

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, 2023

**EXTERNAL AUDITORS.**



Maina Kimani & Associates-CPA (K)

Hillside Apartments

Ragati Road-Upper hill

PO Box 21933 – 00400

Tel. 0726470075

Nairobi-Kenya

Email: [mainakimaniassociates@gmail.com](mailto:mainakimaniassociates@gmail.com)



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Statistical Information

	2023	2022
<b>Membership</b>		
Dormant members	2,912	2,433
Active Members	4,297	4,110
<b>Total Members</b>	<b>7,209</b>	<b>6,543</b>
Sacco Employees		
Male	5	3
Female	5	4

	<u>Kshs</u>	<u>Kshs</u>
<b>Financials</b>		
Total assets	773,005,174	677,249,004
Members' deposits	618,508,967	555,441,420
Loans to members	621,799,822	521,561,001
Share Capital	31,412,118	22,608,867
General reserve	26,709,225	21,880,891
Capital reserve	2,200,000	2,200,000
Statutory Reserves	8,854,911	4,565,620
Retained Earnings	25,244,638	14,641,462
Equity investment	464,000	464,000
Retained Earnings and disclosed Reserves	63,008,774	43,287,972
Core capital	94,884,892	66,360,839
Proposed Interest on deposits	51,336,244	44,526,670
Current Assets	20,739,685	40,893,407
Money Market & KUSCO Deposits	146,939,010	136,395,287
Current Liabilities	60,075,316	55,910,743
Total Revenue	96,353,502	76,171,873
Total expenditure	64,055,487	60,907,198

**Key Ratios**

**Capital adequacy**

Core capital to Total assets (8%)	12.3%	9.7%
Core capital to Total deposits (5%)	15.3%	11.8%
Minimum Retained earnings and disclosed reserves to Core capital requirement (50%)	66.4%	66.0%

Liquid Assets to Total Deposit( 15%)	26.2%	32.0%
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**Operating efficiency**

Interest rate on Members Deposits	8.3%	8.2%
Dividends rate on shares	20%	20%
Total expenditure/ Total revenue	66%	80%
Return on Members Deposit as a % of Turnover	53%	58%
Total delinquency loans / Gross loans portfolio	2.8%	4.5%

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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, 2023

**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>2023</b>	<b>2022</b>
	<b><u>Kshs.</u></b>	<b><u>Kshs.</u></b>
Gross Turnover	96,353,502	76,171,873
Total expenditure	<u>(19,528,817)</u>	<u>(16,380,528)</u>
<b>Gross 'Surplus before Tax</b>	<b><u>76,824,685</u></b>	<b><u>59,791,345</u></b>
Tax expenses	(3,940,639)	(2,355,573)
<b>Gross 'Surplus After Tax before Appropriation</b>	<b><u>72,884,046</u></b>	<b><u>57,435,772</u></b>

**Dividends & Interest on Deposits**

	<b>2023</b>	<b>2022</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 20 % ( 2022-20 %)	6,282,424	4,521,773
b) Interest on deposit -8.3 % (2022- 8.2%)	51,336,244	44,526,670
c) Honorarium 1.5 % (2022 -1.5%) on deposit Int	771,564	667,900

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**

Mrs.Elizabeth W. Kiongo	Chairman
Mr. Daniel G.Njuguna	Vice Chairman
Mrs.Lydia N Mucheru (PhD)	Hon.Secretary
Mr.Edward N. Gacheru	Treasurer
Mrs.Winnie N. Ndungu	Member
Mr.Benson T.Mwaura	Member
Mr.Christopher W. Gathoni	Member

**Supervisory Committee**

Mr.Victor M.Njeri.	Chairman
Mrs.Esther N. Ndichu	Secretary
Mr.Peter K. Mwenda	Member

**Chief Executive Officer(Ag)**

Mrs. Zipporah K. Njeri

**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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FINANCIAL STATEMENTS AND REPORTS  
FOR THE PRIOD ENDED 31ST DECEMBER, 2023**

