operating results for that year in accordance with IFRS. It also requires the Board of Directors to ensure that the SACCO keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the SACCO. They are also responsible for safeguarding the assets of the SACCO and ensuring that the business of the society has been conducted in accordance with its objectives, regulations and any other resolutions made at the 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 and in the manner required by the Sacco's Act No 14 of 2008. The Board of 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 IFRS. The Management Committee further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control. Nothing has come to the attention of the Board of Directors to indicate that the SACCO will not remain a going concern for at least twelve months from the date of this statement.

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

 .....Chairman       .....Hon Secretary

 .....Treasurer

Date. 08/02/ 2022

**P.C.E.A RUIRU SACCO - REGULATED NON-WITHDRAWABLE DEPOSIT TAKING SACCO**  
**REPORT OF THE INDEPENDENT AUDITORS**

**Opinion**

We have audited the accompanying financial statements of P.C.E.A Ruiru Sacco Society Ltd, set out on pages 6 to 27 which comprise the Statement of financial position as at 31st December, 2021, and the Statement of comprehensive income, changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the Sacco as at 31<sup>st</sup> December, 2021 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and Sacco's Act No 14 of 2008.

**Basis of our opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibility is to express an independent opinion on these financial statements based on our audit.

We are independent of the company in accordance with the international Ethics Standard Board for accountants' Code of ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statement in Kenya and we have fulfilled our ethical responsibility in accordance with these requirements and the IESBA code

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

**Director's Responsibility 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 for small and medium sized entities and the requirements of the Sacco's Act No 14 of 2008., and for such internal control as Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement whether due to fraud or error.



## Report of the Independent Auditors contd

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedure selected depends on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the SACCO's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SACCO's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

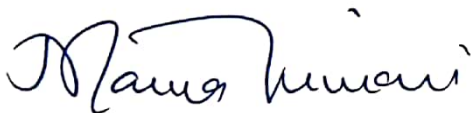
### Report on Other Legal Requirements

As required by the Sacco's Act No 14 of 2008., we report to you, based on our Audit, that: -

- (a) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of the Audit.
- (b) In our opinion proper books of accounts have been kept by the SACCO, so far as it appears from the examination of these books and,
- (c) The Sacco's Statement of financial position and statement of comprehensive income are in agreement with the books of account

### Engagement Partner

The engagement Partner responsible for the audit resulting in this independent auditor's report is  
CPA Peter Maina Kimani –ICPAK no's, P/993, Reg, 1876



Maina Kimani & Associates  
Certified Public Accountants (K)  
Nairobi



Date 21/02/2022

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FOR THE YEAR ENDED 30TH JUNE , 2021

STATEMENT OF COMPREHENSIVE INCOME

		2021	2020
		<u>Kshs</u>	<u>Kshs</u>
<b>REVENUE</b>	<b>Notes</b>		
Interest income	2	47,997,108	40,533,598
Interest on non withdrawable		(62,765)	-
Interest on deposit -7 % (2020 4.6 %)	4	<u>(31,436,125)</u>	<u>(18,086,390)</u>
<b>Net Interest income</b>		<b>16,498,218</b>	<b>22,447,208</b>
<b>Other Income</b>			
Investment income	3	9,102,896	7,937,744
Other operating income	5	<u>5,041,241</u>	<u>4,299,783</u>
		<b>30,642,354</b>	<b>34,684,735</b>
<b>Operating Expenses</b>			
Financial expenses	6	116,615	102,426
Personnel expenses	7	4,091,440	3,238,419
Governance Expenses	8	3,481,199	3,155,550
Marketing expenses	9	549,690	480,400
Administrative expenses	10	<u>4,174,657</u>	<u>3,164,630</u>
<b>Total Operating expenses</b>		<b>12,413,600</b>	<b>10,141,425</b>
Provision for Loans losses		3,815,976	20,845,843
Depreciation/amortization (sch. A & B)	23 & 24	<u>405,316</u>	<u>427,330</u>
<b>Total Expenditure</b>		<b>16,634,892</b>	<b>31,414,598</b>
<b>Net operating surplus before tax</b>		<b>14,007,463</b>	<b>3,270,137</b>
Income Tax expenses	20	<u>(2,121,621)</u>	<u>(1,933,129)</u>
<b>Net surplus after tax</b>		<b>11,885,842</b>	<b>1,337,008</b>

