

# **ANNUAL REPORT & FINANCIAL STATEMENTS 2020**



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## VISION

The personal financial solutions provider of choice

## MISSION

To empower members economically by providing quality financial services through prudent mobilization of resources and excellent customer care.

## CORE VALUES

In all our services to members and customers, we shall be bound by the following values.

- Professionalism
  - Respect
  - Equality
- Commitment
- Transparency & Accountability
  - Integrity
- Customer Focus
  - Equity

## MOTTO

Your partner to prosperity

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FOSA LAUNCH



ISO CERTIFICATION



NEW OFFICES



PS, BOARD &amp; MANAGEMENT

## CORPORATE INFORMATION FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

<b>BOARD OF DIRECTORS:</b>	Philip Isaac Oyuko	Chairman
	Peter Mutugi Kirimi	Vice Chairman
	Evaline Akinyi Ochieng	Hon. Secretary
	CPA Jotham Opiyo Opiyo	Treasurer
	Isaac Ochieng Odul	Member
	CPA June Nduku Kivinda	Member
	Agunga Chris Duncan	Member
	Phillip Mutisya Nzioka	Member
	Ronald Mujete Mugeru	Member
	Janerose Karimi Mwangi	(Retired February 2020)

### SUPERVISORY COMMITTEE MEMBERS:

Amos Atuya Nyakundi	Chairman
Margaret Wanjiru Wanjiku	Secretary
Frank Odhiambo Ottieno	Member
Collins Joel Bonyo	(Retired February 2020)

### THE CHIEF EXECUTIVE OFFICER

Lwanga Mbeche Caroly  
P.O Box 10454-00100 Nairobi, Kenya  
Email: ceo@kimisitusacco.or.ke

### REGISTERED OFFICE

AEA PLAZA VALLEY ROAD  
P.O Box 10454-00100 Nairobi, Kenya  
Telephone: +254 709136000  
Nairobi, Kenya  
Email: customercare@kimisitusacco.or.ke

### PRINCIPAL BANKERS

NCBA Bank Kenya Limited	Kenya Commercial Bank Limited
Mamlaka Road Branch	Hurlingham Branch
P.O Box 30437-00100	P.O. BOX 48400-00100
Nairobi, Kenya	Nairobi, Kenya
Co-operative Bank of Kenya Limited	
Nairobi Business Centre Branch	
P.O Box 46773-00100	
Nairobi, Kenya	

### INDEPENDENT AUDITOR

Ronald LLP  
Certified Public Accountants,  
Rhapta Heights 3rd Floor, Rhapta Road, Westlands  
P.O. BOX 41331-0100  
Nairobi, Kenya



## BOARD OF DIRECTORS



Phillip Oyuko  
Chairperson



Peter Kirimi  
Vice Chair & Chair BDE  
Committee



Evaline Ochieng  
Hon. Secretary



Jotham Opiyo Opiyo  
Treasurer and Chair  
FINAD Committee



Isaac Ochieng Odul  
Chair Credit Committee &  
Member BDE Committee



Philip Nzioki  
Member Credit Committee  
& ARM Committee



Ronald Mugeru  
Chair ICT Committee &  
Member Credit  
Committee



Agunga Chris Duncan  
Chair ARM Committee &  
Member BDE Committee



June Kivinda  
ARM Committee Secretary

## SUPERVISORY COMMITTEE



Amos Atuya  
Chair  
Supervisory Committee



Margaret Wanjiru Wanjiku  
Secretary  
Supervisory Committee



Frank Odhiambo  
Member  
Supervisory Committee

## MANAGEMENT STAFF



Lwanga Mbeche  
CEO



Catherine Odhiambo  
Credit Manager



Purity Ntoiti  
Finance Manager



Jonathan Mtange  
Marketing Manager



Geoffrey Makokha  
Internal Audit Manager



Hezron Chacha  
Ag. ICT Manager



Tobias Achieng'a Opany  
Snr. Procurement Officer

## NOTICE OF THE 36<sup>TH</sup> ANNUAL GENERAL MEETING TO ALL MEMBERS OF KIMISITU SACCO SOCIETY LIMITED

Notice is hereby given of the 36th Kimisitu Sacco Society's Annual General Meeting for the year ended 31st December 2020 that will be held on Saturday 27th February 2021 Online (link will be shared) starting at 9.00am -11.00am.

### AGENDA

1. Notice of the 36th Annual General Meeting & Adoption of Agenda
2. Confirmation of Minutes of the 35th Annual General Meeting held on February 29th 2020
3. Chairman's Report
4. Supervisory Committee Report
5. Presentation of the 2020 Audited Financial statements here called Statement for Profit or Loss and other Comprehensive Income & Statement of Financial Position attached. Detailed statements are available on the web portal.
6. Presentation of Year 2022 Budget & Amendments to Year 2021 Budget
7. Disposal of Surplus
8. Appointment of 2021 Auditors
9. Amendment of the Sacco Bylaws
10. AGM Resolutions (itemized Resolutions available on the web portal)
11. Elections
12. Any Other Business (for which 15 days' notice has been given)

### IMPORTANT NOTE:

AGM reports and Financial Statements for the year ended 31st December 2020 are available on the web portal on <https://portal.kimisitusacco.or.ke>

### BY ORDER OF THE BOARD



**EVALINE OCHIENG**

**HON. SECRETARY**

**DATE: FEBRUARY 12th, 2021**



## KIMISITU SACCO AGM PROGRAMME - SATURDAY 27TH FEBRUARY 2021

- 
- 9.00 AM - Opening Prayers
- 
- 9.05 AM - Introduction of Board, Supervisory Committee and Secretariat Members
- 
- 9.10 AM - Reading of the Notice of the 36th AGM & adoption of agenda
- 
- 9.15 AM - Confirmation of previous minutes & Update on Matters Arising
- 
- 9.20 AM - Chairperson's Report
- 
- 9.30 AM - Guest of Honour's Speech
- 
- 9.40 AM - Supervisory Committee Report
- 
- 9.50 AM - Presentation of Audited Accounts as at 31st Dec 2020 & Auditors Report
- 
- 10.05 AM - Budget Proposal 2022 & Amendments to Year 2021 Budget
- 
- 10.20 AM - Appointment of 2021 Auditors
- 
- 10.25 AM - Disposal of Surplus
- 
- 10.30 AM - Amendment of Bylaws
- 
- 10.40 AM - Formation of Kimisitu Foundation
- 
- 10.45 AM - AGM Resolutions
- 
- 10.55 AM - Elections
- 
- 11.10 AM - Vote of thanks
- 
- 11.15 AM - Closing Prayer
-



# MINUTES OF THE 35<sup>TH</sup> ANNUAL GENERAL MEETING OF KIMISITU SACCO LIMITED HELD ON SATURDAY 29 FEBRUARY 2020 AT ALL SAINTS CATHEDRAL PLENARY HALL NAIROBI

## ATTENDANCE

### PRESENT:

#### Board of Directors

1. Philip Oyuko	Chairperson
2. Peter Kirimi	Vice Chairperson
3. Jotham Opiyo	Treasurer
4. Evaline Ochieng	Hon. Secretary
5. Janerose Mwangi	BDE Committee
6. Agunga Chris Duncan	ARM Committee
7. June Kivinda	Credit Committee
8. Isaac Ochieng	Credit Committee
9. Phillip Nzioki	Credit Committee

#### Supervisory Committee

1. Collins Bonyo	Chairman
2. Amos Nyakundi Atuya	Secretary
3. Margaret Wanjiru	Member

#### Members Present

The meeting was attended by 2556 members.

## IN ATTENDANCE

#### Nomination Committee

1. Lucy Kimani	Chairperson, Nomination Committee
2. CPA Nebert Avutswa	Secretary, Nomination Committee ICPAK
3. CS Emily Selebwa	Representative ICPSK

#### Auditors:

Patrick Ndegwa	External Auditors
Edward Gachuma	External Auditors

#### Guests:

1. Mr. Ali Noor Ismail	PS, State Department for Cooperatives
2. Jairus Musomba	Chief Officer Commissioner of Co-operatives
3. Dolphine Arema	Director of Cooperatives
4. Lucy Kimani	Cooperative officer – Sub County
5. Njoroge Mwangi	County Officer
6. Catherine Wambua	County Officer
7. Aisha Wangari	County Officer
8. Jacinta Bosire	CIC
9. Sylvia Kimani	CIC
10. Mercy Musyoka	Britam

## Preamble

The meeting was called to order by the Hon. Secretary at 8.48 am and started with a word of prayer from John Kidake Bulima (CAPI) M/No.002471.

## MIN.1/AGM/2020: READING OF THE NOTICE AND ADOPTION OF THE AGENDA

The Honorary Secretary Evaline Ochieng read the notice convening the 35<sup>th</sup> Annual General Meeting.

The following agenda was adopted:

### AGENDA

1. Notice of the 35<sup>th</sup> Annual General Meeting & Adoption of Agenda
2. Confirmation of Minutes of the 34<sup>th</sup> Annual General Meeting & Special General meeting held on March 2<sup>nd</sup> 2019 (Copy Attached)
3. Chairman's Report
4. Supervisory Committee Report
5. Presentation of the 2019 Audited Financial statements here called Statement for Profit or Loss and other Comprehensive Income & Statement of Financial Position (Attached with detailed statements made available on the web portal)
6. Presentation of Year 2021 Budget & Amendments to Year 2020 Budget
7. Disposal of Surplus
8. Appointment of 2020 Auditors
9. AGM Resolutions (itemized Resolutions available on the web portal)
10. Elections
11. Any Other Business (AOBs should be mailed to the [ceo@kimisitusacco.or.ke](mailto:ceo@kimisitusacco.or.ke) not later than Friday 21<sup>st</sup> February 2020 for them to be discussed at the AGM.

Please note that the AGM notice and other necessary documents can be accessed from the Kimisitu Sacco Web Portal ([www.https://portal@kimisitusacco.or.ke](https://portal@kimisitusacco.or.ke))

### BY ORDER OF THE BOARD

The notice was emailed to members on Friday 14<sup>th</sup> February 2020.

The notice & agenda was Proposed by Nelson Mukuria (M/No.005121) and seconded by Stella Muasya (M/No.000359).

The Chairperson welcomed and introduced the board of directors, invited guests, former founder members and former directors.

The CEO introduced the management team of the Sacco.

## MIN 2/AGM/2020: CONFIRMATION OF PREVIOUS AGM &SGM MINUTES & UPDATE ON MATTERS ARISING FROM THE AGM & SGM MEETING ON 2ND March 2019

The minutes of the previous meeting held on 2<sup>nd</sup> March 2019 were proposed by Jackline Kamene Musyoka (M/No.013717) (M/No.001266) and seconded by Sally Anne Muhoro (M/NO.000334).

The Chairperson invited Ministry Officials led by Director for Cooperatives Ms. Dolphine Aremo.

who invited the Chief Officer – Mr. Jairus Musomba to invite the PS – Mr. Ali Noor Ismail – the Chief Guest in making their remarks to the members.

### Remarks from the PS Speech

The PS confirmed to the members that under the New Cooperative Act any Sacco holding over Ksh.100,000,000 should be regulated by SASRA in the regulations. This is to ensure that the members funds are safe

### The PS in his speech made the following pronouncements to the meeting.

- The ministry is in the process of establishing a central liquidity fund which will help facilitate inter Sacco borrowing at affordable rates.
- The establishment of a Deposit guarantee fund is on progress that will allow members to get back their funds in case of Sacco going down.
- The upcoming shared services platform technology in the form of ICT technology will allow Saccos enjoy shared services through the support of Ministry and ICT as in the case in other countries including Gambia, Malawi, Ghana.

**Dividend on Share Capital and interest** – The PS advised members to realize that as much as they desired high interest and returns from their deposits it is important to consider ploughing back into the Sacco reserves to boost a strong foundation and increase the institutional capital requirements by the regulator – SASRA.

**Youth** – The PS noted that Kimisitu Sacco membership is composed of young members and

encouraged the Sacco to invest in innovative, creative and technological based mobile banking options for young members. He encouraged the recruitment of youth to the Sacco to invest and save their earnings with an aim of investing in viable business ventures.

## MIN 3 /AGM/2020: REPORT FROM THE CHAIRPERSON

### Chairperson's Report

The Chairperson's report was presented by Philip Isaac Oyuko.

It was proposed by Bonface Munenge (M/No.011980) and seconded by Martha Kitutu (M/No.011861).

The following matters were raised on the Chairperson's report:

**Member Comment:** Gabriel Chacha Mugaya (M/No.002600) – Liquidity of Ksh.1.2 billion indicated under Cash & cash equivalents means that money is not being invested and thus lying idle in the banks. Can it be invested in ventures that can earn returns for the Sacco?

**Response:** Members must embrace and increase loan uptake for all Sacco products to help the Sacco earn returns on interest charged otherwise high liquidity means that the Sacco has got more cash in its reserves whereas this money should be going to finance loans to members. The money is invested in the market which gives a return of 7% while this money should be taken by members as loans

**Member Comment:** Emma Njeri Kariuki (M/No.013299) -What kind of communication platform do we have for members in diaspora?

**Response:** Communication is sent to all members including all AGM documents on the website/member portal and monthly member statements. The Sacco has acquired a CRM system to improve on answering all member inquiries on email and calls and loan processing as well as live streaming for the AGM/twitter/Facebook and social media platforms.

**Member Comment:** Boaz Waruku (M/No.002424) – Commended the team for good work. However he was concerned on the members who are defaulting due job losses how can the Sacco assist them with the aim to continue paying their loans by coming up with loan facility or products that can help them access facilities which is within our mandate

**Response:** the board is taking this into consideration, and we hope to get insurance companies that we can partner with to provide this service to protect members who have lost employment

**Member Comment:** Alfred Ochieng (M/No.002367) – Guarantorship – when a member defaults a loan facility and the deposits are offset from the guarantor, then the defaulter starts repaying the loan where are these funds credited to?

If a member borrows a loan and delays in sending remittances do we call these defaulters?

**Response** Guarantors – When a defaulter pays back a loan the Sacco refunds back the money that was recovered from the guarantors. When there is delay in remittances you will be in arrears for the month that your payments were not received but not the defaulter.

Data Center is now centralized – how do we ensure continuity- is it onsite or does the Sacco have offsite to ensure back up?

New strategy – proper review of the current strategy to see achievements, lessons learnt and way forward

**Response:** The previous strategy was reviewed by board and staff and they identified the achievements, weakness, lesson learnt and way forward. The reason why we have a budget for strategy is because it must be continuously monitored

Data Protection Bill- Is the Sacco aware of the data protection law which was currently passed in terms of sharing information with debt collectors vis a vis protection member information

Growth of Loan book – Sacco achieved 11% out of a target of 30% thus a deficit of 19%- What are the measures the Sacco is taking to promote loan growth?

**Member Comment:** Florence Oile (M/No.000325) Undetermined remittances is very alarming for the Sacco because most members do not indicate the narration well while depositing money in the Sacco account therefore very difficult because we cannot identify the money deposited in the banks.

**Member Comment:** ADM system should be embraced by the members at the moment since the Sacco should work towards implementation of the same

**Response:** ADM system – the board should educate members on the pros and cons and implementation of the delegate system.

## MIN.4/AGM/2020: SUPERVISORY COMMITTEE REPORT

The supervisory Committee report was presented by Committee Chair Collins Bonyo. It was proposed by Crispinus Oloo (M/No.004930) and seconded by Florence Oile (M/No.000325).

### Responses from Supervisory Committee Chairperson:

**Member comment:** Kevin Omondi (M/No.004040) – Debt Collection How much did we pay the debt collectors and how much did the Sacco recover?

**Response:** Debt Collectors Fee – This is not a cost to the Sacco but to the defaulter since on recovery a percentage of that fee is paid to the debt collectors firm

**Member Comment:** Phanice Omondi (M/ Mo.010382)- Budgetary controls- what is the Supervisory committee doing to ensure that we have measure on budgetary control?

**Response:** Budgetary Controls – We have biannual work plans to monitor actual versus budgeted costs/ revenue/expenditure – For example the budget line that included FOSA income is underspent since the money/project is not undertaken thus the money needs to be recalculated

**Member Comment:** Benard Ojwang (M/No.012745)- growth of undetermined remittances is alarming. Why increase in undetermined remittances from Ksh2,966,000 in 2018 to Ksh.8,362,000 in 2019?

Do we have instances where the undetermined remittances are submitted to the unclaimed assets as per the law?

**Response:** Undetermined Remittances is the responsibility of a member not the Sacco since this money is deposited by members in the banks or by a third part and so without the proper information cannot be matched to the current member database/ records thus money is lying in the banks

**Member Comment:** Bernard Ayieko (M/No.012965) – Reputation risk –Since the Sacco is not able to acquire tax compliance certificate. How does this affect Sacco in terms of implementation of FOSA?

**Response:** Tax Compliance Certificate- This was caused due to migration from old system to the new I tax system at KRA due to the system change over. The Sacco has been in communication with



KRA officials/SASRA in order to try and resolve the issue since the Sacco has paid all its dues and its obligations as required by law without fail or delay.

Tax compliance issue- directors who left the Sacco some of whom made erroneous decisions thus they must comply since this is a governance issue?

It was however clarified to members that the tax compliance certificate for the Sacco has nothing to do with current or previous directors who have been in the Sacco thus should not tarnish the names of directors since individual directors also comply with the tax obligations.

**Member Comment** Chrispinus Oloo (M/No.004930) -recruitment of the CEO- the member stated that he was in a Sacco where he lost some money and was affected by the decisions made whereas was not contacted to provide information – who did the interview and who was interviewed

**Response:** Recruitment of the CEO – This was done by an independent expert third party recruitment firm and it was advertised competitively as per the recruitment policy/process. After completion of the process, allegations were filed by some members who were requested to provide substantive evidence or facts into the matter. No one has come with any prove/evidence/facts as was expected to provide room for investigations.

**Member Comment:** Recruitment of members is low, yet the advertising/marketing budget has been rising every year?

**Response:** Marketing/advertising budgets- The Sacco must continuously spend money on recruiting new members and also ways to retain the existing old members and organizations thus marketing budget is always high due to strategies to attract new members and brand publicity

## MIN. 5/AGM/2020: PRESENTATION OF AUDITED ACCOUNTS 2019

The auditor's report was presented by CPA Patrick Ndegwa representing Henry Smith and Associates.

The audited financial report was proposed by Ronald Mujete Mugeru (M/No.008459) and seconded by Peter Muyekho (M/No.000421).

## MIN.6/AGM/2020: BUDGET 2021 AND AMENDMENTS TO 2020 BUDGET

The 2021 budget and amendments to the 2020 budget was presented by Treasurer Jotham Opiyo. It was proposed by Laban Musundi (MNO.000950) and seconded by Richard Muchessia (M/NO.001306).

### Matters Arising from the budget

**Member comment:** Lucas Barake M/No.002549 – Budget Projections on pg. 70- recorded that surplus in 2019 is Ksh.116,084,495 and the projection surplus for 2021 is Ksh.100,311,000 are we projecting to fail in 2021? Please clarify-

**Response:** The projection is based on the income and not surplus which is an element of expenses. We aim to manage cost which will intern reduce expenses leading to higher surplus.

**Member Comment:** Morris Ojow M/No.004114 – Classification of staff costs-

**Response:** staff travel expense is related to staff traveling to represent Sacco in functions and marketing forums. for activities such as marketing expenses.

The member also noted that there was an increase in external auditors' fee in the budget since expected that with FOSA costs will go up thus the huge variance between Category A & B. Does it mean that the board had already discussed and settled for Category A at Ksh3.6million.

**Response:** The increase in budget for Audit is because of quotations of audit fee which we have received from various audit firms. It is prudent to budget based on the higher quotes so that incase members approve the firm with highest fee, then the Sacco will be safe.

**Member Comment:** Nelson Mukuria M/No.005121 – Under staff expenses there is increase in staff travel and staff training do we have per diems or staff allowances. The budgeted amount might not give the correct true figure in comparison with the market rates

**Response;** The increase is based on the projected increase in number of staff due to FOSA services. We had projected that by 2021 we will have increased staff by 26 but we are considering doing job evaluation which we hope will enable the Sacco to have the correct size of work force.

**Member Comment:** Under office equipment budget on pg. 71 we have Ksh120,000 revised to Ksh.5,495,000 then now variance of Ksh.5,375,000 don't we have our own generator. This is to purchase additional generator to back up power in the new building and for bulk filers

**Member Comment:** Patrick Alubbe M/No.006689 – on the external audit report the revision of members expense is so big what could have caused the variance.

**Response;** cost for AGM have been increasing due to increasing members attendance, this also applies to co-operative events and we intend to have more members education outside Nairobi.

**Member Comment (Juddy Nyambura M/No. 013747)** – Under IFRS 9 deposits are classified as a liability thus for a dormant account must be eligible to pay dividends yet most Saccos are not compliant with this as a corporate governance issue. Has the Sacco done research?