**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.                    2024

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**REPORT OF THE INDEPENDENT AUDITOR**

**TO THE MEMBERS PCEA RUIRU REGULATED NON – WDT SACCO SOCIETY IMITED**

**Opinion**

We have audited the accompanying financial statements of PCEA Ruiru Regulated Non – WDT Sacco Society Limited, set out on pages 8-27 which comprise the statement of financial position as at 31st December 2023, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying financial statements of PCEA Regulated Non – WDT Sacco Society Limited, give a true and fair view of the state of financial affairs of the Sacco as at 31<sup>st</sup> December 2023 and of its results for the year then ended in accordance with International Financial Reporting Standards and the Sacco'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 Auditors responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**The Directors' Responsibility for the Financial Statements**

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Saccos Societies Act. This responsibility includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

As noted in the Board's statement, the Board has concluded that it is appropriate to adopt the going concern basis in preparing the accounts.

The going concern basis presumes that the Sacco has adequate resources to remain in operation, and that the Sacco intends to do so, for at least one year from the date the accounts were signed.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Saccos 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 Sacco's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

**Independence**

We are independent of the Sacco in accordance with the International Ethics Standards Board for Accountants Code of Ethics for professional Accountants' (IESBA code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. Together with the ethical requirement that are relevant to our audit of the financial statements in Kenya.



Report of the Independent Auditors (CONT'D)

Key Audit Matters

Key audit matters are those matters that in professional judgment, were of most significance in our audit of the financial statements of the current year. Those matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter is summarized below

Key audit matter	How the matter was addressed
<p>A) Loans to Members This item forms 77% of the net assets, the loan balance stood at 621 million at the end of the year this was a key audit matter,</p>	<p>A) We evaluated the whole loan processing system to assure ourselves that the internal controls were adequate and sufficient.</p>
<p>B) We observed that an amount of Ksh 715,319 of deposit remained in the books as un allocated</p>	<p>B) We advised the Sacco to adequately reconcile the amount., to be identified and be cleared from the Sacco books before the next Audit</p>
<p>c) We observed that the Current computer system in place is not quite comprehensive</p>	<p>C) We advised the Sacco that the implementation of new system should be done with speed to enhance effective operations</p>

Other information.

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 identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirement regarding independence and to communicate with them all relationship and other matters that may be reasonably be thought to bear on our independence and where applicable related safeguard. From the matter communicated with those charged with governance, we determine those matters that were of most significance. in the audit of the financial statement for the current period and are therefore the key audit matters. We describe those matters in our report of the independent auditor unless law or regulations precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication

Engagement Partner

The engagement Partner responsible for the audit resulting in this independent auditor's report is.

CPA Peter Maina Kimani ICPAK Registration NO 1876, Practicing Cert. NO P993,

*Peter Maina Kimani*

Maina Kimani & Associates  
Certified Public Accountants (K)  
Nairobi



Date: 24/02/2024



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STATEMENT OF COMPREHENSIVE INCOME

		2023 <u>Kshs</u>	2022 <u>Kshs</u>
<b>REVENUE</b>	<b>Notes</b>		
Interest income	2	72,107,116	56,410,498
Interest on deposit -8.3 % (2022- 8.2%)	4	(51,437,591)	(44,613,432)
<b>Net Interest income</b>		<u>20,669,525</u>	<u>11,797,066</u>
<b>Other Income</b>			
Investment income	3	16,403,874	12,127,662
Other operating income	5	7,842,512	7,633,713
		<u>44,915,911</u>	<u>31,558,441</u>
<b>Operating Expenses</b>			
Financial expenses	6	420,110	302,885
Marketing expenses	7	661,101	956,045
Personnel expenses	8	6,306,887	5,571,688
Administrative expenses	9	6,282,849	3,925,245
Governance Expenses	10	4,730,721	4,402,353
<b>Total Operating expenses</b>		<u>18,401,668</u>	<u>15,158,216</u>
Provision for Loans losses	13 c	-	-
Provision on unrecovered cash	11 b	-	500,000
Depreciation/amortization (sch. A & B)	25 & 26	1,127,149	722,312
<b>Total Expenditure</b>		<u>19,528,817</u>	<u>16,380,528</u>
<b>Net operating surplus before tax</b>		<b>25,387,094</b>	<b>15,177,913</b>
Income Tax provision		(3,940,639)	(2,355,573)
<b>Net surplus after tax</b>		<u>21,446,455</u>	<u>12,822,340</u>

