



**CS/NO: 1926**

**USHURU SAVINGS AND CREDIT  
CO-OPERATIVE SOCIETY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR YEAR ENDED 31 DECEMBER 2013**

## **VISION**

To be a leading world class preferred and trusted SACCO in the provision of unique, quality and highly efficient services to members.

## **MISSION**

To provide timely and conveniently innovative, competitive, affordable as well as accessible products and services

## **SLOGAN**

*“Huduma Maradufu*

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**Society information**

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**Management Board Members**

Mr. Eglon Mwakodi Mwaizangu	National Chairman
Mr. Oliver sikuku	National Vice Chairman
Mr. Frank Robert	National Hon. Secretary
Mr. Boaz Chimasia	National Treasurer
Mr. Hippolyte Bolo Komutho	Director
Mr. Isaac Kiprop	Director
Ms Nancy Ng'etich	Director
Mr. John Bosco Okotchi	Director
Mr. Patrick Chelule	Director
Mr. William Pudha	Chief Executive Officer

**Supervisory Committee**

Mr. Kiprono Talel	Chairman
Mr. Martin Obara	Member
Mrs. Clemence Wawuda	Secretary

Head Office

LR No.  
Forodha House 2nd Floor  
P.O BOX 52072-00200  
Nairobi

Principal Bankers

Co-operative Bank of Kenya Limited  
Ukulima House Branch, Nairobi  
P.O BOX 74956-00200  
NAIROBI

Mombasa Branch  
P.O BOX 87771,  
Mombasa

Kisumu Branch  
P.O BOX 1511  
Kisumu

Eldoret Branch  
P.O BOX 2948  
Eldoret

Legal Advisors

Kingori Kariuki & Co Advocates  
P.O BOX 46765-00100  
Nairobi

B.A Achieng & Co Advocates  
P.O BOX 54248-00200  
Nairobi

Auditors

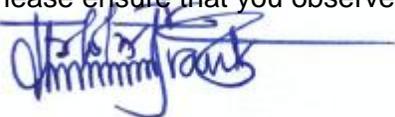
Crowe Horwarth EA  
Certified Public Accountants, Kenya (CPA( K))  
Geomaps Centre, Upperhill  
Matumbato Road  
P.O BOX 74066-00200  
Nairobi

## Notice of Meeting

### For the year ended 31<sup>st</sup> December 2013

Notice is hereby given that the 28<sup>th</sup> Annual Delegates Meeting shall be held on Saturday the 29<sup>th</sup> March 2014 at **Sunset Hotel - Kisumu starting at 9.00 a.m.** to transact the following business:

1. Reading of the Notice convening 28<sup>th</sup> Annual Delegates Meeting and the declaration of the meeting having been properly constituted.
  2. Brief introduction and opening address by the National Chairman.
  3. Confirmation of the Minutes of the 27<sup>th</sup> Annual Delegates Meeting held on the 5<sup>th</sup> April 2013 at the Prideinn Sai Rock Hotel Mombasa.
  4. Matters arising there from.
  5. Report of the National Chairman.
  6. Address by the Guest of Honour
  7. Consider and approve the report of the National Chairman.
  8. Receive the Reports of:
    - (a) Branch Chairmen.
    - (b) Supervisory Committee.
  9. Receive and approve the Auditor's Report and Accounts for the year ending 31<sup>st</sup> December 2013.
  10. Consider and approve the operating Budget for the period covering 1<sup>st</sup> January 2015 to 31<sup>st</sup> December 2015.
  11. Disposal of the year 2013 surplus.
  12. Fixing the Society's Borrowing Powers for the year 2014.
  13. Appointment of the Society's Auditor for the year 2014.
  14. Resolutions.
  15. Elections of Board and Supervisory Committee members.
  16. Any Other Business of which a notice has been given.
- Please ensure that you observe strict time of this meeting.



FRANK ROBERT  
NATIONAL HON. SECRETARY

## THE MANAGEMENT BOARD



**EGLON MWAIZANGU  
NATIONAL CHAIRMAN**



**FRANK ROBERT  
NATIONAL HON. SECRETARY**



**OLIVER SIKUKU  
NATIONAL V/CHAIRMAN**



**BOAZ CHIMASIA  
NATIONAL TREASURER**



**JOHN BOSCO  
MEMBER**



**PATRICK CHELULE  
MEMBER**



**HIPPO KOMUTHO  
MEMBER**



**ISAAC KIPROP  
MEMBER**



**NANCY NGETICH  
MEMBER**



**WILLIAM PUDHA  
C.E.O**

## THE SUPERVISORY COMMITTEE



**EDWIN TALEL**  
**CHAIRMAN**



**CLEMENCE WAWUDA**  
**SECRETARY**



**MARTIN OBARA**  
**MEMBER**

## **MANAGEMENT STAFF**



**WILLIAM PUDHA  
C.E.O**



**EDWARD OBILO  
FINANCE MANAGER**



**CYNTHIA MWAKALAMA  
CREDIT MANAGER**



**WYCLIFFE MUTULI  
IT MANAGER**



**ELIZABETH OUKO  
AUDIT MANAGER**

## THE REPORT OF THE NATIONAL CHAIRMAN



### Overview of the economy

Despite fiscal pressure from the March 2013 elections, a new devolved system of governance, among others, the country maintained economic stability and fiscal discipline in the year 2013. Economic prospects in 2013 remained strong, with averagely low inflation and stable interest rates.

The average interbank rate decreased from 17.09 percent in June 2012 before stabilizing around 7.00 percent in June 2013. The 91-day Treasury bill rate decreased from 10.09 percent in June 2012 to 6.21 percent in June 2013. Average commercial banks' lending rate declined from 20.30 percent in June 2012 to 16.97 percent in June 2013. The shilling also remained fairly stable against major trading currencies, enabling the Central Bank to lower interest rates. The performance Co-operative sector remains highly dependant on these highlighted general economic factors.

### The Co-operative Sector Overview

The sector continues to play a critical role in the economy of the country having mobilized savings close to 400 billion and contributing significantly to the Gross National Savings. The Sector has generated to a tune of 500,000 employment opportunities directly and over 2 million indirectly. As a result, the sector continues to play a critical role in the vision 2030.

The economic stability witnessed in the year 2013 reduced the general liquidity pressures on most co-operatives generally. However, for those Sacco's that were able to maintain their liquidity balance over the period, this meant loss of business as some of their customers were absorbed by other financial institutions.

### Ushuru SACCO Results

As an integral part of the financial services provider, Ushuru SACCO continued to play critical role in mobilizing savings and providing credit to the members both for household and enterprise development.

The SACCO has continued to witness a steady and sustainable growth in the recent past one year. Other external economic factors held constant, we anticipate that the trend will continue in the foreseeable future.

### General Business

The general business registered significant improvement compared to the previous year. Interest on loans and advances increased by 16 % while total income net of interest rebates on members deposits (proposed) grew by 11%. Interest income from other investments grew significantly by 160% due to increased surpluses in the SACCO cash flows which were invested in financial securities. The SACCO recorded as 16% increase in total assets with member's deposits and loans growing by 15% and 7% respectively.

## **Profitability**

Continued profitability growth was witnessed in the year 2013 compared to the previous period. Net surplus before tax grew by 20% while retained earnings grew by 19%. These increases are attributed to growth of business generally and continued operational efficiency.

The interest on members deposits proposed also went up significantly by 18% while proposed dividends on share capital went up by 29% in comparison to the previous years as highlighted in the report of the Board of Directors.

## **Capital adequacy**

The SACCO continues to operate at very low capital adequacy levels as highlighted in the statistical information. This is because the membership has not fully embraced the importance of adequate capital in the organization. The new set of regulations has made a number of licensed SACCOs to comply and thus gain competitive edge over Ushuru SACCO. Our long term strategy therefore is to ensure this is enhanced to the required standards.

## **Risk Management Fund**

Ushuru SACCO Risk Management Fund registered growth in the year 2013. Total income grew by 8% in the year compared to the previous year. Total Claims reduced by 91% whereas net surplus grew by 148 %. The resultant fund balance therefore grew by 40%. This performance is attributed to the enhancement of the members contributions coupled with reduced claims and write offs due to reduced non performing loans.

