

CS 10410

P.C.E.A RUIRU SACCO

REGULATED NON-WITHDRAWABLE DEPOSIT TAKING SACCO

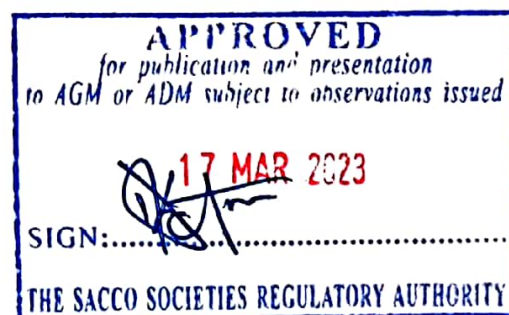
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2022

EXTERNAL AUDITORS.



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Statistical Information

		2022	2021
Membership			
Dormant members		2,433	2,128
Active Members		4,110	3,691
Total Members		6,543	5,819
Sacco Employees	Male	3	3
	Female	4	4
		<u>Kshs</u>	<u>Kshs</u>
Financials			
Total assets		677,249,004	548,567,323
Members' deposits		555,441,420	449,087,494
Loans to members		496,899,182	376,793,502
Share Capital		22,608,867	15,491,411
General reserve		21,880,891	17,753,542
Capital reserve		2,200,000	2,200,000
Statutory Reserves		4,565,620	2,001,152
Retained Earnings		14,641,462	9,573,263
Equity investment		464,000	464,000
Retained Earnings and disclosed Reserves		43,287,973	31,527,957
Core capital		65,432,840	46,555,368
Proposed Interest on deposits		44,526,670	31,436,125
Current Assets		40,893,407	26,859,008
CIC Money Market & KUSCO Deposits		136,395,287	142,280,355
Current Liabilities		55,910,744	42,703,508
Total Revenue		76,171,873	62,141,244
Total expenditure		60,907,198	48,071,017
Key Ratios			
Capital adequacy			
Core capital to Total assets		9.66%	8.49%
Core capital to Total deposits		11.78%	10.47%
Retained Earnings and disclosed Reserves to core capital		66%	68%
Liquidity			
Liquid Assets / Short term liabilities		32%	23%
Operating efficiency			
Interest rate on Members Deposits		8.20%	7.00%
Dividends rate on shares		20%	10%
Total expenditure/ Total revenue		80%	77%
Return on Members Deposit as a % of Turnover		58%	51%
Total delinquency loans / Gross loans portfolio		4.47	6.14

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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, 2022

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:-

	2022 <u>Kshs.</u>	2021 <u>Kshs.</u>
Gross Turnover	76,171,873	62,141,244
Total expenditure	<u>(16,380,528)</u>	<u>(16,634,892)</u>
Gross 'Surplus before Tax	<u>59,791,345</u>	<u>45,506,353</u>
Tax Provision	(2,355,573)	(2,121,621)
Gross 'Surplus After Tax before Appropriation	<u>57,435,772</u>	<u>43,384,732</u>

Dividends & Interest on Deposits

The Board of Directors recommends as follows;

	2022 <u>Kshs.</u>	2021 <u>Kshs.</u>
a) Payment of dividends of 20 % (2021 -10 %)	4,521,773	1,549,141
b) Interest on deposit -8.2 % (2021 7 %)	44,526,670	31,436,125
c) Honorarium 1.5 % (2020 -1.5%) on deposit Interest	667,900	471,542

The Board of Directors who served during the year and to the date of the report are listed 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
Elizabeth Kiongo	Member
Alice W . Muturi	Member
Daniel Gachoka	Member
Benson Thiga	Member

Supervisory Committee

Esther N. Ndicu	Chairperson
Victor Mwangi N.	Secretary
Peter Kirumba	Member

Chief Executive officer

James Kangethe Kiguongo

Registered Office

PCEA Ruiru Sacco Society Ltd
Ruiru Township
Plot No. LR/ 222
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, 2022**

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:

.....ChairmanHon Secretary

.....Treasurer

Date. 13/03/2023

P.C.E.A RUIRU - REGULATED NON-WITHDRAWABLE DEPOSIT TAKING
REPORT OF THE INDEPENDENT AUDITORS
For the year ended 31st December 2022

Opinion

We have audited the accompanying financial statements of P. C.E. A Ruiru Society Ltd set out on pages 6 to 27, which comprise the statement of financial position as at 31st December 2022, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the as at 31st December 2022 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the s Act No 14 of 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Sacco in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities 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 opinion.

Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, other than that prescribed by the Saccos Act No 14 of 2008, as set out below.

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

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

In preparing the financial statements, the directors are responsible for assessing the Sacco'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 Sacco or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements


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

- i) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ii) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sacco's internal control.
- iii) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- iv) conclude on the appropriateness of management's 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 Sacco's ability to continue as a going concern.. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Sacco to cease to continue as a going concern.
- v) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

In our opinion the information given in the report of the directors on page 2 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Peter M Kimani , Practicing Certificate No. PP 993

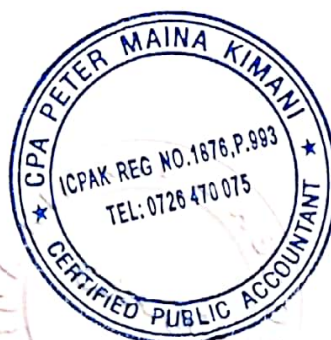

for and on behalf of

Maina Kimani & Associates

Certified Public Accountants

Nairobi

.....17/03/2023



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ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2022**

STATEMENT OF COMPREHENSIVE INCOME


		2022	2021
		Kshs	Kshs
REVENUE	Notes		
Interest income	2	56,410,498	47,997,108
Interest on deposit -8.2 % (2021 7 %)	4	(44,613,432)	(31,498,890)
Net Interest income		11,797,066	16,498,218
Other Income			
Investment income	3	12,127,662	9,102,896
Other operating income	5	7,633,713	5,041,241
		31,558,441	30,642,354
Operating Expenses			
Financial expenses	6	302,885	116,615
Marketing expenses	7	956,045	549,690
Personnel expenses	8	5,571,688	4,091,440
Administrative expenses	9	3,925,245	4,174,657
Governance Expenses	10	4,402,353	3,481,199
Total Operating expenses		15,158,216	12,413,600
Provision for Loans losses	13 c	-	3,815,976
Provision for cash loss	12 b	500,000	-
Depreciation/amortization (sch. A & B)	25 & 26	722,312	405,316
Total Expenditure		16,380,528	16,634,892
Net operating surplus before tax		15,177,913	14,007,463
Income Tax expenses		(2,355,573)	(2,121,621)
Net surplus after tax		12,822,340	11,885,842

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STATEMENT OF FINANCIAL POSITION

	NOTES	2022 KSHS	2021 KSHS
ASSETS			
Cash and cash equivalent	11	35,807,357	25,116,197
Prepayments and receivables	12	5,086,050	1,742,811
Loan to members	13	496,899,182	376,793,502
Financial Investments	14	136,859,287	142,794,355
Property & Equipment's	15 A	2,356,309	1,863,630
Intangible Assets	15 B	240,819	256,828
Total Assets		677,249,004	548,567,323
LIABILITIES			
Members deposit	16 & 17	555,441,420	458,844,447
Benevolent fund	18	117,729	891,347
Insurance Fund	18b	340,866	1,081,269
Accounts Payable	19	2,840,302	4,498,412
Withholding Tax payable		1,385,262	1,369,847
Interest on Deposits	20	46,704,812	33,313,493
Proposed Dividends for the year	21	4,521,773	1,549,141
Total Liabilities		611,352,164	501,547,955
SHAREHOLDERS FUND			
Share Capital	22	22,608,867	15,491,411
Reserves	23	43,287,973	31,527,957
Total Shareholders' Fund		65,896,840	47,019,368
Total Liabilities and Equity		677,249,004	548,567,324

APPROVED
for publication and presentation to AGM or ADM subject to observations issued
17 MAR 2023
 SIGN: 
THE SACCO SOCIETIES REGULATORY AUTHORITY

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: 13/03 / 2023

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STATEMENT OF CHANGE OF MEMBERS EQUITY