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STATEMENT OF FINANCIAL POSITION

	NOTES	2021 KSHS	2020 KSHS
<b>ASSETS</b>			
Cash and cash equivalent	11	25,116,197	18,828,316
Prepayments and receivables	12	1,742,811	1,883,012
Loan to members	13	376,793,502	361,808,302
Financial Investments	14	142,794,355	88,691,459
Property & Equipment's	15 A	1,863,630	1,174,399
Intangible Assets	15 B	256,828	385,240
<b>Total Assets</b>		<b>548,567,323</b>	<b>472,770,728</b>
<b>LIABILITIES</b>			
Members deposit	16	449,087,494	398,024,783
Withdrawable savings	17	9,756,953	14,413,913
Benevolent fund	18	891,347	8,736,711
Insurance Fund	18b	1,081,269	9,765,126
Accounts Payable	19	6,047,553	4,058,072
Corporation tax payable	27	1,369,847	-
Interest on Deposits	20	33,313,493	21,156,472
<b>Total Liabilities</b>		<b>501,547,955</b>	<b>456,155,076</b>
<b>SHAREHOLDERS FUND</b>			
Share Capital	22	15,491,411	11,553,628
Reserves	23	31,527,957	5,062,023
<b>Total Shareholders' Fund</b>		<b>47,019,368</b>	<b>16,615,651</b>
<b>Total Liabilities and Equity</b>		<b>548,567,324</b>	<b>472,770,728</b>

These financial statements on pages 6 - 27 were authorised for issue by the Board and signed on their behalf by:

Chairman.....

Hon Secretary.....

Treasurer.....



Date: 8.../02.../2022

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STATEMENT OF CHANGE OF MEMBERS EQUITY

	Shares Capital	General Reserve	Capital Reserve	Statutory Reserve Fund	Retained Earnings	Provision for Dividends	Total Members Equity
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1.1.2021	11,553,628	-	2,200,000	2,001,152	860,871	462,145	17,077,796
Prior yr. Adj. 2020 tax paid					(1,152,767)		(1,152,767)
Net Surplus for the year					11,885,842		11,885,842
Current year transfer					-		-
SRF Transfer for the year-20%					(1,549,141)	1,549,141	-
Provision for Dividends (10%)					(471,542)	(462,145)	(462,145)
Dividends Paid during the year							
Provision for Honoraria@1.5% of int on dep.							
Transfer ( notes 18 A & 18 B)		17,753,542					(471,542)
Issue of share capital	3,937,783						17,753,542
At 31.12.2021	15,491,411	17,753,542	2,200,000	2,001,152	9,573,263	1,549,141	48,568,509

	Shares Capital	General Reserve	Capital Reserve	Statutory Reserve Fund	Retained Earnings	Provision for Dividends	Total Members Equity
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1.1.2020	9,332,745	-	2,200,000	1,733,750	523,966		13,790,461
Net Surplus for the year					1,337,008		1,337,008
Current year transfer					(267,402)		-
SRF Transfer for the year-20%					(462,145)	462,145.00	-
Provision for Dividends @ 4%					(270,556)		(270,556)
Provision for Honoraria@1.5% of int on dep.							
Issue of share capital	2,220,883						2,220,883
At 31.12.2020	11,553,628	-	2,200,000	2,001,152	860,871	462,145	17,077,796