**Response:** We are compliant with IFRS9 and SASRA provisions as well which can be confirmed from this year's balance sheet on loan loss provision and credit Risk reserve and Impairment loan losses on the income statement. This does not provide for interest on dormant account not payable. When it comes to corporate governance on how Saccos handles payment to dormant accounts, this can only be addressed by the Sacco commissioner office.

**Member Comment Peter – M/No.000421** – the budget is not in tandem with the figures hence members need to look at it critically before it can be approved.

**Response;** The process of budget making was thorough and members are urged to highlight areas that they feel was not correctly presented

**Member Comment: Gregory Chacha (M/ No.002)** – On the revised budget 2020 there is an error on the surplus figure is not adding up.

**Response:** That is a typo and the office is going to correct that error

**Member Comment: Christine 004257** – staff salary/staff training Ksh62m revised in 2020 to Ksh.86m why the upward trend between the actual vis a vis budgeted.

**Response;** the projected increase from the actuals of 2019 is based on expected increase in number of staff but this compared to earlier projection of the year 2020 where we planned to increase staff number by 26, this have been revised downwards in revised 2020 budget because we plan to do job evaluation and we may not recruit more staff as projected last year.

The staff can utilize online training why should staff spend more on training than members?

**Response:** Members education expense is only for education days which are usually 3 events and it is more specific. For budget purposes, we budget based on training fee and we consider the projected increase in the staff number while this is budgeted for does not mean that we utilize the whole budget as you can see on the previous year actuals compared to the budget. Also, staff is part of operation cost incurred throughout the year as opposed to members education which is one off event.

**Member Comment:** Under Computer software/ capital budget – why the upward trend what software do we keep on buying as the figures keep on rising every year.

**Response:** This is due to increase in the number of software we have which is meant to protect us from cyber attacks

**Member Comment:** M/No.007441- expenditure on office expenses on the explanation to purchase new generator there is need to compare with use of corporate solar to supplement generator enhance the reputation of Kimisitu

**Response:** We have not consider utilizing solar option, but it is something we will look into going forward.

**Member Comment:** expenditure on marketing/ publicity – we need to invest more on social media marketing & billboards and the impact will be more on what to achieve. This was a comment

**Member Comment- Bernard Ayeiko M/No.016384-** when was the documentary done/ who did it/what did it generate in terms of revenue for the society and when is it usually used to benefit

How long did it take, Was it shared and what was paid.

Response: Documentary was budgeted in 2018 but the production was done in 2019. This cost was not accrued because by the close of the year we had not received supporting documents to allow for accruing. This explains over utilization of this budget line in 2019. The documentary is usually aired during our events like education days and it costed around Kshs. 2.9 Million.

Member Comment: M/No.001078 – Financial focus on expenses and not income does it mean you get 3% return which is very poor

Response; As said earlier, we focus more on income and managing cost. Once we achieve our target of income, it easy to get good return since expenses is subject to cost management which is within our control.

Member Comment: Mapesa (M/No.013007) – CSR donations actual figure Ksh.370m versus budgeted Ksh.1,757M

Response: CSR is budgeted as a percentage of income. For our case, we settled at 0.015% of our income to go towards donations.

Member Comment: Sarah M/No.007135 – strategic planning and review why do we have an annual budget to review the strategic plan

Response: This budget is continuous because, every year we have annual work plan to review and monitor progress of implementation of the strategy. This activity is budgeted under strategic planning and review. This explains continuous budget line for this activity.

## MIN.7/AGM/2020: APPOINTMENT OF AUDITORS FOR YEAR 2020

The following firms were presented to members for consideration and appointment of one of them as the society's financial year 2020 auditors:

### Category 1

These are audit firms with international presence

NAME OF AUDIT FIRM	ORGANIZATIONS AUDITED IN THE PAST	PERSONNEL CAPACITY	FINANCIAL QUOTE IN KSHS.	COMMENT
<b>PWC</b>	Kenya Police Sacco, CBA NIC, Barclays Bank, Central Bank of Kenya	10 Partners 15 Associates 20 Professional staff	Kshs. 3,500,000.00	Proposer – none Seconded - none
<b>ERNST &amp; YOUNG</b>	Mwalimu Sacco, Stima Sacco, Coop Bank, Unitas and K-unity	5 Partners 12 Associates 32 Professional staff	Kshs. 3,489,094.00	Proposer – 003369 Seconded - 012082
<b>PKF</b>	Kenpipe Sacco, Ushuru Sacco, Amica Sacco, Sacco, Fortune Sacco	5 Partners 5 Associates 10 Professional staff	Kshs. 180,000.00	Proposer – 005121 Seconded - 015220

## Category 2

These are audit firms with local presence

NAME OF AUDIT FIRM	ORGANIZATIONS AUDITED IN THE PAST	PERSONNEL CAPACITY	FINANCIAL QUOTE IN KSHS.	COMMENTS
<b>HENRY SMITH &amp; WILSON</b>	Magereza Sacco, Ukulima Sacco, Waumini Sacco, Wanandege Sacco, Jamii Sacco, Kimisitu Sacco	2 Partners 5 Associates 10 Professional staff	Kshs. 748,000.00	Proposer – 006343 Secunder – Morris Ojow
<b>OMANWA &amp; ASSOCIATES</b>	Kimisitu Sacco, Chai Sacco, Afya Sacco, Sacco, Safaricom Sacco, Kimisitu Sacco .	2 Partners 7 Associates 12 Professional staff	Kshs. 680,000.00	Proposer – 004205 Secunder - 006091
<b>RONALD LLP</b>	Imarika Sacco, Shirika Sacco, Reli Sacco, Kenya Police Investment Airport Sacco, Provident Fund, Mombasa Port Sacco	1 Engagement Partner 1 Lead partner 1 Review Partner 1 Audit Manager 1 Audit Senior 1 Tax Manager 5 support staff	Kshs.750,000.00	Proposer – 000950 Secunder – Judy Nyambura

- 1) PWC was disqualified from voting since they did not get a proposer nor a seconder at the AGM
- 2) Ernest & Young                      Proposer M/No 003367 - Secunder M/No 012082 –                      14 votes
- 3) PKF    Proposer M/No 005121 - Secunder M/No.015220 –                      76 votes
- 4) Henry Smith Associates              Proposer M/No.006343 - Secunder M/No 004114–                      55 votes
- 5) Omanwa & Associates              Proposer M/No.004205 -Secunder M/No.006091 –                      77 votes
- 6) Ronald LLP                                  Proposer M/No.000950 - Secunder M/No 013747 –                      188 votes

The presiding officer declared Ronald LLP as the external auditor for the year 2020 having garnered the majority of votes from members at 188 votes.



## MIN 8/AGM/2020: RESOLUTIONS

The board requests the AGM to approve the following resolutions:

### 1. Amendments to By-Laws:

The board proposes the members to approve the aligned Bylaws to the Cooperative Act and Kenya Constitution 2010 as follows:

By- Law Clause	Current Clause	Revised/Aligned Clause
Clause 2 – Registered Office and Postal Address	Registered Office Kimisitu Plaza, Woodlands Road, Kilimani. Cell:0724310626	Registered Office, AEA Plaza, Ground Floor & 1st Floor, Valley Road. Cell: 0724310626;0709136000
7 & 8- Membership Eligibility and membership qualifications	8 j) A person shall be eligible for membership is a resident within or occupies land within the society area of operation  8 k) Employees of reputable and stable organizations approved by the board	8 j) Deleted.  8 k) Employees of reputable and stable organization approved by the general meeting.
11- Refusal of membership	11 a) the board of directors may refuse membership to any applicant by giving him/her reason for refusal in writing provided the person whose membership has been refused ,if aggrieved by the decision shall have a right to appeal to the next general meeting through a member. The decision of the general meeting in the matter shall be final.	11 a)The board of directors may refuse membership to any applicant by giving him/her reason for refusal in writing provided the person whose membership has been refused ,if aggrieved by the decision shall have a right to appeal to the next general meeting through a member.
12 & 13 – Membership rights and members obligations	12 i) Vote on all matters put before the general meeting  13 k) Make use of the services of the society as stated in the objects of the society.	12 i) Deleted since it is already in 12 b)  13 k) Deleted since it's a repeat of 12 d)
15- Penalties	15 a) any member who wilfully acts in violation of these by-laws or regulations made thereunder shall be liable to a fine not exceeding twenty thousand shillings for each offence notwithstanding any other action that may be taken against him in accordance with the Act, Rules, these by-laws or any other law.	15 a) any member who wilfully acts in violation of these by-laws or regulations made thereunder shall be liable to a fine not exceeding twenty thousand shillings for the offence notwithstanding any other action that may be taken against him in accordance with the Act, Rules, these by-laws or any other law.
16-Appointment of a nominee	16 a) Appointment of a nominee by a member shall be in writing and signed by the member in presence of two attesting witnesses.	16 a) Appointment of a nominee by a member shall be in writing and signed by the member in presence of two attesting witnesses who are members of the society.

20-cessation of membership	20 e) membership in the society shall be terminated upon conviction by a court of law for dishonesty	20 e) Deleted
21 Suspension & Expulsion	21 a) the Board of Directors may suspend a member subject to expulsion by the general meeting who is convicted of a criminal offence involving dishonesty or imprisonment for any other offence for three months or more”	21 a) Deleted
22 -Suspension & Expulsion procedure	22 c) A member so suspended by the board may appeal to the supervisory committee who shall consider the petition and make recommendations to the board	22 c) Deleted
23-Payments resulting from withdrawal	23 d) a re-joining fee maybe charged on the re-joining member.	23 d) Deleted – to be included in the membership policy.
30-Powers to borrow & creation of a charge	30 c) For the necessary security of any loan accepted by the Society, the Society may grant a charge over the assets of the Society.	30 c) For the necessary security of any loan accepted by the Society, the Society may grant a charge over the assets of the Society. The general meeting has the authority to grant a charge
42-Required Majority	42 a) Amendments of these By-Laws shall be made by a resolution of majority of members present and voting at the General Meeting.  b) Any other motion shall be approved by simple majority of votes	Both 42 a) and b) were recommended by the Ministry as not necessary and deleted
43- Enforcement of decision	43.A decision taken by the General meeting shall be binding to all members present, absent and objecting	43.Recommended by the Ministry as not necessary and deleted
49- Election of Board of Directors	49 b) The retiring members shall however be eligible for re-election for a maximum of one term. 1/3 of the Directors being elected must be of opposite gender.  c) If vacancies occur in the board that result in the total members falling below 5, a special general meeting shall be convened to elect new directors to fill the positions.	b) the retiring members shall however be eligible for re-election for a maximum of one term. 1/3 of the Directors being elected must not be of same gender.  c) If during the term of office of the Board, vacancies occur in the Board, the Board may, co-opt members of the society to serve in the Board until the next general meeting of the society.
50. Eligibility for membership to the Board of Directors	f) No member shall be eligible to be elected into the Board if he/she has not attained post-secondary qualifications or its recognized equivalent	f) No member shall be eligible to be elected into the Board if he/she cannot read and write.

54– Conflict of interest	b) failure to divulge this information shall result in removal from office or termination of employment.	b) failure to divulge this information shall lead to disciplinary action.
68- Supervisory Committee	c)The term of the committee members will be three (3) years with one third retiring yearly on rotational basis but eligible for re-election.  f) If during the term of office of the Supervisory Committee, a vacancy occurs, the board may co-opt a member of the society to serve in the Supervisory Committee until 2next general election	c)The term of the committee members will be three (3) years with one third retiring yearly.  f) Deleted
69- Society Employees	The board of Directors shall have powers to appoint paid employees to carry out such duties as may be required by the Board in accordance with the terms and conditions of employment.	Deleted, as it is already included in the duties of the board
82- Disputes	Reviewed to include Alternative Dispute Resolution Mechanism	Reviewed and Alternative dispute resolution mechanism included as per the model by-laws.

This was proposed by Emma Kawira Marangu M/No 011384 and seconded by Boaz Waruku (M/No.002424).  
**Approved by members.**

## 2. Borrowing Powers

The Board seeks to maintain Borrowing Powers at Kshs.600 Million thus within 10% of the Society's assets as at 31<sup>st</sup> December 2019. (as provided in the Society's by-law no. 30).

This was proposed by Erick M/No.011928 and seconded by Emma Engoke M/No. 004134

**Approved by members.**

## 3. Distribution of Surplus

The board proposes to dispose the surplus for 2019 as follows:

- i. Payment of 15% dividends on members share capital as at 31st December 2019 (Kshs. 50.1million).
- ii. Transfer 20% of the net surplus after taxation to the statutory reserves (Ksh.20.48 million). This is a mandatory requirement.
- iii. Transfer 5% of the net surplus after taxation to the general reserves (Kshs. 4.0 million). This is a mandatory requirement
- iv. Payment of honorarium to the Board and Supervisory Committee Kshs. 6.4M. This was proposed by Marther Kitutu (M/No.011861) and seconded by Boaz Waruku (M/No.002424)
- v. Retain 21% of the net surplus after tax to retained earnings (Kshs. 21.3 million).

#### 4. Payment of Interest on Members Deposits

The board proposes to pay interest on members' deposits as at 31<sup>st</sup> December 2019 at a rate of **9% p.a.** This was proposed by Benjamin Maronda M/No012927 and seconded by Eric Musau M/No.003354

#### 5. Approval of Formation of Kimisitu Insurance Agency Limited.

This is approval for registration of Kimisitu Insurance Agency to diversify Sacco services offered to our members by tapping into the insurance business.

This was proposed by Martin Mwangi M/No.012970 and seconded by John Abanga Otieno M/No.006343. Approved by members to proceed.

### MIN.9/AGM/2020: ELECTION OF BOARD AND SUPERVISORY COMMITTEE MEMBERS

The elections were conducted by Lucy Kimani, Sub County Cooperative Officer – Dagoretti. The Nomination Committee had ten candidates presented to members for the position of board directors.

The following were the results of the elections for directors held by voting

Name	Proposer	Second	Employer / Organization	VOTES
<b>Phillip Mutisya Nzioki</b>	Peter Mburu - 002431	Simon Mwani-	CHS	147
<b>Evaline Akinyi Ochieng</b>	Lorna Otambo-005429	John Abanga Otieno -006343	IOM	147
<b>Mbuki Mburu</b>	Benjamin Onderi -012927	Morris Maina Njogu-011191	PAWA Initiative	14
<b>Bernard Ayieko</b>	Anne Kiprotich -009125	Chripines Oloo - 004930	Competition Authority of Kenya	72
<b>Cyrus Chege</b>	None	None	Individual	0
<b>Emma Kageha Engoke</b>	Daniel Thuku Kariuki- 001286	Margaret Ngotho - 003381	Individual	125
<b>Emma Kawira Marangu</b>	Jacob Musee- 015220	Mary Atieno- 001912	Innovations Poverty Africa	117
<b>Fredrick Omondi</b>	Jackson Nzusyo 008717	Wilfred Gitau Ngoiri 002560	Save the Children	21
<b>Gabriel Bakhwenya</b>	Rosalia Shitiavai 015940	Rodgers Ocholi 016131	IIRR	13
<b>Ronald Mugeru Mujete</b>	Kennedy Ochieng Ndonga 002553	Dorothy Mwikali Mutemi 005563	CHS - Kenya	243
<b>Supervisory Committee Candidates</b>				
<b>Collins Bonyo</b>	Chripines Oloo - 004930	Bonface Ang'ayilwa 006508	Life in Abundance	132
<b>Frank Omondi Odhiambo</b>	Martin Gitau -001406	Erick Oduor Opiyo 008764	IPA--IFPA	278

The presiding officer declared the following duly elected to the Board having garnered the highest number of votes as follows:

- 1) Ronald Mugeru Mujete- 243 votes
- 2) Phillip Mutisya Nzioka – 147 votes
- 3) Evaline Akinyi Ochieng –147 votes



### Supervisory Committee Candidates

1. Collins Joel Bonyo - this was proposed by Crispinus Oloo 004930 and Seconded by Bonface 006508 –132 votes
2. Frank Otieno Odhiambo - this was proposed by Nick 001406 and seconded by 008764 – 278

The presiding officer declared Frank Odhiambo (M/No 009403) as the supervisory committee director having garnered 278 votes and therefore emerged as the best candidate for Kimisitu Sacco.

### MIN 11/AGM/2020: DISSOLUTION OF THE MEETING

There being no other business the meeting ended with a vote of thanks by director Agunga Chris Duncan and prayers by member Wesley Bii (M/No.005534) at 4.15 p.m.

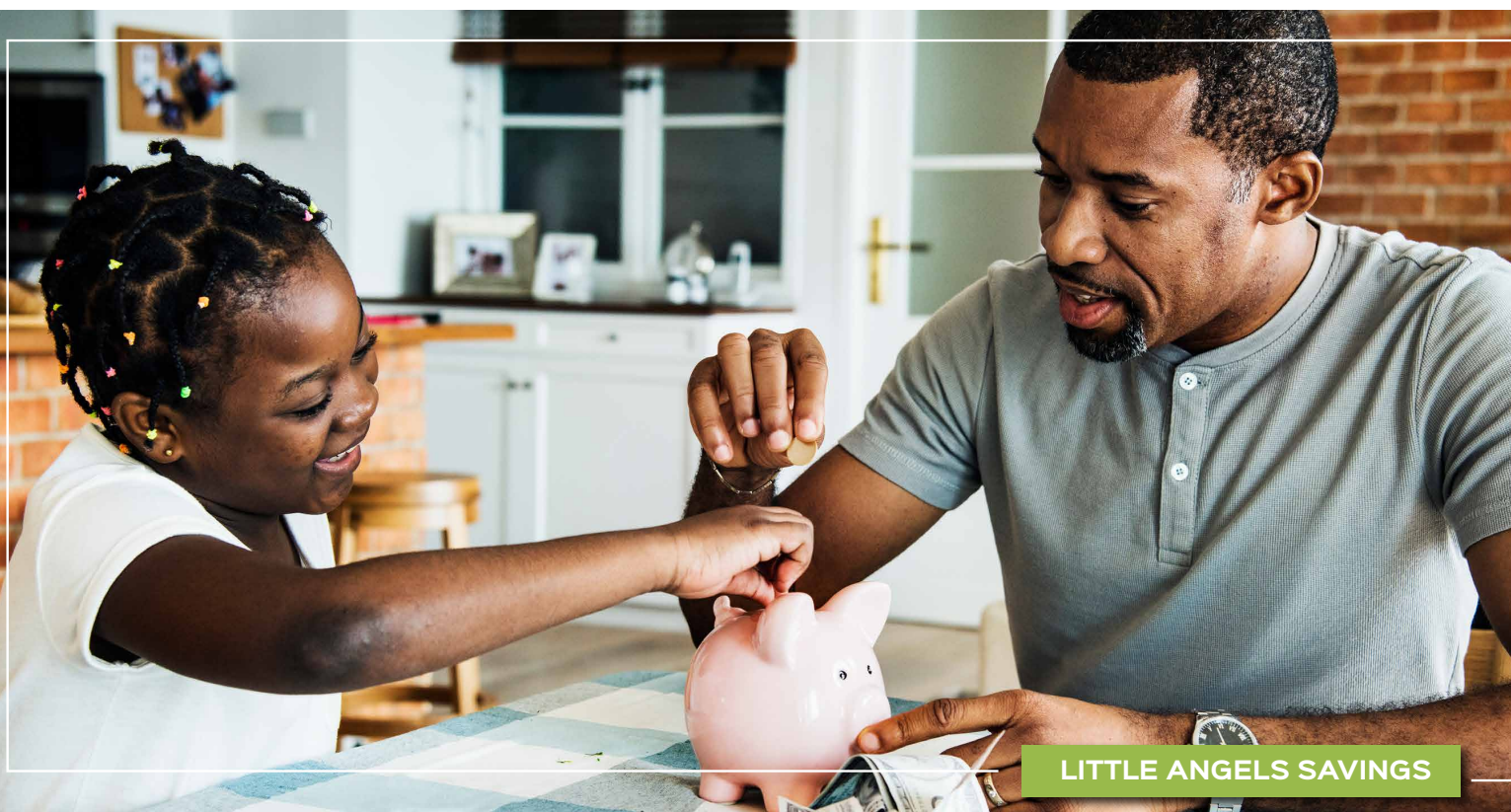
Minutes signed for circulation in March 2020



