

KENCREAM SACCO SOCIETY LIMITED
CS/9896

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2020



Omanwa & Associates
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KENCREAM SACCO SOCIETY LIMITED CS/9896
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2020

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SOCIETY'S INFORMATION

Board of Directors

Mr. David Marusoi	-	Chairman
Mr. Peter Maingi	-	Vice Chairman
Mr. Emmanuel Nyongesa	-	Treasurer
Ms. Yvonne Luseno	-	Hon. Secretary
Mr. James Ndethiu	-	Member
Mr. Geoffrey Kibiru	-	Member
Ms. Stella Adam	-	Member
Mr. Hadley Kavagi	-	Member
Mr. Patrick Vuduma	-	Member

Supervisory committee

Mr. George Ahago	-	Chairman
Mr. Anthony Ndoria	-	Secretary

Principal officer

Mr. Boniface Kihara	Chief Executive Officer
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Registered office and Principal place of business

Creamery House, Dakar Road,
Off Enterprise Road,
P. O. Box 30131 - 00100
Nairobi.

Telephone	: +254 020 3980100
Mobile	: +254 0703 756 350
Email	: info@kencreamsacco.co.ke
Website	: www.kencreamsacco.co.ke

Independent auditor

Omanwa & Associates
Certified Public Accountants (K)
Commerce House 4th Floor
East wing | Moi Avenue
P. O. Box 64447 - 00620
NAIROBI.

Principal bankers

Co-operative Bank of Kenya Limited
Enterprise Road Branch
P. O. Box 17928 - 00500
NAIROBI.

BOARD OF DIRECTORS' REPORT

The Board of Directors submits its report and the audited financial statements for the year ended 31st December 2020 which disclose the state of affairs of the society.

INCORPORATION AND REGISTERED OFFICE

The Sacco is incorporated in Kenya under the Co-operative Societies Act Cap 490 and regulated by the Sacco Societies Act No. 14 of 2008 and is domiciled in Kenya.

PRINCIPAL ACTIVITIES

The Society principal activity is that of receiving shares and deposits and giving out loans to its members.

RESULTS

The results of the Sacco for the year are shown on the statement of comprehensive income on page 8.

DIVIDENDS

The Board of Directors recommends the payment of a final dividend of 8.5% (2019: 7.5%) on share capital and interest on deposit at 6.5% (2019: 5.5%) on weighted average.

BOARD OF DIRECTORS

The Members of the Board of Directors who served during the year and to the date of this report are as listed on page 1.

AUDITORS

Messrs Omanwa & Associates, Certified Public Accountants(K), were appointed during the year and have expressed their willingness to continue in office in accordance with section 723(b) of the new companies act 2015 and under the terms of section 25(4) of the SACCO Societies Act No 14 of 2008

BY ORDER OF THE BOARD

SECRETARY

..... 2021

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STATISTICAL INFORMATION

	2020	2019
	No.	No.
Membership		
Active	1,314	1,263
Non - Active	937	793
	2,251	2,056
Employees of the Sacco	9	7
Financial highlights		
Total assets	304,632,669	281,150,316
Total Liabilities	245,471,049	225,047,706
Members deposit	223,135,384	206,767,121
Loans to members	229,517,860	210,069,078
Investments	4,996,320	6,676,320
Core Capital	57,891,620	53,152,610
Share capital	31,188,738	29,500,051
Institutional capital	26,702,882	23,652,559
Total revenue	44,885,842	38,968,267
Total interest income	42,687,119	36,833,745
Total expenses	24,599,018	24,199,661
Interest on members deposits	12,610,285	9,789,874
Key ratios:		
Capital adequacy ratio	STDs	%
Core capital/ total assets	≥ 10%	19.0%
Core capital/ total deposits	≥ 8%	25.9%
Institutional capital/ total assets	≥ 8%	8.8%
Investments/ Members Deposits	≤ 5%	1.5%
Liquidity ratios		
Liquid assets/ Total deposits and Long term liabilities	≥ 15%	17.4%
Operating efficiency/ Loan quality ratios	%	%
Total expenses/ total revenue	54.8%	62.1%
Interest on members deposits/ total revenue	28.1%	25.1%
Interest rate on members deposits	6.5%	5.5%
Dividend rate on members capital	8.5%	7.5%

STATEMENT OF BOARD OF DIRECTORS RESPONSIBILITIES

The Co-operative Act, the Sacco Societies Act No 14 of 2008 and the Kencream Sacco Society Limited by-laws requires the directors to ensure the management maintains proper and accurate records that reflect the true and fair position of the society's financial condition, establish adequate and effective internal control systems and policies, safeguard the assets of the society and take reasonable steps for the prevention and detection of fraud and other irregularities. The directors are also responsible for the production of annual audited financial statements.

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

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

The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the Society as at 31st December 2020, and of the society's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the sacco Societies Act No 14 of 2008.