## **Conclusion**

Although the Society recorded a successful business performance in the year 2013, there is still a lot of room for improvement in the coming year. We shall strive to ensure that we maximize our business potential for better service and return on members' investments.



**Eglon Mwaizangu**  
**National Chairman.**

## **STATEMENT OF CORPORATE GOVERNANCE**

We believe that good corporate governance is about creating the right culture throughout the organization. It contributes to the long-term success of a Society, creating trust and engagement between the Society and its stakeholders. It is our responsibility as the Board of USHURU SACCO Limited to practice high standards of corporate governance.

### **The Management Board**

The Board consists of nine members with the Chief Executive Officer as ex-official. The separate roles of Board and the Chief Executive officer are practiced and clearly defined in the by laws that are regularly revised to be in line with legislation and statutes.

The Board meets each month to deliberate on management accounts and to discuss reports from each sub-committee besides dealing with any strategic issues and opportunities for the SACCO in the course of its business.

### **Supervisory Committee**

The Supervisory Committee members are elected by and from the members of the Annual Delegates Meeting and it consist of three members for a period of three years. No member of the Management Board may be elected to the Supervisory Committee. They are charged with safeguarding members fund by ensuring that proper policies are in place and the internal control system is adequate.

### **Sub-committees**

The society had the following sub-committees in place during the year with terms of reference clearly defined in the By-law to facilitate decision making of the Board of Directors in the execution of its powers, duties and authorities.

- |                         |   |                              |
|-------------------------|---|------------------------------|
| 1. Executive Committee  | - | Chaired by Eglon Mwaizangu   |
| 2. Credit Committee     | - | Chaired by Hippolyte Komutho |
| 3. Education Committee  | - | Chaired by Oliver Sikuku     |
| 4. Investment Committee | - | Chaired by Boaz Chimasia     |
| 5. Audit Committee      | - | Chaired by Patrick Chelule   |

### **Executive Committee**

The National Chairman, the National Vice Chairman, the National Hon. Secretary and the National Treasurer are members of the executive committee. The Committees main role is to execute all the resolutions of the Management Board.

## Credit Committee

This consists of three members of the Management Board. Their core function is the day to day loan administration including approval of all loans awarded by the society.

## Education Committee

The committee is formed to foster the cardinal principle of education, training and information and its mandate is in accordance with the provisions of the by-laws. The Vice Chairman is the chair of this committee and it has two other members.

## Investment Committee

This committee is made up of three members and is charged with the responsibilities of ensuring sound investments by the society. It also ensures that such investments comply with the set rules in the Act and By-laws.

## Audit Committee

This committee ensures compliance to regulations, policies and best practices and it consists of not more than three members appointed from the Board, one of whom is to be conversant with financial and accounting matters. The executive officials are not members of the Audit Committee.

The table below is a summary of the attendance record of the directors at the full and the Board committee meetings.

	Board Meeting		Supervisory Committee		Executive Committee		Education Committee		Credit Committee		Investment Committee		Audit Committee	
	(a)	(a)	(a)	(b)			(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
Eglon Mwaizangu	12	11			12	12								
Oliver Sikuku -	12	12			12	11	4	4						
Frank Robert	12	11			9	8								
Boaz Chimasias	9	9			9	7					4	4		
Patrick Chelule	12	12							4	3			3	3
Hippolyte Komutho	12	10							4	3	4	4		
Nancy Ng'etich	12	10					4	4					4	4
John Bosco Okotchi	9	9					4	4	4	4				
Isaac Kiprop	12	12									4	4	4	4
William Pudha-CEO	12	10			12	10	4	4			4	4		
Edwin Talel			4	4										
Martin Obara			4	4										
Clemence Wawuda			3	3										

### Notes:

- Number of meetings convened during the year when the director was a member
- Number of meetings attended by director during the year

## **What has the Board done during the year?**

The Board promoted and facilitated registration of USHURU Investment Co-operative Ltd. in July 2013 to ensure value added investment opportunities to our members in line with the society's strategic plan. The co-operative will provide opportunity for members to invest in Real estate among other investment.

## **Internal controls**

The Board is committed to managing risk and to controlling its business and financial activities in a manner which enables it to maximize profitable business opportunities, manage and ensure compliance with applicable laws and regulations and enhance resilience to external events.

The effectiveness of the Society's internal control system is reviewed regularly by the Board through a management framework and the Internal Audit function. The Internal Audit function monitors compliance with policies and standards and the effectiveness of internal control structures of the Society through its programme of business audits. The work of the Internal Audit function is focused on the areas of greatest risk as determined by a risk-based assessment methodology.

The Society has a Code of Conduct for employees, relating to the lawful and ethical conduct of business which is supported by the Society's core values. All employees are required to observe the Code and are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulators.

## **Communication with members**

The Board recognizes the importance of good communications with all members. The Annual Delegates Meeting (ADM) as well as the published annual report is used as an opportunity to communicate with all members. The Board uses electronic means to communicate with members and members are encouraged to visit [www.ushurusacco.com](http://www.ushurusacco.com) to receive our annual reports.

## **Financial statements**

The Board confirms that it is satisfied that the Society has adequate resources to continue in business for the foreseeable future. For this reason, it continues to adopt the going concern basis when preparing the financial statements.

The Directors are responsible for the preparation and presentation of the financial statements of USHURU SACCO Limited which comprise the statement of financial position at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other

explanatory notes. The directors accept 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.

### **Corporate Social Responsibility**

The Board is conscious of its Social obligation to conduct the affairs of the society in a manner that cherish ethical values, compliance to existing laws and regulations and concern to the community in general. The society engages in social activities on annual basis to accomplish this endeavor.