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STATEMENT OF FINANCIAL POSITION

	NOTES	2023 KSHS	2022 KSHS
<b>ASSETS</b>			
Cash and cash equivalent	11	14,571,209	35,807,357
Prepayments and receivables	12	6,168,476	5,086,050
Loan to members	13	597,138,003	496,899,182
Financial Investments	14	147,403,010	136,859,287
Property & Equipment's	15 A	5,493,348	2,356,309
Intangible Assets	15 B	2,231,127	240,819
<b>Total Assets</b>		<b>773,005,174</b>	<b>677,249,003</b>
<b>LIABILITIES</b>			
Members deposits	16 & 17	618,508,967	555,441,420
Benevolent fund	18	121,710	117,729
Insurance Fund	18b	414,772	340,866
Accounts Payable	19	1,207,047	2,840,302
Withholding Tax payable		-	1,385,262
Interest on Deposits	20	52,049,363	46,704,812
Proposed Dividends for the year	21	6,282,424	4,521,773
<b>Total Liabilities</b>		<b>678,584,283</b>	<b>611,352,163</b>
<b>SHAREHOLDERS FUND</b>			
Share Capital	22	31,412,118	22,608,867
Reserves	23	63,008,774	43,287,972
<b>Total Shareholders' Fund</b>		<b>94,420,892</b>	<b>65,896,839</b>
<b>Total Liabilities and Equity</b>		<b>773,005,174</b>	<b>677,249,004</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: 24 / 02 / 2024

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STATEMENT OF CHANGE OF MEMBERS EQUITY

	Shares Capital Kshs	General Reserve Kshs	Capital Reserve Kshs	Statutory Reserve Kshs	Retained Earnings Kshs	Provision for Dividends Kshs	Total Equity for Members Kshs
<b>At 1.1.2023</b>							
Net Surplus for the year	22,608,867	21,880,891	2,200,000	4,565,620	14,641,462	4,521,773	65,896,840
2022 Provision reversed	-	-	-	-	21,446,455	-	21,446,455
Transfer Statutory Reserve Fund (20%)	-	-	-	4,289,291	500,000	-	-
Provision for Dividends (20%)	-	-	-	-	(4,289,291)	6,282,424	(6,282,424)
Dividends Paid during the year	-	-	-	-	(6,282,424)	(4,521,773)	(771,564)
Provision for Honoraria@1.5% of int on d	-	4,828,334	-	-	(771,564)	-	(771,564)
Transfer ( notes 18 A & 18 B)	8,803,251	-	-	-	-	-	4,828,334
Issue of share capital	-	-	-	-	-	-	8,803,251
<b>At 31.12.2023</b>	<b>31,412,118</b>	<b>26,709,225</b>	<b>2,200,000</b>	<b>8,854,911</b>	<b>25,244,638</b>	<b>6,282,424</b>	<b>93,920,892</b>