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

Each of the persons who are directors at the time of signing this report confirms that:

- (i) So far as that director is aware, there are no relevant audit information of which the Society's auditors are unaware, and
- (ii) That director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities and nothing has come to their attention to indicate that the Society will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the board of directors..... 4th February 2021 and signed on its behalf by:

Chairman..... DAVID MARUSOI

Signed

M. M. M.

Treasurer..... Emmanuel Njoroge

Signed

E. Njoroge

Secretary..... Yvonne Lusewo

Signed

Y. Lusewo

Opinion

We have audited the financial statements of Kencream Savings and Credit Co-operative Society Limited (the society) set out on pages 8 to 24 which comprise the statement of financial position as at 31st December 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the society's financial position as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Reporting standards and the Sacco Societies 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 society in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya and we have fulfilled our other 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have also set out how we tailored our audit to address these specific areas and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Key Audit Matters	How our audit addressed the Key Audit Matters
Accuracy of interest income The accuracy and completeness of interest income is an inherent risk in the sector due to processing large volumes of data with a combination of several loan products and complete IT systems.	<p>We evaluated the relevant IT system and the design of controls, and tested the operating effectiveness of controls over the:</p> <ul style="list-style-type: none">- Capture and recording of loan transactions and rates- Approvals, authorisation of rates and interest running system.- Use of data extracted from the Society's accounting system we verified the completeness and accuracy of a sample of interest charges. <p>Based on our work, we noted no significant issues in the accuracy of interest recorded in the year.</p>

AUDITOR REPORT -Continued

<p>Recoverability of Bank & Trade Receivables</p> <p>Kshs 875,307 is an outstanding balance from the system vendor due to system hacking in august 2019, No amount has been received by the sacco, though the significance of the balances in the financial statements is immaterial. and the board of directors agreed to start writing off the amount from the books.</p>	<p>We also challenged the management on what they are doing in order to recover the hacked amount. The Sacco had done a demand letter to the vendor. There is also an ongoing court case slated for mention in March 2021 for those involved on the matter. The board of directors agreed to write off the amount in two years ie half the amount in year 2020 and the other in year 2021.</p>
<p>Capitalisation practices and assets lives</p> <p>Capitalisation of costs and the useful lives assigned to assets (property, plant and equipments and software intangible assets) are areas of significant judgement by the management.</p> <p>There are two main areas that we addressed in our audit:</p> <ul style="list-style-type: none"> - the risk that amounts being capitalised do not meet capitalisation criteria; and - the risk that the useful economic lives assigned to assets are inappropriate. 	<p>We evaluated the design and tested the operating effectiveness of controls around the property, plant and equipment cycle and software intangible assets cycle. We determined that the operation of the controls provided us with audit evidence in respect of the capitalisation practices.</p> <p>We tested whether the approved asset rates were appropriately applied in the fixed assets register. We found that they were consistently applied.</p>

Other Information

The directors are responsible for the other information. The other information comprises the report of the directors and financial and statistical information which we obtained prior to the date of this auditors report, and the (chairman's report supervisory committee report, sustainability report and corporate social investment report) which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements. Our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this report of the independent auditor, we conclude that there is a material misstatement of this other information. We are required to report the fact. We have nothing to report in this regard.

When we read the other reports expected to be made to us after date of report of the independent auditor. If we conclude that there is a material misstatement therein. We are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Sacco Societies Act No 14 of 2008 and for such internal 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 preparation of financial statements the directors are responsible for assessing the society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the society or to cease operations, or has 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 as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of independent auditor that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standard on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud and 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.

AUDITOR REPORT -Continued

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 society's internal control. Evaluate the appropriateness of accounting policies used and the
- iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- iv) Conclude on the appropriateness of the director'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 society's ability to continue as a going concern. If we conclude that a material Uncertainty exists, we are required to draw attention in our report of the independent auditor to the related disclosures in the financial statements or, if such a disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the independent auditor. However, future events or conditions may cause the the Society 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

From matters communicated with those charged with governance, we determine those matters that were of most significant in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our report of the independent auditor unless the law or regulation 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 benefits of such a communication. There wasn't any matter in this case.

Other Required Legal Reporting

As required by the New Co-operative Society Act 2015 and the Sacco Societies Act No. 14 of 2008, we report to you that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for purposes of our audit;
- ii) In our opinion, proper books of account have been kept by the society, so far as appears from our examination of those books;
- iii) The Society's statement of financial position and statement of comprehensive income are in agreement with the books of accounts and
- iv) The Sacco's business was conducted in accordance with the provisions of the new Co-operative Societies Act 2015, the Sacco Societies act No.14 of 2008 and in accordance with sacco's by-laws and any other resolutions made by the Society at a general meeting.

The engagement Partner responsible for the audit resulting in this Independent auditor's report is CPA Hedrick Omanwa P/NO 1184



Omanwa & Associates

Certified Public Accountants & Secretaries

PIN NO. P051165248Z

Date 12th February 2021

Omanwa & Associates
OMANWA & ASSOCIATES
Certified Public Accountants
And Secretaries Of Kenya
P.O. Box 64447, Nairobi 00620

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STATEMENT OF COMPREHENSIVE INCOME

	Note	2020	2019
Revenue:			
Interest on loans	3(a).	41,195,028	35,686,494
Other interest income	3(b).	<u>1,492,091</u>	<u>1,147,251</u>
Total interest		42,687,119	36,833,745
Interest expense	4.	<u>(13,555,015)</u>	<u>(10,300,779)</u>
Net interest income		29,132,104	26,532,966
Other operating income	5.	2,198,723	2,134,522
Administration expenses	6.	(20,304,662)	(18,683,913)
Other operating expenses	7.	<u>(4,294,356)</u>	<u>(5,515,748)</u>
Net operating surplus before tax		6,731,809	4,467,827
Income tax expense	11	<u>(599,636)</u>	<u>(812,444)</u>
Net surplus Attributable to Shareholders		<u>6,132,173</u>	<u>3,655,383</u>
Other Comprehensive Income/ (Loss)			
Items that will not be reclassified subsequently to profit or loss;			
Prior year adjustments	22	203,655	104,488
Items that may be reclassified subsequently to profit or loss;			
Gain / (Loss) on revaluation of Investments	12.	<u>(1,680,000)</u>	<u>2,950,000</u>
Total Comprehensive Income		<u>4,655,828</u>	<u>6,709,871</u>

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STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2020