Mother Teresa Home for disabled children –  
Lang'ata

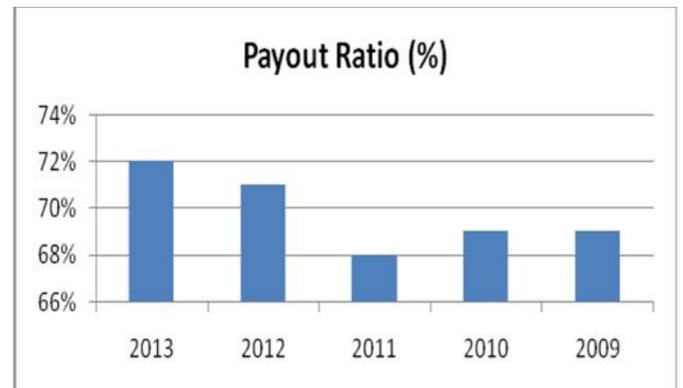
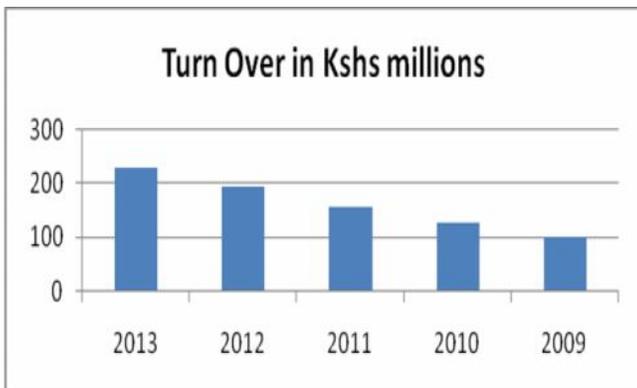
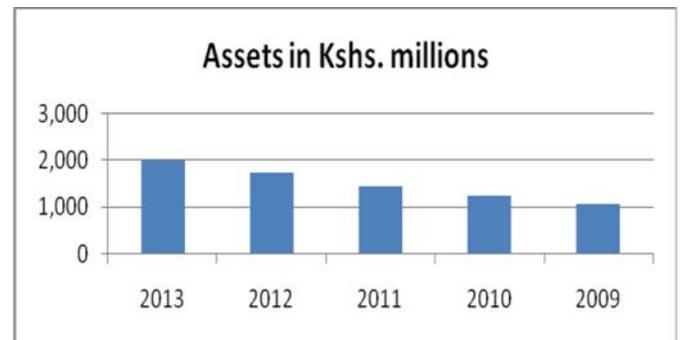
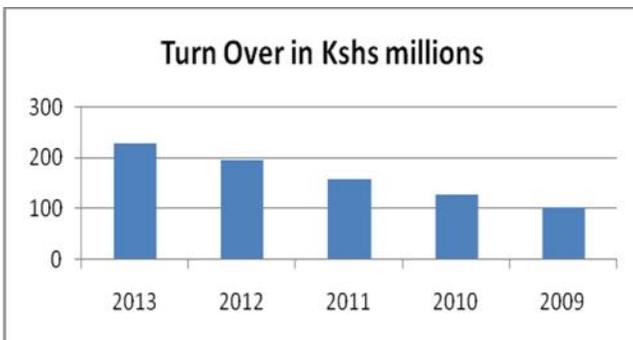
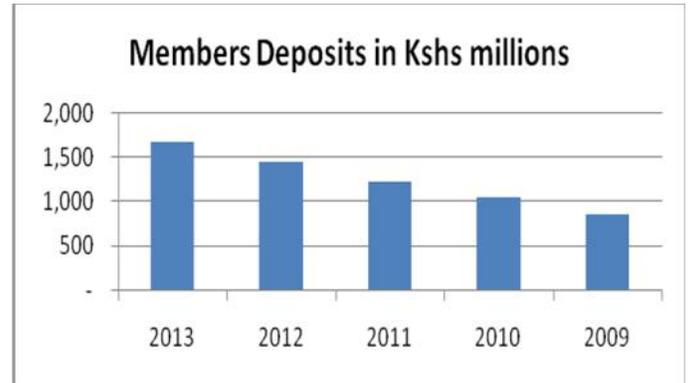
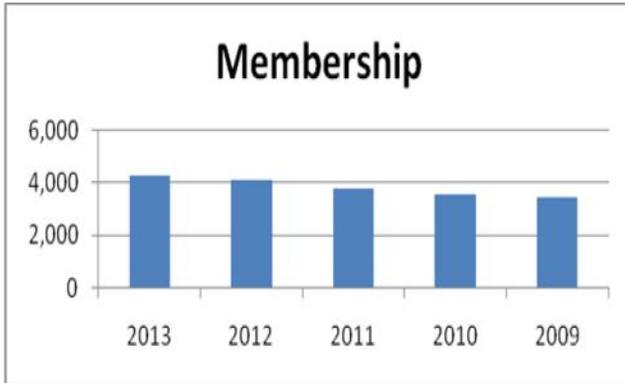


Mother Teresa Children's Home - Huruma



Mama Fatuma Children's home –Eastleigh

## FIVE YEAR PERFORMANCE REVIEW



## STATISTICAL INFORMATION

		<b>2013</b>	<b>2012</b>	<b>% Change</b>
Membership	Active	4251	4,000	10.0%
	Dormant	<b>95</b>	<b>104</b>	10.0%
<b>TOTAL</b>		<b>4346</b>	<b>4,104</b>	
Employee of the Sacco		17	13	
Total Assets		1,993,559,728	1,725,887,621	
Member's Deposits		1,659,169,217	1,446,103,014	
loans and Advances to Members		1,632,784,028	1,526,762,808	
Investments		6,497,100	3,997,100	
Core Capital		70,926,480	60,412,232	
Share Capital		11,811,386	10,254,676	
Institutional Capital		59,115,094	50,157,556	
Total Revenue		228,238,318	194,136,080	
Interest on Members Deposits		157,242,074	133,675,388	
Interest on Members products		5,590,002	4,439,840	
Total Expenses		50,383,648	43,580,924	
<b>Capital Adequacy Ratio</b>				
core Capital /total Assets		3.5%	3.5%	
core Capital /total Deposits		4.27%	4.18%	
Institutional Capital /Total Assets		2.97%	2.91%	
<b>Liquidity Ratio</b>				
Liquid Assets / Total Deposits and Long Term Liabilities		19%	12.08%	
<b>Operating Efficiency /Loan quality Ratios</b>				
total Expenses /total Revenue		22%	23.20%	
Interest on Members Deposits/ Total Revenue		72%	68.51%	
Interest on member's investment saving		8.5%	7.00%	
interest Rates on members Deposit (weighted average)		10.2%	10.00%	
Dividend rate on members Share Capital		11%	10.00%	
Total Delinquency Loans / Gross Loan Portfolio		0.72%	0.49%	

## REPORT OF MANAGEMENT BOARD

The members of the Board of Directors have the pleasure to submit their annual report together with the audited financial statements for the year ended 31 December 2013.

### Incorporation

The society is incorporated in Kenya under the Cooperative Societies Act, Cap 490 and licensed under the Sacco Societies Act No. 14 of 2008, and is domiciled in Kenya.

## PRINCIPAL ACTIVITY

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

## OPERATING RESULTS

	<b>2013</b>	<b>2012</b>
	<b>Kshs</b>	<b>Kshs</b>
Surplus before tax	15,022,594	12,439,928
Income tax Expense	<u>(2,265,804)</u>	<u>(934,246)</u>
Net surplus/deficit (Before donation)	<u>12,756,790</u>	<u>11,505,682</u>
Retained surplus for the year	<u>8,906,180</u>	<u>8,199,588</u>
Interest on member's deposit	<u>162,832,076</u>	<u>138,115,228</u>

## INTEREST AND DIVIDENDS

The Management Board is pleased to recommend to the delegates for approval a payment based on weighted average deposits of 10.2% (2012:10%) in interest, dividend of 11% (2012: 10%) on the paid up share capital and 8.5% (2012:7%) interest on members withdrawable investment savings.

## THE BOARD OF DIRECTORS

The members of the Management Board who served during the year and the date of this report is as listed on page 1.

## AUDITORS

Crowe Horwarth EA, Certified Public Accountants(k) who were appointed during the year have expressed their willingness to continue in the office in accordance with section 159(2) of the Companies Act (Cap 486) and under the term of section 25(4) of the co-operative societies(Amendment) Act No.2of 2004

## BY ORDER OF THE BOARD



**ROBERT FRANK**  
**NATIONAL HON SECRETARY**  
**DATE:5/03/14**

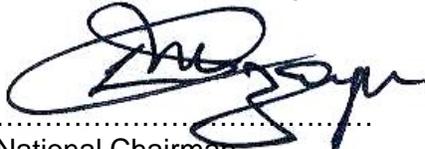
## STATEMENT OF THE BOARD OF DIRECTORS RESPONSIBILITIES

The Cooperatives Society Act, Cap 490, requires the management committee to prepare financial statements for each financial year, which gives a true and fair view of the state of affairs of the society as at the end of the financial year and of its operating results for that year in accordance with the International Financial Reporting Standards. It also requires the management committee to ensure that the society keeps proper accounting records, which disclose, with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company and ensuring that the business of the society has been conducted in accordance with its objectives, by-laws and any other resolutions made at society's general meeting.

The management committee accepts responsibility for the annual financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates in conformity with International Financial Reporting Standards and in the manner required by the Co-operatives Societies Act, Cap 490. The management committee is of the opinion that the financial statements give a true and fair view of the state of 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 management committee 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 Management Board on 05/03/2014 and signed on its behalf by:



.....  
National Chairman



.....  
National Treasurer



.....  
Member

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF  
USHURU CO-OPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2013

**Report on the financial statements**

We have audited the accompanying financial statements of Ushuru Co-operative Savings and Credit Society Limited, set out on pages 21 to 42, which comprises the statement of financial position as at 31 December 2013 and statement of comprehensive income, changes in equity, and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

**Management committee's responsibilities for the financial statements**

The management committee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Co-operatives Societies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Kenyan Co-operative Societies Act also requires the management committee to ensure that the society maintains proper books of accounts which are in agreement with the Statement of Financial Position and Statement of Comprehensive Income.

**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 on whether the financial statements are free of 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the society's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management committee, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the society as at 31 December 2013 and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Co-operative Societies Act.