	Shares Capital Kshs	General Reserve Kshs	Capital Reserve Kshs	Statutory Reserve Fund Kshs	Retained Earnings Kshs	Provision for Dividends	Total Members Equity Kshs
At 1.1.2022	15,491,411	17,753,542	2,200,000	2,001,152	9,573,263	1,549,141	47,019,368
Net Surplus for the year	-	-	-	-	12,822,340	-	12,822,340
Transfer Statutory Reserve Fund (20%)	-	-	-	2,564,468	(2,564,468)	-	-
Provision for Dividends (20%)	-	-	-	-	(4,521,773)	4,521,773	(4,521,773)
Dividends Paid during the year	-	-	-	-	(667,900)	(1,549,141)	(667,900)
Provision for Honoraria@1.5% of int on dep	-	4,127,349	-	-	-	-	4,127,349
Transfer (notes 18 A & 18 B)	7,117,456	-	-	-	-	-	7,117,456
Issue of share capital	-	-	-	-	-	-	-
At 31.12.2022	22,608,867	21,880,891	2,200,000	4,565,620	14,641,462	4,521,773	65,896,840

STATEMENT OF CHANGE OF MEMBERS EQUITY

	Shares Capital Kshs	General Reserve Kshs	Capital Reserve Kshs	Statutory Reserve Fund Kshs	Retained Earnings Kshs	Provision for Dividends	Total Members Equity 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
Provision for Dividends (10%)	-	-	-	-	(1,549,141)	1,549,141	-
Dividends Paid during the year	-	-	-	-	(471,542)	(462,145)	(462,145)
Provision for Honoraria@1.5% of int on dep	-	17,753,542	-	-	-	-	17,753,542
Transfer (notes 18 A & 18 B)	3,937,783	-	-	-	-	-	3,937,783
Issue of share capital	-	-	-	-	-	-	-
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

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CASH FLOW STATEMENT

	2022	2021
	<u>Kshs</u>	<u>Kshs</u>
Cash Flow from Operating Activities		
Interest receipts	56,410,498	47,997,108
Interest payments	(31,222,113)	(19,341,869)
Other operating Income	19,761,375	14,144,137
Payments to board, employees and suppliers	(15,658,216)	(12,413,600)
	<u>29,291,544</u>	<u>30,385,775</u>
(Increase)/Decrease in Operating Assets		
Accounts receivable	(3,343,239)	140,201
Net Loans to members	(120,105,680)	(18,801,176)
	<u>(123,448,919)</u>	<u>(18,660,975)</u>
Increase/(Decrease) in Operating Liabilities		
Net Members deposits	96,596,973	51,062,711
Withholding Tax payable	15,415	-
Benevolent fund	285,941	176,761
Insurance fund	2,327,387	1,047,560
Accounts Payable	(1,658,110)	1,989,481
	<u>97,567,606</u>	<u>54,276,513</u>
Net cash from operating activities before income taxes	<u>3,410,231</u>	<u>66,001,313</u>
Net cash from operating activities	<u>3,410,231</u>	<u>66,001,313</u>
Cash flow from investing activities		
Purchase of fixed assets	(1,198,982)	(966,135)
Financial Investments	5,935,068	(54,102,896)
Net cash from investing activities	<u>4,736,086</u>	<u>(55,069,031)</u>
Cash flow from financing activities		
Share capital contributions	7,117,456	3,937,783
Tax Paid	(2,355,573)	(1,904,541)
Dividends paid	(2,217,041)	(2,020,683)
Cash flow from financing activities	<u>2,544,842</u>	<u>12,559</u>
Net changes in Cash & Cash Equivalent	<u>10,691,160</u>	<u>6,287,881</u>
Cash and Cash Equivalent at the beginning of the year	25,116,197	18,828,316
Net Cash and Cash Equivalents at the end of the year	<u>35,807,356</u>	<u>25,116,197</u>

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 statement 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 sustenance 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 this 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 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 standard had no material effect on the society's accounting policies of disclosures expect 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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NOTES TO THE FINACIAL 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.

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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NOTES TO THE FINACIAL 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

NOTES TO THE FINANCIAL 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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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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 2022.