Chairperson



Honorary Secretary



LITTLE ANGELS SAVINGS

## ABBREVIATIONS

<b>ACDIVOCA</b>	KENYA MAIZE DEVELOPMENT PROGRAM
<b>ACTS</b>	AFRICAN CENTRE FOR TECHNOLOGY STUDIES
<b>AERC</b>	AFRICAN ECONOMIC RESEARCH CONSORTIUM
<b>AGM</b>	ANNUAL GENERAL MEETING
<b>AGRA</b>	ALLIANCE FOR GREEN REVOLUTION AFRICA
<b>ATPS</b>	AFRICAN TECHNOLOGY POLICY STUDIES
<b>CBA</b>	COMMERCIAL BANK OF EAST AFRICA
<b>CDTF</b>	COMMUNITY DEVELOPMENT TRUST FUND
<b>CEO</b>	CHIEF EXECUTIVE OFFICER
<b>CHMP</b>	CENTRALE HUMANAIRE MEDICO-PHARMACEUTIQUE
<b>CIC</b>	CO-OPERATIVE INSURANCE COMPANY
<b>CMD</b>	CENTRE FOR MULTIPATY DEMOCRACY KENYA
<b>COOPI</b>	COOPERAZIONE INTERNATIONAL
<b>COWO</b>	CONCERN WORLDWIDE
<b>CRB</b>	CREDIT REFERENCE BUREAU
<b>CSR</b>	CORPORATE SOCIAL RESPONSIBILITY
<b>DEVALT</b>	DEVELOPMENT ALTERNATIVE INC
<b>DSR</b>	DIRECT SALES REPRESENTATIVE
<b>EGP</b>	ELIZABETH GLASER PEDIATRIC AIDS FOUNDATION
<b>FAHI</b>	FAMILY HEALTH INTERNATIONAL
<b>FOSA</b>	FRONT OFFICE SAVINGS ACTIVITIES
<b>FTC</b>	FEED THE CHILDREN
<b>ICAP</b>	CENTERS FOR INTERNATIONAL PROGRAMS (KENYA)
<b>ICPAK</b>	INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANT OF KENYA
<b>ICPSK</b>	INSTITUTE OF CERTIFIED PUBLIC SECRETARIES OF KENYA
<b>ICRAF</b>	INTERNATIONAL CENTRE FOR RESEARCH IN AGRO-FORESTRY
<b>ICRH</b>	INTERNATIONAL CENTRE FOR REPRODUCTIVE HEALTH
<b>ICT</b>	INFORMATION AND COMMUNICATIONS TECHNOLOGY
<b>IDRC</b>	INTERNATIONAL DEVELOPMENT RESEARCH CENTRE
<b>IIRR</b>	INTERNATIONAL INSTITUTE OF RURAL RE-CONSTRUCTION
<b>ILRI</b>	INTERNATIONAL LIVESTOCK RESEARCH INSTITUTE
<b>IND</b>	INDIVIDUAL MEMBERS
<b>IOM</b>	INTERNATIONAL ORGANIZATION FOR MIGRATION
<b>ISO</b>	INTERNATIONAL ORGANIZATION FOR STANDARDS
<b>ISS</b>	INSTITUTE FOR SECURITY STUDIES
<b>KHDP</b>	KENYA HORTICULTURAL DEVELOPMENT PROGRAM
<b>KICL</b>	KIMISITU INVESTMENT COMPANY LTD
<b>KUSCCO</b>	KENYA UNION OF SAVINGS AND CREDIT CO-OPERATIVES
<b>LSK</b>	LAW SOCIETY OF KENYA
<b>MSFR</b>	MEDECINS SANS FRONTIERS – FRANCE
<b>MSK</b>	MARIE STOPEs KENYA
<b>NIC</b>	NIC BANK
<b>NSAEA</b>	NORTH STAR ALLIANCE EAST AFRICA
<b>RFH</b>	RIDERS FOR HEALTH KENYA
<b>SACCO</b>	SAVINGS AND CREDIT CO-OPERATIVE
<b>SP</b>	SAMARITAN'S PURSE INTERNATIONAL RELIEF
<b>STCI</b>	SAVE THE CHILDREN INTERNATIONAL
<b>TECH</b>	TECHNOSERVE KENYA

## STATEMENT OF THE CHAIRPERSON ON THE 36<sup>TH</sup> ANNUAL GENERAL MEETING HELD ONLINE, ON 27TH FEBRUARY 2021



### Preamble

On behalf of the Board of Directors, I am delighted to welcome our Chief Guest, The Principal Secretary, State Department for Co-operatives, Mr. Ali Noor Ismail (CBS), The Commissioner of Co-operatives, The Ministry and County Officials, SASRA officials, invited guests, our dear members, ladies and gentlemen to our 36th Annual General meeting.

The Board of Directors is pleased to present to you the Annual Report and Financial Statements for the financial year ended 31st December 2020.

### A. The Macro Economic Environment 2020

#### The Economic Outlook

According to the World Bank, Kenya has made significant political, structural, and economic reforms that have largely driven sustained economic growth, social development and political gains over the past decade. However, its key development challenges still include poverty, inequality, climate change, continued weak private sector investment and the vulnerability of the economy to internal and external shocks.

Kenya's economy was hit hard through supply and demand shocks on external and domestic fronts, interrupting its recent broad-based growth path. Apart from the COVID-19 (coronavirus)

pandemic, the locust attack which started early 2020, affected many parts of Kenya especially the North East. It had a negative impact on the food security and growth of the agriculture sector in the country. Real gross domestic product (GDP) growth is projected to decelerate from an annual average of 5.7% (2015-2019) to 1.5% in 2020. However, it takes longer than expected to bring the COVID-19 pandemic under control, GDP could contract by 1.0% in 2020, and see a delay in the projected recovery to 5.2% growth in 2021. The downside risks include a protracted global recession undermining Kenya's export, tourism and remittance inflows, further tightening of COVID-19 health response measures that disrupt the domestic economic activity, fiscal slippages and weather-related shocks.

Kenya has the potential to be one of Africa's success stories from its growing youthful population, a dynamic private sector, highly skilled workforce, improved infrastructure, a new constitution, and its pivotal role in East Africa. Addressing the challenges of poverty, inequality, governance, the skills gap between market requirements and the education curriculum, climate change, low investment, and low firm productivity to achieve rapid, sustained growth rates that will transform lives of ordinary citizens, will be a major goal for Kenya.

Our members were directly affected by the effects of the pandemic with many losing jobs due to closure of projects, pay cuts, deaths. This resulted to low uptake of loans, withdrawals, loans offsets and increase in default rate to 2.99% in the year 2020 from 2.47% in year 2019 affecting the loan growth from 10% in year 2019 to 5% in year 2020. To mitigate the effects of Covid-19 the SACCO put in place robust measures (adopted digital business approach, engaged the affected members and offered suitable products) that ensured business continuity and growth in Sacco performance parameters in the year 2020.

#### The SACCO Sector

The SACCO demographics study report shows that 10.05% of the total Kenya population of 47.55million (Kenya population and housing census, 2019) were members of DT SACCOs; while 19.35% of the total adult population above 18 years were members of



DT SACCOs, this depicts the level of popularity of DT SACCOs as financial service providers to many Kenyans. A huge population of almost 80% of the economically active adults are not members of any of the DT-SACCOs and this offers great growth opportunity to the subsector.

According to the SACCO Societies Regulatory Authority (SASRA) Supervision report 2019, A total of 172 deposit-taking SACCOs are licensed to operate Front Office Services Activities (FOSA). The deposit-taking SACCOs continued to register impressive growths in all the key performance parameters of total assets, total deposits, and gross loans during the year 2019. The total assets portfolio crossed the half-trillion mark to reach Kshs 556.71 Billion in 2019 representing a 12.41% increase from Kshs 495.25 Billion recorded in 2018.

Total assets grew by 12.41% to reach Kshs 556.71 Billion in 2019 from Kshs.374.29 billion in year 2018. The gross loans portfolio grew by 12.09% to reach Kshs 419.55 Billion in 2019 from Kshs 374.29 Billion recorded in 2018, while the net loans and other credit advances increased by 11.46% to reach Kshs 400.16 Billion in 2019 from Kshs 359.02 Billion recorded in year 2018. The net loans and other credit advances constituted the highest proportion of total assets at 71.88% in 2019 compared to 72.49% in year 2018. The drop was due to spike in the proportion of total assets represented by investments in property and equipment which increased from 6.93% in 2018 to 8.49% in 2019.

The total deposits on the other hand grew by 11.27% in 2019 to reach Kshs 380.44 Billion from Kshs 341.91 Billion reported in 2018, a marginal decline from a growth rate of 11.99% recorded in 2018.

The market share of deposit-taking SACCOs in terms of asset base continued to be dominated by just a few large SACCOs, with 31 DT-SACCOs with deposits above Kshs 5 Billion controlling 70.11%. 58 DT-SACCOs with assets of between Kshs 1 Billion and Kshs 5 Billion controlled 24.38% of the total assets market share.

Kimisitu DT-SACCO asset based closed at Kes.7.66billion in year 2020 and among the dominant SACCOs with asset base of over Kes.5 billion. We have embraced the usage of ICT in our operations and service provision including recruitment of members, opening of accounts, application and processing of

loans, loan repayments, deposits and withdrawals, transfer of funds, payment of bills through mobile platforms.

## B. Financial Performance Review

**Membership:** the SACCO active membership grew by 10.6% to 8,437 members in year 2020 from 7,629 members in year 2019 despite the loss of employment from projects closures and the effects of global COVID 19 pandemic. A total of 24 new organizations joined our membership in year 2020. Join me in welcoming new members attending our AGM for the first time.

**Total assets:** The Total asset base of the Sacco increased from Kshs.6.90 billion in 2019 to close at Kshs. 7.66 billion in the year 2020, a growth of 11%.

**Total Turnover:** The total gross income increased by 10.9% (Kshs. 87 million) compared to year 2019 (13%, Kshs.98 million) to close at Kshs. 886 million in 2020. The growth has been driven largely by income from loans at 84%, interest from investments 11% and other income.

**Loan Book:** The Sacco's loan book grew by 6 % (2019,10%) from net loan book of Kshs. 5.18 billion in 2019 to Kshs. 5.53 billion in year 2020. This was caused by the offsets of loans during the year due to the negative impact of COVID-19 Pandemic.

**Member Deposits:** The SACCO Deposits grew by 11% to close at Kshs. 5.91 billion up from Kshs. 5.35 billion in 2019. This saw the Sacco close at a net saver position as at 31st December 2020

**Portfolio at Risk:** Despite the job losses, the loans in default stood at Kes.165.5million ,2.99% of the loan book compared to Kes.127.8million ,2.47% of total loan book in year 2019. This was occasioned by salary cuts, job losses and global economic turbulences caused by the COVID 19 pandemic.

**Core capital & Institutional Capital:** According to SACCO Societies Act clause 29 and Legislative supplement No.27 clause 9, all regulated SACCOs are required to maintain core capital of not less than 10% of total assets, core capital of not less than 8% of total deposits and institutional capital of not less than 8% of total assets.

Kimisitu has attained all the required capital ratios except the institutional capital. The institutional capital closed at 5% in the year 2020, compared to 7% in year 2019. The ratio went down due to

exclusion of credit reserves in the computation of the ratio in accordance with SASRA guidelines. The core capital to assets stood at 11% in year 2020 same as year 2019 while core capital to total deposits stood at 14%.

The institutional capital refers to disclosed reserves, retained earnings, grants and donations all of which are not meant to be expended unless on liquidation of the Sacco. To attain the regulatory institutional capital ratio of 8%, the regulator has directed that we use and transfer more of our revenues to the reserves to build this ratio. This has currently affected and will continue to affect the amount available to be shared to members in terms of interest on deposits until we attain the required institutional ratio of 8%. The Board is planning to retain and transfer additional 10% of gross turnover to reserves for the next 3 years to achieve this ratio.

The Society share capital grew by 29% to close at Kshs.432million compared to Kes.334million in 2019. We encourage members to invest more in share capital for higher returns.

## C. Corporate Strategy

We have started implementing our new strategic plan 2021 -2023. The strategic plan has 5 pillars: Customer delight; Membership Growth & Impact; Innovation & technological advancements; Revenue Growth and Human Capital Development.

Given that our business is operating in a permanent white water situation, our Strategic Plan 3 year timeframe will ensure we are alive and responsive to the current turbulent financial sector, adaptive to rapid technological changes and disruptions, aligned to shifting demographics and needs, with total avoidance of the tendency to relax and procrastinate on action points and the acknowledged need for a more significant and upped push to implement the Strategic Plan in order to survive and thrive as a Sacco in the current turbulent times.

The Board has reviewed and aligned year 2021 and year 2022 budget proposals to support the implementation of the new strategic plan 2021-2023.

We are also proud to successfully obtain ISO 9001:2015 certification, a proof of our ability to provide consistently quality products and services to our members.

## D. Information Communication Technology (ICT)

The SACCO rolled out fully the implementation of online loan processing and online member application and registration platforms for onboarding new members. The Sacco has also invested in technology to enhance its systems security, storage and back up to ensure safety of members funds. The Sacco will focus more on the optimization and full utilization of its current systems to achieve its objectives.

## E. Corporate Social Responsibility

One of the key targets of the new Strategic plan 2021-2023 is to make Kimisitu SACCO a top of the mind awareness SACCO. The board has proposed the formation of Kimisitu foundation to drive the Kimisitu brand by focusing on promoting climatic change agenda and green energy. The SACCO through the foundation will partner with various green energy firms and support members doing business in the green energy sector.

## Departed Members

In year 2020 four (4) of our members namely: Edith Wachira Wanjugu(IFRC), Richard Mutisya Kamayu (HSMS), Erastus Kennedy Njeru (IND) & Elizabeth Khavele Mweli (FAHI) passed on. I request that we observe one minute silence in their honour.

It is important to note that we have a product Shoulder of Solace (SOS) to cater for our loved ones during times of loss and bereavement.

## Conclusion

I would like to thank the Cabinet Secretary, the Principal Secretary, all Ministry & County officials, SASRA officials, Board of Directors, the management, staff and entire membership for partnering with the SACCO and making year 2020 a success. I also express my gratitude to all our employer organizations and members that have supported us over the years.

Thank you and May God bless the Kimisitu family.



**Phillip Oyuko**  
February 2021



## CHIEF EXECUTIVE OFFICER'S STATEMENT



To our Chief Guest, The Principal Secretary, State Department for Co-operatives, Mr. Ali Noor Ismail (CBS), The Commissioner of Co-operatives, The Ministry and County Officials, invited guests, our invaluable members, ladies and gentlemen. It is my pleasure to warmly welcome you to our inaugural online 36th Annual General meeting.

- Kimisitu was also awarded Front Office Service Activity (FOSA) licence by SACCO Societies Regulatory Authority (SASRA) to operate FOSA. The SACCO officially launched the FOSA operations in the month of December 2020. I urge all members to activate their accounts through the portal to enjoy efficient services.
- The SACCO accelerated the digitization of its processes including online membership applications, loan applications & processing and mobile applications that enhanced efficiency and supported the SACCO operations.
- The SACCO completed the development of a 3-year Strategic plan 2021- 2023 outlining the focus of the SACCO in the next 3 years. The members participated in this process and gave feedback which were reviewed and incorporated in the document.
- The SACCO relocated to its new offices at AEA Plaza on Valley Road. The office was fully acquired through the SACCO cash reserves without any external borrowing.

### A. Achievements of the year 2020 under review

- In the year 2020 despite the effects of Covid-19 pandemic, the SACCO performance grew in all the key financial parameters, including the total assets, loan book, members deposits and the turnover.
- The SACCO registered and operationalized Kimisitu Insurance Agency offering insurance agency services to the members.
- The SACCO was awarded ISO (International Organization for Standardization) 9001: 2015 certification. This means that the SACCO has adopted quality management principles focusing on the members, effective leadership at all levels, engaging the stakeholders, continuous improvement, use of data & information for decision making and relationship management.

### B. Management Strategic Focus for year 2021

#### ▪ Customer Delight

The management will keep focusing on excellent customer experience through automation of more processes, self-service at customer convenience, newly launched inhouse contact center and reduced service turnaround time through online and mobile applications.

#### • Membership Growth & Impact

Our total active membership in year 2020 was 8,437 since inception. We are focusing on bringing on board 2,000 new members and retain over 98% of our current membership. With the FOSA business in place we intend to introduce other classes of membership including Corporates and investment groups upon approval by the general membership.

## • Innovation & Technological advancements

The SACCO has continually invested in digitization of its processes and this supported the SACCO operations in year 2020 when the business world was hit by Covid-19 pandemic. We have already gone live implementing Electronic Data Management system, inhouse call center, enhanced Customer relationship system, online loan & membership applications, and digital marketing. The SACCO is currently finalizing on the mobile app, own USSD and internet banking platforms for launch beginning of the 2nd quarter.

## • Revenue Growth

The SACCO revenue grew by 10.9% (Kes.87m) to register a turnover of Kes. 886million in the year 2020 from Kes. 798million. We are focusing on growing our revenues by 24% in the year 2021 to Kes.1.095billion majorly from loan income and increased business on operationalization of the FOSA business and other financial investments. The SACCO intends to disburse loans worth Kes.4.4 billion in year 2021 from Kes.3.6 billion disbursed in year 2020. We urge all our members to patronize the SACCO products and also give feedback on their loan needs to support product development.

## • Products and Services

The SACCO introduced shoulder of solace (Benevolent Fund) in year 2020 to support members during bereavement. 347 members joined the scheme contributing a total of Kes.2.4m in premiums, 15 out of the 347 benefited from this cover getting refunds total to Kes.3.7m. This scheme covers upto 10 family members and claim categories of Kes.100,000 to Kes.300,000. We urge members to join this scheme to support their families in the hour of bereavement.

The SACCO reviewed its products including Makao Halisi (housing loan), M-kimisitu and introduced Nafuu loan to address members needs. The SACCO has also introduced FOSA, joining the league of Tier 1 Deposit Taking SACCOs in Kenya regulated by SASRA. FOSA comes forth with over the counter withdrawals and deposits, VISA branded ATM cards, cheque deposits, salary processing, credit and saving products among others. We urge all members to activate their FOSA accounts, get to enjoy the exciting new products and services previously done by commercial banks.

## C. Challenges

### • Credit Risk

The defaulted loans against gross loans grew upwards to 2.99% in year 2020 from 2.47% in year 2019 recording Kes.165.5m and Kes.128.7m respectively. This increase was caused by the effects of Covid-19 pandemic which resulted to job losses, salary cuts and closure of members' businesses. The SACCO will keep on engaging the defaulters, focusing more on collateral as alternative guarantee, and implementing chattels to ensure maximum collections as well as protecting the guarantors.

### • Technological Risk

The SACCO is implementing its own USSD, Mobile app and internet banking exposing the SACCO to more technological risks. To mitigate these risks and ensure safety of members funds and information, the SACCO has employed robust security systems, annual systems Audits, continuous internal monitoring and will be engaging an outsourced managed system in the first quarter.

### • Compliance to SASRA Regulations

The SACCO in the year 2020 complied with the SASRA requirements and ratios except the Institutional Capital ratio (Institutional capital/Total assets) which by close of the year was 5% against the required 8%. This ratio is majorly determined by the amount of disclosed reserves and retained earnings which are not meant to be expended unless of liquidation of the SACCO. The SACCO is working towards increasing its revenues and retaining more surplus to reserves to attain this ratio.

## D. Future Outlook

Kimisitu growth trajectory is promising and in the next 3 years the SACCO is focusing on attaining annual turnover of Kes.1.5billion, Mid-Tier-1 SACCO with Asset Base of Kes.12.5billion, Top of the Mind Awareness SACCO and active membership growth of 14,000 members.

Lwanga Mbeche



February 2021

## CORPORATE GOVERNANCE STATEMENT

### Overview

Kimisitu Sacco considers Customer delight to be its highest priority, based on the following corporate principles (Vision and Mission), strengthening and improvement of corporate governance is an ongoing priority for management with the aim of continuing sustainable growth and improvement of the Sacco's corporate values in order to meet the expectations of all of its stakeholders, including suppliers, local communities, employees.

### Vision

The Personal Financial solutions provider of choice

### Mission

To empower members economically by providing quality financial services through prudent mobilization of resources and excellent customer care

We, at Kimisitu are therefore committed to healthy corporate governance practices which strengthens and maintains confidence in the Sacco, thereby contributing to optimal long-term value creation for its customers and other stakeholders. The objective of corporate governance is to regulate the division of roles between shareholders, the Board and executive management more comprehensively than is required by legislation.

### Authority of the Sacco

The supreme authority of Kimisitu Sacco is vested in the annual general meeting of the members who elect the board of directors and the supervisory committee that are accountable to them during stakeholders and annual general meetings.

### Board of Directors

Kimisitu Board of directors has the overall responsibility of approving and overseeing the strategic plan and making policies in accordance with the Co-operatives Societies Act, the Sacco's Society Act and the by-laws of the society

**Work and responsibilities** The Board bears the ultimate responsibility for the organization and administration of the company. Its work and responsibilities are governed by the Co-operatives Act of Kenya and Kimisitu Sacco By-laws

On 29<sup>th</sup> February 2020 Mr. Ronald Mugera was elected into the board of Kimisitu Sacco in accordance with section... of the Sacco by law while Mr. Frank Odhiambo was elected into the supervisory in accordance with section 51 of the Sacco by laws

Subsequently the board committees were reconstituted as follows in accordance with the Sacco's Board Charter Section 69 of the Sacco by laws

Ms. Janerose Mwangi retired from the board while Mr. Collins Bonyo retired from the supervisory committee

### Board Appointment

Election to the board is through a nomination process handled by a nomination committee leading to the general meeting where democratic elections are held to appoint the winning individuals to the board.