## Report on other legal requirements

As required by the Kenyan Co-operative Societies Act we report to you that the financial statements are in agreement with the books of account kept by the Society and that, based on our audit, nothing has come to our attention that cause us to believe that the Society's business has not been conducted;

- i. In accordance with the provisions of the Co-operative Societies Act;
- ii. In accordance with the Co-operative Society's objectives, 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 Victor Majani – P/NO 1546.

*Crowe Horwath EA*

Crowe Horwath EA,  
Certified Public Accountants (Kenya)  
Nairobi

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2013**

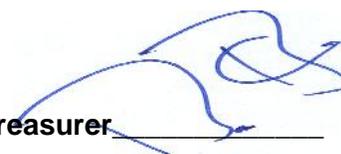
<b>REVENUE</b>	<b>Notes</b>	<b>KSHS</b>	<b>KSHS</b>
Interest on loans and advances	<b>3</b>	193,725,582	166,213,704
Other interest income	<b>4</b>	<u>7,840,891</u>	<u>3,043,799</u>
Total interest income		201,566,473	169,257,503
Interest rebates on members deposits	<b>5</b>	<u>(162,832,076)</u>	<u>(138,115,228)</u>
<b>Net interest income</b>		<b>38,734,397</b>	<b>31,142,275</b>
Other operating income	<b>6</b>	<u>26,671,845</u>	<u>27,784,903</u>
Total income		<b><u>65,406,242</u></b>	<b><u>58,927,178</u></b>
<b>OVERHEADS</b>			
Governance expenses	<b>7</b>	19,123,677	16,521,101
Personnel expenses	<b>8</b>	18,135,251	14,371,286
Administration Expenses	<b>9</b>	8,701,705	10,844,687
Professional expenses	<b>10</b>	1,030,869	979,014
Other Expenses	<b>11</b>	3,045,967	533,610
Financial expenses	<b>12</b>	346,179	<u>331,226</u>
<b>Total Overheads</b>		<b>50,383,648</b>	<b>43,580,924</b>
<b>Net operating surplus before tax</b>		<b>15,022,594</b>	<b>12,439,928</b>
Income tax expense	<b>13</b>	<u>(2,265,804)</u>	<u>(934,246)</u>
Net Surplus for the year		<b>12,756,790</b>	<b>11,505,682</b>
Transfer to Statutory Reserve (20%)		<u>(2,551,358)</u>	<u>(2,301,136)</u>
<b>Surplus for the year Available for Distribution</b>		<b><u>10,205,432</u></b>	<b><u>9,204,546</u></b>

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

<b>STATEMENT OF FINANCIAL POSITION</b>		<b>2013</b>	<b>2012</b>
	<b>Notes</b>	<b>Kshs</b>	<b>Kshs</b>
Cash and Equivalent	14	185,317,789	100,425,043
Term Deposit	15	112,028,853	1,324,241
Unquoted Investments	16	6,497,100	3,997,100
Loans to members	17	1,632,784,028	1,526,762,808
Inter-activity receivables	18	-	32,909,885
Receivables and prepayments	19	19,361,727	22,495,220
Property ,Plant and Equipment	20	37,274,083	37,937,934
Other Intangible Assets	21	296,148	35,390
<b>TOTAL ASSETS</b>		<b><u>1,993,559,728</u></b>	<b><u>1,725,887,621</u></b>
<b>CURRENT LIABILITIES</b>			
Members Deposits	22	1,659,169,217	1,446,103,014
Members Investment Savings	23	73,660,561	61,274,791
Payables and Accruals	24	6,506,443	5,281,375
Interest on members deposit	25	162,832,076	138,115,228
Current income tax	13	1,495,050	287,761
Inter-Activity Payables	18	1,317,521	-
Proposed Dividend		1,299,252	1,004,958
Proposed Committee Honoraria		1,795,000	1,450,000
Proposed staff merit award		635,298	535,432
<b>TOTAL LIABILITIES</b>		<b><u>1,908,710,418</u></b>	<b><u>1,654,052,559</u></b>
<b>EQUITY</b>			
Share capital	26	11,811,386	10,254,676
Reserves	27	73,037,924	61,580,386
<b>TOTAL EQUITY</b>		<b><u>84,849,310</u></b>	<b><u>71,835,062</u></b>
<b>NET LIABILITIES AND EQUITY</b>		<b><u>1,993,559,728</u></b>	<b><u>1,725,887,621</u></b>

The financial statements were approved by the Management Board on 5/03/2014 and signed on its behalf by;

Chairman 

Treasurer 

Member 

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<b>Retained Surplus</b>	<b>Statutory Reserve</b>	<b>Share Capital</b>	<b>Capital Reserve</b>	<b>Revaluation Reserve</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>YEAR ENDED 31.12.2013</b>						
<b>As At the Start Of The Year</b>	<b>36,133,705</b>	<b>17,421,085</b>	<b>10,254,676</b>	<b>599,866</b>	<b>7,425,730</b>	<b>71,835,062</b>
Surplus (Loss) for The Year	12,629,369	-	-	-	-	12,629,369
Transfer to The Statutory Reserve	(2,551,358)	2,551,358	-	-	-	-
Years contributed	-	-	1,556,710	-	-	1,556,710
Dividends	(1,299,252)	-	-	-	-	(1,299,252)
<b>As at end of Year</b>	<b><u>45,039,885</u></b>	<b><u>19,972,443</u></b>	<b><u>11,811,386</u></b>	<b><u>599,866</u></b>	<b><u>7,425,730</u></b>	<b><u>84,849,310</u></b>
<b>YEAR END 31.12.2012</b>						
<b>As At The Start of The Year</b>	<b>27,849,572</b>	<b>15,119,949</b>	<b>8,997,398</b>	<b>599,866</b>	<b>7,510,275</b>	<b>60,077,060</b>
Surplus(loss) The Year	11,505,682	-	-	-	-	11,505,682
Transfer to Statutory Reserve	(2,301,136)	2,301,136	-	-	-	-
Years Contribution	-	-	1,257,278	-	-	1,257,278
Dividends	(1,004,958)	-	-	-	-	(1,004,958)
Transfer Of Excess Depreciation	84,545	-	-	-	(84,545)	-
<b>As at end of Year</b>	<b><u>36,133,705</u></b>	<b><u>17,421,085</u></b>	<b><u>10,254,676</u></b>	<b><u>599,866</u></b>	<b><u>7,425,730</u></b>	<b><u>71,835,062</u></b>

STATEMENT OF CASHFLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTE	2013 Kshs	2012 Kshs
<b>Cash Flow From Operating Activities</b>			
Interest receipts		228,058,940	194,136,080
Members interest paid	25	(137,935,850)	(104,053,154)
Staff and other expenditure		<u>(45,068,437)</u>	<u>(39,288,864)</u>
Net Cash flow Before Working Capital		45,054,653	50,794,062
<b>(Increase)/(Decrease) in operating assets</b>			
Net Loans to Members	17	(106,021,220)	(326,766,163)
Trade and other receivables	19	3,133,493	112,621,093
Member's Deposits	22	213,066,203	218,131,603
Investment Members Savings	23	12,385,770	19,638,718
Trade and accrued expenses	18	34,227,406	(34,887,163)
Sundry creditors	24	<u>1,225,068</u>	<u>(1,529,531)</u>
Net Cash flow From Operating before taxes		203,071,373	38,002,619
Tax Paid	13	<u>(1,058,515)</u>	<u>(941,322)</u>
<b>Net Cash from operating activities</b>		<b><u>202,012,858</u></b>	<b><u>37,061,297</u></b>
<b>Cash Flow to Investing Activities</b>			
Purchase Of Unquoted investments	16	(2,500,000)	(870,400)
Purchase Of Property And Equipment Assets	20	(2,037,820)	(3,999,825)
Purchase Of Intangible Assets	21	<u>(444,000)</u>	<u>(348,000)</u>
<b>Net Cash flow used in Investing Activities</b>		<b><u>(4,981,820)</u></b>	<b><u>(5,218,225)</u></b>
<b>Cash flow from Financing Activities</b>			
Honorarium and Staff Bonus Paid		(1,985,432)	(1,841,505)
Dividends Paid		(1,004,958)	(809,766)
Share capital contribution	26	<u>1,556,710</u>	<u>1,257,278</u>
<b>Net Cash flow from Financing Activities</b>		<b><u>(1,433,680)</u></b>	<b><u>(1,393,993)</u></b>
<b>Net Increase /( Decrease ) in Cash And Cash Equivalents</b>		<b>195,597,358</b>	<b>30,449,079</b>
<b>Cash and Cash Equivalents At The Beginning Of Year</b>		<b><u>101,749,284</u></b>	<b><u>71,300,205</u></b>
<b>Cash and Cash Equivalents At End The Year</b>	<b>14</b>	<b><u>297,346,642</u></b>	<b><u>101,749,284</u></b>
<b>Comprising</b>			
Bank & Cash Balances	14	185,317,789	100,425,043
Term Deposits	15	112,028,853	1,324,241
		<b><u>297,346,642</u></b>	<b><u>101,749,284</u></b>