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## CASH FLOW STATEMENT

	NOTES	2021 Kshs	2020 Kshs
<b>Cash Flow from Operating Activities</b>			
Interest receipts		47,997,108	40,533,598
Interest payments	18	(19,341,869)	(25,076,224)
Other operating Income		14,144,137	12,237,527
Payments to board, employees and suppliers		(12,413,600)	(12,093,895)
		<u>30,385,775</u>	<u>15,601,006</u>
<b>(Increase)/Decrease in Operating Assets</b>			
Accounts receivable	12	140,201	745,178
Net Loans to members	13	(18,801,176)	(69,961,039)
		<u>(18,660,975)</u>	<u>(69,215,861)</u>
<b>Increase/(Decrease) in Operating Liabilities</b>			
Net Members deposits	16	51,062,711	58,543,224
Withdrawable savings		(4,656,960)	3,223,581
Benevolent fund		176,761	1,000,576
Insurance fund		1,047,560	-
Accounts Payable	20	1,989,481	(149,834)
		<u>49,619,553</u>	<u>62,617,546</u>
		<u>61,344,353</u>	<u>9,002,693</u>
<b>Net cash from operating activities before income taxes</b>		<u>61,344,353</u>	<u>9,002,693</u>
<b>Net cash from operating activities</b>		<u>61,344,353</u>	<u>9,002,693</u>
<b>Cash flow from investing activities</b>			
Purchase of fixed assets		(966,135)	(359,336)
Purchase of investment		(54,102,896)	(9,926,582)
<b>Net cash from investing activities</b>		<u>(55,069,031)</u>	<u>(10,285,918)</u>
<b>Cash flow from financing activities</b>			
Share capital contributions	20	3,937,783	2,220,883
Tax paid		(1,904,541)	-
Dividends paid	4	(2,020,683)	(746,620)
<b>Cash flow from financing activities</b>		<u>12,559</u>	<u>1,474,263</u>
<b>Net changes in Cash &amp; Cash Equivalent</b>		<u>6,287,881</u>	<u>191,038</u>
Cash and Cash Equivalent at the beginning of the year		<u>18,828,316</u>	<u>18,637,278</u>
<b>Net Cash and Cash Equivalents at the end of the year</b>		<u>25,116,197</u>	<u>18,828,316</u>

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FINANCIAL STATEMENTS AND REPORTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2021  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied over the periods unless otherwise stated.

**a) Basis of financial statements preparation**

The financial statements are prepared under the historic cost basis of accounting and are in accordance with International Financial Reporting Standards (IFRS) in so far as it affects the nature and substance of the society's financial transactions. The financial statements are presented in the functional currency, Kenya shillings (Kshs.) as rounded to the nearest one shilling.

The preparation of financial statements in conformity with IFRS the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenue and expenses during the reporting period. It also requires management and exercise judgment in the process of applying the society's accounting policies. Although these estimates are based on the board of Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Accounting policies on critical accounting estimates and assumptions' and critical accounting judgments' highlights the areas that involve a higher level of judgments or where the estimates or assumptions used are significant to the financial statements.

**b) Adoption of revised international reporting standards**

A number of revised standards become effective for the first time and have been adopted by the society where relevant to its operations. The adoption of those revised standards had no material effect on the society's accounting policies or disclosures except as follows

- i. IAS 1 requires management judgment and key source of estimation and uncertainty at the statement of financial position date be disclosed in the financial statement.
- ii. IAS 24 requires the disclosure of the compensation to key management personnel.



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FINANCIAL STATEMENTS AND REPORTS

FOR THE YEAR ENDED 31ST DECEMBER, 2021

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**c) Critical accounting estimates and assumptions**

In the process of applying society's accounting policies, management makes certain estimates and assumptions about further event. In practice the estimated and assumed results would differ from the actual results.

Such estimates and carrying amounts of assets and liabilities within the next financial period are described below.