	Note	2020 Kshs	2019 Kshs
Assets			
Cash and cash equivalents	8	38,798,100	30,467,997
Receivables and prepayments	10	15,925,938	17,021,665
Loans and Advances to members	9	229,517,860	210,069,078
Financial investments	12	4,996,320	6,676,320
Tax recoverable	11	487,699	-
Intangible Assets	13	2,490,945	3,659,479
Property and equipment	14	4,374,763	3,204,472
Leasehold Building	15	8,041,044	10,051,305
Total assets		304,632,669	281,150,316
Liabilities and equity			
Liabilities			
Members deposits	16	223,135,384	206,767,121
Benevolent fund	21	3,306,308	2,745,833
Tax Payable	11	-	564,797
Payables and accrued expenses	17	3,133,567	2,391,577
Payables to members and board	18	15,895,790	12,578,378
Total liabilities		245,471,049	225,047,706
Equity			
Share capital	19	31,188,738	29,500,051
Retained earnings	20	19,327,816	17,503,928
Fair Value Reserves	20	1,270,000	2,950,000
Statutory reserve	20	7,375,066	6,148,631
		59,161,620	56,102,610
Total liabilities and equity		304,632,669	281,150,316

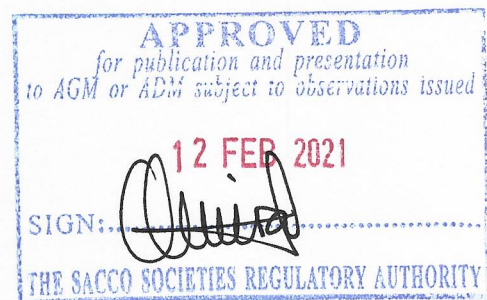
The financial statements on pages 8 to 24 were authorized for issue by the Board of Directors on

4th February 2021 and signed on behalf by:

Chairman DAVID MARUSOI Mwangi

Treasurer Emmanuel Njoroge Fadhwa

Secretary Yvonne Luseno Mwangi



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STATEMENT OF CASH FLOWS

	Note	2020 Kshs	2019 Kshs
Cash flows from operating activities: -			
Interest receipts	3(a).	41,195,028	35,686,494
Other operating income receipts	5 (a).	1,515,943	1,250,492
Interest payments	4 & 18	(10,300,779)	(8,449,183)
Payments to employees and suppliers	6 & 7	(21,321,785)	(19,169,693)
Tax paid	11	(1,447,301)	(400,849)
		<u>9,641,106</u>	<u>8,917,261</u>
<i>(Increase) / decrease in operating assets</i>			
Loans and Advances to members	9	(19,919,280)	(32,328,301)
Receivables and prepayments	10	<u>1,095,727</u>	<u>(1,852,502)</u>
		<u>(18,823,553)</u>	<u>(34,180,803)</u>
<i>Increase / (decrease) in operating liabilities</i>			
Deposits from members	16	16,368,263	29,647,517
Trade and other payables	17	741,990	293,987
Benevolent fund	21	<u>560,475</u>	<u>1,666,633</u>
		<u>17,670,728</u>	<u>31,608,137</u>
Net cash generated from working capital		<u>8,488,281</u>	<u>6,344,596</u>
Cashflow from investing activities:			
Purchase of property and equipment	14	(1,703,730)	(464,444)
Purchase of software	13	-	-
Interest income received	3(b).	1,492,091	1,147,251
Dividends received	5(b)	682,780	884,030
Other investments receipts		-	-
Net cash generated from investing activities		<u>471,141</u>	<u>1,566,837</u>
Cash flows from financing activities:			
Increase in share capital	19	1,688,687	2,047,905
Payment of long-term borrowing		-	-
Dividends paid	18	(2,212,504)	(1,363,372)
Honoraria paid		<u>(576,000)</u>	<u>-</u>
Net cash used in financing activities		<u>(1,099,817)</u>	<u>684,533</u>
Net (decrease)/ increase in cash and cash equivalents		<u>7,859,605</u>	<u>8,595,966</u>
Cash and cash equivalent at the beginning of the year		<u>30,467,997</u>	<u>21,872,031</u>
At the end of the year	8	<u>38,327,602</u>	<u>30,467,997</u>

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STATEMENT OF CHANGES IN EQUITY

	Share capital Kshs	General reserve Kshs	Fair Value reserve Kshs	Statutory reserve Kshs	Retained earnings Kshs	Total Kshs
At 1 January 2020	29,500,051	-	2,950,000	6,148,631	17,503,928	56,102,610
Prior year adjustments					203,655	203,655
Net surplus for the year					6,132,173	6,132,173
Transfer to statutory reserve				1,226,435	(1,226,435)	-
Share capital received	1,688,687					1,688,687
Valuation of Shares(Note 12.)			(1,680,000)			(1,680,000)
Transfer to retained earnings		-			-	-
Proposed honorarium					(633,600)	(633,600)
Proposed dividends					(2,651,905)	(2,651,905)
At 31 December 2020	31,188,738	-	1,270,000	7,375,066	19,327,816	59,161,620
At 1 January 2019	27,267,434	133,656	-	5,417,554	17,129,982	49,948,626
Prior year adjustments					104,488	104,488
Net surplus for the year					3,655,383	3,655,383
Transfer to statutory reserve				731,077	(731,077)	-
Share capital received	2,232,617					2,232,617
Valuation of shares			2,950,000			2,950,000
Transfer to retained earnings		(133,656)			133,656	-
Proposed honorarium					(576,000)	(576,000)
Proposed dividends					(2,212,504)	(2,212,504)
At 31 December 2019	29,500,051	-	2,950,000	6,148,631	17,503,928	56,102,610

1 Summary of significant accounting policies

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

a) Statement of compliance and basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS). They are presented in the functional currency - Kenya Shilling (Kshs). The measurement basis is the historical cost basis except where otherwise stated in the accounting policies.