**STATEMENT OF RISK MANAGEMENT FUND- INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

RISK MANAGEMENT FUND		NOTES	2013	2012
			Kshs	Kshs
<b>INCOME</b>				
Members Contribution During Year			10,347,940	8,587,770
Premium On Loans Issued			<u>8,424,713</u>	8,751,653
<b>Total Income</b>			<b><u>18,772,653</u></b>	<b><u>17,339,423</u></b>
<b>OTHER INCOME</b>				
Interest From Treasury Bills/Bonds			1,270,780	665,000
<b>Interest From Bank</b>			4,472,790	3,825,909
<b>Total Other Income</b>			<b><u>5,743,570</u></b>	<b><u>4,490,909</u></b>
<b>TOTAL INCOME</b>	<b>A</b>		<b>24,516,223</b>	<b>21,830,332</b>
<b>CLAIMS</b>				
Loans Written -Off			3,395,781	52,033,647
Members Refund And Loan off-Sets			1,296,342	887,896
Funeral Expenses paid			<u>160,000</u>	<u>240,000</u>
<b>Total Claims</b>			<b><u>4,852,123</u></b>	<b><u>53,161,543</u></b>
<b>EXPENDITURE</b>				
Board Expenses and bank charges			367,605	367,500
Management Fees			<u>2,871,785</u>	<u>2,245,455</u>
<b>Total Expenditure</b>			<b><u>3,239,390</u></b>	<b><u>2,612,955</u></b>
<b>TOTAL OUTGOINGS</b>	<b>B</b>		<b><u>8,091,513</u></b>	<b><u>55,774,498</u></b>
<b>Net Surplus At End Of Year</b>	<b>A-B</b>		<b><u>16,424,710</u></b>	<b><u>(33,944,166)</u></b>
Fund Balance At 1 <sup>st</sup> January			<u>40,923,481</u>	74,867,647
<b>Fund Balance At Year End</b>			<b><u>57,348,191</u></b>	<b><u>40,923,481</u></b>

STATEMENT OF RISK MANAGEMENT FUND  
FOR THE YEAR ENDED 31 DECEMBER 2013

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**RISK MANAGEMENT FUND**

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013**

	NOTES	2013 Kshs	2012 Kshs
<b>ASSETS</b>			
Cash and Cash Equivalent	14	51,902,455	69,078,821
Term Deposits	15	7,000,000	7,000,000
Inter-Activity Receivables	18	<u>1,317,521</u>	<u>-</u>
<b>TOTAL ASSETS</b>		<b><u>60,219,976</u></b>	<b><u>76,078,821</u></b>
<b>LIABILITIES</b>			
Inter-activity payables	18	-	32,909,885
Payable & Accruals	24	<u>2,871,785</u>	<u>2,245,455</u>
<b>TOTAL LIABILITIES</b>		<b><u>2,871,785</u></b>	<b><u>35,155,340</u></b>
<b>EQUITY</b>			
Risk Management Fund Balance		57,348,191	40,923,481
<b>TOTAL EQUITY</b>		<b><u>57,348,191</u></b>	<b><u>40,923,481</u></b>
<b>Total Net Asset</b>		<b><u>60,219,976</u></b>	<b><u>76,078,821</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 Basis of preparation of financial Statements

The financial statements have been prepared on a historical cost basis ,except for the measurement at revelation amounts of certain property and equipments, marketable securities and financial instruments at fair value, impaired assets at their recoverable amounts and actuarially determined liabilities at their present value where applicable.

The accounts have been prepared in accordance with and comply with International Financial Reporting Standards which allows management to use estimates ,assumptions and judgments in the process of applying the Sacco's accounting policies.

#### Statements of compliance

The Financial statements have been prepared in accordance with the Kenya co-operative societies Act, and International financial Reporting Standards (IFRS) and comply in all Material Respects.

#### 1.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

Amendment resulting from improvement to IFRS to the following standards did not have any Impact on the accounting policies, financial position or performance of the Sacco.

##### Improvement to IFRS

Between 2008 and 2010 , the IASB amended to some of its standards, primarily with a view to removing inconsistency and clarifying wordings ,The adoption of the following amendments Where relevant ,resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Sacco.

**IAS 7, Statement of Cash flow:** statement of cash flow states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities. This amendment had no Impact on the financial statement of the Sacco.

**IAS 36, impaired of Assets:** although not necessary in the circumstance of this Sacco, the amendment clarifies that the largest unit permitted for allocating goodwill acquired in business combinations, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Sacco as all its assets were in good working condition.

Other amendments resulting from Improvement to IFRS to the following standards did not have any on the accounting policies, financial position or performance of the Sacco:

IFRS2, Share-based Payments

IAS1, Preparation & Presentation of financial statements

IAS 34, Interim financial Reporting

IAS39, Financial instrument: Recognition & Measurements

IFRIC 19, Extinguishing Financial liabilities with Equity Instruments.

The following amendments were effective for annual periods on or after either 1st July 2010 or 1st January 2011

IFRS 7, Financial Instruments: Disclosure

IAS 1, Presentation of Financial Statements

## **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**The Sacco has or will adopt the following standards on their effective dates.**

### **ISA 24, Related Party disclosures (Amendment)**

Effective date, on or after 1st January 2011, It clarifies and simplifies the definition of a related party and its Identification as to remove any inconsistencies in its application. The Sacco is currently assessing the impact of adopting the amendments.

### **IFRS 9, Financial Instruments: Classification and Measurements**

This standards will be adopted in phases the first being classification and measurement of Sacco's financial assets the Sacco is currently assessing the impact of adopting IFRS 9 however , the impact of the adoption depends on the assets held by the Sacco at the date of adoption and it is not practical to quantify the effect.

### **IFRS 14, Preparation of a Minimum funding requirement**

Effective dates after 1st January 2011 with retrospective application. The amendment corrects an unintended Consequences of IFRIC 14, IAS 19. Without the amendments, entities are not permitted to recognize as an Asset some voluntary prepayments for minimum funding contributions, these amendments provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment has no impact on this financial statement of the Sacco.

### **IAS 40, INVESTMENT PROPERTY**

Effective 1<sup>st</sup> January, 2012.The amendment introduces a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The standard is not applicable in the operations of the Sacco.

### **IFRS 13, FAIR VALUE MEASUREMENT**

EFFECTIVE 1<sup>ST</sup> January 2013 this new standards provides guidance on how to measure fair value of financial And non financial assets and liabilities when fair value measurements is required on permitted by IFRS ,Because of it's effective date , the Sacco is not intending to adopting the amendment on its financial position Or performance.

### **KEY SOURCE OF ESTIMATION UNCERTAINTY**

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

### **Useful life of property, plant and equipments**

The society review 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 impairment.

## **SIGNIFICANT ACCOUNTING POLICIES ( CONT'D)**

### **2. Summary of Significant Accounting Policies**

#### **a) Revenue.**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Sacco and the revenue can be reliably measured. Revenue is recognized at fair value of consideration received or receivable taking into account contractually defined terms of payment (mostly monthly) and recognized net of taxes. The following specific recognition criteria must be met before revenue is recognized:

#### **I) interest from loans to members**

Interest on loan to member is calculated on a reducing balance method at monthly rates ranging between 1% to 5% per month. Interest income is recognized on a time proportion basis by reference to the principal outstanding and the effective interest rates applicable. New members to the society are required to pay an entrance fee. The fee is recognized in the income statement in accordance with ISA 1.