**Equipment's**

The board of directors makes estimates in determining the depreciation rate for equipment. The rate used are set out in the accounting policy for equipment. Those estimates are continually evaluated and are based on historical experience and other factors, including expectations of further events and are believed to be reasonable under the prevailing circumstances.

**Fair Values**

The fair values of financial assets and liabilities in these financial statements are estimated on the following basis:-

Accounting receivables – By the Board of Directors principally by reference to past history

Unquoted investments – stated at cost; no estimate of fair value is included in these financial statements. Gain or commission on investment are recognized at the time of sale

Accounts payables – by the Board of Directors principally by reference to the initial incurrence and any consequential costs.

**Other Investments**

All purchases and sales of investment are recognized on the purchase date, which is the date the co-operative commits to purchase or sell the asset. The cost of purchase includes the transactional costs. The Board of Directors subsequently determines the appropriate classification of the society's investments and reviews such designations on a regular basis.

Non-cash bonus received on investments is capitalized at the equivalent unit of investment par value. All investments are held to maturity and are not to be used for trade.

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FINANCIAL STATEMENTS AND REPORTS

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**d) Critical Accounting Judgments**

In the process of applying the society's accounting policy, the Board of Directors make judgments that are continuously assessed based on prior experience and other determinants, including expectations of future events that under the circumstances are deemed reasonable as described below.

**Provision for loan loss**

Provision for loan loss on delinquent loans are made in accordance with Sacco Societies (Deposit Taking Sacco Business) Regulation.

The recovery from any loan account previously written off is credited to the allowance for loans losses account and are not recognized as income in the period it is recovered.

**Other provisions**

Other provision are made when the society has legal or constructive obligations arising from past events and when it is probably that an outflow of resources will be required to settle obligations and a reasonable estimate of the amount of the obligation can be made.

**e) Revenue**

Revenue comprises interest charged on loans to members, and on advances to customers, commissions and fees charged for services rendered, interest earned on bank savings and term deposit accounts, and from investment, entrance fees and any miscellaneous income received during the period.

**Revenue Recognition**

Interest on loans to members and to customers is charged monthly on accrual basis at the following rates

:-

- Interest on development loans to members and to customer is charged at the rate of 1% per month on a reducing balance basis.
- Interest on special loans range between 1.25% and 1.5% on reducing balances depending on the period of the loan

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FINANCIAL STATEMENTS AND REPORTS

FOR THE YEAR ENDED 31ST DECEMBER, 2021

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Other revenues earned by society are recognized on the following basis: -

- i. Interest income – as it accrues (taking into account the effective yield on the asset) unless collectability is in doubt.
- ii. Dividend income- when the society's right to receive payment is established.

**f) Property equipment and depreciation**

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Depreciation is calculated at the rate estimated to write off the cost of the assets over their expected useful lives at the following rates:-

Furniture and fittings office equipment	12.5% per annum
Office partitions	12.5% per annum
Computers, accessories and computer software buildings	30% per annum
Computer's software	20% per annum

**g) Translation of foreign currency**

Assets and liabilities at the statement of financial position date which are expressed in foreign currencies are translated at the rates approximating the mean rate ruling at the statement of financial position date. Transaction during the period are converted at the rates ruling at the dates of the transaction. The resulting differences from conversion and translation are dealt with in the statement of comprehensive income in the period in which they arise.

**h) Cash and cash equivalents**

For the purpose of cash flow statements, cash and cash equivalent comprise bank and cash balance and term deposits with less than 90 days maturity from the date of acquisition

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FINANCIAL STATEMENTS AND REPORTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2021  
NOTES TO THE FINACIAL STATEMENTS (CONT'D)

**i) Statutory reserve**

Transfers are made to statutory reserve fund at the rate of 20% on the net operating surplus after taxation.

**j) Taxation**

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

**k) Retirement benefit obligation**

The society operates a defined contribution plan. The assets of this scheme are held in separate trustee administered fund that is funded by contributions from society and employees and employer. The society and all its employees also contribute to the National Social Security Fund which is a defined contribution scheme.