The financial statements comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and notes. Income and expenses excluding the components of other comprehensive income, are recognised in the statement of comprehensive income. Other comprehensive income is recognised in the statement of comprehensive income and comprise of items of income and expenses (including reclassification adjustments) that are not recognised in the statement of comprehensive income as required or permitted by IFRS. Reclassification adjustments are amounts reclassified in profit and loss account in the current year that were recognised in other comprehensive income in the current year or previous years.

The preparation of financial statements in conformity with the IFRS requires the use of estimates and assumptions. It also requires the management to exercise its judgement in the process of applying the accounting policies adopted by the society. Although such estimates and assumptions are based on the management committee best knowledge of the information available, actual results may differ from such estimates.

The judgement and estimates are reviewed at end of each reporting year, and any revision to such estimates are recognised in the year in which the revision is made. The areas involving judgements of significance to the financial statements and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year are disclosed in note 2.

b) New standards, Amendments and interpretation mandatory for the first time for the financial year

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2019 and have been applied in preparing these financial statements.

IFRS 16 Leases - Effective January 1 2019

IFRS 23 Uncertainty over income tax treatments - effective January 1 2019

Annual improvements to IFRS standards 2015- 2017 cycle various standard - effective January 1 2019

Amendments to IFRS 9, prepayment features with negative compensation - effective January 1 2019

Amendments to IAS 19 - Plan Amendment, Curtailment or settlement - effective January 1 2019

None of these have significant effect on the financial statements

c) New Standards and Interpretations in issue but not yet effective

Amendments to IFRS 3 - Definition of a business - effective January 1 2020

Amendments to References to Conceptual Framework in IFRS standards - effective January 1 2020

Amendments IAS 1 and IAS 8 - Definition of material - effective January 1 2020

None of these are expected to have a significant effect on the financial statements of the society in the period of adoption

d) Revenue recognition

Interest income

Interest income is recognised in the statement of income using the effective interest method. The calculation takes into account all contractual terms of the loans and includes any fees that are directly attributable to them. Interest on members loans is charged at between 1 and 1.4% per month on reducing balances depending on the loan product.

1 Summary of significant accounting policies (continued)

Fees and Commission Income

Fees and commissions are generally recognised on accrual basis, when the service has been provided.

Dividend Income

Dividend Income is recognised when the right to receive the dividend is established

Miscellaneous income

Miscellaneous income is recognised upon receipt.

Entrance fee

New members are required to pay entrance fees to the Sacco. The fees are recognised as income upon receipt.

e) Employee benefits

Retirement benefit costs

The society and its employees contribute to a registered pension scheme and also to National Social Security Fund (NSSF). Employees entitlement to long service awards are recognised whenever they accrue to the employees. All the amounts paid during the year have been charged to the statement of comprehensive income.

Employee entitlement

Employees entitlement to gratuity and long service awards are recognised when they accrue to employees. Provision is made for the estimated liability of such entitlements as a result of services rendered by employees up to the statement of financial position date. The estimated monetary liability for employees' accrued annual leave entitlement at the statement of financial position date is recognised as an accrued expense.

f) Cash and cash equivalents

Cash and cash equivalents include cash in hand and term deposits with maturities of 12 months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the statement of financial position, bank overdraft is included as borrowings under current liabilities.

For the purpose of the cash flow statement, the year end cash and cash equivalents comprise of cash and cash equivalents as defined above.

g) Financial instruments

Classification

The society classifies its financial instruments into the following categories: -

Investments available-for-sale, are intended to be held for an indefinite period of time, but may be sold in response to liquidity needs by the society. These are included in non-current assets unless the committee has expressed the need to hold them for less than 12 month from the statement of financial position date or unless they will need to be sold to raise operating capital.

Held-to-maturity investments: Financial assets with fixed or determinable payments and fixed maturity that the society has the ability and intentions to hold to maturity.

Loans and receivables, which comprise non-derivative financial assets with fixed or determinable payments that are not quoted in the active market, and excludes assets which the entity intends to sell immediately or in the near future or those which the entity upon initial recognition designates as at fair value through profit and loss or as available-for-sale financial assets.

1 Summary of significant accounting policies (continued)**h) Property, equipment and depreciation**

All property and equipment are initially recorded at cost and thereafter stated at historical cost less accumulated impairment and depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the society and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated under revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of comprehensive income) and depreciation based on the assets original cost is transferred from the revaluation reserve to retained earnings.

Depreciation is calculated on the reducing balance basis to write down the cost of particular asset, or the revalued amount, to its residual value over its useful life using the following rates: -

Asset	Rate - %
Fixtures and fittings	12.5
Leasehold Building	16.67
Software	20
Office equipment	12.5
Computer equipment	33.3

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining the surplus for the year. On disposal, the revalued assets amount in the revaluation reserve relating to that assets are transferred to retained earnings.

i) Impairment of non current assets

Internal and external sources of information are reviewed at each reporting date to identify indications that assets may be impaired or an important loss previously recognised no longer exists or may have decreased.