#### **II) Other interest Income**

Other interest income comprises interest receivable from bank deposits and investment in securities. It is recognized when it is probable that the economic benefit will flow to the Society and the amount of income can be measured reliably and accrued in the profit or loss using the effective interest rate method.

#### **iii) Dividends**

Dividends income is recognized when the Sacco's' right to receive the amount is established

#### **iv) Rental Income**

Rental income is accounted for on a straight- line basis over the lease term.

### **B) Property, plant and equipment**

All property, plant and equipments are initially recorded at cost less accumulated depreciation and accumulated impairment in value. Land building class of property, plant and equipments are stated at valued amount by independent valuers increasing in carrying value arising on revaluation are credited to other comprehensive income and accumulated in revaluation reserves in equity.

Each year, the difference between the depreciation based on the revalued carrying amount of the assets and depreciation based on the asset original cost is transferred to retained earnings.

Depreciation is computed on a straight line method to write down the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates in use are:

Land and building	over period of lease
Computer & accessories	33.3%
Intangible Assets	33.3%
Furniture & Equipments	12.5%

## **SIGNIFICANT ACCOUNTING POLICIES. (CONT'D)**

Gains or losses on disposal of property, plant and equipments are determined by reference to their carrying amount and are taken into account in determine operating profit on disposals of a revalued asset, amount in the revaluation reserve relating to that assets is transferred to retained earnings.

### **C) Amortisation**

Computer Software license and preliminary expenses are capitalized on the basis of the cost incurred to acquire them. These cost are amortised over r their estimated useful life of three years.

### **d) Financial instruments**

Financial assets and liabilities are recognized on the balance sheet when Society has become party to the Contractual provision of the instrument.

### **e) Trade Receivables**

Trade receivables are carried at anticipated realized values. The Estimate is made for doubtful receivables based on the review of all outstanding amount at year end.

### **g) Bank Borrowings**

Interest bearing loans and overdrafts are recorded at the proceeds received, net of direct issue cost. Finance charges including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period they arise.

### **H) Trade Payables**

Trade payables are stated at their nominal value.

### **i) Loans and advances**

Loans and advances are carried at amortized cost using the effective interest method.

### **j) Investing in Equities**

Investment in equities are initially recorded at cost and subsequently adjusted to their fair values gains or losses arising from changes in fair value are recognized in the income statement in the period in which they arise.

### **K) Currency**

The financial Statement are presented in Kenya shillings rounded off to the nearest one shilling. Previous years comparatives have also been restated by rounding them off to the nearest shilling.

### **l) Retirement benefits Obligations**

The Society contributed to a mandatory defined contribution Provident fund, the National Social security Fund (NSSF) at varying values for it's employees as legislated from time to time.

## **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **M) Tax**

Current tax is provided on the basis of the result for the year ,as shown in the financial statements, adjusted in accordance with the tax legislation.

### **n) Statutory reserves**

Transfer are made to the statutory reserve fund at a rate of 20% of the net operating Surplus after tax in compliance with the provision of section 47 (1&2) of the co-operative Act Cap 490.

### **o) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand and bank , demand deposits and other short term highly liquid investment that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value net of bank overdrafts

### **p) Risk Management Policies**

The financial risk management objective and policies are outlined below.

#### **Credit risk**

The society 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 credit committee.
2. No member is granted loans exceeding three and a half times the shares held and /or amounts stipulated in the by-laws except the special product of Shujaa loans at the level of five times.
3. All loans advanced are co-guaranteed by members.
4. A Risk Management Fund is operated to cover against deceased members loan balances.
5. Members of the sponsoring employee who change employment are promptly followed-up.

#### **Unearned Interest Income risk**

The society is expose to the risk that unearned interest income may be accrued but not received . Exposure to the 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 the loans is standardizes at between 1% and 5% per month.

#### **Liquidity risk**

The society is exposed to the risk that it may have difficulties in meeting members loans obligations Liquidity risk is addressing through:

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

### **q) Comparatives**

Where necessary, comparative figures have been adjusted to confirm with changes in presentation in the current year.

	<b>2013</b>	<b>2012</b>
<b>3. INTEREST ON LOANS</b>		
Interest on members loans	<u>193,725,582</u>	<u>166,213,704</u>
	<b><u>193,725,582</u></b>	<b><u>166,213,704</u></b>
<b>4. OTHER INTEREST INCOME</b>		
Interest on fixed Deposit account	2,865,912	1,198,151
Interest on Savings Account	3,753,511	1,033,947
Interest on fixed Deposit	-	31,008
Dividends	<u>1,221,468</u>	<u>780,693</u>
	<b><u>7,840,891</u></b>	<b><u>3,043,799</u></b>
<b>5. INTEREST EXPENSE</b>		
Members deposit(note 25)	162,832,076	138,115,228
Bank loans	-	-
	<b><u>162,832,076</u></b>	<b><u>138,115,228</u></b>
<b>6. OTHER INCOME</b>		
Income on Rent	3,789,000	934,160
Loans clearance Commission	19,112,073	18,257,092
Write back of overprovision –int. payable to members	179,378	2,906,326
Bankers Cheque Commission	3,650	4,050
Encashment Commission	201,908	247,704
Entrance fee	204,500	155,500
Miscellaneous Income	<u>3,181,336</u>	<u>5,280,071</u>
	<b><u>26,671,845</u></b>	<b><u>27,784,903</u></b>
<b>EXPENSES</b>		
<b>7. Governance expenses</b>		
Annual ADC meeting	2,500,000	2,400,000
Delegates Education	1,930,003	1,944,000
Education -Member	1,465,579	1,479,308
Education -Board Members	2,723,250	2,652,250
Board Honoraria	1,795,000	1,435,000
Board Sitting Allowances	4,039,500	2,746,000
Board Travel Other expenses	3,447,490	2,763,955
Branch Meeting Expenses	837,842	765,848
Management insurance	135,530	133,272
Ushirika Day Expenses	<u>249,483</u>	<u>201,468</u>
	<b><u>19,123,677</u></b>	<b><u>16,521,101</u></b>

	2013	2012
<b>8. Personnel expenses</b>		
Salaries & Wages	8,956,193	7,141,506
Housing Allowance	3,702,040	2,968,000
Responsibility Allowance	326,000	216,000
Commuter Allowances	1,909,640	1,067,000
NSSF	32,200	31,000
Medical Expenses	796,144	780,834
Staff Bonus	635,298	535,432
Provident Fund	532,561	461,745
Staff Education	1,032,206	961,300
GPA Insurance	49,469	49,469
leave Allowance	<u>163,500</u>	<u>159,000</u>
	<b><u>18,135,251</u></b>	<b><u>14,371,286</u></b>
<b>9. Administration Expenses</b>		
Depreciation	2701671	3,732,275
Amortization	183,242	1,819,799
Travelling Expenses	996,760	846,900
Printing and Stationery	798,092	773,017
Entertainment	297,317	232,991
Telephone ,Air time & Postage	636,072	567,732
Public Relation and Advertisement	1,597,166	1,195,646
Repairs and Maintenance	257,186	289,252
Motor Vehicle Insurance	283,903	283,903
Motor Vehicle Expenses	171,425	228,008
Recruitment commission	13,100	12,100
Computer Expenses	378,683	369,822
Office drinking water	43,348	5,573
Rent & Rates	6,945	186,597
Sundry expenses	<u>336,795</u>	<u>301,072</u>
	<b><u>8,701,705</u></b>	<b><u>10,844,687</u></b>
<b>10 .Professional Expenses</b>		
Audit fees(year 2011)	-	31,216
Audit fee	129,310	129,310
Supervision and filing fee	13,190	15,300
Strategic plan preparation	751,379	634,678
Legal fees	116,300	147,820
Vat Charge non-Recoverable	<u>20,690</u>	<u>20,690</u>
	<b><u>1,030,869</u></b>	<b><u>979,014</u></b>