The nomination committee is appointed by the board on an annual basis and comprises of five members. The committee comprise of one member from the Certified Public Accountants body (ICPAK), one member from the Certified public secretaries of Kenya (CPSK), one member from the Law Society of Kenya (LSK) one member from the commissioner of corporative movement and the CEO as Ex-officio.

### Board & Supervisory Committee Charter

Kimisitu Sacco has a Board & Supervisory Committee Charter that has been in effect since 2014. The Charter sets out the governance framework in conformity with the Sacco's by laws. The charter is critical and essential for the following reasons:

- ❖ It sets out the roles for the board and supervisory committee members
- ❖ It is an induction tool for new board members

## Board Committees.

Kimisitu Board has established four (4) sub-committees to which it has delegated some of its responsibilities. The committees are normally constituted within seven (7) days after the elections of the board at the general meeting. These committees are;

- a) Finance & Administration Committee
- b) Credit Committee
- c) Business Development & Education Committee
- d) Audit & Risk Management Committee

In the year under review, the board constituted an ICT Adhoc committee to deal with ICT matters. The committee is proposed to be a standing committee in the future based on the impact the technology success or failure has on the Sacco.

### (a) Finance & Administration Committee

The Finance & Administration Committee consist of three members including the Vice Chair, Honorary Secretary and the Treasurer of the society. The Chief Executive Officer and the Finance Manager or any other officer appointed by the CEO serve as Ex-officio Members the mandate of this committee is to;

- ❖ Ensure that the Society has a solid Human Resource and Administration process, policies and procedure.
- ❖ Oversee the development and implementation of comprehensive policies and procedures encompassing all Finance, Investment, Assets Liability Management and Risk management matters.
- ❖ Review the Society's Annual Budgets, ensuring that these are in accordance with Institutional Strategy and recommending approval to the Board
- ❖ Monitor the Institution's financial performance vis-à-vis approved Budgets
- ❖ Approve payments. Payments are approved once a week by the FINAD whose members alternate (two each week). Amounts up to Ksh.1000,000 shall be processed by the CEO, the Finance Manager and one FINAD authorizer.
- ❖ Provide oversight over the Society financial risk management activities especially with regard to interest rate risk, liquidity risk, credit risk and capital risk, legal and regulatory risk.

### (b) Credit Committee

The Credit Committee consist of three members of the Board but none of them is a member of the Finance and Administration committee. The credit manager or any other officer appointed by the CEO serves as an Ex-officio member, the credit committee has the following mandate.

The Credit Committee holds such meetings as the business of the Society may reasonably require, but not less frequently than once a month. The Credit Committee keep records of its actions and reports to the Board of Directors the duties and responsibilities of the Credit Committee are:

- ❖ To approve loans in line with Sacco's Loaning policy.
- ❖ Evaluate the adequacy of security offered for loans applied.
- ❖ To ratify loans up to Ksh.400,000 approved by the office Credit Committee.
- ❖ To the performance of the Sacco in loan disbursement and make recommendations to the Board on how to improve.
- ❖ To review the repayment of loans and defaulter recovery processes to ensure that Sacco funds are repaid/recovered on time.
- ❖ Evaluate the performance of Sacco's service providers in the loaning process. E.g. debt collectors, lawyers, valuers, etc.
- ❖ Any other duty necessary in the fulfilment of Sacco's objective of growing loans and ensuring timely repayments.

### (c) Business Development & Education Committee:

The Business Development & Education Committee consist of three members of the Board. The Marketing Manager or any other Officer appointed by the CEO serve as Ex-officio member. The Vice Chairman is normally the chairman of the Business Development and Education Committee. The committee elects its Secretary and member. The role of this committee entails;

- ❖ Assessing education needs of the members, training needs of all the staff of the society and training needs of the Board of Directors;
- ❖ Organizing education and training for members, staff and Board of Directors;



### (d) Audit & Risk Management Committee

This Committee shall consist of three directors with appropriate expertise and financial acumen. The Internal Auditor shall be an Ex-officio member and the secretary to this committee. One of the members of this committee at the least shall be conversant with financial and accounting matters.

### Supervisory Committee:

The Supervisory Committee is elected from the general membership for a 3-year term with one member retiring annually and consist of three members. The role of this committee is as set out in the Sacco's by laws sec.

### DIRECTORS MEETING ATTENDANCE IN 2020

The table below shows the directors attendance of the board and subcommittee meetings during the year 2020

DIRECTORS	COMMITTEE MEMBERSHIP/ ATTENDANCE	BOARD	JOINT BOARD	FINAD	BDE	CREDIT	ARM	ICT ADHOC	SUPERVISORY
PHILIP ISAAC OYUKO	Membership	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
	Attendance	6/6	8/8	5/12	-	-	-	2/8	-
PETER KIRIMI MUTUGI	Membership	✓	✓	✓	✓	N/A	N/A	N/A	N/A
	Attendance	6/6	8/8	12/12	12/12	-	-	-	-
JOTHAM OPIYO OPIYO	Membership	✓	✓	✓	N/A	N/A	N/A	N/A	N/A
	Attendance	6/6	8/8	12/12	-	-	-	-	-
EVALINE AKINYI OCHIENG	Membership	✓	✓	✓	N/A	N/A	N/A	N/A	N/A
	Attendance	6/6	8/8	12/12	-	-	-	-	-
JUNE NDUKU KIVINDA	Membership	✓	✓	N/A	N/A	✓	✓	✓	N/A
	Attendance	6/6	8/8	-	-	2/12	10/12	8/8	-
ISAAC OCHIENG	Membership	✓	✓	N/A	✓	✓	✓	✓	N/A
	Attendance	6/6	8/8	-	10/12	12/12	2/12	8/8	-
AGUNGA CHRIS DUNCAN	Membership	✓	✓	N/A	✓	✓	✓	N/A	N/A
	Attendance	6/6	8/8	-	12/12	2/12	12/12	-	-
PHILLIP MUTISYA NZIOKI	Membership	✓	✓	N/A	✓	✓	✓	N/A	N/A
	Attendance	6/6	8/8	-	-	12/12	10/12	-	-
RONALD MUGERA	Membership	✓	✓	N/A		✓	N/A	✓	N/A
	Attendance	5/6	5/8	-	-	10/12	-	8/8	-

The following members retired from the board in 2020 having attended meetings as below

DIRECTORS	COMMITTEE MEMBERSHIP/ ATTENDANCE	BOARD	JOINT BOARD	FINAD	BDE	CREDIT	ARM	SUPERVISORY
JANEROSE MWANGI	Membership	✓	✓	N/A	✓	N/A	✓	N/A
	Attendance	1/6	3/8	-	2/12	-	-	-
COLLINS BONYO	Membership	✓	✓	N/A	N/A	N/A	✓	N/A
	Attendance	-	3/8	-	-	-	-	3/14



The table below sets out the attendance of the supervisory and Joint board meeting for the supervisory committee members

DIRECTORS	COMMITTEE MEMBERSHIP/ ATTENDANCE	JOINT BOARD	SUPERVISORY
AMOS NYAKUNDI ATUYA	Membership	✓	✓
	Attendance	8/8	17/17
MARGARET WANJIRU WANJIKU	Membership	✓	✓
	Attendance	8/8	17/17
FRANK ODHIAMBO	Membership	✓	✓
	Attendance	5/8	14/17

## Senior Management

The Chief Executive Officer (CEO) reports directly to the Board and is responsible for the day to day operations of the Sacco, implementation of the boards approved plans to achieve the Sacco's

objectives and reporting the results. The CEO attends all board and general meetings as Ex-officio.

The CEO is also responsible for all staff matters, code of conduct and compliance with the relevant Acts, Regulations, Rules and By-laws

The CEO is supported by senior management team which is responsible for the smooth running of the activities ensuring consistency with the Sacco strategy and policies as approved by the board.

## Code of Ethics

At the core of the functions of the board, management and all staff levels are ethics and integrity. The Sacco has a code of ethics that govern relationships within and without the Sacco. The code highlights

the minimum expected standards to be adhered to throughout all interactions.

## Going concern

The board confirms that the financial statements are prepared on a going concern basis and is satisfied that the company has adequate resources to continue in business for the foreseeable future. In making this assessment, the directors consider a wide range of information relating to present and anticipated future conditions, including future projections of profitability, cash flows, capital and other resources.

## Relationship with Stakeholders

The Board is committed to ensuring that the shareholders and regulators are provided with full and timely information about its performance, in this regard therefore the Board issues the Sacco magazine once in the year and is shared on the Sacco website and on web portal every September.

The AGM provides a useful opportunity for members' engagement and in particular for the Chairman to expound the Sacco's progress and respond to questions from the members

## KIMISITU SACCO CSR REPORT 2020

The year 2020 has given us all a renewed sense of corporate social responsibility – in keeping our employees safe, helping our customers, supporting our communities, and sustaining our business through this pandemic. At Kimisitu Sacco, we pride ourselves on this responsibility. Yet, it means even more today as we publish our annual Corporate Social Responsibility (CSR) Report.

### Our Customers

Our focus on innovation continues to earn us customer loyalty, industry accolades, and unwavering dedication of our team. In addition to enhancing our entire product portfolio, this past year we launched the Revamped Makao Halisi, which offers a wide array of housing options to suit all our member's growing unique housing demands, ranging from construction, own property, incremental housing to flexible commercial housing projects at friendly rates with a financing of up to 105%.

Customers are and will always be at the heart of everything we do. We are constantly innovating our proposition to meet the changing demands of our customers. For example, in response to the global pandemic, we accelerated our plans to offer an increasingly contact-free experience for our customers, by improving the contact centre, enhancing the online loan application process.

We attained our ISO 90001:2015 on 23rd July 2020. We have increased efficiency in service provision through implementing quality processes and procedures. We endeavor to make member-Centric decision making and improve customer satisfaction through effective feedback systems understanding your needs, identifying areas of improvements, and reducing wasted resources.

We also introduced NAFUU loan during the pandemic, this was a loan to cushion our members against the turbulent times by according to them a lower interest product with flexible payment options where members could buy other loans and rescue the situation. Our members who were affected financially benefited hugely from this initiative. We also restructured member's loans to accommodate flexible payment due to the prevailing situation.

### Our People

The staff at Kimisitu are our most valued asset, we therefore ensure that we attract and retain high quality staff by remunerating the staff fairly for work done as well as recognizing and appreciating quality work and extra effort. The Sacco has provided personal development opportunities, career progression and training for the staff. The health and safety of staff is of paramount importance and hence the Sacco provided medical care for staff and family, we also moved into a spacious office and have put in place measures to ensure staff safety during the pandemic. The Staff have been technologically enabled to work from home. The Sacco has also embarked on job evaluation exercise to ensure that staff are compensated as per the market.

### Local Communities

On 6th of April 2020, the Commissioner for Co-operative Development released a circular which drew our attention to the 7th Universal Co-operative Principle, "Concern for Community" and appealed the cooperatives to compliment the government efforts in supporting the vulnerable communities as a result the Covid-19 pandemic.

We joined other co-operators to amass the potential of all co-operators in Kenya through an initiative dubbed, The Co-operative Corona-virus Response Committee (CCRC). We together rolled out a "Co-op Kit", the initiative supported more than 500,000 vulnerable households, donated by members of the cooperative movement. The Response Committee issued shopping vouchers to the beneficiaries. The CCRC's support to needy communities was done in collaboration with the National Emergency Response Committee (NERC) and Kimisitu SACCO is happy to be an active member of the committee and part of the larger vision of assisting the vulnerable in the society.

### Our Suppliers

We enhance our relationship with our suppliers by ensuring that the technology in place would enable us keep in touch. We are also conducting our procurements online:

1. We have consistency paid the suppliers fair prices and at Reasonable Time.
2. We have enhanced information sharing in relation to Changes in Market.
3. We have enhanced Guarantee at Minimum Price; 10% of the total value of contract.
4. We have reserved 30% of our procurement to the special group (Women, youth, PLWD)
5. We have constantly involved the vendors through ESI, during the technical specification on goods and services.

## Our environment

Through the implementation of the Electronic document management systems, we have minimized the need for paperwork and therefore lessening the impact of Kimisitu Sacco on the environment.



OUR CSR

## REPORT OF THE BOARD OF DIRECTORS

The Board of Directors submit their annual report together with the audited financial statements for the year ended 31st December 2020.

### Incorporation

The society is incorporated in Kenya under the Co-operative Societies Act, Cap 490 and is domiciled in Kenya.

### Principal Activity

To empower members economically by providing quality financial services through prudent mobilization of resources and excellent customer care. This affords the members an opportunity for accumulating savings and thereby create a source of funds from which loans are made to members for provident and development purposes at fair and reasonable rate of interest.

### Results

	2020	2019
	Kshs."000"	Kshs."000"
Surplus	190,247	116,084
Income tax expense	(15,736)	(13,644)
Net surplus	174,512	102,441
Interest on members' deposits	452,720	454,057

### Dividend/Interest on Members Deposits

The Board of directors recommends payment of interest on members' deposits of 8% (2019, 9%).

They also recommend dividends of 15% (2019, 15%) on the shares held as at 31st December 2020, as set out in the strategic plan.

### Board of Directors

The Board of Directors who served during the year and to the date of this report are as listed on page 5.

### Auditor

The Sacco's auditor, Ronalds LLP has indicated willingness to continue in office in accordance with Sacco Societies Act No. 14 of 2008.

BY THE ORDER OF THE BOARD



Evaline Akinyi Ochieng  
Hon. Secretary

12/02/2021

Date

## STATEMENT OF BOARD OF DIRECTORS RESPONSIBILITIES

The Kenyan Co-operative Societies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Sacco as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the Sacco maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the Sacco and are also responsible for safeguarding the assets of the Sacco.

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

- i. Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- 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 state of the financial affairs of the Sacco as at 31st December 2020 and of its profit/loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Cooperative Societies Act.

Nothing has come to the attention of the Directors to indicate that the Sacco will not remain a going concern for at least twelve months from the date of this statement.

Approved by the board of directors on.....**12/02/2021**.....and signed on its behalf by:



Philip Oyuko

**Chairperson**



Jotham Opiyo

**Treasurer**



Evaline Ochieng

**Hon. Secretary**



## STATISTICAL INFORMATION FOR THE YEAR ENDED 31ST DECEMBER 2020

	2020	2019	2018	2017	
Number of active members	8,437	7,629	7,342	7,238	
Defaulters	1,163	875	803	752	
Deceased	92	81	67	57	
Non-active members	2,616	2,790	2,059	1,228	
Ex- members	5,238	4,856	4,804	4,298	
<b>Total Membership</b>	<b>17,546</b>	<b>16,231</b>	<b>15,075</b>	<b>13,573</b>	
<b>Number of employees</b>	<b>42</b>	<b>39</b>	<b>35</b>	<b>30</b>	
	<b>Ksh"000</b>	<b>Ksh"000</b>	<b>Ksh"000</b>	<b>Ksh"000</b>	
<b>Financial Summary</b>					
Share capital	432,735	334,224	213,154	129,145	
Members' Deposits	5,916,911	5,352,622	4,742,891	4,146,792	
Statutory reserve fund	134,048	99,145	78,657	59,111	
Revenue Reserves	116,411	141,959	124,789	96,498	
Investments	16,410	18,596	17,563	11,421	
Assets	7,661,638	6,908,885	5,963,248	5,017,654	
Current Assets	1,777,837	978,966	979,748	577,602	
Current Liabilities	737,901	781,110	541,940	549,529	
Loans to members	5,535,136	5,189,521	4,718,440	4,188,836	
Core Capital	824,879	700,651	525,820	376,466	
Institutional Capital	392,143	366,427	312,666	247,320	
<b>Shareholders' equity</b>					
Turnover	886,084	798,199	705,372	623,435	
Liabilities	6,580,573	6,066,843	5,303,540	4,572,984	
Net surplus/(deficit)	190,247	116,084	107,880	59,528	
<b>Key Ratios</b>	<b>Statutory Requirement</b>				
	%	%	%	%	
<b>Capital Adequacy Ratios</b>					
Core capital/total assets	10%**	11%	11%	10%	8%
Core capital/Members deposits	8%**	14%	15%	13%	10%
Institutional capital/total assets	8%**	5%	7%	7%	5%
<b>Liquidity ratios</b>					
Liquid assets /Total Deposits	15%**	29%	23%	22%	16%
Current ratio		2.41	1.7	1.7	1
<b>Operational Efficiency ratios</b>					
Total Expenses/Total Revenue		21%	23%	22%	22%
Interest on members deposits /Total Revenue		51%	57%	62%	57%
Total Delinquency Loans /Gross Loan portfolio		12.85%	2.75%	2.37%	2.63%
Interest on Deposits		8%	9%	11%	10%
Dividends on Share Capital		15%	15%	20%	25%
<b>Investment Ratios</b>					
Land&Buildings/Total Assets	5%*	1%	3%	1%	2%
Financial investments/Corecapital	40%*	2%	2%	3%	3%
Financial investments/Total deposits liabilities	5%*	0%	0%	0%	0%
Non-earning assets/Total Assets	10%*	5%	5%	2%	2%

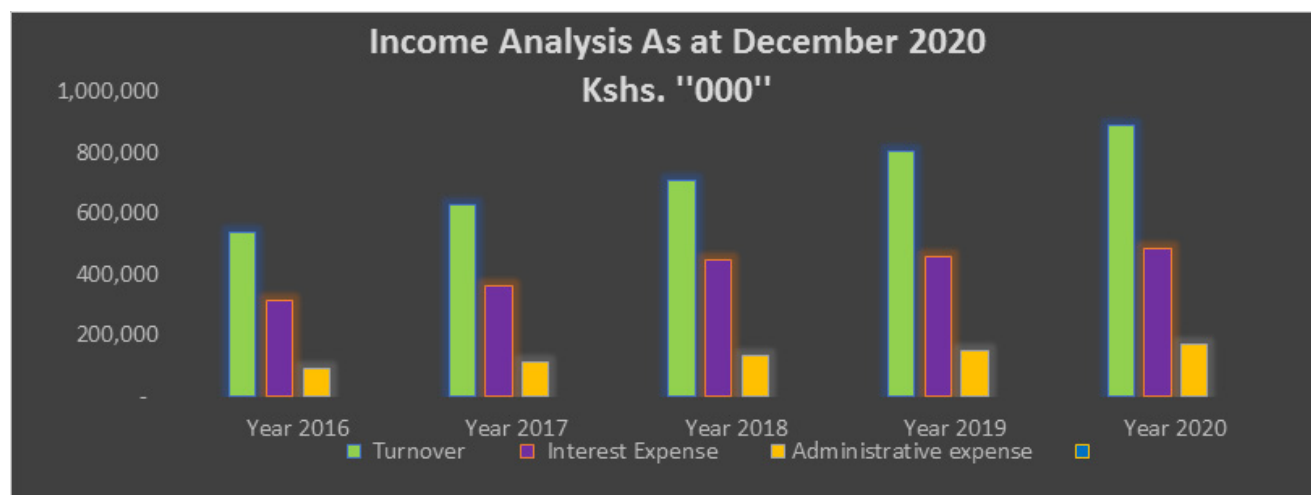
\*\* Minimum Required

\* Maximum allowed

## MANAGEMENT DISCUSSION AND ANALYSIS OF STATISTICAL INFORMATION

### 1. Income Statement Analysis

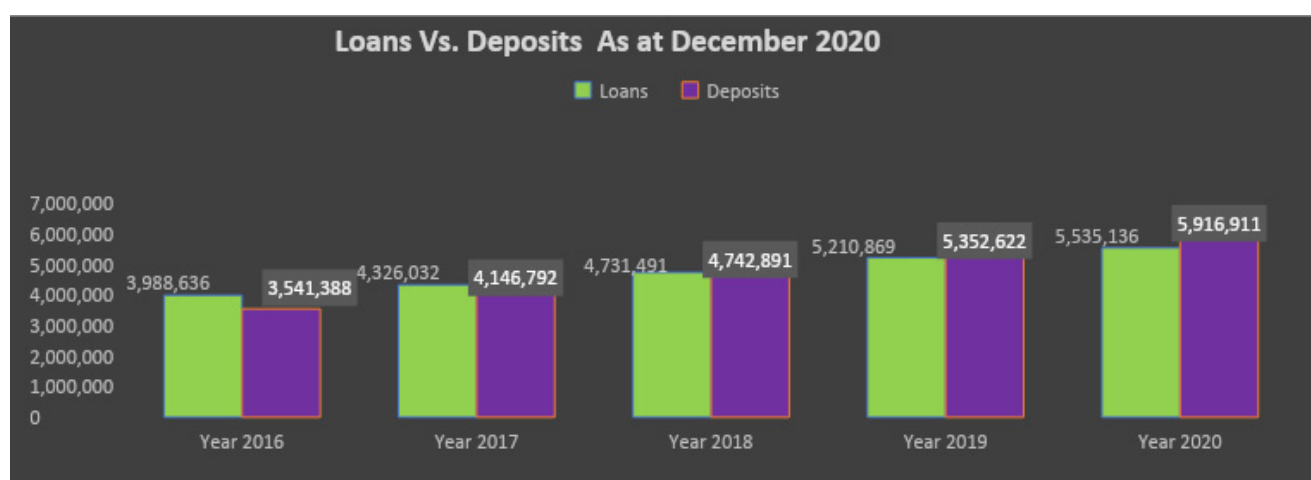
- The Sacco's total income increased by 10.9% (Kshs. 87 million) compared to year 2019 (13%, Kshs. 98 million) to close at Kshs. 886 million in 2020. The growth has been driven largely by income from members at 84%, interest from banks 11% and other income.
- Administrative expenses increased by 12%, Kshs. 17.5 million (2019, 12%, Kshs. 15.6 million) to close at Kshs. 162.2 million up from Kshs. 144.6 million in 2019. This accounts for 18% of the total turnover.