If any such indication exists the assets recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

1 Summary of significant accounting policies (continued)

j) Related parties

In the course of business the society enters into business with related parties. Such transactions are at arms length.

k) Statutory reserves

Transfers are made to the reserve at a rate of 20% of net operating surplus after taxation in accordance with section 47(1&2) of the Sacco Societies Act of 2010.

l) Interest bearing loans and borrowings

All borrowings are initially recognised at cost, being the fair value of the consideration received net of the issue costs associated with the borrowings. After initial recognition, interest earning bearing borrowings are subsequently measured at amortised costs using the effective interest method. Amortised costs are calculated by taking into account any issue costs. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised or impaired, as well as through the amortisation process.

m) Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured.

n) Provisions for liabilities and other charges

A provision is recognised in the statement of financial position when the society has a present legal or constructive obligation as a result of past event and it is more likely than not. The outflow of economic benefits will be required to settle the obligation and it can be reliably estimated.

o) Risk Management Policies

The financial risk management objectives and policies are outlined below:

Credit risk

The Sacco is exposed to the risk that some members may not repay loans when due and in full.

Exposure to the credit risk is managed by among others:

- (1) Ensuring that granting of loans is completely vetted by the credit committee
- (2) No member is granted loans exceeding three times the shares held and/or amounts stipulated in the by-laws except for the new members loans issued at the level of three and half times
- (3) All loans advanced are co-guaranteed by members and other securities where applicable.
- (4) A Risk Management Fund is operated to cover against deceased members loans balances.
- (5) Members of the sponsoring employee who change employment are promptly followed-up

Unearned Interest Income risk

The Sacco is exposed to the risk that unearned interest income may be accrued but not received.

Exposure to unearned interest income is managed by only recognizing the interest income received..

Interest risk

The Sacco is not exposed to interest risk, since the interest rate on loans is standardized at between 1% and 1.5% per month and is determined and contracted at commencement of any borrowing.

Summary of significant accounting policies (continued)

Liquidity risk

The Sacco is exposed to the risk that it may have difficulties in meeting members loan obligations.

Liquidity risk is addressed through :

- (1) The Sacco has an aggressive policy of increasing members deposits.
- (2) The Sacco does not invest members share savings in fixed properties.
- (3) The Sacco may use bank loans and overdraft facilities to meet short term liquidity requirements.
- (4) Approval of loans is subject to availability of funds as indicated in the cash flow reports.

p) Comparative Information

The presentation and classification of the financial statements of the previous year have been amended where relevant for better presentation and to be comparable with those of the current year.

2 Significant judgements and key sources of estimation uncertainty

In the application of the Societies accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Useful lives of property, plant and equipments

The Sacco reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the financial year, no changes to the useful lives were identified by the Directors.

Impairment losses

At each reporting period, the Society reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment.

Expected Credit losses (ECL) and Impairment

As at January 1, 2018 and thereafter , the sacco recognises a forward looking expected loss model on its loans and advances commitments issued. At each reporting date the sacco measures the loss allowance at an amount equal to the lifetime expected credit losses.

The Model applies historical information on the credit quality of the loans and advances, assumptions and estimations on changes on credit risk. Consideration of how changes in economic factors affect ECLs are determined on a probability weighted basis

The ECL allowance are presented in the statement of the financial position as a deduction from the gross carrying amount of the loans in form of a general provision.

KENCREAM SACCO SOCIETY LIMITED CS/9896
NOTES TO THE FINANCIAL STATEMENTS
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	2020	2019
	Kshs	Kshs
3 (a) Interest on members' loans		
Bosa and Fosa Loans Interest	41,195,028	35,686,494
	<u>41,195,028</u>	<u>35,686,494</u>
(b). Other interest		
Bank deposits (Co-operative Bank)	909	1,983
Interest from Kuscco Savings	3,235	-
Short term deposits (Kuscco)	-	1,145,268
Money market	1,487,947	-
	<u>1,492,091</u>	<u>1,147,251</u>
4. Interest expense		
Members deposits (BOSA or Non withdrawable)	12,610,285	9,789,874
Christmas Savings	583,856	502,747
Fosa Savings	356,075	-
Dividend Capitalization Interest	4,799	8,158
	<u>13,555,015</u>	<u>10,300,779</u>
5. Other Incomes		
a) Operating Income		
Fees and Commissions	1,247,892	932,270
Entrance fee	150,000	132,000
Miscellaneous Income	118,051	186,222
	<u>1,515,943</u>	<u>1,250,492</u>
b) Non operating Income		
Dividend from Kuscco Savings	-	1,250
Dividends from Coop Bank	682,780	882,780
	<u>682,780</u>	<u>884,030</u>
6. Administrative expenses		
Personnel expenses		
Salaries and wages	6,840,162	6,331,898
Staff bonus	656,600	440,800
Staff Establishment expenses	197,504	90,079
Medical expenses	871,384	807,469
Retirement benefit Contributions	519,300	474,964
Leave allowance	75,200	77,800
Nita Contributions	4,550	-
NSSF Contributions	18,400	17,600
	<u>9,183,100</u>	<u>8,240,610</u>
Governance/ members related expenses		
Board and members education / training	1,186,045	1,942,389
AGM expenses	852,140	1,055,290
Board sitting allowance and other expenses	1,269,683	1,377,194
	<u>3,307,868</u>	<u>4,374,873</u>

KENCREAM SACCO SOCIETY LIMITED CS/9896
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2020