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## 11. Other Expenses

	2013 Kshs	2012 Kshs
Bad debts written off	299,617	286,530
Provision for bad debts	2,456,482	-
Dividend calculation	20,000	20,000
Advance tax	-	10,080
Social responsibility	99,868	167,000
Subscription and Donations	170,000	50,000
	<b>3,045,967</b>	<b>533,610</b>

## 12. Financial Expenses

Bank Charges	346,179	331,226
	<b>346,179</b>	<b>331,226</b>

## 13. Taxation

Balance Brought forward	287,761	294,837
Add: Tax charge for the year	2,265,804	934,246.00
Less: Tax paid	(287,761)	(294,837)
Less Installment paid	(770,754)	(646,485)
Balance Carried Forward	<b>1,495,050</b>	<b>287,761</b>

## 14. Cash and cash equivalent

### Main Sacco Bank Balance

Nairobi Main Account	103,513,808	80,430,146
Mombasa emergency Account	1,996,395	1,270,596
Kisumu Emergency Account	1,702,538	1,274,254
Eldoret Emergency Account	1,384,868	1,566,647
Reserve Savings Account	74,204,479	12,951,428
	<b>182,802,088</b>	<b>97,493,071</b>

### Main Sacco Petty Cash and floats

Nairobi Petty Cash	-	370
Mombasa Petty Cash	1,686	1,920
Kisumu Petty Cash	87	19,063
Eldoret Petty Cash	1,440	-
Msacco Accounts Paybill	1,950,119	1,105,035
Mpesa deposit account	274,000	1,000,000
Nairobi Cheques clearance float	245,844	670,584
Branch Cash.	42,525	135,000
	<b>2,515,701</b>	<b>2,931,972</b>

## Total cash and Bank Balances

<b>185,317,789</b>	<b>100,425,043</b>
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<b>RMF Savings Account</b>	51,902,455	69,078,821
<b>15. TERM DEPOSIT</b>		
<b>Main Sacco</b>	<b>2013 Kshs</b>	<b>2013 Kshs</b>
CIC money market fund	20,704,612	-
Central bank of kenya	90,000,000	-
Co-operative bank of kenya	1,324,241	1,324,241
	<b>112,028,853</b>	<b>1,324,241</b>
<b>RMF Funds</b>		
Central Bank of Kenya (treasury bills)	7,000,000	7,000,000
<b>16. UNQUOTED INVESTMENTS</b>		
<b>Main Sacco</b>		
Co-op Bank Shares(1,997,000 shares @ Kshs 1/=)	1,997,100	1,997,100
Co-op Insurance Co. Shares (50,000 Shares @20/=)	1,000,000	1,000,000
Shares of Kuscco(35,000 Shares @ Kshs 100/=)	3,500,000	1,000,000
	<b>6,497,100</b>	<b>3,997,100</b>
<b>17. Members Loan</b>		
As 1 <sup>st</sup> January	1,526,762,808	1,199,996,645
Granted during the year	1,071,285,516	1,226,952,108
Net refunds during the year	813,996	4,518,212
Repayment during the year	(966,078,292)	(904,704,157)
<b>At 31<sup>st</sup> December</b>	<b>1,632,784,028</b>	<b>1,526,762,808</b>
Due within the year	26,301,670	31,301,264
Due after one year	1,606,482,358	1,495,461,544
	<b>1,632,784,028</b>	<b>1,526,762,808</b>
<b>18. Interactivity receivables/payables</b>		
<b>As 1<sup>st</sup> January</b>	32,909,885	(1,977,278)
Years Members contribution	-	(4,305,360)
Payout during the year	(34,227,406)	-
Recoveries from RMF fund for loan written off	-	49,192,523
<b>At 31<sup>st</sup> December</b>	<b>(1,317,521)</b>	<b>32,909,885</b>

## 19. RECEIVABLE AND PRE-PAYMENT

Trade receivables	7,967,793	6,033,335
M-Sacco Deposit	40,360	-
Staff Advances	69,397	60,800
Kisaju, Nkoroi & Rongai Plots	8,057,422	11,699,148
Hornibill Ltd (Ushuru Restaurant)	2,456,482	2,456,482
Debtors-Investmentco-op society	354,970	-
Debtors RMF	<u>2,871,785</u>	<u>2,245,455</u>
	21,818,209	22,495,220
Provision for bad debts-Ushuru Restaurant	<u>(2,456,482)</u>	<u>-</u>
	<b><u>19,361,727</u></b>	<b><u>22,495,220</u></b>

## 20. PROPERTY, PLANT AND EQUIPMENTS

	Lease hold Land Kshs Rate 1.15%	Building 1.03%	Motor Vehicle 25.0%	Computer Accessories Kshs 33.3%	Office Equip, Furn & Fittings Kshs 12.5%	Totals Kshs
<b>COST</b>						
As At 1.1.2013	3,500,000	29,400,002	5,127,385	4,504,614	4,858,584	47,390,585
<b>Additions</b>	-	-	-	425,440	1,612,380	2,037,820
Revaluation Gain	-	-	-	-	-	-
AS At 31.12.2013	<b><u>3,500,000</u></b>	<b><u>29,400,002</u></b>	<b><u>5,127,385</u></b>	<b><u>4,930,054</u></b>	<b><u>6,470,964</u></b>	<b><u>49,428,406</u></b>
<b>DEPRECIATION</b>						
As At 1.1.2013	80,500	601,520	2,563,692	4,378,491	1,828,449	9,452,652
<b>Charge for the year</b>	<u>40,250</u>	<u>302,820</u>	<u>1,281,846</u>	<u>267,885</u>	<u>808,870</u>	<u>2,701,671</u>
As At 31.12.2013	<b><u>120,750</u></b>	<b><u>904,340</u></b>	<b><u>3,845,538</u></b>	<b><u>4,646,376</u></b>	<b><u>2,637,319</u></b>	<b><u>12,154,323</u></b>
<b>CARRYING AMOUNT</b>						
As at 31.12.2013	<b><u>3,379,250</u></b>	<b><u>28,495,663</u></b>	<b><u>1,281,847</u></b>	<b><u>283,678</u></b>	<b><u>3,833,645</u></b>	<b><u>37,274,083</u></b>
As At 31.12.2012	<b><u>3,419,500</u></b>	<b><u>28,798,483</u></b>	<b><u>2,563,693</u></b>	<b><u>126,123</u></b>	<b><u>3,030,135</u></b>	<b><u>37,937,934</u></b>

## 21. INTANGIBLE ASSETS.

	<b>Computers Software</b>	
Rate	<b>33.3%</b>	
<b>COST</b>	<b>KSHS</b>	
As At 1.1.2013	5,348,166	
<b>Additions</b>	<u><b>444,000</b></u>	
<b>As At 31.12.2013</b>	<u><b>5,792,166</b></u>	
 Amortization		
As At 1.1.2013	5,312,776	
Charges for the year	<u>183,242</u>	
<b>As At 31.12.2013</b>	<u><b>5,496,018</b></u>	
 <b>NET BOOK VALUE</b>		
As At 31.12.2013	<u>296,148</u>	
<b>As At 31.12.2012</b>	<u><b>35,390</b></u>	
 <b>22. MEMBERS' DEPOSIT</b>	<b>2013</b>	<b>2012</b>
	<b>Kshs</b>	<b>Kshs</b>
 As at 1 <sup>st</sup> January	1,446,103,014	1,227,971,411
Deposit during the year	255,542,926	252,388,819
Withdraw/ Refund during the year	(42,476,723)	(34,257,216)
<b>At 31 December</b>	<u><b>1,659,169,217</b></u>	<u><b>1,446,103,014</b></u>
 <b>23. MEMBERS INVESTMENT SAVINGS</b>		
At 1 <sup>st</sup> January	61,274,791	41,636,073
Deposits during year	78,671,005	60,626,962
Withdrawals/ refunds during the year	(66,285,235)	(40,988,244)
<b>At 31 December</b>	<u><b>73,660,561</b></u>	<u><b>61,274,791</b></u>