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



## CASH FLOW STATEMENT

	NOTES	2023 Kshs	2022 Kshs
<b>Cash Flow from Operating Activities</b>			
Interest receipts		72,107,116	56,410,498
Interest payments	18	(46,083,762)	(31,222,113)
Other operating Income		24,246,386	19,761,375
Payments to board, employees and suppliers		(18,401,668)	(15,658,216)
		<u>31,868,072</u>	<u>29,291,544</u>
<b>(Increase)/Decrease in Operating Assets</b>			
Accounts receivable	12	(1,082,426)	(3,343,239)
Amount recovered		3,912,484	
Net Loans to members	13	(100,238,821)	(120,105,680)
		<u>(97,408,763)</u>	<u>(123,448,919)</u>
<b>Increase/(Decrease) in Operating Liabilities</b>			
Net Members deposits	16	63,067,547	96,596,973
Withholding Tax payable		(1,385,262)	15,415
Benevolent fund		39,808	285,941
Insurance fund		739,064	2,327,387
Accounts Payable	20	(1,633,255)	(1,658,110)
		<u>60,827,901</u>	<u>97,567,606</u>
<i>Net cash from operating activities before income tax</i>		<u>(4,712,789)</u>	<u>3,410,231</u>
<b>Net cash from operating activities</b>		<u>(4,712,789)</u>	<u>3,410,231</u>
<b>Cash flow from investing activities</b>			
Purchase of fixed assets		(6,254,496)	(1,198,982)
Financial Investments		(10,543,724)	5,935,068
<b>Net cash from investing activities</b>		<u>(16,798,220)</u>	<u>4,736,086</u>
<b>Cash flow from financing activities</b>			
Share capital contributions	20	8,803,251	7,117,456
Tax Paid		(5,106,631)	(2,355,573)
Dividends paid	4	(3,421,759)	(2,217,041)
<b>Cash flow from financing activities</b>		<u>274,861</u>	<u>2,544,842</u>
<b>Net changes in Cash &amp; Cash Equivalent</b>		<u>(21,236,148)</u>	<u>10,691,160</u>
Cash and Cash Equivalent at the beginning of the year		35,807,357	25,116,197
<b>Net Cash and Cash Equivalents at the end of the year</b>		<u>14,571,209</u>	<u>35,807,357</u>

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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

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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.**



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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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**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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NOTES TO THE ACCOUNTS CONT.

INCOME STATEMENT

	2023	2022
	<u>Kshs</u>	<u>Kshs</u>
<b>2 Loans Interest Income</b>		
Quick fix	91,940	86,861
Normal loans	22,298,895	24,152,753
Emergency loans	1,446,862	994,405
School fees loans	149,059	64,757
Super loan	30,754,631	21,611,743
Pamoja loan	13,282,000	6,015,659
Mobile money	363,158	
Insurance Premium	22,357	9,043
Asset financing	3,698,214	3,475,278
	<u>72,107,116</u>	<u>56,410,498</u>
<b>3 Investment Income</b>		
Money Market Income	10,277,398	12,114,932
Interest on fdr	6,120,461	
Kusco rebates	6,015	12,730
	<u>16,403,874</u>	<u>12,127,662</u>
<b>4 Interest Expenses</b>		
Saving account interest to members	101,347	86,762
Interest on Shares	-	-
Interest on fixed deposits	-	-
Interest on deposit -8.3 % (2022- 8.2%)	51,336,244	44,526,670
	<u>51,437,591</u>	<u>44,613,432</u>



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NOTES TO THE ACCOUNTS CONT.

INCOME STATEMENT

	2023	2022
	<u>Kshs</u>	<u>Kshs</u>
<b>5 Operating Income</b>		
Loan Processing fee	3,185,049	3,195,812
Loan top up fees	1,959,900	1,479,230
Fines on loan repayment	233,460	322,040
Entrance fees	570,400	572,519
Lumpsum fee	294,394	334,847
Withdrawal fee	241,574	193,090
Commission on Statement	5,800	5,900
Sale of passbook	9,800	9,500
Share transfer	19,500	16,500
Disposal income	9,000	-
Fines on deposit	1,313,635	1,504,275
	<u>7,842,512</u>	<u>7,633,713</u>
<b>6 Financial Expenses</b>		
Insurance on Assets	248,065	187,616
Bank charges	172,045	115,269
	<u>420,110</u>	<u>302,885</u>
<b>7 Marketing expenses</b>		
Marketing and promotions	661,101	956,045
	<u>661,101</u>	<u>956,045</u>

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NOTES TO THE ACCOUNTS CONT.