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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INCOME STATEMENT

	2022 <u>Kshs</u>	2021 <u>Kshs</u>
2 <u>Loans Interest Income</u>		
Quick fix	86,861	99,700
Normal loans	24,152,753	26,055,860
Emergency loans	994,405	460,153
School fees loans	64,757	40,377
Super loan	21,611,743	16,077,545
Pamoja loan	6,015,659	4,760,058
Insurance Premium	9,043	-
Asset financing	3,475,278	503,414
	<u>56,410,498</u>	<u>47,997,108</u>
3 <u>Investment Income</u>		
Money Market Income	12,114,932	9,102,896
Kusco rebates	12,730	-
	<u>12,127,662</u>	<u>9,102,896</u>
4 <u>Interest Expenses</u>		
Saving account interest to members	86,762	62,765
Interest on deposit -8.2 % (2021 7 %)	44,526,670	31,436,125
	<u>44,613,432</u>	<u>31,498,890</u>

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NOTES TO THE ACCOUNTS CONT.

INCOME STATEMENT

	2022 <u>Kshs</u>	2021 <u>Kshs</u>
5 <u>Operating Income</u>		
Loan Processing fee	3,195,812	1,949,381
Loan top up fees	1,479,230	1,222,320
Fines on loan repayment	322,040	194,961
Entrance fees	572,519	398,700
Lumpsum fee	334,847	168,744
Withdrawal fee	193,090	142,281
Commission on Statement	5,900	3,800
Sale of passbook	9,500	7,900
Share transfer	16,500	12,000
Fines on deposit	1,504,275	941,155
	<u>7,633,713</u>	<u>5,041,241</u>
6 <u>Financial Expenses</u>		
Insurance on Assets	187,616	-
Bank charges	115,269	116,615
	<u>302,885</u>	<u>116,615</u>
7 <u>Marketing expenses</u>		
Marketing and promotions	956,045	549,690
	<u>956,045</u>	<u>549,690</u>

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	2022 <u>Kshs</u>	2021 <u>Kshs</u>
8 Personnel expenses		
Salaries	2,288,024	1,922,716
House allowances	666,814	343,727
NSSF	207,360	164,160
PAYE	629,326	370,513
NHIF	95,250	76,800
Staff travel and Subsistence	450,123	343,727
Staff bonus	199,850	-
Staff Education	148,800	-
Staff provident fund	284,140	246,116
Medical insurance	240,000	220,000
Casual & Overtime	190,000	171,000
Other staff expenses	172,001	232,681
	<u>5,571,688</u>	<u>4,091,440</u>
9 Administrative Expenses		
Registration fees	76,600	32,200
Internet	94,505	66,800
Cash in transit	3,750	2,350
Bussiness Licences	102,914	79,630
Computer expenses	-	43,100
Repairs & Maintenance	-	182,865
Fuel ,water and electricity	246,544	244,704
Corporate Social Responsibility	141,770	20,000
SASRA Levy and Licence	30,000	84,120
Security	764,940	767,440
Hospitality	690,326	678,495
Printing and stationery	192,244	192,601
Telephone and postage	196,450	201,450
Office rent	400,000	400,000
Audit Fees	100,000	70,000
Vat	16,000	11,200
Consultancy fee	172,940	85,840
Professional fees	-	69,240
Generator expenses	27,100	65,976
Software Maintenance	526,953	655,858
Office maintenance	49,570	99,938
ICT expenses	92,639	99,300
Sundry expenses	-	21,550
	<u>3,925,245</u>	<u>4,174,657</u>

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NOTES TO THE ACCOUNTS CONT.

	2022 Kshs	2021 Kshs
10 Governance Expenses		
Board of Directors Sitting allowance	804,672	588,920
Board of Directors travel and subsistence	861,120	849,600
Board of Directors Education & Training	118,180	77,800
Insurance	495,937	330,000
AGM expenses	1,178,204	1,007,169
General Members Expenses/education	944,240	627,709
	4,402,353	3,481,199