A defined contribution plan is a retirement benefit plan under which the society pays fixed contribution into a separate entity.

The society has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets or pay all employees the benefits relating to employee service in the current or prior periods. However, under the employee's term and conditions of service, there are other terminal dues notably staff gratuity, which the society is obliged to pay the employee on leaving the employment.

**l) Borrowings**

Borrowings are recognized initially at the proceeds received, net of transaction cost incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any differences between proceeds (net of transaction cost) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings.

**m)** Managing risk is a fundamental part of the Sacco business activity and an essential component of the planning process.



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**i. Financial Risk**

The society's financial risk management policies include the provisions of the Cooperative Societies Act, The Sacco Societies Act, The commissioner for Cooperative Development guidelines, The Sacco Societies Regulation Authority, Society's By-laws, credit policies on acceptance of members' deposits and criteria for approval of loans to members. Investments policies in place help in managing liquidity and support maximization of returns at acceptable levels to cover interest rate risk.

**ii. Credit Risk**

Credit risk is the risk of suffering financial loss from any of the loaners failing to fulfil their contractual obligation to the society. Credit risk mainly arises from loans to members.

The society's principal financial assets, loans to members, bank and cash balances. A significant point on credit risk management is possible as most members are employees of one organization. The borrowers also hold deposits besides their shares. Insurance covers on loan as well as guarantees provided by other members ensures that loan repayments risk are reduced substantially.

The policies provide for full repayment of loans as guaranteed by other members owning adequate shares and deposits of the loan amount taken.

**iii. Liquidity Risk**

Liquidity risk is the risk that Society is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

Experience shows that a minimum level of cash and bank balance can be predicted with a high level of certainty especially with regards to withdraw-able savings obligations. Sources of liquidity are therefore regularly reviewed by the Board of Directors.

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**iv. Currency Risk**

The society operates wholly within Kenya and its assets and liabilities are reported in the local currency. There was therefore no currency risk as at 31 December 2021.

**v. Capital Risk Management**

The Sacco manages its capital to ensure that it is able to continue as a going concern while maximizing the return to members through the optimization of the debt and equity balance. In order to maintain or adjust the capital structures the Sacco may adjust the amounts of dividends paid to members or sell assets to reduce debt

**n) Key Source of Estimation Uncertainty**

The board of Directors confirms that there are no major assumptions or resources requiring estimation that have a significant risk of causing material adjustment to the carrying amounts of assets or liabilities of the society as reflected within the next twelve (12) months from the date of approval of these financial statements.



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NOTES TO THE ACCOUNTS CONT.

INCOME STATEMENT

	2021 <u>Kshs</u>	2020 <u>Kshs</u>
<b>2 <u>Interest Income</u></b>		
Quick fix	99,700	80,869
Normal loans	26,055,860	27,420,517
Emergency loans	460,153	376,123
School fees loans	40,377	33,372
Super loan	16,077,545	12,622,717
Pamoja loan	4,760,058	-
Asset financing	503,414	-
	<u>47,997,108</u>	<u>40,533,598</u>
<b>3 <u>Investment Income</u></b>		
Money market Income	9,102,896	7,926,582
Kusco rebates	-	11,162
	<u>9,102,896</u>	<u>7,937,744</u>
<b>4 <u>Interest Expenses</u></b>		
Saving account interest to members	62,765	49,340
Interest on members deposits 7% (2020 4.6 %)	31,436,125	18,037,050
	<u>31,498,890</u>	<u>18,086,390</u>

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NOTES TO THE ACCOUNTS CONT.