	2023	2022
	<u>Kshs</u>	<u>Kshs</u>
<b>8 Personnel expenses</b>		
Salaries	2,411,131	2,288,024
House allowances	1,229,464	666,814
NSSF	218,160	207,360
PAYE	743,479	629,326
NHIF	115,400	95,250
Staff travel and Subsistence	614,730	450,123
Staff bonus	-	199,850
Staff Education	12,500	148,800
Staff provident fund	237,870	284,140
Medical insurance	338,400	240,000
Housing levy	76,024	-
Casual & Overtime	104,400	190,000
Other staff expenses	205,329	172,001
	<u>6,306,887</u>	<u>5,571,688</u>
<b>9 Administrative Expenses</b>		
Registration fees	33,600	76,600
Internet	69,600	94,505
Cash in transit	33,560	3,750
Bussiness Licences	97,040	102,914
Fuel ,water and electricity	306,140	246,544
Corporate Social Responsibility	156,295	141,770
SASRA Levy and Licence	85,083	30,000
Security	764,940	764,940
Hospitality	916,878	690,326
Printing and stationery	342,355	192,244
Telephone and postage	180,950	196,450
Office rent	535,000	400,000
Professional fees	195,928	-
Audit Fees	100,000	100,000
Vat	16,000	16,000
Consultancy fee	783,472	172,940
NITAS	4,200	-
Generator expenses	23,550	27,100
Software Maintenance	563,840	526,953
Office maintenance	91,581	49,570
ICT expenses	982,837	92,639
	<u>6,282,849</u>	<u>3,925,245</u>

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NOTES TO THE ACCOUNTS CONT.

	2023 Kshs	2022 Kshs
<b>10 Governance Expenses</b>		
Board of Directors Sitting allowance	1,036,800	804,672
Board of Directors travel and subsistence	1,054,080	861,120
Board of Directors Education & Training	39,600	118,180
Insurance	455,291	495,937
AGM expenses	1,877,700	1,178,204
General Members Expenses/education	267,250	944,240
	<u>4,730,721</u>	<u>4,402,353</u>

**BOARD MEMBERS ALLOWANCES**

	BOARD	NAMES	SITTING ALLOWANCE	TRANSPORT ALLOWANCE	Totals
1	Chairman	ELIZABETH WACHUKA KIONGO	118,080	118,080	236,160
2	Vice Chairman	DANIEL GACHOKA NJUGUNA	118,080	123,840	241,920
3	Hon.Secretary	LYDIAH NJERI MUCHERU	109,440	112,320	221,760
4	Treasurer	EDWARD NGAREGA GACHERU	158,400	164,160	322,560
5	Member	WINNIE NJAMBI NDUNGU	103,680	100,800	204,480
6	Member	BENSON MWAURA THIGA	72,000	74,880	146,880
7	Member	CHRISTOPHER G. WAINAINA	103,680	106,560	210,240
8	Expelled	BERNARD MIANO MAINA	17,280	17,280	34,560
9	Expelled	ZACHARY GICHIRI KIBERA	17,280	17,280	34,560
10	Retired	ALICE WAHU	25,920	23,040	48,960
11	Patron	REV SIMON KARANU	8,640	8,640	17,280

**Supervisory**

1	Chairperson	VICTOR MWANGI N	60,480	60,480	120,960
2	Secretary	ESTHER NDUTA NDICHU	66,240	69,120	135,360
3	Member	PETER KIRUMBA MWENDA	57,600	57,600	115,200
			<b>1,036,800</b>	<b>1,054,080</b>	<b>2,090,880</b>



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NOTES TO THE FINACIAL STATEMENTS (CONT'D)

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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NOTES TO THE ACCOUNTS CONT.

INCOME STATEMENT

	2023	2022
	<u>Kshs</u>	<u>Kshs</u>
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	<u>16,403,874</u>	<u>12,127,662</u>
<b>4 Interest Expenses</b>		
Saving account interest to members	101,347	86,762
Interest on Shares	-	-
Interest on fixed deposits	-	-
Interest on deposit -8.3 % (2022- 8.2%)	51,336,244	44,526,670
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NOTES TO THE ACCOUNTS CONT.