BOARD MEMBERS ALLOWANCES

	BOARD	NAMES	SITTING ALLOWANCE	TRANSPORT ALLOWANCE	Totals
1	Chairman	BERNARD MIANO MAINA	103,680	109,440	213,120
2	Vice Chairman	ZACHARY GICHIRI KIBERA	109,440	115,200	224,640
3	Hon.Secretary	LYDIAH NJERI MUCHERU	100,800	100,800	201,600
4	Treasurer	EDWARD NGAREGA GACHERU	109,440	112,320	221,760
5	Member	WINNIE NJAMBI NDUNGU	72,000	74,880	146,880
6	Member	ALICE WAHU MUTURI	62,496	72,000	134,496
7	Member	DANIEL GACHOKA NJUGUNA	66,240	72,000	138,240
8	Member	ELIZABETH WACHUKA KIONGO	43,200	46,080	89,280
9	Member	BENSON MWAURA THIGA	31,680	34,560	66,240
10	Patron	REV SIMON KARANU	33,696	34,560	68,256
Supervisory					
1	Chairperson	VICTOR MWANGI N	20,160	25,920	46,080
2	Secretary	ESTHER NDUTA NDICHU	20,160	25,920	46,080
3	Member	PETER KIRUMBA MWENDA	14,400	20,160	34,560
4	Retired	ISAAC MIRINGU	8,640	8,640	17,280
5	Retired	CHRIS WAINANINA	8,640	8,640	17,280
			804,672	861,120	1,665,792

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	2022 <u>Kshs</u>	2021 <u>Kshs</u>
11(a) <u>Cash & Bank Balance</u>		
Cash settlement account	1,263,736	1,574,114
Pay bill control	6,834,360	4,705,428
National bank	869,127	89,694
Co-op Current account	1,345,038	5,157,198
Equity bank	9,413,320	4,129,741
Cooperative bank (savings)	4,552,105	3,321,529
Family Bank Current Account	2,571,541	3,504,656
KCB Current Account	8,301,656	2,180,258
Mpesa	50,000	50,000
Chief Cashier	606,474	453,580
Net Cash and Cash Equivalents	<u>35,807,357</u>	<u>25,166,197</u>
 12 <u>Accounts receivable and prepayments</u>		
Valuation fees	344,860	167,840
Loan Charged	265,614	-
Prepaid rent	800,000	1,200,000
Legal fees	728,469	374,971
	<u>2,138,943</u>	<u>1,742,811</u>
 12(b) Unreconciled cash in transit	3,447,107	
Provision for cash loss	(500,000)	
	<u>2,947,107</u>	
 Total account receivable	<u><u>5,086,050</u></u>	<u><u>1,742,811</u></u>

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NOTES TO THE ACCOUNTS CONT.

13 LOANS PORTFOLIO

A Loans to members

As at 01/01/2022

Granted during the year

Repaid during the year

As at 31/12/2022

Less Provision for Loans loss

Net loans

2022
Kshs

2021
Kshs

401,455,321
440,199,044
(320,093,364)
521,561,001

382,654,145
301,251,300
(282,450,124)
401,455,321

(24,661,819)

(24,661,819)

496,899,182

376,793,502

c)Provision for Loans loss

Classification

Accounts

Amounts

Provision

2022
Kshs

2021
Kshs

Performing

1,123

411,883,918

1%

4,118,839

2,909,171

Watch

96

52,963,725

5%

2,648,186

2,662,565

Substandard

133

52,063,040

25%

13,015,760

12,257,852

Doubtful

15

2,235,540

50%

1,117,770

1,423,245

Loss

14

2,414,778

100%

2,414,778

5,408,985

1,381

521,561,001

23,315,334

24,661,819

(20,845,843)

3,815,976

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		2022 Kshs	2021 Kshs
14 Financial Investments			
CIC Money market		19,016,517	-
KUSCO Deposit		117,378,770	142,280,355
Kuscco shares (Unquoted) (4,000 Shares @ Ksh 100)		400,000	400,000
Codic Shares (500 shares @Ksh 20)		10,000	10,000
CIC ltd shares (2,700@Ksh 20)		54,000	54,000
At 31.12.2022		136,859,287	142,744,355
15a Property and Equipments	Note 25	2,356,309	1,863,630
15b Intangible Assets	Note 26	240,819	256,828
16 MEMBERS DEPOSIT			
As at 01/01/2022		449,087,494	398,024,783
Savings		102,695,834	52,212,731
Withdrawal		(8,775,152)	(1,150,020)
As at 31/12/2022		543,008,176	449,087,494
17 TERM DEPOSIT			
As at 01/01/2022		9,756,953	14,413,913
Savings		44,966,521	38,912,640
Withdrawal		(42,290,230)	(43,569,600)
As at 31/12/2022		12,433,244	9,756,953
18 A BBF FUND			
As at 01/01/2022		891,347	8,736,711
Additions		1,145,557	1,160,761
Payments		(859,616)	(984,000)
As at 31/12/2022		1,177,288	8,913,472
Transfer to reserve bal c/d (90% as per AGM resolution)		(1,059,559)	(8,022,125)
As at 31/12/2022		117,729	891,347
18 B INSURANCE CONROL			
As at 01/01/2022		1,081,269	9,765,126
Additions-2022		4,922,481	4,181,676
Payments		(2,595,094)	(3,134,116)
As at 31/12/2022		3,408,656	10,812,686
Transfer to reserve bal c/d (90% as per AGM resolution)		(3,067,790)	(9,731,417)
As at 31/12/2022		340,866	1,081,269