	2020 Kshs	2019 Kshs
(a) Administrative expenses (continued)		
Printing and stationery	390,283	180,624
Travelling and subsistence	199,110	313,412
Telephone & internet	808,789	506,118
Office expense	625,262	519,821
Electricity & water	282,821	370,846
Rent office	343,500	348,000
Staff training	395,922	569,706
Advertising	-	176,018
System and software maintenance	184,943	115,000
Miscellaneous/disbursements expenses	-	21,100
Office repairs and maintenance	219,929	106,812
Marketing ,branding & launching Fosa	216,218	235,104
Ushirika Day celebrations	-	50,650
Annual Subscription to KUSCCO	-	30,000
Annual Subscription to professional bodies	44,800	33,600
Insurance of assets	174,682	153,077
Levy and Licencing fees	463,589	454,209
Security costs	540,950	463,860
Generator maintenance	48,676	55,640
Generator fuel	43,150	19,760
Penalties and fines	31,496	-
Strategic Plan development/ review	190,140	-
Increase in provision for bad debts	470,498	145,915
Bad debts (Hacked amount) written off	875,307	-
Impairment of Obsolete assets	1,263,629	-
Bad debts / Loans written off	-	1,199,158
	7,813,694	6,068,430
Total administrative expenses	20,304,662	18,683,913
Other operating expenses		
7. (a) Finance and Professional expenses		
Bank charges	274,607	189,906
Mpesa bulk charges	814	1,805
Legal fees	105,658	17,606
Consultancy fees	167,500	1,615,124
Sytem Audit	420,000	-
Audit fees	142,540	120,000
VAT on audit fees	16,800	19,200
	1,127,919	1,963,641
(b) Depreciation, Amortisation & Provisions		
Depreciation of equipment	533,440	626,976
Amortisation of intangible assets	622,736	914,870
Amortisation of lease hold building	2,010,261	2,010,261
	3,166,437	3,552,107
Total other administrative expenses	4,294,356	5,515,748

KENCREAM SACCO SOCIETY LIMITED CS/9896
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2020

	2020 Kshs	2019 Kshs
8. Cash and bank balances		
Co-operative bank - Current account	4,798,743	7,319,975
Co-operative bank - Jijenge account	400,000	400,000
Co-operative bank - ESS account	420,306	420,306
Co-operative bank - Instant access account	288,037	280,036
Co-operative bank - General Reserve account	41,806	40,898
Kuscco Ltd - Savings account	741,284	738,049
Safaricom Ltd - Mpesa Bulk Utility account	3,720,059	17,130,959
Safaricom Ltd - Mpesa Bulk float account	952,303	4,425,195
Petty Cash and Treasury	829,589	569,845
Co-op Agency Commission account	35,712	26,344
Co-op Agency float	440,993	68,948
Mpesa float	273,278	7,341
Mpesa commission account	141,103	204,734
ATM settlement account	(773,060)	(7,884)
Money market	26,487,947	-
	38,798,100	31,624,747
Provision for impairment**	-	-
	38,798,100	1,156,750
		30,467,997

**This relates to an unreconciled difference in the bank carried forward since 2013, but already provided for

9. Loans and advances to members		
At the start of the year	214,821,992	182,493,691
Granted during the year	183,376,529	179,379,711
Offset of Deposits	(18,136,670)	-
Repayments during the year	(145,320,579)	(139,642,559)
At end of year as per members listing	234,741,272	214,821,992
Provision on loan losses (ECL)	(5,223,412)	(4,752,914)
	229,517,860	210,069,078

2020				Outstanding Loan Portfolio (Kshs)	Require d Provisio n	Required Prov Amounts (Kshs)
NO	No of A/Cs	Classification				
1	2,018	Performing	(0 - 30 days)	225,737,002	0.01	2,257,370
2	110	Watch	(31 - 60 days)	2,752,487	0.05	137,624
3	141	Substandard	(61 - 180 days)	4,034,291	0.25	1,008,573
4	5	Doubtful	(181 - 360 days)	795,304	0.50	397,652
5	5	Loss	> 360 days / 12 Months	1,422,193	1.00	1,422,193
	2,279	Total		234,741,277		5,223,412
	2,019					
1	1,428	Performing	(0 - 30 days)	208,334,177	0.01	2,083,342
2	80	Watch	(31 - 60 days)	2,210,762	0.05	110,538
3	86	Substandard	(61 - 180 days)	1,534,982	0.25	383,746
4	9	Doubtful	(181 - 360 days)	1,133,565	0.50	566,783
5	5	Loss	> 360 days / 12 Months	1,608,506	1.00	1,608,506
	1,608	Total		214,821,992		4,752,914
Balance at beginning of the year				4,752,914		4,606,999
Increase in provision during the year				470,498		145,915
Balance at end of the year				5,223,412		4,752,914

KENCREAM SACCO SOCIETY LIMITED CS/9896
NOTES TO THE FINANCIAL STATEMENTS
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	2020 Kshs	2019 Kshs
10. Receivables and prepayments		
Employer (New KCC)	12,595,629	12,601,378
Interest receivable	1,453,446	935,486
Sundry receivable	3,150	957,552
Medical Cover prepayment	495,592	663,183
Salary advance	-	14,000
C2B Cr receivables	875,307	1,750,614
Investment in Canteens	-	99,452
Other prepayments	502,814	-
	<u>15,925,938</u>	<u>17,021,665</u>
11. Taxation		
At Start of the year	564,797	188,487
Current years tax	599,636	812,444
Less: Instalments tax paid	(846,751)	(211,056)
Brought forward paid	(565,118)	(189,793)
Withholding taxes	(35,432)	(35,285)
Tax - Prior year adjustments	(204,832)	-
At end of the year	<u>(487,699)</u>	<u>564,797</u>
12. Financial Investments		
Unquoted		
KUSCCO Ltd 263 ordinary shares of kes. 100 each	26,320	26,320
Co-operative Bank of Kenya Ltd 700,000 ordinary shares of ksh. 1/= each	4,970,000	6,650,000
Total Investments	<u>4,996,320</u>	<u>6,676,320</u>
The market value as at 31/12/2020 was Kshs 7.10		
Movement in Financial Assets		
At 1st January	6,676,320	3,526,320
Bonus / Dividend Shares received	-	200,000
Gain /(Loss) on valuation	<u>(1,680,000)</u>	<u>2,950,000</u>
	<u>4,996,320</u>	<u>6,676,320</u>
13. Intangible Asset		
	Software Kshs 20%	Website Kshs 20% Total Kshs
2020		
Cost/ valuation		
At 1 January 2020	7,162,568	476,760
Addition during the year	-	-
Disposal/ Empairment	(545,798)	-
As at 30 December 2020	<u>6,616,770</u>	<u>476,760</u>
Amortisation		
At 1 January 2020	3,698,370	281,479
Charge for the year	583,680	39,056
As at 31 December 2020	<u>4,282,050</u>	<u>320,535</u>
Net Book Value as at 31 December 2020	<u>2,334,720</u>	<u>156,225</u>
2019		
Cost/ valuation		
At 1 January 2019	7,162,568	476,760
Addition during the year	-	-
As at 30 December 2019	<u>7,162,568</u>	<u>476,760</u>
Amortisation		
At 1 January 2019	2,832,320	232,659
Charge for the year	866,050	48,820
As at 31 December 2019	<u>3,698,370</u>	<u>281,479</u>
Net Book Value as at 31 December 2019	<u>3,464,198</u>	<u>195,281</u>