### 2. Growth in Loans Versus Deposits

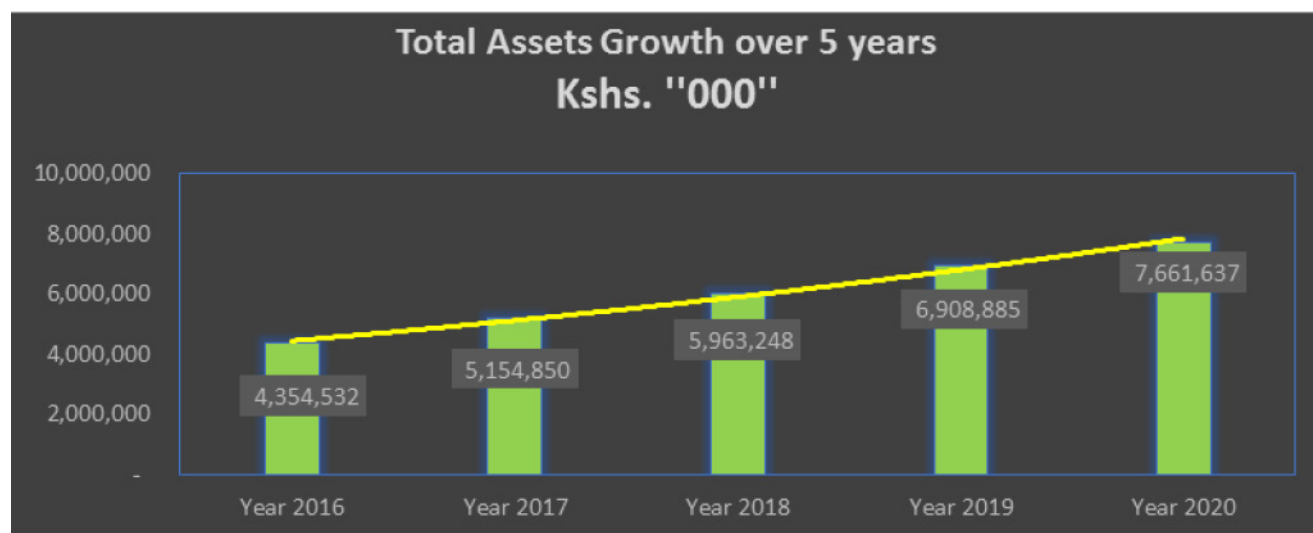
The Sacco's loan book grew by 6% (2019, 10%) from net loan book of Kshs. 5.2 billion in 2019 to Kshs. 5.5 billion in 2020. This was affected by the offset of loans during the year due to the COVID Pandemic.

The Deposits grew by 11% (2019, 13%) to close at Kshs. 5.9 billion up from Kshs. 5.3 billion in 2019. This saw the Sacco close at a net saver position as at December 2020.



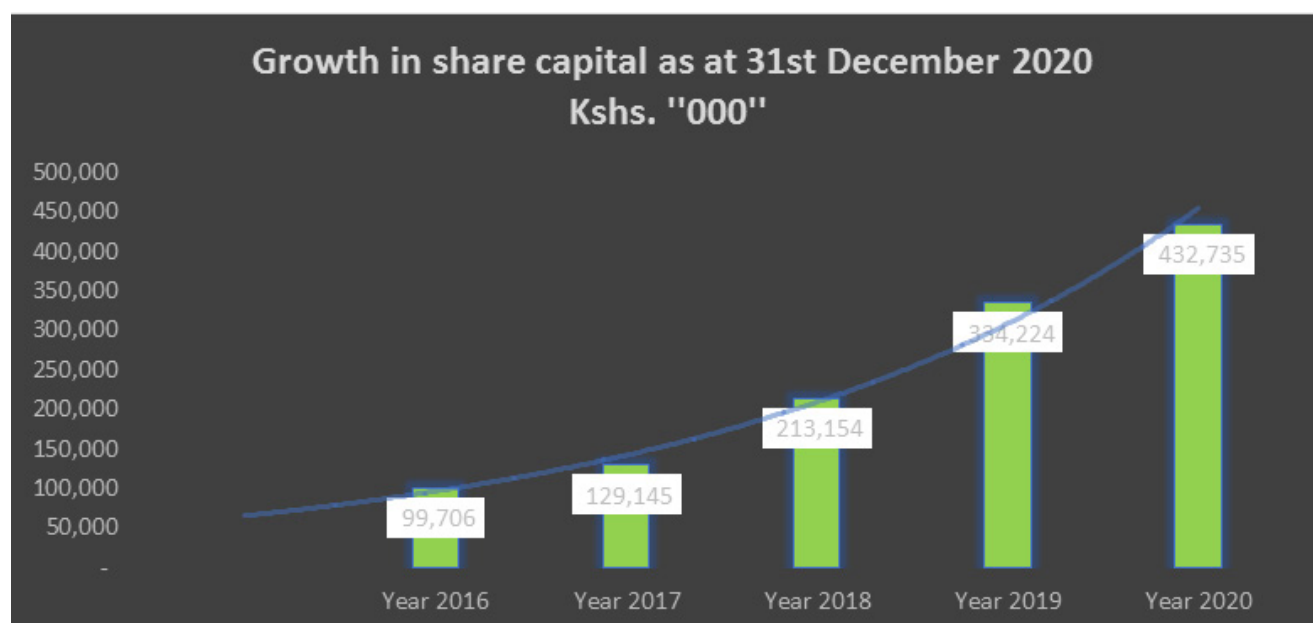
### 3. Growth in Asset Base

The Total asset base of the Sacco increased from Kshs. 6.98 billion to Kshs. 7.6 billion in the year 2020, a growth of 11% (2019, 16.3%).



### 4. Growth in Members Share Capital

The Sacco's capital base grew by 29%, Kshs. 98.5 million (2019, 57%, Kshs. 121 million) to close at Kshs.432 million up from Kshs. 334 million in 2019. The growth in share capital is attributed to the increase in the minimum share capital held by members which was effected in the year.



# REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF KIMISITU SACCO SOCIETY LIMITED

## Report on the financial statements

### Opinion

We have audited the accompanying financial statements of Kimisitu Sacco Society Limited set out on pages 38 to 69 which comprise the statement of financial position as at 31 December 2020 and the Statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the state of the society's financial affairs at 31 December 2020, the results of its operations and cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Sacco Societies Act.

### Basis of Opinion

We conducted our audit in accordance with the 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 Accountants Code of Ethics For Professional Accountant (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with IESBA code and in accordance with other ethical requirements applicable to performing the audit of financial statements in Kenya.

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 society financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the Audit addressed the Matter
<p>Recognition and Accuracy of Interest Income The accuracy and completeness of interest income was considered a key audit matter due to the Inherent risk due to processing of large volumes of transactions with the combination of several loan products in the ERP system.</p> <p>The Sacco recognizes Interest Income on cash basis rather than accrual basis as per the standards</p>	<p>We evaluated the relevant IT system and the design of controls and tested the operational effectiveness of controls over the;</p> <ol style="list-style-type: none"> <li>1. Capture and recording of loan transactions and rates</li> <li>2. Using the data extracted from the Society's accounting system, we verified the completeness and accuracy of a sample of the Interest charges</li> </ol> <p>The management representation obtained affirmed to commencing of accrual of Interest Income in the next financial year.</p>

### Other information

The Board of Directors is responsible for the other information. The other information comprises the budget and the chairman's report included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Board of Directors' Responsibility for the Financial Statements.

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Sacco's Act. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. The Kenya Co-operatives Societies Act also requires the Board of Directors to ensure that the society maintains proper books of accounts which are in agreement with the statement of comprehensive income and statement of financial position.

## Auditors' Responsibility for the audit of the financial statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers the internal control relevant to the society'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 society's internal controls.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, 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.

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal requirements

As required by the Sacco's 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 causes us to believe that the Society's business has not been conducted:

1. In accordance with the provisions of the Kenyan Co-operative Society's Act.
2. In accordance with the Co-operatives Societies objectives, by-laws and any other resolutions made by the Society at a general meeting.

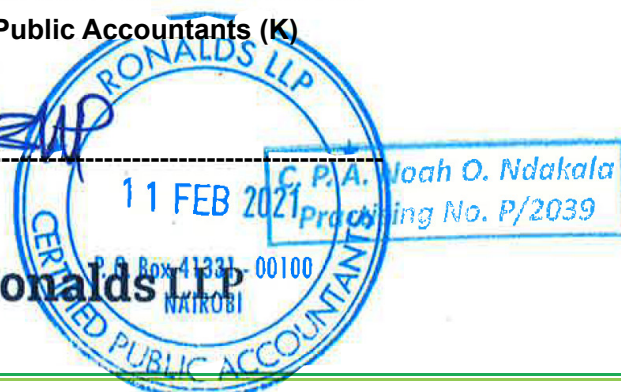
Certified Public Accountants (K)  
Nairobi.

*[Signature]*

Date



Ronalds LLP  
Nairobi



## STATEMENT FOR PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

	Note	2020 KSh."000"	2019 KSh."000"
<b>Revenue</b>			
Income from loans	7	761,729	702,391
Interest income from deposits	8	113,934	90,172
<b>Total Interest income</b>		<b>875,663</b>	<b>792,563</b>
Interest expenses	9	(457,152)	(457,043)
<b>Net interest income</b>		<b>418,511</b>	<b>335,520</b>
Other operating income	10	10,421	5,635
Administration expenses	11	(162,236)	(144,690)
Other operating expenses	12	(23,485)	(36,715)
Impairment losses on loans	12	(52,963)	(43,666)
<b>Surplus before income tax</b>		<b>190,248</b>	<b>116,084</b>
Income tax expense	13	(15,736)	(13,644)
Surplus for the year		174,512	102,441
<b>Other Comprehensive Income</b>			
Gain/Loss on fair Value of investments	18(a)	(672)	176
Deffered Tax on fair value of investments	13(a)	168	(53)
		(504)	123
<b>Total Comprehensive Income</b>		<b>174,008</b>	<b>102,564</b>

The notes set out on page 42 to 69 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> DECEMBER 2020

	Note	2020 Kshs."000"	2019 Kshs."000"
<b>Assets</b>			
Cash and bank balances	14	49,936	167,548
Short term deposits held with financial institutions	14(b)	1,636,788	1,052,240
Prepayments and sundry receivables	15	41,184	116,650
Loans to members	16	5,535,136	5,210,869
Financial assets	17	16,410	18,596
Intangible assets	18	32,771	23,257
Property and equipment	25	349,209	319,690
Deferred Tax	13(a)	203	35
<b>Total Assets</b>		<b>7,661,637</b>	<b>6,908,885</b>
<b>Liabilities</b>			
Members' deposits	20	5,916,911	5,352,622
Other Member's Savings	21	88,107	54,739
Payables, accruals & Sundry provisions	19	562,738	652,498
Income tax payable	13	12,817	6,984
<b>Total Liabilities</b>		<b>6,580,573</b>	<b>6,066,843</b>
<b>Equity</b>			
Statutory Reserve	24(a)	134,048	99,145
Other Reserves	24(b)	141,684	125,143
Revenue Reserves	24(d)	116,411	141,959
Credit Risk Reserve	24(e)	148,778	48,939
Proposed Dividends	22	64,910	50,134
Share capital	22	432,735	334,224
Revaluation reserve	24(c)	36,098	36,098
Proposed Honoraria	24(d)	6,400	6,400
<b>Total Equity</b>		<b>1,081,064</b>	<b>842,042</b>
<b>Total Liabilities and Equity</b>		<b>7,661,637</b>	<b>6,908,885</b>

The financial statements on pages 38 to 69 were approved and authorized for issue by the Board of directors on 12/02/2021 and were signed on its behalf by:



Philip Oyuko  
Chairperson



Jotham Opiyo  
Treasurer



Evaline Ochieng  
Hon. Secretary

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

	Share Capital Ksh."000"	Credit Risk Reserve Ksh."000"	Statutory Reserves Ksh."000"	Revenue Reserves Ksh."000"	Other Reserves Ksh."000"	Revaluation Reserve Ksh."000"	Proposed Dividends Ksh."000"	Proposed Honoraria Ksh."000"	Total Ksh."000"
<b>Year Ended 31st December 2019</b>									
As at 1st January 2019	213,154	48,939	78,657	131,189	109,220	35,918	42,631	6,400	666,108
Adjustments	-	-	-	(10,551)	-	-	-	-	(10,551)
Dividends Paid	-	-	-	-	-	-	(42,631)	(6,400)	(49,031)
<b>Restated Balance</b>	<b>213,154</b>	<b>48,939</b>	<b>78,657</b>	<b>120,638</b>	<b>109,220</b>	<b>35,918</b>	<b>-</b>	<b>-</b>	<b>606,526</b>
<b>Changes in Equity in 2019</b>									
Total comprehensive income for the year	-	-	-	102,441	123	-	-	-	102,564
Insurance reserve fund	-	-	-	-	11,245	-	-	-	11,245
Transfer to statutory reserve	-	-	20,488	(20,488)	-	-	-	-	-
Proposed Dividends	-	-	-	(50,134)	-	-	50,134	-	-
Credit Risk Reserve	-	-	-	-	-	-	-	-	-
General reserve	-	-	-	(4,098)	4,098	-	-	-	-
Revaluation	-	-	-	-	457	180	-	-	637
Proposed Honoraria	-	-	-	(6,400)	-	-	-	6,400	-
Fair Value gain on shares	-	-	-	-	-	-	-	-	-
Issue of Share Capital	121,070	-	-	-	-	-	-	-	121,070
<b>As at 31st December 2019</b>	<b>334,224</b>	<b>48,939</b>	<b>99,145</b>	<b>141,959</b>	<b>125,143</b>	<b>36,098</b>	<b>50,134</b>	<b>6,400</b>	<b>842,042</b>
<b>Year Ended 31st December 2020</b>									
As at 1st January 2020	334,224	48,939	99,145	141,959	125,143	36,098	50,134	6,400	842,042
Adjustments	-	-	-	12,973	-	-	-	-	12,973
Dividends Paid	-	-	-	-	-	-	(50,134)	(6,400)	(56,534)
<b>Restated Balance</b>	<b>334,224</b>	<b>48,939</b>	<b>99,145</b>	<b>154,932</b>	<b>125,143</b>	<b>36,098</b>	<b>-</b>	<b>-</b>	<b>798,481</b>
<b>Changes in Equity in 2020</b>									
Total comprehensive income for the year	-	-	-	174,512	-	-	-	-	174,512
Insurance reserve fund	-	-	-	-	11,579	-	-	-	11,579
Transfer to statutory reserve	-	-	34,903	(34,903)	-	-	-	-	-
Proposed Dividends	-	-	-	(64,910)	-	-	64,910	-	-
Credit Risk Reserve	-	99,839	-	(99,839)	-	-	-	-	-
General reserve	-	-	-	(6,980)	6,980	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Proposed Honoraria	-	-	-	(6,400)	-	-	-	6,400	-
Fair Value gain on shares	-	-	-	-	(2,018)	-	-	-	(2,018)
Issue of Share Capital	98,511	-	-	-	-	-	-	-	98,511
<b>As at 31st December 2020</b>	<b>432,735</b>	<b>148,778</b>	<b>134,048</b>	<b>116,411</b>	<b>141,684</b>	<b>36,098</b>	<b>64,910</b>	<b>6,400</b>	<b>1,081,064</b>



STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMEBER 2020

		2020 Kshs."000"	2019 Kshs."000"
<b>Cash Flows from operating Activities</b>			
Interest received from members	7	761,729	702,391
Other income	10	9,582	4,405
Interest on members deposits payments	9	(450,465)	(441,868)
Payments to employees and suppliers	11,12&13	(176,033)	(170,941)
<b>Total</b>		<b>144,813</b>	<b>93,987</b>
<b>Increase /(Decrease ) in operating assets</b>			
Loan to members	16	(377,230)	(523,044)
Trade and other receivables	15	81,437	(56,396)
<b>Increase /(Decrease ) in operating Liabilities</b>			
Deposits from members	20	597,656	599,460
Trade and accrued expenses	19	(89,037)	146,167
Honorarium paid	24(d)	(6,400)	(6,400)
<b>Net cash from operating activities before income and taxes</b>		<b>206,426</b>	<b>159,786</b>
Income tax paid	13	(9,902)	(12,266)
<b>Total</b>		<b>(9,902)</b>	<b>(12,266)</b>
<b>Net cash from operating activities</b>		<b>341,337</b>	<b>241,507</b>
<b>Cash flow from Investing activities</b>			
Purchase of property and equipment	25	(36,223)	(221,277)
Purchase of intangible assets	19	(12,907)	(20,228)
proceeds on disposal of property and equipment	14(c)		573
Purchase of investment securities	18		(400)
Insurance rebates receieved		-	-
Interest received from term deposits	8	113,934	90,172
Dividends receieved	10	839	1,230
<b>Net Cash from investing activities</b>		<b>65,643</b>	<b>(149,930)</b>
<b>Cashflow from financing activities</b>			
Sharecapital contributions	22	98,511	121,070
Loans & Deposits insurance	24	11,579	11,245
Dividends paid	22	(50,134)	(42,631)
<b>Net Cashflow from financing activities</b>		<b>59,956</b>	<b>89,684</b>
<b>Cash ad Cash Equivalents at the beginning of the year</b>		<b>1,219,788</b>	<b>1,038,527</b>
Net Change in Cash and Cash equivalents		466,936	181,262
<b>Cash and cash equivalents at the end of the year</b>		<b>1,686,724</b>	<b>1,219,788</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

## 1. Reporting Entity

Kimisitu Sacco Society Ltd (Registration Number CS/4252) is registered in Kenya with its principal place of business and registration office at AEA Plaza Valley Road P.O Box 10454-00100 Nairobi.

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

### Accounting policies

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

## 2. Basis of Preparation

### (a) Statement of Compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards and the Co-operatives Societies Act.

The financial statements are prepared under the historical cost basis except for fair value of certain assets.

### (b) Going Concern

Based on the financial performance and position of the Sacco and its risk management policy the directors are of the opinion that the Sacco will be in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

### (c) Use of Estimates and Judgements

The preparation of financial statements in conformity with the international reporting standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements period.

Although these estimates are based on the director's best knowledge of current events and actions, actual results ultimately may differ from the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation and critical judgements in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are described in the notes.

Certain assumptions have arisen as a result of adopting IFRS 9 such as:

The impairment of financial instruments: Assessment on whether credit risks on the financial instruments has significantly increased since initial recognition and incorporation of forward-looking information the measurement of the expected credit losses.

### (d) Functional and presentation Currency

The Financial statements are presented in the Kenyan Shillings, which is also the Sacco's functional currency. All amounts have been rounded to the nearest thousand unless otherwise indicated.

## 3. Significant Accounting Policies

The Significant accounting policies adopted in the preparation of these financial policies are as set below;

### Revenue Recognition

Revenue is derived substantially from Sacco business and related activities and comprises of interest income and non-interest income. Income is recognized on accrual basis in the period in which it is earned.

### Interest

Interest income and expense for all interest-bearing instruments are recognized in the profit and loss as it accrues considering the effective interest rate of the asset or any applicable floating rate.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

The effective interest rate is the rate that discounts the estimated future cash flows through the expected life of financial asset or liability.

When calculating the effective interest rate for financial instruments other than credit impaired assets the Sacco estimates future cashflows considering all contractual terms of the financial instrument but not expected credit losses.

The calculation of the effective interest rate includes transactions costs and fees and points paid or received that are an integral part of the effective interest rate. Transactions costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

### Other Income

- Dividend income is recognized once the shareholders right to receive payment has been confirmed. Dividends are presented in other income at fair value through profit and loss.
- Entrance fee is recognized when a new member joins the society;
- Commission income is recognized upon successful completion of the transaction;

### (b) Members Deposits and Savings

Members deposits and savings are stated at their nominal value. Interest payable on members savings are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### (c) Property and Equipment

#### (i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Costs includes expenditures that directly attributable to the acquisition of the asset.

#### (ii) Depreciation

All property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated using the reducing balance 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:

<b>Asset</b>	<b>Rate %</b>
Freehold land	0
Buildings	2.5
Office Equipment	12.5
Furniture, Fixtures & Fittings	12.5
Compute and computer accessories	30
Motor Vehicle	25

Depreciation methods, useful lives and residual values are reassessed and adjusted, if appropriate at each reporting date.