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	2022	2021
	<u>Kshs</u>	<u>Kshs</u>
19 Accounts Payable		
Excise tax	93,298	95,795
Honoraria Payable	667,900	471,542
C.R.B Charges Payable	9,445	6,364
Accrued Interest	1,953,659	2,848,824
Holiday Account	-	184,174
Education Account	-	810,513
Audit fee & VAT	116,000	81,200
	<u>2,840,302</u>	<u>4,498,412</u>
 20 Interest on members deposit		
Balance b/f	33,313,493	21,156,472
Paid during the year	(31,135,351)	(19,279,104)
Proposed for the year	44,526,670	31,436,125
Balance c/d	<u>46,704,812</u>	<u>33,313,493</u>
 21 Dividends payable		
Balance b/f	1,549,141	462,145
Paid during the year	(1,549,141)	(462,145)
Proposed Dividends for the year	4,521,773	1,549,141
Balance c/d	<u>4,521,773</u>	<u>1,549,141</u>

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	2022 <u>Kshs</u>	2021 <u>Kshs</u>
22 <u>SHARE CAPITAL</u>		
At 1.1.2022	15,491,411	11,553,628
Contribution during the year	7,117,456	3,937,783
At.31.12.2022	<u>22,608,867</u>	<u>15,491,411</u>
23 <u>Reserves</u>		
Retained earnings	14,641,462	9,573,263
Statutory reserve	4,565,620	2,001,152
Capital reserve	2,200,000	2,200,000
General reserve	21,880,891	17,753,542
	<u>43,287,973</u>	<u>31,527,957</u>
24 A <u>Related Party Transaction</u>		
Management committee Loans	20,703,119	11,885,155
Staff loans	1,792,100	990,194
Board of Directors Sitting allowance	804,672	588,920
Board of Directors Education & training	118,180	77,800
Board of Directors travel and subsistence	861,120	849,600
Board of Directors Insurance	495,937	330,000
	<u>24,775,128</u>	<u>14,721,669</u>
	-	-
24 B <u>Payment to board, employees and suppliers</u>		
Financial expenses	302,885	116,615
Personnel expenses	5,571,688	4,091,440
Governance Expenses	4,402,353	3,481,199
Marketing expenses	956,045	549,690
Administrative expenses	3,925,245	4,174,657
	<u>15,158,216</u>	<u>12,413,600</u>

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25 Property and Equipment's schedule as at 31st december,2022-Sch.A

RATE %	Fixtures & Fittings 12.50% Kshs	Furniture & equipment's 12.50% Kshs	Computers & Acc. 30% Kshs	Generator 12.50% Kshs	TOTAL Kshs
WDV					-
AT 1.1.2022	370,642	626,470	657,275	209,243	1,863,630
Disposal/Amortization	-	-	-	-	-
Additions	68,700	356,722	669,160	-	1,094,582
AT 31.12.2022	439,342	983,192	1,326,435	209,243	2,958,212
DEPRECIATION					
	54,918				
Charge for the year	54,918	122,899	397,930	26,156	601,903
	54,918	122,899	397,930	26,156	601,903
NET BOOK VALUE					
AT 31.12.2022	384,424	860,293	928,505	183,087	2,356,309

26 INTANGIBLE ASSETS

	2022 Kshs	2021 Kshs
WDV		
AT 1.1.2022	256,828	385,240
Additions	104,400	-
AT 31.12.2022	361,228	385,240
ARMOTIZATION		
Charge for the year	120,409	128,412
AT 31.12.2022	120,409	128,412
NET BOOK VALUE		
AT 31.12.2022	240,819	256,828