INCOME STATEMENT

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NOTES TO THE ACCOUNTS CONT.

	2023	2022
	<u>Kshs</u>	<u>Kshs</u>
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NOTES TO THE ACCOUNTS CONT.

	2023 Kshs	2022 Kshs
<b>10 Governance Expenses</b>		
Board of Directors Sitting allowance	1,036,800	804,672
Board of Directors travel and subsistence	1,054,080	861,120
Board of Directors Education & Training	39,600	118,180
Insurance	455,291	495,937
AGM expenses	1,877,700	1,178,204
General Members Expenses/education	267,250	944,240
	<u>4,730,721</u>	<u>4,402,353</u>

**BOARD MEMBERS ALLOWANCES**

	BOARD	NAMES	SITTING ALLOWANCE	TRANSPORT ALLOWANCE	Totals
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3	Hon.Secretary	LYDIAH NJERI MUCHERU	109,440	112,320	221,760
4	Treasurer	EDWARD NGAREGA GACHERU	158,400	164,160	322,560
5	Member	WINNIE NJAMBI NDUNGU	103,680	100,800	204,480
6	Member	BENSON MWAURA THIGA	72,000	74,880	146,880
7	Member	CHRISTOPHER G. WAINAINA	103,680	106,560	210,240
8	Expelled	BERNARD MIANO MAINA	17,280	17,280	34,560
9	Expelled	ZACHARY GICHIRI KIBERA	17,280	17,280	34,560
10	Retired	ALICE WAHU	25,920	23,040	48,960
11	Patron	REV SIMON KARANU	8,640	8,640	17,280

**Supervisory**

1	Chairperson	VICTOR MWANGI N	60,480	60,480	120,960
2	Secretary	ESTHER NDUTA NDICHU	66,240	69,120	135,360
3	Member	PETER KIRUMBA MWENDA	57,600	57,600	115,200
			<u>1,036,800</u>	<u>1,054,080</u>	<u>2,090,880</u>

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NOTES TO THE ACCOUNTS CONT.

	2023	2022
	<u>Kshs</u>	<u>Kshs</u>
<b>11(a) <u>Cash &amp; Bank Balance</u></b>		
Cash settlement account	97,425	1,263,736
Pay bill control	3,856,907	6,834,360
National bank (Savings)	349,861	869,127
Cooperative bank (Current)	4,029,572	1,345,038
Equity bank(Savings)	741,171	9,413,320
Cooperative bank (savings)	4,646,768	4,552,105
Family Bank (Current)	31,595	2,571,541
KCB (Current)	657,509	8,301,656
Mpesa	50,000	50,000
Petty cash	11,364	-
Chief Cashier	99,037	606,474
<b>Net Cash and Cash Equivalents</b>	<u><b>14,571,209</b></u>	<u><b>35,807,357</b></u>
<b>12 <u>Accounts receivable and prepayments</u></b>		
Valuation fees	199,640	344,860
Loan Charged	-	265,614
Accrrued interest account	4,660,512	-
Tracking fees	18,000	-
Prepaid rent	400,000	800,000
Legal fees	855,701	728,469
	<u><b>6,133,853</b></u>	<u><b>2,138,943</b></u>
<b>12(b) <u>Unreconciled cash in transit</u></b>	2,947,107	3,447,107
2022 Provision reversed	500,000	
Amount recovered	(3,412,484)	(500,000)
	<u><b>34,623</b></u>	<u><b>2,947,107</b></u>
<b>Total account receivable</b>	<u><u><b>6,168,476</b></u></u>	<u><u><b>5,086,050</b></u></u>



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FOR THE YEAR ENDED 31ST DECEMBER, 2023

NOTES TO THE ACCOUNTS CONT.