#### (iii) Subsequent Costs

The cost of replacing a component of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Sacco and its cost can be measured reliably.

The costs of the day-to day servicing of property and equipment are recognized in profit or loss as incurred.

#### (iv) Disposal of property and equipment

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are recognized in the Profit or loss in the year in which they arise.

### (d) Intangible Assets -Software's

Computer software's licenses are stated at cost less accumulated amortization and accumulated impairment losses.

The cost incurred to acquire and bring to use specific computer software licenses are capitalized. The costs are amortized on a straight-line basis over the expected useful lives using annual rate of 25% and are recognized in the profit and loss.

Costs associated with maintaining the software are recognized as an expense as incurred.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed when incurred

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

**e) Statutory Reserves**

Transfers are made to the statutory reserve fund at a rate of 20% of the net operating surplus after tax in compliance with the provisions of section 47(1&2) of the Co-operative Societies Act Cap, 490.

**(f) Financial Assets****(i) Recognition**

The Sacco recognizes the loans, deposits and advances on the date which they originated. All other financial instruments are recognized on the trade date which is the date the Sacco becomes a party to the contractual provisions of the instrument.

All financial Asset or financial liability is measured initially at fair value plus for an item not at fair value through profit and loss transactions that are directly attributable to its acquisition or issue.

**(ii) Classification**

The Sacco classifies its financial assets into the following categories.

**Loans and Receivables**

Loans and Receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market.

They arise when the Sacco provides money directly to borrowers (Sacco members). They are recognized at the date the money is disbursed to the borrower.

Amortized cost is calculated using the effective interest rate method. The amortization is included in the interest income.

**Held - to- Maturity**

These are financial assets with fixed or determinable payments and fixed maturities that the Sacco's management has a positive intention and ability to hold to maturity.

The sale of a significant amount of held-to maturity assets would taint the entire category leading to reclassification as available for sale. These assets are held at cost.

**Fair value through profit and loss**

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit and loss at inception.

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so, designated by management. Investments held for trading are those which were either acquired for generating a profit from short term fluctuations in price or dealers' margin or are securities included in a portfolio which a pattern of short term profit taking exists.

**Available-for-sale**

Financial assets are initially recognized at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognized in other comprehensive income and cumulated in a separate reserve in equity, fair value reserve, until the financial asset is de-recognized. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available-for-sale is recognized in profit or loss.

**(g) Financial Liabilities**

The Sacco classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost.

**De-recognition**

A financial asset is de-recognized when the Sacco loses control over the contractual rights that comprise that asset. This occurs when the rights are realized, expire or are surrendered.

A financial liability is de-recognized when its contractual obligations are discharged or cancelled or expires.

Held-to-maturity instruments and loans and receivables are de-recognized on the day they are repaid in full or when they are transferred by the Sacco to a third party.

**Offsetting**

Financial assets and liabilities are offset, and the net amount reported on the statement of financial position when there is a legally enforceable right to set-off the recognized amount and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

**(h) Identification and measurement of impairment of financial assets**

At each reporting date, the Sacco assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset than can be estimated reliably.

The Sacco considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment.

All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Sacco on terms that the Sacco would not otherwise consider, indications that a borrower or issuer will enter Sacco bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment, the Sacco uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling.

Default rate, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized

in profit or loss and reflected in an allowance account against loans and advances.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and present value of Interest on the impaired asset continues to be recognized through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

**(i) Impairment for non-financial assets**

The carrying amounts of the Sacco's non-financial assets, other than deferred tax, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. An impairment loss is recognized if the carrying generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss.

Impairment losses are recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(j) Income tax expense**

According to IAS 12, current tax for current and prior periods shall, to the extent unpaid, be recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset. Current tax liabilities (assets) for the

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on all temporary differences between the carrying amounts of financial assets and financial liabilities for financial reporting purposes and the amounts used for taxation purposes except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable profit.

Deferred tax is calculated on the basis of the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their assets and liabilities will be realized simultaneously.

### (k) Employee benefits

The majority of the Sacco's employees are eligible for retirement benefits under a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts.

Contributions to the defined contribution plan are recognized in profit or loss as incurred. Any difference between the amount recognized in profit or loss and the Contributions payable is recognized in the statement of financial position under other receivables or other payables.

The Sacco also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are

determined by local statute and are currently limited to a minimum Kshs. 400 per employee per month.

### (l) Termination benefits

Termination benefits are recognized as an expense when the Sacco is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

Termination benefits for voluntary redundancies are recognized if the Sacco has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. The Sacco has not made any such offer in the year.

### (iii) Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Sacco has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### (m) Cash and cash equivalents

For the purpose of presentation of the cash flows in the financial statements the cash and cash equivalents include cash and balances with banks available to finance the Sacco's day-to-day

operations and treasury bills and bonds which mature within 12 months or less from the date of acquisition.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

### (n) Related parties

In the normal course of business, transactions have been entered into with certain related parties these transactions are at arm's length.

### (o) Contingent liabilities

Liabilities arising out of legal disputes are accounted for and disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date the financial statements are approved for issue by the directors. Any expected loss is recognized in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

**(p) Fiduciary activities**

Assets held for clients in an agency or fiduciary capacity by the Sacco are not assets of the Sacco and have a nil effect in the statement of financial position.

**(q) Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

**(r) Provisions for liabilities and other charges**

Provisions are recognized when the Sacco has a present obligation (legal or constructive) as a result of past event, it is probable that the Sacco will be required to settle the obligation and reliable estimate can be made of the amount of obligation.

The amount recognized of the obligation as a provision is the best estimate consideration required to settle the present obligation as at the reporting date taking into account the risks and uncertainties surrounding the obligation.

**(s) Collateral**

The Sacco discloses:

The carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 37(a) of IAS 39; and

- (a) the terms and conditions relating to its pledge

When the Sacco holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose:

- (a) the fair value of the collateral held;
- (b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and
- (c) the terms and conditions associated with its use of the collateral.

**(t) New Standards, amendments, and Interpretations effective and adopted during the year****Definition of a Business – Amendments to IFRS 3**

On 22 October 2018, the IASB issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

The amendments clarify the following:

- That to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- They narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- They add guidance and illustrative examples

to help entities assess whether a substantive process has been acquired.

- They remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- They add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The adoption had no material Impact on the Sacco

**Definition of Material – Amendments to IAS 1 and IAS 8**

On 31 October 2018, the IASB issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective annual reporting periods beginning on or after 1 January 2020.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

The amendments clarify the materiality requirements in IAS 1, that specific items in the statements of comprehensive income and financial position may be disaggregated, that entities have flexibility as to the order in presenting notes to the financial statements,; and that the share of other comprehensive income of associates and joint ventures, accounted for using the equity method, must be presented in aggregate as a single line item, and classified between those items that will not be subsequently reclassified to profit or loss. The amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement. The adoption had no material impact on the Sacco

### ***The Conceptual Framework for Financial Reporting***

Together with the revised 'Conceptual Framework' published in March 2018, the IASB also issued 'Amendments to References to the Conceptual Framework in IFRS Standards'. The amendments are effective for annual periods beginning on or after 1 January 2020.

The *Conceptual Framework* assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards.

The Sacco revised its Financial policy in the year 2020 and took into consideration the amendments in the conceptual framework. Specifically, to recognize accrued interest on loans.

### ***Interest Rate Benchmark Reform -Amendments to IFRS 9, IAS 39 and IFRS 7***

On 26 September 2019, the IASB issued 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as a first reaction to the potential effects the IBOR reform could have on financial reporting. The amendments are effective for annual reporting periods beginning on or after 1 January 2020

The transition away from IBORs to alternative nearly risk-free rates (RFRs) impact not only financial institutions but also any market participant that has borrowed money through rate-referenced debt or has intercompany loan agreements and

hedge relationships that reference to IBORs. To prevent disruption caused by the introduction of new interest rate benchmarks, the IASB issued Interest Rate Benchmark Reform—Phases 1 and 2, which amend IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases. The implementation of changes did not have a material impact since the Sacco did not have any of the following

- IBOR-based debt or assets (e.g. USD LIBOR, GBP LIBOR, EURIBOR, etc.)
- Hedged debt (fixed or floating) with derivatives that reference an IBOR
- Discounted cash flows based on an IBOR-based rate in valuation models

### ***IFRS 11 Joint Arrangements***

Previously held Interests in a joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

The adoption of the IFRS did not have any impact on the SACCO

### ***IAS 12 Income Taxes***

Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January

2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences.

## New Standards and Interpretations

IFRS NEW PRONOUNCEMENT	AMMENDMENTS	EFFECTIVE DATE
Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	1 June 2020
Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9	These amendments defer the date of application of IFRS 17 by 2 years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.	1 Jan 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one	1 Jan 2021

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

**On 14 May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020 containing the following amendments to IFRSs:**

IFRS NEW PRONOUNCEMENT	AMMENDEMENTS	EFFECTIVE DATE
IFRS 1 First-time Adoption of International Financial Reporting Standards	<p><b>Subsidiary as a first-time adopter</b></p> <ul style="list-style-type: none"> <li>• The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.</li> <li>• An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.</li> </ul>	1 January 2022.
IFRS 9 Financial Instruments	<p><b>Fees in the '10 per cent' test for derecognition of financial liabilities</b></p> <ul style="list-style-type: none"> <li>• The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.</li> <li>• An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.</li> <li>• An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.</li> </ul>	1 January 2022.
IFRS 16 Leases	<p><b>Lease incentives</b></p> <ul style="list-style-type: none"> <li>• The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.</li> </ul>	

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

IFRS NEW PRONOUNCEMENT	AMMENDEMENTS	EFFECTIVE DATE
IAS 41 Agriculture	<p>Taxation in fair value measurements</p> <ul style="list-style-type: none"> <li>• The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.</li> <li>• An entity applies the amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted.</li> </ul>	January 2022.

***Covid-19-Related Rent Concessions – Amendment to IFRS 16***

IFRS 16 Leases contains certain guidance on accounting for changes in lease payments for both lessees and lessors. However, it could be difficult in practical terms, for entities to apply the requirements in IFRS 16 for changes to lease payments. In particular, to assess whether the rent concessions are lease modifications, and then apply the required accounting, could be difficult due to the large volume of leases and disruption caused to many businesses by the covid-19 pandemic.

In May 2020, the IASB issued Covid-19-Related Rent Concessions - Amendment to IFRS 16 Leases (the amendment).

The Board amended the standard to provide an optional relief to lessees from applying IFRS 16's guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The objective of the amendment is to provide lessees that have been granted covid-19 related rent concessions by lessors with practical relief, while still providing useful information about leases to users of the financial statements. This publication discusses how IFRS 16, including the recently issued amendments to IFRS 16's lessee guidance, is applied to rent concessions and is intended to help entities consider the effects of applying it.

The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is

substantially the same as, or less than, the consideration for the lease immediately preceding the change.

- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments before 30 June 2021 and increased lease payments that extend beyond 30 June 2021).
  - There is no substantive change to other terms and conditions of the lease.
- Transition

Lessees will apply the practical expedient retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied.

***Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9***

On 25 June 2020, the International Accounting Standards Board (IASB or the Board) issued amendments to IFRS 17 Insurance Contracts (IFRS 17 or the standard)

The fundamental principles introduced when the Board first issued IFRS 17 in May 2017 remain unaffected. The amendments, which respond to feedback from stakeholders, are designed to:

- reduce costs by simplifying some requirements in the Standard;

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

- make financial performance easier to explain; and
- The deferral of the effective date by two years, to annual reporting periods beginning on or after 1 January 2023, is intended to allow time for an orderly adoption of the amended IFRS 17 by jurisdictions around the world. This should enable more insurers to implement the new Standard at the same time.

**Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2**

The International Accounting Standards Board (“IASB”) published Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 representing the finalization of Phase II of the project on 27 August 2020 to address issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate, i.e. replacement issues.

The accounting issues arising before an existing interest rate benchmark is replaced with an alternative risk-free rate, i.e. pre-replacement issues, have been considered previously by the IASB and were addressed in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7), published in September 2019 (“Phase I amendments”).

These Phase I amendments provide temporary exceptions to specific hedge accounting requirements, to avoid entities having to discontinue hedging relationships solely due to the uncertainty arising from the reform.

The Phase II amendments apply to all entities and are not optional and effective for annual periods beginning on or after 1 January 2021 with early application permitted. The amendments are applied retrospectively and include the potential reinstatement of hedge relationships that were discontinued solely due to changes directly required by the reform.

For the purpose of the Phase II amendments, a change in the basis for determining the contractual cash flows is required by the IBOR reform only if:

- It is required as a direct consequence of the reform; and
- The new basis for determining the contractual cash flows is economically equivalent to the previous basis.

Such a change can arise even if the contractual terms of the financial instrument are not amended but the basis for determining contractual cash flows changes (e.g. altering the method for calculating the interest rate benchmark without amending the contractual terms of the financial instrument or triggering the activation of an existing contractual term such as a fall-back clause.)

As a practical expedient, the amendments require an entity to apply IFRS 9; such that the change in the basis for determining the contractual cash flows is applied prospectively by revising the effective interest rate. All other changes to the contractual terms of a financial asset or liability are accounted for using the current IFRS requirements.

For insurers that apply IAS 39 (instead of IFRS 9) the practical expedient discussed above also applies. A lessee will apply IFRS 16: as a practical expedient to account for a lease modification that is required by the IBOR reform when re-measuring the lease liability, it will use a revised discount rate that reflects the change in the interest rate benchmark.

## 4. Use of Estimates and Judgements

### (i) Impairment losses on loans and receivables

In determining whether an impairment loss should be in the profit and loss the Sacco makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cashflows from a portfolio of loans, before a decrease can be identified with an individual loan in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of the borrowers in a Sacco or national or local economic conditions that correlate with defaults on assets in the Sacco.

Management uses estimates based on historical loss experience for assets with credit characteristics and

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

objective evidence of impairment similar to those in the portfolio when scheduling its future cashflows. The methodology and assumptions are reviewed regularly to reduce any differences between loss estimates and actual cash loss experience.

## (ii) Property and Equipment

In the process of applying the accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year.

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:

The Directors have made critical estimates in determining the useful life of property and equipment and intangible assets based on the intended use of the asset and the economic lives of those assets.

Subsequent changes in circumstances such as technology advances and prospective utilization of the asset concerned could result in the actual useful lives or residual values differing from initial estimates.

## (iii) Taxation

Significant judgement is required in determining the Saccos provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Sacco recognizes liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

## 5. Financial Risk Management

The Sacco is exposed to various risks, major risks exposures arise due to use of financial instruments and can be categorized as follows:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risks

The Sacco is continuously putting measures in place to help manage these risks every day. These measures include setting appropriate strategic and operational objectives, policies and processes geared towards identification and effective management of the risks identified.

Risk management is carried out by the Audit and risk management committee (ARM) of the board under the policies approved by the board of directors.

The ARM identifies, evaluates and manages the financial risks in close co-operation with various departmental heads.

The board of directors has provided the risk management policy written principles for overall risk management as well as written policies covering specific areas such as interest rate risk, credit risk and investment of excess liquidity.

The committee report monthly to the board of directors on all aspects of risks including nature of risks, measures instituted to mitigate risk exposures.

### (a) Credit risk

Credit risk refers to the chance of loss due to a borrower's default on their contractual obligations resulting in financial loss to the Sacco, this arises mainly from the Sacco loans and advances to the members.

The board has assessed the credit risk based on prior experience assessment of the current economic environment, The implementation of IFRS 9 has seen the Sacco create a reserve to cushion against foreseeable losses.

#### (i) Management of Credit risk

The Sacco's credit policy is to lend to only credit worthy members and obtaining sufficient collateral and guarantors where appropriate as a measure of mitigating risk of financial loss from defaults. The Sacco does not hold any receivable from members or entities that have been declared bankrupt.

#### (ii) Classification of loans to members

Below is the Sacco maximum exposure to credit risk and the expected credit losses based on the IFRS 9 model. The loans include staff loans



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

**Provisions for Loan Loss as at December 2020**

Category	Outstanding Balance	Outstanding Balance	IFRS Exepcted Credit Losses	SASRA - with no enhancement
Normal	8,076	4,507,418	97,907	45,072
Watch	849	477,342	11,482	23,867
Substandard	1,140	561,034	21,475	140,259
Doubtful	405	99,521	5,491	49,761
Loss	736	74,707	48,531	74,707
<b>Total</b>	<b>11,206</b>	<b>5,720,022</b>	<b>184,886</b>	<b>333,666</b>

**Summary As per IFRS 9 As at December 2020**

Category	Outstanding Balance	Outstanding Balance	Exepcted Credit Losses
Stage 1	8,925	4,984,761	109,390
Stage 2	525	284,827	8,952
Stage 3	1,756	450,434	66,544
<b>Total</b>	<b>11,206</b>	<b>5,720,022</b>	<b>184,886</b>

**Provisions for Loan Loss as at December 2019**

Category	Outstanding Balance	Outstanding Balance	IFRS Exepcted Credit Losses	SASRA - with no enhancement
Normal	7,869	4,391,149	68,857	43,911
Watch	619	405,739	7,715	20,287
Substandard	884	399,420	12,757	99,855
Doubtful	228	77,645	5,436	38,822
Loss	653	68,839	37,159	68,839
<b>Total</b>	<b>10,253</b>	<b>5,342,792</b>	<b>131,924</b>	<b>271,714</b>

**Summary As per IFRS 9 As at December 2019**

Category	Outstanding Balance	Outstanding Balance	Exepcted Credit Losses
Stage 1	8,488	4,796,888	76,571
Stage 2	470	252,568	7,123
Stage 3	1,295	293,336	48,230
<b>Total</b>	<b>10,253</b>	<b>5,342,792</b>	<b>131,924</b>

The Sacco has applied IFRS 9 provisioning as adopted in the year 2018, the difference between the SASRA provisions abd IFRS 9 have been accounted for in the credit reserve account.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

**(iii) Concentration risk**

The Sacco does not have any significant credit risk exposure to any single counter party or any counterparties having similar characteristics.

**(b) Liquidity Risks**

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations of its financial liabilities.

The Sacco manages liquidity risk by maintaining adequate reserves, banking facilities and reserves a borrowing capacity by continuously monitoring forecasting and actual cashflows and matching the maturity profiles of financial assets and liabilities.

**(i) Exposure to liquidity risk**

The Sacco was licensed on 1st September 2020 as a deposit taking Sacco and therefore has applied SASRA guidelines to liquidity management on this financial report. SASRA requires that a sacco holds a minimum of 15% of savings, deposits and short-term liabilities in liquid assets .

For this purpose, liquid assets include notes and coins, balances at institutions licensed under the Banking Act after deducting therefrom balances owed to those institutions, treasury bills and deposits of a maturity not exceeding 90 days.

The table below analyses the maturity profiles of the financial assets and liabilities of the Sacco based on the remaining period as at 31st December 2020. and as at 31st December 2019 as base period to the contractual maturity.

	Less than 3 months	3 to 12 months	1 to 5year	Total
	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
<b>31st December 2019</b>				
<b>Financial assets</b>				
Cash and Bank	167,548	-	-	167,548
Fixed & Call Deposits Accounts	701,493	234,303	116,443	1,052,239
Loans to members	1,773,802	1,182,535	2,365,108	5,321,406
Other receivables	137,998	-	-	137,998
<b>Total</b>	<b>2,780,841</b>	<b>1,416,838</b>	<b>2,481,551</b>	<b>6,679,230</b>
<b>Financial Liabilities</b>				
Members Deposits	1,784,207	1,189,472	2,378,943	5,352,622
Provisions for interest on deposits	-	504,191	-	504,191
Other Liabilities	714,309	-	-	714,309
<b>Total</b>	<b>2,498,516</b>	<b>1,693,662</b>	<b>2,378,943</b>	<b>6,571,122</b>
<b>Net Liquidity</b>	<b>282,325</b>	<b>(276,824)</b>	<b>102,569</b>	<b>108,069</b>

It is highly unlikely that the members will withdraw their deposits within 1-12 months

The sacco is able to meet its cash requirements without the need for borrowing

<b>31st December 2020</b>				
<b>Financial assets</b>				
Cash and Bank	49,936	-	-	49,936
Fixed & Call Deposits Accounts	1,193,754	366,275	76,760	1,636,789
Loans to members	1,260,066	1,486,652	2,973,304	5,720,022
Other receivables	41,184	-	-	41,184
<b>Total</b>	<b>2,544,940</b>	<b>1,852,927</b>	<b>3,050,064</b>	<b>7,447,931</b>
<b>Financial Liabilities</b>				
Members Deposits	1,402,976	1,972,304	2,629,738	6,005,018
Provisions for interest on deposits	-	457,152	-	457,152
Other Liabilities	562,738	-	-	562,738
<b>Total</b>	<b>1,965,714</b>	<b>2,429,456</b>	<b>2,629,738</b>	<b>7,024,908</b>
<b>Net Liquidity</b>	<b>579,226</b>	<b>(576,529)</b>	<b>420,326</b>	<b>423,023</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

**c) Market Risks**

Market risk is the risk that changes in market prices, such as interest rates, equity prices, and foreign

exchange rates will affect the fair value or the future cash flows of the Sacco's financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

**(i) Equity price risk**

The Sacco is exposed to equity securities price risk as a result of its holdings in listed equity investments, classified as fair value through profit and loss. Exposure to equity shares in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Investments held are both listed, and traded on the Nairobi Securities Exchange, and unquoted shares with Sacco APEX bodies.