KENCREAM SACCO SOCIETY LIMITED CS/9896
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14. Property and equipment

	Furniture & fittings Kshs 12.5%	Office equipment Kshs 12.5%	Work In Progress Kshs 0.0%	Computer Hardware Kshs 33.3%	Total Kshs
2020					
Cost					
As at 1. 1. 2020	872,978	3,171,870	-	1,505,329	5,550,177
Additions	-	86,697	1,546,980	70,053	1,703,730
Disposals	-	-	-	-	-
As at 31.12.2020	872,978	3,258,567	1,546,980	1,575,382	7,253,907
Depreciation					
As at 01.01.2020	338,910	975,339	-	1,031,455	2,345,704
Charge for the year	66,759	285,377	-	181,305	533,440
As at 31.12.2020	405,669	1,260,716	-	1,212,760	2,879,144
N.B.V as at 31:12:20	467,310	1,997,852	1,546,980	362,622	4,374,763
2019					
Cost					
As at 1. 1. 2019	667,878	2,912,526	-	1,505,329	5,085,733
Additions	205,100	259,344	-	-	464,444
Disposals	-	-	-	-	-
As at 31.12.2019	872,978	3,171,870	-	1,505,329	5,550,177
Depreciation					
As at 01.01.2019	262,616	661,580	-	794,532	1,718,728
Charge for the year	76,294	313,759	-	236,923	626,976
Disposal	-	-	-	-	-
As at 31.12.2019	338,910	975,339	-	1,031,455	2,345,705
N.B.V as at 31:12:19	534,068	2,196,531	-	473,874	3,204,472

15 Leasehold Building

	2020 Kshs	2019 Kshs
Cost/ valuationAt 1 January	12,061,566	12,061,566
Addition during the year	-	-
Total Cost as at 31 December 2020	12,061,566	12,061,566
Acc. Amortisation at 1 January	2,010,261	-
Charge for the year	2,010,261	2,010,261
Accumulated amortisation as at 31 December 2019	4,020,522	2,010,261
Net Book Value as at 31 December 2019	8,041,044	10,051,305

KENCREAM SACCO SOCIETY LIMITED CS/9896
NOTES TO THE FINANCIAL STATEMENTS
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16 Members' balances	2020	2019
a) FOSA Savings	Kshs	Kshs
At the start of the year	11,360,843	(220)
Deposits during the year	223,053,251	210,781,088
Withdrawals/Refund during the year	(219,536,693)	(199,420,025)
Sub Total	14,877,401	11,360,843
b) Christmas savings account		
At the start of the year	854,923	713,640
Deposits during the year	11,271,513	10,426,839
Interest earned	-	-
Withdrawals/Refund during the year	(11,347,624)	(10,285,556)
Sub Total	778,812	854,923
c) Junior savings account		
At the start of the year	21,000	-
Deposits during the year	71,100	21,000
Withdrawals/Refund during the year	-	-
Sub Total	92,100	21,000
d) Non Withdrawable Deposits (BOSA)		
At the start of the year	194,530,355	176,406,184
Contribution during the year	45,905,496	47,366,097
Interest & Dividend capitalised	1,501,769	-
Refunds during the year	(12,918,841)	(19,785,170)
Transfer / set off to loans/ interest /charges	(20,262,927)	(7,408,851)
Transfer to share capital (note 19)	(1,368,781)	(2,047,905)
Sub Total	207,387,071	194,530,355
Total	223,135,384	206,767,121
17 Payables and accrued expenses		
Trade payables	1,731,364	1,409,482
Accrued expenses	1,012,675	468,900
Audit fees	88,465	120,000
VAT on audit fees	10,080	19,200
Cloudpesa east africa	30,096	-
Consumer Loan payable	14,300	-
Excise Duty payable	29,000	23,266
Withholding tax payable	29,193	24,723
Payroll liabilities	-	143,111
Unidentified bankings	188,394	182,895
Total	3,133,567	2,391,577
18 Payables to members and board		
Balance brought forward	12,578,378	9,416,109
Interest and dividends paid during the year	(12,578,378)	(9,323,353)
Transfer to reserves	-	(92,756)
Proposed interest on bosa deposits for the year	12,610,285	9,789,874
Proposed dividends on share capital for the year	2,651,905	2,212,504
Proposed honoraria	633,600	576,000
Balance carried forward	15,895,790	12,578,378