	2023 Kshs	2022 Kshs
<b>13 LOANS PORTFOLIO</b>		
<b>A Loans to members</b>		
As at 01/01/2023	521,561,001	401,455,321
Granted during the year	442,129,792	440,199,044
Repaid during the year	(341,890,971)	(320,093,364)
As at 31/12/2023	<u>621,799,822</u>	<u>521,561,001</u>
Less Provision for Loans loss	(24,661,819)	(24,661,819)
Net loans	<u>597,138,003</u>	<u>496,899,182</u>

c)Provision for Loans loss 2023 2022

NO.	CLASSIFICATION	NO. OF A/Cs	OUTSTANDING LOAN PORTFOLIO(Kshs)	REQUIRED PROVISION	REQUIRED PROVISION AMOUNT(Kshs)	Kshs
1	Performing	1,115	459,094,850	1%	4,590,949	4,118,839
2	Watch	83	63,971,431	5%	3,198,572	2,648,186
3	Substandard	106	37,083,485	25%	9,270,871	13,015,760
4	Doubtful	12	3,214,612	50%	1,607,306	1,117,770
5	Loss	17	3,508,001	100%	3,508,001	2,414,778
	<b>Subtotal</b>	<b>1,333</b>	<b>566,872,379</b>		<b>22,175,698</b>	<b>23,315,334</b>
	Reschedule/Renegotiated loans					
1	Performing	64	48,446,351	1%	484,464	-
2	Watch	2	974,941	5%	48,747	-
3	Substandard	2	5,021,653	25%	1,255,413	-
4	Doubtful	-	-	50%	-	-
5	Loss	1	484,498	100%	484,498	-
	<b>Subtotal</b>	<b>69</b>	<b>54,927,443</b>		<b>2,273,122</b>	<b>-</b>
	<b>GRAND TOTAL</b>	<b>1,402</b>	<b>621,799,822</b>		<b>24,448,820</b>	<b>23,315,334</b>

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NOTES TO THE ACCOUNTS CONT.

	2023 Kshs	2022 Kshs
<b>14 Financial Investments</b>		
Kuscco Fixed deposits	93,440,742	19,016,517
Fixed Deposit & Money Market	53,498,269	117,378,770
Kuscco shares (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
<b>At 31.12.2022</b>	<b>147,403,010</b>	<b>136,859,287</b>
<b>15a Property and Equipments</b> Note 25	<b>5,493,348</b>	<b>2,356,309</b>
<b>15b Intangible Assets</b> Note 26	<b>2,231,127</b>	<b>240,819</b>
<b>16 MEMBERS DEPOSIT</b>		
As at 01/01/2023	543,008,176	449,087,494
Savings	85,156,589	102,695,834
Withdrawal	(20,561,222)	(8,775,152)
<b>As at 31/12/2023</b>	<b>607,603,543</b>	<b>543,008,176</b>
<b>17 TERM DEPOSIT</b>		
As at 01/01/2023	12,433,244	9,756,953
Savings	8,941,360	44,966,521
Withdrawal	(10,469,180)	(42,290,230)
<b>As at 31/12/2023</b>	<b>10,905,424</b>	<b>12,433,244</b>
<b>18 A BBF FUND</b>		
As at 01/01/2023	117,729	891,347
Additions	1,217,096	1,145,557
Payments	(117,729)	(859,616)
<b>As at 31/12/2023</b>	<b>1,217,096</b>	<b>1,177,288</b>
<b>Transfer to reserve bal c/d (90% as per AGM resolution)</b>	<b>(1,095,386)</b>	<b>(1,059,559)</b>
<b>As at 31/12/2023</b>	<b>121,710</b>	<b>117,729</b>
<b>18 B INSURANCE CONROL</b>		
As at 01/01/2023	340,866	1,081,269
Additions-	5,631,947	4,922,481
Payments	(1,825,093)	(2,595,094)
<b>As at 31/12/2023</b>	<b>4,147,720</b>	<b>3,408,656</b>
<b>Transfer to reserve bal c/d (90% as per AGM resolution)</b>	<b>(3,732,948)</b>	<b>(3,067,790)</b>
<b>As at 31/12/2023</b>	<b>414,772</b>	<b>340,866</b>