	2013 Kshs	2012 Kshs
<b>24. PAYABLE AND ACCRUALS</b>		
<b>MAIN SACCO</b>		
Audit Fees	129,310	129,310
VAT	20,690	20,690
Supervision and filing fees	13,190	15,300
Clear path development	-	432,014
Mpesa deposits	212,198	157,200
Rent deposits	825,000	825,000
Accrued board sitting allowance	-	32,000
Telephone Charge Accrued	9,148	5,520
G4S postage	19,292	11,736
Unclaimed Deposits	5,277,615	3,652,605
	<b>6,506,443</b>	<b>5,281,375</b>
<b>RMF</b>		
Management fee	2,871,785	2,245,455
	<b>2,871,785</b>	<b>2,245,455</b>

In the opinion of the Board of Directors, the carrying amount of the payables approximate their fair values

<b>25. INTEREST PAYABLE</b>		
At 1 <sup>st</sup> January	138,115,228	106,959,480
Less: Paid During the Year	(137,935,850)	(104,053,154)
Write back of overprovision of interest payable	(179,378)	(2,906,326)
Add interest rebates on Members Deposit	157,242,074	133,675,388
proposed Interest on special Savings	5,590,002	4,439,840
<b>At 31 December</b>	<b>162,832,076</b>	<b>138,115,228</b>

## 26. SHARE CAPITAL

### Authorized

An unlimited number of shares of Ksh.20 /= each issued fully and partly paid

	Kshs	kshs
At 1 <sup>st</sup> January (...shares @ 20/=)	10,254,676	8,997,398
Contribution for the year...shares@20/=	<u>1,556,710</u>	<u>1,257,278</u>
At 31 December	<u><b>11,811,386</b></u>	<u><b>10,254,676</b></u>

## 27. RESERVES

Statutory Reserves (note 28)

Capital reserves (note 29)

Revaluation reserves

Retained Surplus

19,972,443	17,421,085
599,866	599,866
7,425,730	7,425,730
<u>45,039,885</u>	<u>36,133,705</u>
<u><b>73,037,924</b></u>	<u><b>61,580,386</b></u>

## 28. STATUTORY RESERVES FUND

At 1<sup>st</sup> January

Addition for the year

At 31 December

17,421,085	15,119,949
<u>2,551,358</u>	<u>2,301,136</u>
<u><b>19,946,958</b></u>	<u><b>17,421,085</b></u>

## 29. CAPITAL RESERVE

At 1<sup>st</sup> January

At 31 December

<u>599,866</u>	<u>599,866</u>
<u><b>599,866</b></u>	<u><b>599,866</b></u>

## 30. Financial Risk Management

The Society's activities expose it to liquidity risk, credit risk and market risk. Risk management is carried out by the management Board. The Board identifies, evaluates and manages financial risks. The Board is guided by the Society's By Laws in managing these risks.

### Market risk

#### Interest rate risk

Interest rates on member s loans are fixed at the rate of between 1% to 5% per month on reducing method and do not vary based on market trends. Interest rates payable on member s deposits are determined by the management Board based on the results of the operations for the year.

#### Liquidity risk

The society is exposed to the risk that it will encounter difficulty in raising funds to meet commitments associated with disbursement of loans to members. Liquidity risk is addressed through the fact that the society lend subject to availability of funds.

The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	Up to 1 month Kshs	1-3 months Kshs	3-12 months Kshs	1-5 years Kshs	Total Kshs
<b>31 December 2013</b>					
<b>Assets</b>					
Members' loans	-	4,735,074	32,655,681	1,595,393,273	1,632,784,028
Unquoted Investment	-	-	-	6,497,100	6,497,100
Receivables	10,839,578	10,978,631	-	-	21,818,209
Bank balances	<u>5,083,801</u>	<u>215,602,661</u>	-	<u>74,204,479</u>	<u>294,890,941</u>
<b>Total assets</b>	<b><u>15,923,379</u></b>	<b><u>231,316,366</u></b>	<b><u>32,655,681</u></b>	<b><u>1,676,094,852</u></b>	<b><u>1,955,990,278</u></b>
<b>Liabilities</b>					
Members deposits	-	-	-	1,659,169,217	1,659,169,217
Payables	-	6,506,443	-	-	6,506,443
Interest payable to members	-	<u>162,832,076</u>	-	-	<u>162,832,076</u>
<b>Total liabilities</b>	-	<b><u>169,338,519</u></b>	-	<b><u>1,659,169,217</u></b>	<b><u>1,828,507,736</u></b>
<b>Net liquidity gap</b>	<b><u>15,923,379</u></b>	<b><u>61,977,847</u></b>	<b><u>32,655,681</u></b>	<b><u>16,925,635</u></b>	<b><u>127,482,542</u></b>

	Up to 1 month Kshs	1-3 months Kshs	3-12 months Kshs	1-5 years Kshs	Total Kshs
<b>31 December 2012</b>					
<b>Assets</b>					
Members' loans	-	4,509,376	26,791,888	1,495,461,544	1,526,762,808
Unquoted Investment	-	-	-	3,997,100	3,997,100
Receivables	6,094,135	16,401,085	-	-	22,495,220
Bank balances	<u>4,111,497</u>	<u>80,430,146</u>	-	<u>12,951,428</u>	<u>97,493,071</u>
<b>Total assets</b>	<b><u>10,205,632</u></b>	<b><u>101,340,607</u></b>	<b><u>26,279,888</u></b>	<b><u>1,512,410,072</u></b>	<b><u>1,646,751,099</u></b>
<b>Liabilities</b>					
Members deposits	-	-	-	1,446,103,014	1,446,103,014
Payables	-	8,271,765	-	-	8,271,765
Interest payable to members	-	141,021,554	-	-	141,021,554
<b>Total liabilities</b>	-	<b><u>149,293,319</u></b>	-	<b><u>1,446,103,014</u></b>	<b><u>1,595,396,333</u></b>
<b>Net liquidity gap</b>	<b><u>10,205,632</u></b>	<b><u>(47,952,712)</u></b>	<b><u>26,791,888</u></b>	<b><u>66,307,058</u></b>	<b><u>51,354,766</u></b>

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## Credit risk

The society takes on the exposure to credit risk, which is the risk that a member will be unable to pay amounts due from him/her in full when due. The society structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to the members.

This is achieved through:

- Setting the maximum loan that a member can borrow which is currently capped at 3 times the member's maximum deposits;
- All loan being guaranteed by at least four other society's members plus member deposits which act collateral.
- The society operates a Risk Management Fund to cover exposure which may arise from Death, Permanent Incapacitation and or any other cause which may be satisfactory to the management board.

The amount that best represents the society's maximum exposure to credit risk is made up as follows:

	<b>Total Amount Kshs</b>	<b>Fully Performing Kshs</b>	<b>Past Due kshs</b>	<b>Impaired</b>
<b>31 December 2013</b>				
<b>Assets</b>				
Members' loans	1,632,784,028	1,620,679,517	12,104,511	-
Receivables	21,818,209	19,361,727	-	-
Bank balances	182,802,088	182,802,088	-	-
	<b><u>1,837,404,325</u></b>	<b><u>1,834,947,843</u></b>	<b><u>12,104,511</u></b>	
<b>31 December 2012</b>				
<b>Assets</b>				
Members' loans	1,526,762,808	1,519,902,626	6,860,182	-
Receivables	68,950,708	19,746,085	-	-
Bank balances	97,493,071	97,493,071	-	-
	<b><u>1,693,206,587</u></b>	<b><u>1,644,001,964</u></b>	<b><u>6,860,182</u></b>	

Bank balances are fully performing. The member's loans under the fully performing category are paying their loans as they fall due. The default rate is low. The incremental past due loans are delinquent loans arising from unpaid loans after due dates. This is as a result of stringent rules applied by employers in maintaining the a third rule on basic salary in the year 2013. These loans have adequate security in case they become impaired. The society has members' deposits of KSH. 1,659,169,217 (2012: KSH. 1,446,103,014) which can be enforced in the event of a member's default.

**31. Capital management**

The society does not borrow as it has adequate members' deposits to fund its activities. Share capital consists of a nominal amount paid by members of the society.

**32. Incorporation**

The society is incorporated in Kenya under the Co-operative Society Act.

**33. Currency**

These financial statements are presented in Kenya Shillings (Kshs).