**Accounting, Classification and Fair Values**

	Held to maturity	At Fair Value through profit&Loss	Loans & Receivables	Other Financial Liabilities	Total
	Kshs."000"	Kshs."000"	Kshs."000"	Kshs."000"	Kshs."000"
<b>As at 31st December 2020</b>					
<b>Financial Assets measured at Fair Value</b>					
Investments	14,428	2,654	-	-	17,082
<b>Total</b>	<b>14,428</b>	<b>2,654</b>	<b>-</b>	<b>-</b>	<b>17,082</b>
<b>Financial Assets not measured at fair value</b>					
Cash and Cash equivalents	-	-	1,686,724	-	1,686,724
Loans	-	-	5,720,022	-	5,720,022
Other receivables	-	-	41,184	-	41,184
<b>Total</b>	<b>-</b>	<b>-</b>	<b>7,447,930</b>	<b>-</b>	<b>7,447,930</b>
<b>Financial Liabilities not measured at Fair Value</b>					
Members Deposits	-	-	-	6,005,018	6,005,018
Provisions for interest on deposits	-	-	-	457,152	457,152
Other Liabilities	-	-	-	562,738	562,738
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,024,908</b>	<b>7,024,908</b>
<b>As at 31st December 2019</b>					
<b>Financial Assets measured at Fair Value</b>					
Investments	15,942	2,478	-	-	18,420
<b>Total</b>	<b>15,942</b>	<b>2,478</b>	<b>-</b>	<b>-</b>	<b>18,420</b>
<b>Financial Assets not measured at fair value</b>					
Cash and Cash equivalents	-	-	1,219,788	-	1,219,788
Loans	-	-	5,321,445	-	5,321,445
Other receivables	-	-	137,998	-	137,998
<b>Total</b>	<b>-</b>	<b>-</b>	<b>6,679,231</b>	<b>-</b>	<b>6,679,231</b>
<b>Financial Liabilities not measured at Fair Value</b>					
Members Deposits	-	-	-	5,352,622	5,352,622
Provisions for interest on deposits	-	-	-	458,289	458,289
Other Liabilities	-	-	-	714,678	714,678
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,525,589</b>	<b>6,525,589</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

**Management of market risks**

The Sacco has put in place an investment policy to guide on investment avenues. There is close monitoring of the market on a monthly basis.

**6. Capital Risk Management**

The Sacco manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to members through the optimization of debt and equity balance in implementing the capital requirements the Sacco Act requires each Sacco to maintain,

- ❖ Core Capital of not less than 10 million,
- ❖ Core Capital of not less than 10 percent of total assets
- ❖ Institutional Capital of not less than 8% of total assets
- ❖ Core Capital of not less than 8% of total deposits

The Sacco revised the contribution plan for share capital in February 2020 to enable the members meet the Sacco's required target of Kes 30,000 per member.

The Capital adequacy ratios as at 31st December 2020 and 31st December 2019 were as follows:

	<b>2020</b>	<b>2019</b>
	<b>Kshs. "000"</b>	<b>Kshs. "000"</b>
Total Share Capital	432,735	334,224
Retained Earnings	116,411	141,959
Core Capital	824,879	700,651
Institutional Capital	392,143	366,427
Total Assets	7,661,638	6,908,885
Total Deposits	5,916,911	5,352,622
Core Capital /Total Assets (Statutory requirement 10%)	10.8%	10.1%
Core Capital /Total Deposits (Statutory requirement 8%)	13.9%	13.1%
Institutional Capital /Total Assets (Statutory requirement 8%)	5.12%	5.30%

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

**7 Income from loans**

	<b>2020</b> Kshs."000"	<b>2019</b> Kshs."000"
Interest received from loans	715,367	654,714
Bridging Interest	46,362	47,677
<b>Total</b>	<b>761,729</b>	<b>702,391</b>

**8 Interest Income from deposits**

	<b>2020</b> Kshs."000"	<b>2019</b> Kshs."000"
	113,934	90,172
	<b>113,934</b>	<b>90,172</b>

**9 Interest expenses**

	<b>2020</b> Kshs."000"	<b>2019</b> Kshs."000"
Interest on Holiday Savings	2,014	1,602
Interest on members deposits	452,720	454,057
Interest on Little Angels	1,812	1,370
Interest on wekeza savings	606	14
<b>Total</b>	<b>457,152</b>	<b>457,043</b>

**10 Other operating income**

	<b>2020</b> Kshs."000"	<b>2019</b> Kshs."000"
Entrance Fees	1,364	1,255
Withdrawal Interest from members	1,313	2,141
Member Card Replacement costs	89	98
Mobile Banking Income	838	518
Dividends Received	839	1,230
Commissions from partnerships	2,300	52
Asset Disposal income	112	127
Sale of tender	898	160
Disbursement Charge	1,074	54
Rent Income	385	-
Kimisitu Insurance Agency	1,209	-
<b>Total</b>	<b>10,421</b>	<b>5,635</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

**11 Administration expenses**

	<b>2020</b>	<b>2019</b>
	Kshs."000"	Kshs."000"
<b>Staff Expenses</b>		
Salary and Wages	71,771	62,595
Pension Expenses	11,987	10,318
Employer N.S.S.F Contribution	100	95
Staff Training	1,091	5,376
Staff Insurances	7,367	8,410
<b>Total Staff Expenses</b>	<b>92,316</b>	<b>86,793</b>
Computer Hard& Software Maintenance	24,825	21,768
Property& General Insurance Expense	973	393
Property Maintenance	4,266	3,159
<b>Total Property Maintenance</b>	<b>30,064</b>	<b>25,320</b>
<b>Other Administrative Costs</b>		
Office Expenses	7,170	5,044
Bank Charges	1,557	1,246
Amortization	3,395	2,874
Depreciation	5,331	4,846
Consultancy	5,099	5,096
Audit Fees	826	823
Licenses And Subscriptions	2,980	136
Legal Fees	141	308
Debt management fee	-	-
Corporate Social Donations	305	371
Advert Marketing & Publicity	12,076	11,678
Loss on Disposal	976	156
<b>Total Other Admin. Exp.</b>	<b>39,856</b>	<b>32,577</b>
<b>Total Administrative Expenses</b>	<b>162,236</b>	<b>144,690</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

**12 Other operating expenses**

	<b>2020</b> Kshs."000"	<b>2019</b> Kshs."000"
<b>Members Expenses</b>		
AGM Expenses	9,901	13,676
Education to Members	1,488	2,000
Co-op Annual Events	405	3,009
<b>Total Members Expenses</b>	<b>11,794</b>	<b>18,685</b>
<b>Governance Expenses</b>		
Board Sitting Allowance	7,581	6,745
Board Training	1,660	4,641
Board Travel	581	1,474
Other Board Expenses	82	264
Strategic Planning	1,787	4,905
Proposed Honorarium		
<b>Total Board Expenses</b>	<b>11,691</b>	<b>18,029</b>
<b>Total Other Operating Expenses</b>	<b>23,485</b>	<b>36,715</b>
	<b>2020</b> Kshs."000"	<b>2019</b> Kshs."000"
<b>Sundry Provision</b>		
Loan Loss Provision	52,963	43,666
	<b>52,963</b>	<b>43,666</b>

**13 Taxation**

	<b>2020</b> Kshs."000"	<b>2019</b> Kshs."000"
Total Turnover for the Year	886,922	798,199
Less: Interest from Members' Loans	(761,729)	(702,391)
Less: Gross Dividends received(Sec 7(3))	(839)	(1,230)
	<b>124,354</b>	<b>94,578</b>
Gross Interest From Bank(indicated gross amt in P&L)	<b>113,934</b>	<b>90,172</b>
50% of interest from banks	56,967	45,086
Other Income	5,977	394
Taxable Income	<b>62,944</b>	<b>45,480</b>
Tax thereon @ 25%	15,736	13,644
Add Balance as at beginning of the period	6,984	5,606
	<b>22,720</b>	<b>19,250</b>
Less Withholding Tax on Bank Interest in the year	(614)	(3,312)
Less Tax paid in the year	(6,984)	(5,606)
less installment tax paid in the year	(2,305)	(3,349)
Tax Liability	<b>12,817</b>	<b>6,984</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

**13(a) Deferred Tax Asset**

Deferred Tax is calculated using the enacted income tax rate of 25%. The valuation of financial instruments at fair value has given a timing difference in tax and hence the deferred tax

	<b>2020</b> Kshs."000"	<b>2019</b> Kshs."000"
Fair Value gain	672	176
Tax thereon @25%	(168)	53
<b>As at December</b>	<b>203</b>	<b>35</b>

**14(a) Cash and cash equivalents**

	<b>2020</b> Kshs."000"	<b>2019</b> Kshs."000"
CBA Current Account	16,333	111,205
Coop Current Account	1,113	1,420
NIC Current Account	12,103	28,095
KCB Current Account	573	-
KCB Agency Account	1,349	-
FOSA Treasury	1,003	-
Mpesa Accounts	17,210	26,815
Cash in hand	252	13
	<b>49,936</b>	<b>167,548</b>

**14(b) Short Term Deposits**

	<b>2020</b> Kshs."000"	<b>2019</b> Kshs."000"
Central Bank of Kenya	76,760	153,000
Co-operative Bank of Kenya	31,550	25,216
CIC Asset Management	391,266	246,000
NIC Bank	-	29,023
Kenya Commercial Bank	164	-
Britam	354,653	290,000
SANLAM Insurance	315,010	107,000
KUSCCO	366,275	202,000
ICEA Asset Management	101,110	-
	<b>1,636,788</b>	<b>1,052,240</b>

The short-term deposits are deposits with a maturity within 1 year.

**14(c) Cash on Asset Disposal**

	<b>2020</b> Kshs."000"	<b>2019</b> Kshs."000"
Sale of office furniture	-	452
Sale of 13 High back leather seats	-	50
Insurance refund on lost Laptop	-	71
	<b>-</b>	<b>573</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

**15 Prepayments and sundry receivables**

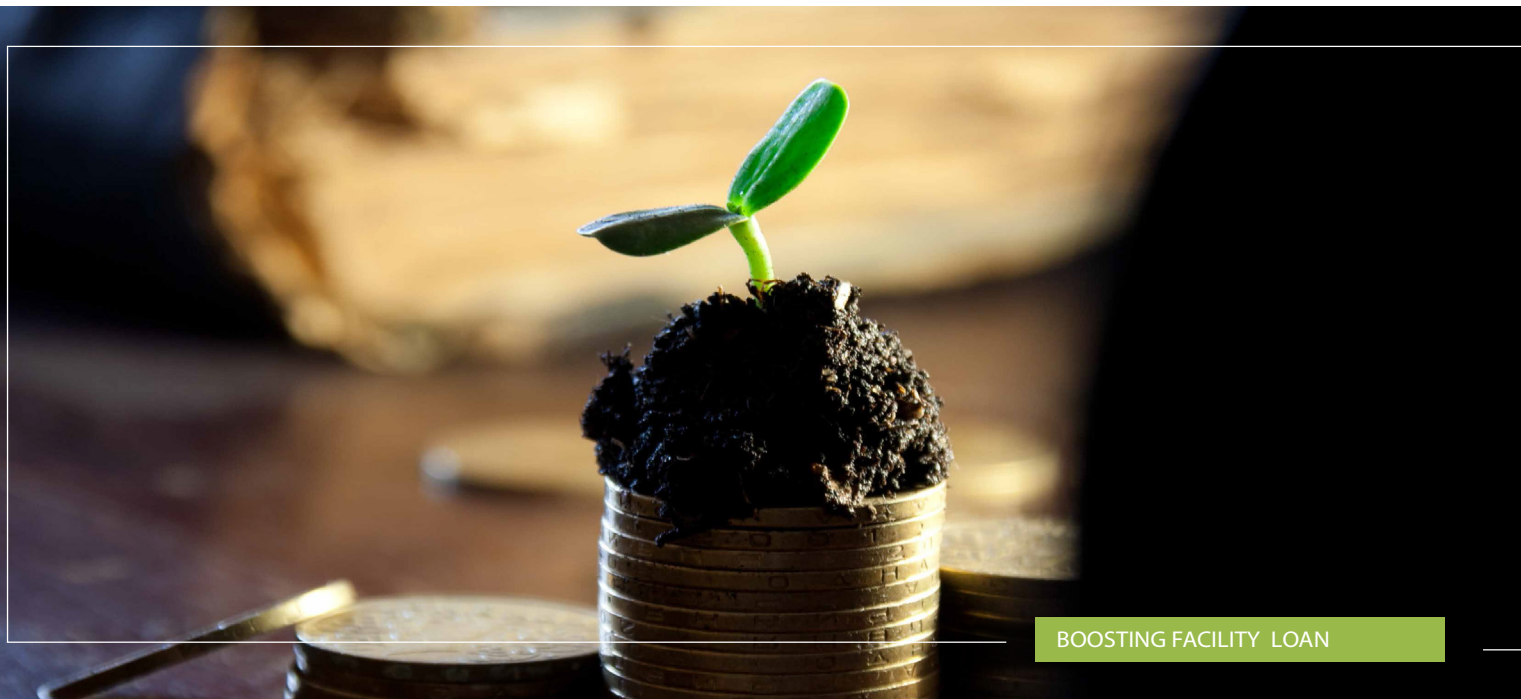
	<b>2020</b>	<b>2019</b>
	<b>Kshs."000"</b>	<b>Kshs."000"</b>
Receivable Income	37,579	115,572
Other Receivables	411	87
Prepayments	2,937	894
Deposit Accounts	257	97
	<b>41,184</b>	<b>116,650</b>

Included in other receivables is interest income from banks and interest income from members which was due in December but received in January 2021.

**16 Loans to Members**

	<b>2020</b>	<b>2019</b>
	<b>Kshs"000"</b>	<b>Kshs"000"</b>
As at 1 January	5,214,019	4,691,901
Issued in the year	3,653,170	3,364,166
Paid in the year	(3,312,718)	(2,842,048)
As at 31st December	<b>5,554,471</b>	<b>5,214,019</b>
<b>Loans on Default</b>		
As at January	128,773	127,847
Defaulters during the year	293,711	150,971
Recoveries during the year	(256,933)	(150,045)
As at 31st December	<b>165,551</b>	<b>128,773</b>
<b>Total Loan Book</b>	<b>5,720,022</b>	<b>5,342,792</b>
<b>Impairment Losses on loans</b>		
As at 1st January	131,923	88,257
Movement in the year - To P&L	52,963	43,666
Total provision for the year	<b>184,886</b>	<b>131,923</b>
<b>Net Loans as at 31st December</b>	<b>5,535,136</b>	<b>5,210,869</b>

The Loan balances as at December include staff loans.



BOOSTING FACILITY LOAN

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

**17 Financial Assets**

	<b>2020</b> <b>Ksh."000"</b>	<b>2019</b> <b>Ksh."000"</b>
<b>Unquoted shares at Cost</b>		
KUSCCO (20,788 ordinary shares of Kshs 100 each)	2,079	2,079
C.I.C GROUP ( 1,348,440 Ordinary Shares of Kshs. 3.5 pers share)	4,720	4,720
CIC Sacco Shares(450,000 shares @3.50 per share)	1,575	1,575
COOP Bank Holdings (480,917 Class A shares@7.1 per share)	3,414	4,569
Kimisitu Investment Company Ltd(KICL) Shares (264,000 ordinary shares of Kshs 10 each.	2,640	3,000
	<b>14,428</b>	<b>15,942</b>

The fair value loss on unquoted shares amount to Kshs 1,514,000 relating to valuation loss on Coop Class A shares and premium write-off on KICL shares for rights exercised in 2019.

	<b>2020</b> <b>Ksh."000"</b>	<b>2019</b> <b>Ksh."000"</b>
<b>Quoted Shares at fair Value through profit &amp; Loss</b>		
COOP Bank (168,000 Class B shares market price as at 31st December 2019 Kes 11.8)	2,654	2,478
Loss in share value	(672)	176
<b>Total Quoted Shares at Fair Value</b>	<b>1,982</b>	<b>2,654</b>
<b>As at 31st December 2020</b>	<b>16,410</b>	<b>18,596</b>

**18 Intangible assets**

	<b>2020</b> <b>Ksh."000"</b>	<b>2019</b> <b>Ksh."000"</b>
As at 1st January	18,259	18,510
Additions	492	1,953
Software Written off	-	(2,205)
Work in progress	30,690	18,275
<b>Amortization</b>		
Opening Balance	(13,277)	(11,091)
Write off	-	688
Charge for the year	(3,393)	(2,874)
<b>As at 31st December</b>	<b>32,771</b>	<b>23,257</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

**19 Accounts Payables and provisions**

	<b>2020</b>	<b>2019</b>
	<b>Ksh."000"</b>	<b>Ksh."000"</b>
Creditors	80,266	162,789
Other payables	5,130	8,763
Accrued expenses	826	(17)
	<b>86,222</b>	<b>171,535</b>
Payable to members		
Interest on deposits	452,720	454,057
Other member payables	6,484	10,519
Interest on Savings	7,256	6,496
Proposed Honararium	-	-
Insurance paid on loans	10,056	9,891
	<b>476,516</b>	<b>480,963</b>
<b>As at 31st December</b>	<b>562,738</b>	<b>652,498</b>

**20 Members Deposits**

	<b>2020</b>	<b>2019</b>
	<b>Ksh."000"</b>	<b>Ksh."000"</b>
As at 1st January	5,352,622	4,742,891
Deposits during the year	1,369,663	1,265,108
member offsets , refunds and recoveries during the year	(805,374)	(655,376)
<b>As at 31st December</b>	<b>5,916,911</b>	<b>5,352,622</b>

Members Deposits are deposits that are not withdrawable unless upon cessation of membership and requires at least 60 days' notice an interest of 8% has been proposed for the year 2020.

**21 Members Savings Deposits**

	<b>2020</b>	<b>2019</b>
	<b>Kshs."000"</b>	<b>Kshs."000"</b>
Holiday accounts	30,772	22,975
Little Angels Acccounts	27,353	21,516
Disbursement accounts	3,108	5,619
Wekeza accounts	26,456	4,629
FOSA accounts	70	
Benovelent accounts	348	
<b>Total Savings Accounts</b>	<b>88,107</b>	<b>54,739</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

**22 Share Capital**

	<b>2020</b>	<b>2019</b>
	Kshs."000"	Kshs."000"
As at 1st January (3.136m shares @ Ksh.100)	313,684	195,143
Contributions in the year(.9m shares@ Ksh.100)	90,964	118,541
<b>Ex. Members Share Capital</b>	-	-
These represents shares for members who have withdrawn from the sacco , deceased members capital	28,087	20,540
(0.28 million shares @100)		
<b>Total As at 31st December</b>	<b>432,735</b>	<b>334,224</b>

The Sacco has proposed a dividend payout on members share capital at 15% (64.9 million) 2019, 15% (50.1 million) This is in line with the Sacco's 2016-2020 strategic plan.

**23 Related Party transactions**

Parties are deemed related if one party has the ability to control the other party to exercise significant influence in making financial or operational decisions. Loans to members as at 31st December 2020 and 31st December 2019 include loans to Directors and staff. All transactions with related parties are at an arm's length in the normal course of business and on terms and conditions similar to those applicable to other customers.

**Directors**

	<b>Loans</b>		<b>Deposits</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	Kshs."000"	Kshs."000"	Kshs."000"	Kshs."000"
As at 1st January	18,378	27,676	17,086	17,212
Net Movement in the year	18,479	(9,298)	2,367	(126)
<b>As at 31st December</b>	<b>36,857</b>	<b>18,378</b>	<b>19,453</b>	<b>17,086</b>

**(C) Directors Payments**

	<b>2020</b>	<b>2019</b>
	Kshs."000"	Kshs."000"
Directors allowances	9,241	12,860
Honorarium	6,400	6,400
	<b>15,641</b>	<b>19,260</b>

**Staff**

	<b>Loans</b>		<b>Deposits</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	Kshs."000"	Kshs."000"	Kshs."000"	Kshs."000"
As at 1st January	41,112	32,056	14,286	11,875
Net Movement in the year	27,769	9,056	3,264	2,411
<b>As at 31st December</b>	<b>68,881</b>	<b>41,112</b>	<b>17,550</b>	<b>14,286</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

**24. RESERVES****(a) Statutory Reserve**

Statutory reserve fund at a rate of 20% of net operating surplus after tax in compliance with the provisions of section 47(1&2) of the co-operatives Society Act Cap 490.