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	2023	2022
	<u>Kshs</u>	<u>Kshs</u>
<b>19 Accounts Payable</b>		
Excise tax	117,937	93,298
Honoraria Payable	771,564	667,900
C.R.B Charges Payable	50,845	9,445
Accrued Interest	-	1,953,659
Loan Charged	87,956	-
Bom Payee	62,745	-
Audit fee & VAT	116,000	116,000
	<u>1,207,047</u>	<u>2,840,302</u>
<b>20 Interest on Members Deposit</b>		
Balance b/f	46,704,812	33,313,493
Paid during the year	(45,991,693)	(31,135,351)
Proposed for the year	51,336,244	44,526,670
Balance c/d	<u>52,049,363</u>	<u>46,704,812</u>
<b>21 Dividends payable</b>		
Balance b/f	4,521,773	1,549,141
Paid during the year	(4,521,773)	(1,549,141)
Proposed Dividends for the year	6,282,424	4,521,773
Balance c/d	<u>6,282,424</u>	<u>4,521,773</u>



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NOTES TO THE ACCOUNTS CONT.

	2023	2022
	<u>Kshs</u>	<u>Kshs</u>
<b>22 SHARE CAPITAL</b>		
At 1.1.2023	22,608,867	15,491,411
Contribution during the year	8,803,251	7,117,456
At.31.12.2023	<u>31,412,118</u>	<u>22,608,867</u>
<b>23 Reserves</b>		
Retained earnings	25,244,638	14,641,462
Statutory reserve	8,854,911	4,565,620
Capital reserve	2,200,000	2,200,000
General reserve	26,709,225	21,880,891
	<u>63,008,774</u>	<u>43,287,973</u>
<b>24 / Related Party Transaction</b>		
Management committee Loans	30,490,189	20,703,119
Staff loans	2,005,409	1,792,100
Board of Directors Sitting allowance	1,036,800	804,672
Board of Directors Education & training	39,600	118,180
Board of Directors travel and subsistence	1,054,080	861,120
Board of Directors Insurance	455,291	495,937
	<u>35,081,369</u>	<u>24,775,128</u>
<b>24   Payment to board, employees and suppliers</b>		
Financial expenses	420,110	302,885
Personnel expenses	6,306,887	5,571,688
Governance Expenses	4,730,721	4,402,353
Marketing expenses	661,101	956,045
Administrative expenses	6,282,849	3,925,245
	<u>18,401,668</u>	<u>15,158,216</u>

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25 Property and Equipment's schedule as at 31st december,2023-Sch.A

	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 1.1.2023	384,424	860,293	928,505	183,087	2,356,309
Disposal/Amortization	-	-	-	-	-
Additions	3,220,000	761,296	157,760	-	4,139,056
AT 31.12.2023	3,604,424	1,621,589	1,086,265	183,087	6,495,365
<b>DEPRECIATION</b>					
Charge for the year	450,553	202,699	325,880	22,886	1,002,017
	450,553 ✓	202,699 ✓	325,880 ✓	22,886 ✓	1,002,017
<b>NET BOOK VALUE</b>					
AT 31.12.2023	3,153,871	1,418,890	760,386	160,201	5,493,348
<b>NET BOOK VALUE</b>					
AT 31.12.2022	384,424	860,293	928,505	183,087	2,356,309

26 INTANGIBLE ASSETS

	2023 Kshs	2022 Kshs
<b>WDV</b>		
AT 1.1.2023	240,819	256,828
Additions	2,115,440	104,400
AT 31.12.2023	2,356,259	361,228
<b>ARMOTIZATION</b>		
Charge for the year	125,132	120,409
AT 31.12.2023	125,132 ✓	120,409
<b>NET BOOK VALUE</b>		
AT 31.12.2023	2,231,127	240,819
<b>Total Depreciation</b>	1,127,149	