INCOME STATEMENT

	2021	2020
	<u>Kshs</u>	<u>Kshs</u>
<b>5 <u>Operating Income</u></b>		
Loan Processing fee	1,949,381	2,264,296
Loan off set fees	1,222,320	544,310
Fines on loan repayment	194,961	181,064
Entrance fees	398,700	374,600
Lumpsum fee	168,744	16,800
Withdrawal fee	142,281	160,050
Commission on Statement	3,800	2,800
Sale of passbook	7,900	9,500
Share transfer	12,000	6,000
Fines on deposit	941,155	740,363
	<u>5,041,241</u>	<u>4,299,783</u>
<b>6 <u>Financial Expenses</u></b>		
Bank charges	<u>116,615</u>	<u>102,426</u>
	<u>116,615</u>	<u>102,426</u>

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NOTES TO THE ACCOUNTS CONT.

	<b>2021</b>	<b>2020</b>
	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
<b>7 <u>Personnel expenses</u></b>		
Salaries	1,922,716	1,824,353
House allowances	343,727	304,340
NSSF	164,160	155,520
PAYE	370,513	198,484
NHIF	76,800	69,700
Staff travel and Subsistence	343,727	304,340
Staff provident fund	246,116	156,682
Medical insurance	220,000	105,000
Casual & Overtime	171,000	120,000
Other staff expenses	232,681	-
	<b><u>4,091,440</u></b>	<b><u>3,238,419</u></b>
<b>8 <u>Governance Expenses</u></b>		
Board of Directors Sitting allowance	588,920	318,600
Board of Directors Education & training	77,800	43,360
Board of Directors travel and subsistence	849,600	474,000
Insurance	330,000	227,500
AGM expenses	1,007,169	1,177,690
General Members Expenses/education	627,709	914,400
	<b><u>3,481,199</u></b>	<b><u>3,155,550</u></b>
<b>9 <u>Marketing expenses</u></b>		
Marketing and promotions	549,690	480,400
	<b><u>549,690</u></b>	<b><u>480,400</u></b>

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NOTES TO THE ACCOUNTS CONT.

	2021 <u>Kshs</u>	2020 <u>Kshs</u>
<b>10 Administrative Expenses</b>		
Licenses And Annual Subscriptions	79,630	65,130
Registration fees	32,200	-
Internet	66,800	82,850
Cash in transit	2,350	2,500
Sasra levies	84,120	-
Computer expenses	43,100	-
Repairs & Maintenance	182,865	150,405
Fuel ,water and electricity	244,704	197,200
Corporate Social Responsibility	20,000	-
Security	767,440	764,940
Hospitality	678,495	397,945
Printing and stationery	192,601	194,065
Telephone and postage	201,450	198,000
Office rent	400,000	400,000
Audit Fees	70,000	30,000
Vat	11,200	-
Legal fees	-	82,500
Consultancy fee	85,840	-
Professional fees	69,240	51,100
Generator expenses	65,976	50,000
Software Maintenance	655,858	359,601
Office maintenance	99,938	90,244
ICT expenses	99,300	-
Sundry expenses	21,550	48,150
	<u>4,174,657</u>	<u>3,164,630</u>

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NOTES TO THE ACCOUNTS CONT.

	2021	2020
	<u>Kshs</u>	<u>Kshs</u>
<b>11 Cash &amp; Bank Balance</b>		
Cash settlement account	1,574,114	828,826
Pay bill control	4,705,427.50	1,705,368
National bank	89,694	561,972
Co-op Current account	5,157,198	5,311,594
Equity bank	4,129,741	3,400,974
Cooperative bank (savings)	3,321,529	5,903,623
Family Bank Current Account	3,504,656	531,555
KCB Current Account	2,180,258	584,404
Chief Cashier	453,580	-
<b>Net Cash and Cash Equivalents</b>	<u><b>25,116,197</b></u>	<u><b>18,828,316</b></u>
<b>12 Accounts receivable</b>		
Valuation fees	167,840	-
Prepaid rent	1,200,000	1,600,000
Legal fees	374,971	283,012
	<u><b>1,742,811</b></u>	<u><b>1,883,012</b></u>

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NOTES TO THE ACCOUNTS CONT.