KENCREAM SACCO SOCIETY LIMITED CS/9896
NOTES TO THE FINANCIAL STATEMENTS
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	2020	2019
	Kshs	Kshs
19 Share capital		
As at 1st January 2020	29,500,051	27,267,434
Transfer from deposits (note 16)	1,368,781	2,047,905
Contributions	1,001	-
Dividends capitalised	318,905	184,712
	31,188,738	29,500,051
Minimum share capital for a member is 750 shares of Kshs 20 each. (Minimum kshs 15,000 per member)		
20 Reserves		
a) General reserve		
As at 1st January 2020	-	133,656
Transfer to Retained Earnings	-	(133,656)
As at 31 December 2020	-	-
b) Statutory reserve		
As at 1st January 2020	6,148,631	5,417,554
Transfer from Income Statement	1,226,435	731,077
As at 31 December 2020	7,375,066	6,148,631
Transfer is made at the rate of 20% of the net operating surplus after tax in compliance with the provision of Sec. 47 (1&2) of the Sacco Societies Act Cap 490 laws of Kenya.		
c) Retained earnings		
As at 1st January 2020	17,503,928	17,129,982
Net Surplus after tax	6,132,173	3,655,383
Transfer to statutory reserve	(1,226,435)	(731,077)
Transfer from general reserve	-	133,656
Proposed dividends	(2,651,905)	(2,212,504)
Proposed honoraria	(633,600)	(576,000)
Prior year adjustment (note 22)	203,655	104,488
As at 31 December 2020	19,327,816	17,503,928
d) Fair Value Reserve		
As at 1st January 2020	2,950,000	-
Fair Value reserve (Loss on revaluation)	(1,680,000)	2,950,000
As at 31st December 2020	1,270,000	2,950,000
As at 31 December 2020	27,972,882	26,602,559
21 Benevolent Fund		
As at 1st January 2020	2,745,838	1,079,200
Member contributions during the year	2,869,100	2,992,200
Receipt from Kuscco	1,535,666	3,184,719
Payments to beneficiaries	(967,833)	(1,745,041)
Loanguard Insurance paid to cic	(1,075,200)	(1,066,297)
Kuscco Ltd Premium for savings and funeral cover	(1,801,263)	(1,698,948)
As at 31 December 2020	3,306,308	2,745,833

KENCREAM SACCO SOCIETY LIMITED CS/9896
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2020

	2020 Kshs	2019 Kshs
22 Prior Year Adjustments		
Provision of 2018 supervision fees no longer required	-	8,000
2019 Tax adjustments	204,832	-
Over provision of dividends (2018)	-	92,756
Under provision of dividends 2019	(1,177)	-
2018 commission to debt collector recovered	-	3,732
	<u>203,655</u>	<u>104,488</u>

- 23 Related party transactions**
The transactions with related parties are made at terms equivalent to those that prevail in arms length transactions

a) Transaction with board of directors

Loans

Balance at the start of the year	8,294,958	7,993,374
Granted during the year	9,846,772	5,027,636
Repayment during the year	(6,335,550)	(4,726,052)
Balance at the end of the year	<u>11,806,180</u>	<u>8,294,958</u>

Deposits

Balance at the start of the year	6,252,332	5,295,733
Savings during the year	1,108,708	956,599
Withdrawals during the year	(160,005)	-
Balance at the end of the year	<u>7,201,035</u>	<u>6,252,332</u>

b) Transaction with Staff

Loans

Balance at the start of the year	1,877,692	2,989,173
Granted during the year	4,494,624	694,816
Repayment during the year	(2,204,158)	(1,806,297)
Balance at the end of the year	<u>4,168,158</u>	<u>1,877,692</u>

Deposits

Balance at the start of the year	1,255,308	1,192,675
Savings during the year	457,832	62,633
Withdrawals during the year	(105,465)	-
Transfer to Share Capital	(12,001)	-
Balance at the end of the year	<u>1,595,674</u>	<u>1,255,308</u>

NO.	No of A/Cs	Classification	Outstanding Loan Portfolio (Kshs)	Required Provision	Required Prov Amounts (Kshs)
1	40	Performing (0 - 30 days)	15,928,883	0.01	159,289
2	2	Watch (31 - 60 days)	25,382	0.05	1,269
3	1	Substandard (61 - 180 days)	20,072	0.25	5,018
4	0	Doubtful (181 - 360 days)	-	0.50	-
5	0	Loss > 360 days / 12 Months	-	1.00	-
	43	Total	<u>15,974,338</u>		<u>165,576</u>

24 Capital risk management

The Sacco manages its capital risk to ensure that it will be able to continue as going concern while maximising the return through the optimisation of the debt and equity balance.

The capital structure of the Sacco consists of net debt calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents and equity (comprising issued capital reserves and retained earnings). The board of directors reviews the capital structure on an annual basis.

As part of this review, the board considers the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Sacco may adjust the amount of dividends paid to members or sell assets to reduce debts. The Sacco's overall strategy remains unchanged from 2013.

TAX COMPUTATION
PIN.NO.P051186831A

	2020	2019
	Kshs	Kshs
Other operating income		
50% other interest income	746,046	573,626
Dividend income	-	884,030
Entrance & transfer fees	150,000	132,000
Fees and Commissions	1,365,943	1,118,492
Total taxable Income	2,261,989	2,708,148
Dividend income	682,780	-
Corporation tax - 25%	599,636	812,444
Balance brought forward	564,797	188,487
Less: Installment Tax paid	(846,751)	(211,056)
Less: Final tax payment	(565,118)	(189,793)
Less: Withholding tax	(35,432)	(35,285)
Tax due/credit for the year	(282,867)	564,797
Tax - Prior year adjustments	(204,832)	-
Total tax payable / (Receivable)	<u>(487,699)</u>	<u>564,797</u>