				2021	2020
				<u>Kshs</u>	<u>Kshs</u>
<b>13 LOANS PORTFOLIO</b>					
<b>B) Loans to members</b>					
As at 01/01/2021				382,654,145	312,693,106
Granted during the year				301,251,300	290,083,268
Repaid during the year				(282,450,124)	(220,122,229)
As at 31/12/2021				<u>401,455,321</u>	<u>382,654,145</u>
<b>Less Provision for Loans loss</b>				(24,661,819)	(20,845,843)
<b>Net loans</b>				<u>376,793,502</u>	<u>361,808,302</u>
<b>c)Provision for Loans loss</b>				<b>2021</b>	
Classification	Accounts	Amounts	Provision	<u>Kshs</u>	
Performing	1,048	290,917,133	1%	2,909,171	
Watch	104	53,251,303	5%	2,662,565	
Substandard	122	49,031,409	25%	12,257,852	
Doubtful	26	2,846,490	50%	1,423,245	
Loss	45	5,408,985	100%	5,408,985	
	<u>1,345</u>	<u>401,455,320</u>		<u>24,661,819</u>	
Bal b/ f-2020				(20,845,843)	
<b>Net change</b>				<u>3,815,976</u>	



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		<u>2021</u> Kshs	<u>2020</u> Kshs
<b>14 Financial Investments</b>			
Money market		142,280,355	88,177,459.00
Kuscco shares (Unquoted)		400,000.00	400,000.00
Codic Shares		10,000.00	10,000.00
CIC ltd shares		54,000.00	54,000.00
Mpesa		50,000.00	50,000.00
<b>At 31.12.2020</b>		<u><b>142,794,354.53</b></u>	<u><b>88,691,459.00</b></u>
		<u><b>1,863,630</b></u>	<u><b>1,174,399</b></u>
<b>15a Property and Equipments</b>	Note 25		
		<u><b>256,828</b></u>	<u><b>577,830</b></u>
<b>15b Intangible Assets</b>	Note 26		
<b>16 MEMBERS DEPOSIT</b>			
As at 01/01/2021		398,024,783	339,481,559
Savings		52,212,731	59,489,538
Withdrawal		(1,150,020)	(946,314)
<b>As at 31/12/2021</b>		<u><b>449,087,494</b></u>	<u><b>398,024,783</b></u>
<b>17 WITHDRAWABLE SAVINGS</b>			
As at 01/01/2021		14,413,913	11,190,332
Savings		38,912,640	47,679,281
Withdrawal		(43,569,600)	(44,455,700)
<b>As at 31/12/2021</b>		<u><b>9,756,953</b></u>	<u><b>14,413,913</b></u>
<b>18 A BBF FUND</b>			
As at 01/01/2021		8,736,711	7,736,135
Additions		1,160,761	1,120,576
Payments		(984,000)	(120,000)
Bal c/d		<u>8,913,472</u>	<u>8,736,711</u>
Transfer to reserve bal c/d (90% as per AGM resolution)		(8,022,125)	-
<b>As at 31/12/2021</b>		<u><b>891,347</b></u>	<u><b>8,736,711</b></u>
<b>18 B INSURANCE CONROL</b>			
As at 01/01/2021		9,765,126	9,591,310
Additions-2021 (2020 net)		4,181,676	173,816
Payments		(3,134,116)	-
Bal c/d		<u>10,812,686</u>	<u>9,765,126</u>
Transfer to reserve bal c/d (90% as per AGM resolution)		(9,731,417)	-
<b>As at 31/12/2021</b>		<u><b>1,081,269</b></u>	<u><b>9,765,126</b></u>

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	NOTES	2021 <u>Kshs</u>	2020 <u>Kshs</u>
<b>19 Accounts Payable</b>			
Excise tax		95,795	-
Dividends payable	21	1,549,141	462,145
Honoraria Payable		471,542	270,556
C.R.B Charges Payable		6,364	35,361
Accrued savings Interest		2,848,824	2,275,591
Holiday Account		184,174	251,318
Education Account		810,513	733,101
Audit fee & VAT		81,200	30,000
		<u>6,047,553</u>	<u>4,058,072</u>
<b>20 Interest on members deposit</b>			
Balance b/f		21,156,472	28,195,646
Paid during the year		(19,279,104)	(25,076,224)
Proposed for the year		31,436,125	18,037,050
Balance c/d		<u>33,313,493</u>	<u>21,156,472</u>
<b>21 Dividends payable</b>			
Balance b/f		462,145	746,620
Paid during the year		(462,145)	(746,620)
Proposed for the year		1,549,141	462,145
Balance c/d		<u>1,549,141</u>	<u>462,145</u>

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**NOTES TO THE ACCOUNTS CONT.**

	<b>2021</b>	<b>2020</b>
	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
<b>22 <u>SHARE CAPITAL</u></b>		
At 1.1.2021	11,553,628	9,332,745
Contribution during the year	<u>3,937,783</u>	<u>2,220,883</u>
At.31.12.2021	<u><b>15,491,411</b></u>	<u><b>11,553,628</b></u>
<b>23 <u>Reserves</u></b>		
Retained earnings	9,573,263	860,871
Statutory reserve	2,001,152	2,001,152
Capital reserve	2,200,000	2,200,000
General reserve	<u>17,753,542</u>	<u>-</u>
	<u><b>31,527,957</b></u>	<u><b>5,062,023</b></u>
<b>24 A <u>Related Party Transaction</u></b>		
Management committee Loans	11,885,155	15,840,719
Staff loans	990,194	1,148,119
Board of Directors Sitting allowance	588,920	318,600
Board of Directors Education & training	77,800	43,360
Board of Directors travel and subsistence	849,600	474,000
Board of Directors Insurance	<u>330,000</u>	<u>227,500</u>
	<u><b>14,721,669</b></u>	<u><b>18,052,298</b></u>
<b>24 B <u>Payment to board, employees and suppliers</u></b>		
Financial expenses	116,615	102,426
Personnel expenses	4,091,440	3,238,419
Governance Expenses	3,481,199	3,155,550
Marketing expenses	549,690	480,400
Administrative expenses	<u>4,174,657</u>	<u>3,164,630</u>
	<u><b>12,413,600</b></u>	<u><b>10,141,425</b></u>

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25 Property and Equipment's schedule as at 31st december,2021-Sch.A

RATE%	Fixtures & Fittings 12.50% Kshs	Furniture & equipment's 12.50% Kshs	Computers & Acc. 30% Kshs	Generator 12.50% Kshs	TOTAL Kshs
<b>WDV</b>					
AT 1.1.2021	257,019	443,852	234,393	239,135	1,174,399
Disposal/Amortization	-	-	-	-	-
Additions	152,035	238,100	576,000		966,135
AT 31.12.2021	409,054	681,952	810,393	239,135	2,140,534
<b>DEPRECIATION</b>					
Charge for the year	38,412	55,482	153,118	29,892	276,904
AT 31.12.2021	38,412	55,482	153,118	29,892	247,012
<b>NET BOOK VALUE</b>					
AT 31.12.2021	370,642	626,470	657,275	209,243	1,863,630
<b>NET BOOK VALUE</b>					
At 31.12.2020	257,019	443,852	234,393	239,135	1,174,399

26 INTANGIBLE ASSETS

	2021 Kshs	2020 Kshs
<b>WDV</b>		
AT 1.1.2021	385,240	577,830
Additions	-	-
AT 31.12.2021	385,240	577,830
<b>ARMOTIZATION</b>		
Charge for the year	128,412	192,590
AT 31.12.2021	128,412	192,590
<b>NET BOOK VALUE</b>		
AT 31.12.2021	256,828	385,240