	<b>2020</b>	<b>2,019</b>
	Kshs."000"	Kshs."000"
As at 1st January	99,145	78,657
Transfer of 20%	34,903	20,488
<b>As at 31st December</b>	<b>134,048</b>	<b>99,145</b>

**(b) Other Reserves****(i) General Reserve**

General reserve, comprises of 5% transfer of the net operating surplus as per the Sacco's by laws.

	<b>2020</b>	<b>2,019</b>
	Kshs."000"	Kshs."000"
As at 1st January	65,788	61,690
Transfer of 5%	6,980	4,098
<b>As at 31<sup>st</sup> December</b>	<b>72,768</b>	<b>65,788</b>

**(ii) Insurance Reserve**

This is reserve in which members contribute for insurance on loans and deposits. The funds are non-refundable.

	<b>2020</b>	<b>2019</b>
	Kshs."000"	Kshs."000"
As at 1st January	50,330	39,085
Addition in the year	11,579	11,245
<b>As at 31<sup>st</sup> December</b>	<b>61,909</b>	<b>50,330</b>

**(iii) Investment Reserve**

This represents the fair value gains and losses on shares owned by the Sacco both on private and quoted investment.

	<b>2,020</b>	<b>2019</b>
	Kshs."000"	Kshs."000"
As at 1st January	9,026	8,445
Fair Value Loss on quoted investment	(504)	123
Revaluation gain/loss on unquoted investment	(1,514)	457
	<b>7,008</b>	<b>9,026</b>
<b>Total Other Revenue Reserves</b>	<b>141,684</b>	<b>161,241</b>

The loss in fair value on quoted shares has been reduced by the resultant deferred tax asset of Kshs. 168,000.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

**(c) Revaluation Reserve**

This represents the difference in carrying value and acquisition cost of Sacco's revalued assets.

	<b>2020</b>	<b>2019</b>
	Kshs."000"	Kshs."000"
As at 1st January	36,098	35,918
Additions in the year	-	180
<b>As at 31<sup>st</sup> December</b>	<b>36,098</b>	<b>36,098</b>

**(d) Revenue Reserves**

The retained earnings balance represents the amount available after appropriations and forms part of the saccos reserves.

	<b>2020</b>	<b>2019</b>
	Kshs."000"	Kshs."000"
As at 1st January	141,959	124,789
Appropriation Balance	61,318	21,321
Prior year adjustments	12,973	(4,151)
Transfer to credit reserve	(99,839)	-
<b>As at 31<sup>st</sup> December</b>	<b>116,411</b>	<b>141,959</b>

The Honorarium represents the payments to directors approved at the AGM and paid for the year 2019 and the proposed amount for 2020.

<b>Honorarium</b>	<b>2020</b>	<b>2019</b>
	Kshs."000"	Kshs."000"
As at 1st January	6,400	6,400
Proposed Honorarium	6,400	6,400
Paid Honorarium	(6,400)	(6,400)
<b>As at 31<sup>st</sup> December</b>	<b>6,400</b>	<b>6,400</b>

**(e) Credit Risk Reserve**

Where impairing losses required by legislation or regulations exceed those calculated under international financial reporting Standards (IFRS), the excess is recognized as a statutory credit risk reserve and accounted for as an appropriation of retained profits. These reserves are not distributable.

	<b>2020</b>	<b>2019</b>
	Kshs."000"	Kshs."000"
Provision Buffer As at 1st Jan	48,939	48,939
Additions in the year	99,839	-
Less IFRS 9 required provision	-	-
<b>Transfer to Credit reserve</b>	<b>148,778</b>	<b>48,939</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

**25. Property and Equipment**

	Freehold land	Buildings	Computer, computer accessories, copiers & faxes	Office equipment	Furniture & fittings	Motor Vehicle	Total
	Ksh."000"	Ksh."000"	Ksh."000"	Ksh."000"	Ksh."000"	Ksh."000"	Ksh."000"
<b>Cost or valuation</b>							
Balance as at 1 Jan. 2019	70,000	11,930	11,971	21,081	6,917	790	122,689
Additions	-	-	1,230	3,097	-	2,338	6,665
Work in progress	-	214,762	-	-	-	-	214,762
Disposals	-	-	(183)	(650)	(155)	(790)	(1,778)
<b>Balance at 31 Dec. 2019</b>	<b>70,000</b>	<b>226,692</b>	<b>13,018</b>	<b>23,528</b>	<b>6,762</b>	<b>2,338</b>	<b>342,338</b>
Accumulated depreciation							
Balance as at 1 Jan. 2019	-	1,374	8,655	5,111	3,041	458	18,640
Depreciation Charge for the year	-	267	1,261	2,433	487	768	5,215
Disposals	-	-	(95)	(369)	(99)	(645)	(1,207)
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>1,640</b>	<b>9,822</b>	<b>7,175</b>	<b>3,429</b>	<b>581</b>	<b>22,648</b>
<b>Balance as at 1 Jan. 2020</b>	<b>70,000</b>	<b>11,930</b>	<b>13,018</b>	<b>23,528</b>	<b>6,762</b>	<b>2,338</b>	<b>127,576</b>
Additions	-	-	2,707	16,150	4,828	-	23,685
Work in progress	-	227,300	-	-	-	-	227,300
Disposals	-	-	(2,723)	(873)	(1,623)	-	(5,219)
<b>Balance at 31 December 2020</b>	<b>70,000</b>	<b>239,230</b>	<b>13,002</b>	<b>38,805</b>	<b>9,967</b>	<b>2,338</b>	<b>373,342</b>
Accumulated depreciation							
Balance as at 1 Jan. 2020	-	1,640	9,822	7,175	3,429	581	22,648
Depreciation Charge for the year	-	260	1,399	2,332	896	447	5,334
Disposals	-	-	(2,384)	(593)	(872)	-	(3,849)
<b>Balance at 31 December 2020</b>	<b>-</b>	<b>1,901</b>	<b>8,837</b>	<b>8,914</b>	<b>3,454</b>	<b>1,028</b>	<b>24,133</b>
<b>As at 31st December 2019</b>	<b>70,000</b>	<b>225,052</b>	<b>3,195</b>	<b>16,353</b>	<b>3,333</b>	<b>1,757</b>	<b>319,690</b>
<b>As at 31st December 2020</b>	<b>70,000</b>	<b>237,330</b>	<b>4,165</b>	<b>29,891</b>	<b>6,513</b>	<b>1,310</b>	<b>349,209</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 CONTINUED

**26. Fair Value**

The directors consider that there is no material difference between the fair values and the carrying value of the Sacco's financial assets and liabilities, where fair value details have not been provided.

**27. Contingent Liabilities**

There are no significant contingent liabilities as at 31st December 2020.

**28. Events After Reporting Period**

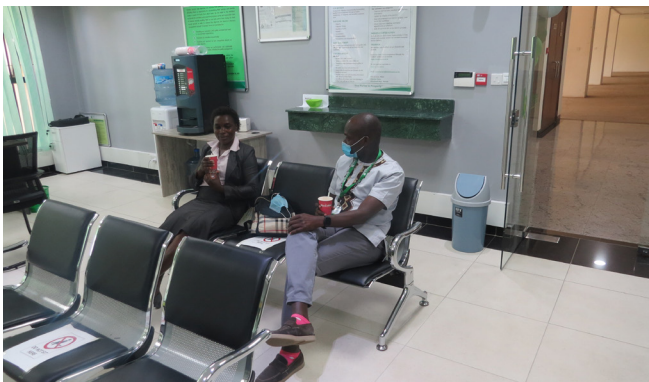
There are no significant events after the reporting period which have been reported in these financial statements.

## ISO 9001:2015 CERTIFICATION LAUNCH





## CUSTOMER SERVICE WEEK



## BUDGET 2022 AND AMENDMENTS TO 2021 BUDGET

DESCRIPTION	ACTUAL 2020	BUDGET 2020	VARIANCE 2020	BUDGET 2021	REVISED BUDGET 2021	BUDGET 2022
<b>INCOME</b>						
INCOME FROM MEMBERS	717,627,733	856,041,706	(138,413,973)	941,645,877	861,595,437	1,032,564,975
INTEREST ON TERM DEPOSITS	113,934,021	101,958,230	11,975,791	122,349,876	136,720,823	164,064,987
FOSA INCOME	44,101,135	25,584,892	18,516,243	49,417,952	86,584,458	108,673,435
INSURANCE AGENCY	1,209,111	2,678,380	(1,469,269)	2,946,218	2,776,800	2,890,035
OTHER INCOME	9,211,724	11,485,009	(2,273,285)	13,350,322	7,838,999	9,225,985
<b>TOTAL INCOME</b>	<b>886,083,724</b>	<b>997,748,218</b>	<b>(111,664,494)</b>	<b>1,129,710,245</b>	<b>1,095,516,518</b>	<b>1,317,419,417</b>
<b>EXPENDITURE</b>						
<b>FINANCIAL EXPENSES</b>						
INTEREST ON DEPOSITS	452,720,504	569,146,871	116,426,367	626,061,558	552,639,444	618,956,177
INTEREST ON HOLIDAY SAVINGS	2,013,988	2,766,590	752,602	3,043,250	3,020,983	4,531,474
INTEREST ON LITTLE ANGELS	1,812,318	2,045,127	232,809	2,249,639	2,718,477	4,077,716
INTEREST ON WEKEZA	605,483	1,262,103	656,620	1,388,314	908,225	1,362,338
INTEREST ON FOSA ACCOUNTS			-		5,400,000	5,940,000
BANK CHARGES	1,557,579	2,243,635	686,057	2,467,999	2,180,610	3,052,854
<b>TOTAL FINANCIAL EXPENSES</b>	<b>458,709,872</b>	<b>577,464,327</b>	<b>118,754,455</b>	<b>635,210,759</b>	<b>566,867,739</b>	<b>637,920,559</b>
<b>STAFF EXPENSES</b>						
STAFF INSURANCES	7,367,362	11,987,600	4,620,238	13,030,000	11,205,498	12,326,048
STAFF PENSION	11,986,917	16,346,400	4,359,483	19,010,201	17,931,235	19,007,109
STAFF SALARIES	71,473,171	86,131,940	14,658,769	99,450,943	98,329,922	103,079,973
STAFF TRAINING	1,090,859	14,727,680	13,636,821	16,167,580	9,925,900	10,251,595
STAFF TRAVEL	298,142	1,478,520	1,180,378	1,478,520	877,200	975,420
<b>TOTAL STAFF EXPENSES</b>	<b>92,216,451</b>	<b>130,672,140</b>	<b>38,455,689</b>	<b>149,137,243</b>	<b>138,269,755</b>	<b>145,640,145</b>
<b>BOARD AND GOVERNANCE EXPENSES</b>						
BOARD EXPENSES	82,117	409,200	327,083	284,000	284,000	284,000
BOARD SITTING ALLOWANCES	7,581,000	7,612,920	31,920	7,612,920	11,268,000	11,268,000
BOARD TRAINING	1,659,599	7,552,200	5,892,601	7,552,200	4,950,000	5,130,000
BOARD TRAVEL	581,308	1,603,250	1,021,942	2,394,700	942,000	942,000
<b>TOTAL BOARD AND GOVERNANCE EXPENSES</b>	<b>9,904,024</b>	<b>17,177,570</b>	<b>7,273,546</b>	<b>17,843,820</b>	<b>17,444,000</b>	<b>17,624,000</b>



DESCRIPTION	ACTUAL 2020	BUDGET 2020	VARIANCE 2020	BUDGET 2021	REVISED BUDGET 2021	BUDGET 2022
<b>MEMBERS EXPENSES</b>						
MEMBERS EDUCATION	1,488,250	11,009,156	9,520,906	9,147,760.00	3,921,000	4,544,600
CO-OPERATIVE EVENTS	404,600	4,688,816	4,284,216	4,746,121	5,229,816	5,604,298
AGM EXPENSES	9,901,125	8,828,120	(1,073,005)	8,561,889.60	5,361,640	5,685,260
<b>TOTAL MEMBERS EXPENSES</b>	<b>11,793,975</b>	<b>24,526,092</b>	<b>12,732,117</b>	<b>22,455,770.88</b>	<b>14,512,456</b>	<b>15,834,158</b>
<b>OPERATING/ADMINISTRATIVE EXPENSES</b>						
STRATEGIC PLANNING & REVIEW	1,786,956	3,619,959	1,833,002	3,769,555	2,091,955	2,301,150
ADVERTISING, MARKETING & PUBLICITY	11,258,996	14,683,000	3,424,004	14,761,400	12,662,400	12,298,220
AUDIT FEE	750,000	3,600,000	2,850,000	3,600,000	2,500,000	2,750,000
SUPERVISION FEE	75,500	360,000	284,500	360,000	250,000	275,000
DONATIONS/CORPORATE SOCIAL RESP.	304,560	1,496,622	1,192,062	1,694,565	1,095,517	1,317,419
LEGAL FEE	140,600	500,000	359,400	550,000	500,000	550,000
DEBT MANAGEMENT FEES	-	550,000	550,000	605,000	300,000	330,000
COMPUTER HARDWARE & SOFTWARE MAINTENANCE	24,824,991	17,447,525	(7,377,466)	19,938,235	29,803,730	34,844,993
PROPERTY MAINTENANCE	4,266,202	4,140,829	(125,373)	3,780,829	2,251,224	2,956,128
TELEPHONE AND POSTAGE	1,489,053	1,588,944	99,891	1,721,556	1,563,506	1,719,857
GENERAL INSURANCE	718,217	2,184,952	1,466,735	2,359,749	1,500,000	1,650,000
PROPERTY INSURANCE	254,690	357,803	103,113	386,427	919,500	919,500
OFFICE EXPENSES	5,781,389	9,972,166	4,190,778	11,548,119	10,630,066	11,560,058
SERVICE CHARGE	-	-	-	-	4,457,783	5,084,183
CONSULTANCY & PROFESSIONAL FEES	5,098,620	7,160,000	2,061,380	2,500,000	11,489,753	9,500,000
LICENCES & COMPLIANCE COST	2,980,139	10,633,280	7,653,141	11,626,942	12,638,029	14,125,708
AMORTISATION	3,394,639	4,837,137	1,442,498	4,837,137	11,915,713	18,020,713
DEPRECIATION	5,330,912	12,697,068	7,366,156	18,799,058	8,715,274	11,700,274
LOAN LOSS PROVISION	52,963,275	87,332,726	34,369,451	96,065,998	63,555,930	69,911,523
LOSS ON DISPOSAL	975,845	-	(975,845)	-	-	-
FOSA EXPENDITURE	817,341	6,490,229	5,672,888	5,843,892	1,139,000	1,252,900
<b>TOTAL OPERATING/ADMINISTRATIVE EXPENSES</b>	<b>123,211,925</b>	<b>189,652,240</b>	<b>66,440,315</b>	<b>204,748,461</b>	<b>179,979,379</b>	<b>203,067,626</b>
<b>TOTAL EXPENDITURE</b>	<b>695,836,247</b>	<b>939,492,369</b>	<b>243,656,122</b>	<b>1,029,396,055</b>	<b>917,073,329</b>	<b>1,020,086,487</b>
<b>SURPLUS</b>	<b>190,247,477</b>	<b>58,255,849</b>		<b>100,314,190</b>	<b>178,443,189</b>	<b>297,332,930</b>

## AMMENDMENTS TO 2021 BUDGET

A. CAPITAL BUDGET	FROM	CHANGE	TO	Explanation
DIGITAL MARKETTING AND CONFERENCING HARDWARE	-	2,035,825	2,035,825	Acquisition of Digital Marketting hardware and video conferencing tools
SERVERS AND NETWORK INFRASTRURCTURE	2,230,000	4,500,000	6,730,000	To upgrade the Server,acquisition of Firewall and new network infrastructure
SOFTWARES	6,000,000	19,853,672	25,853,672	Due to Increased System Security Softwares, Expected purchase of BI ,contact center and additional software licences
<b>TOTAL CHANGE IN CAPITAL EXPENDITURE</b>	<b>8,230,000</b>	<b>26,389,497</b>	<b>34,619,497</b>	
<b>B. INCOME BUDGET</b>	<b>FROM</b>	<b>CHANGE</b>	<b>TO</b>	
FOSA INCOME	49,417,952	37,166,506	86,584,458	Full operationalization of FOSA business
<b>TOTAL CHANGE IN INCOME</b>	<b>49,417,952</b>	<b>37,166,506</b>	<b>86,584,458</b>	
<b>C. EXPENDITURE BUDGET</b>	<b>FROM</b>	<b>CHANGE</b>	<b>TO</b>	
CONSULTANCY	2,500,000	8,989,753	11,489,753	Annual systems audit,ICT ISO Certification and Risk management frame work implementation
AMORTIZATIION	4,837,137	7,078,576	11,915,713	Increase due to acquisition of new softwares
INTEREST ON LITTLE ANGELS	2,249,639	468,838	2,718,477	Expected increase in Little Angels savings
BOARD SITTING ALLOWANCES	7,612,920	3,655,080	11,268,000	Increased number of committees due to increased responsibilities
COMPUTER HARDWARE & SOFTWARE MAINTENANCE	19,938,235	9,865,495	29,803,730	Increase due to increase in softwares hence the maintance contracts
<b>TOTAL CHANGE IN EXPENDITURE</b>	<b>7,337,137</b>	<b>16,068,329</b>	<b>23,405,466</b>	



## CAPITAL BUDGET 2022 AND AMENDMENTS TO 2021 BUDGET

	REVISED 2020	BUDGET 2021	REVISED BUDGET 2021	BUDGET 2022
<b>FURNITURE AND FITTINGS</b>				
FURNITURE AND FITTINGS	4,963,988	-	-	-
<b>TOTAL FURNITURE AND FITTINGS</b>	<b>4,963,988</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OFFICE EQUIPMENTS</b>				
OFFICE EQUIPMENTS	5,495,000	120,000	200,000	-
<b>TOTAL OFFICE EQUIPMENTS</b>	<b>5,495,000</b>	<b>120,000</b>	<b>200,000</b>	<b>-</b>
<b>SERVERS AND NETWORK INFRASTRUCTURE</b>				
SERVER AND NETWORK INFRASTRUCTURE	200,000	2,230,000	6,730,000	8,500,000
<b>TOTAL SERVERS AND NETWORK INFRASTRUCTURE</b>	<b>200,000</b>	<b>2,230,000</b>	<b>6,730,000</b>	<b>8,500,000</b>
<b>COMPUTERS &amp; PERIPHERALS</b>				
COMPUTERS / PERIPHERALS	5,350,000	3,893,300	3,133,300	2,450,000
DIGITAL MARKETTING AND CONFERENCING HARDWARE	-	-	2,035,825	-
<b>TOTAL COMPUTERS / PERIPHERALS</b>	<b>5,350,000</b>	<b>3,893,300</b>	<b>5,169,125</b>	<b>2,450,000</b>
<b>SOFTWARE</b>				
SOFTWARES	31,900,000	6,000,000	25,853,672	18,500,000
<b>TOTAL SOFTWARE</b>	<b>31,900,000</b>	<b>6,000,000</b>	<b>25,853,672</b>	<b>18,500,000</b>
<b>FOSA CAPITAL COSTS</b>	<b>7,996,389</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CAPITAL BUDGET</b>	<b>55,905,377</b>	<b>12,243,300</b>	<b>37,952,797</b>	<b>29,450,000</b>

## NOTES TO THE BUDGET 2021

### 1 INCOMES

We expect to grow our turnover by 20% to Kshs.1.317 billion compared to Kshs.1.095 in year 2021. This will be driven by expected increase in loan uptake with full operationalization of FOSA Business and digital products

### 2 FINANCIAL EXPENSES

We expect to payout Kshs. 618.9 million on interest on deposits compared to Kshs. 552.6 million in year 2021.

### 3 STAFF EXPENSES

The staff expenses is expected to increase by 5% in the year 2022 to 145.6million from Kshs. 138.2 million to cater for cost of inflation

### 4 BOARD EXPENSES

The board allowances have been maintained at the same rate as 2021 with an increase of 4% in training due to inflation

### 5 MEMBERS EXPENSES

The member expenses have increased by 9% to Kshs.15.8 million from 14.5million , the Sacco will undertake more virtual engagements with the members

### 6 OPERATIONAL EXPENSES

The operational expenses have increased by 13% to Ksh. 203 million from 179million , due to increased investments in ICT causing an increase in Licence& Maintenance, amortization and depreciation. We also have provided for loan loss as per regulation and the regulator deposit levy of 0.15% of the members deposits .

## CAPITAL BUDGET

### 7 Computers/Servers and Peripherals

Acquisition of new server to accommodate the growing need for more compute power for new systems (BI) and replacement of end-of life server

Acquisition of WAF to protect the internet facing application that are internally hosted (USSD & Mobile app and the web portal)

Replacement of end of life network devices (switch, router) whose end of life and support is in 2021

### 8 Softwares

Acquisition of Realtime User Behavioural Analytics System with Cyber Security Threat intelligence

Upgrade of the firewall with advanced features to cater for the emerging trends like XDR functionality

Acquisition of a software for monitoring core databases e.g. ERP, Mobile Banking, EDMS especially the real time transactions

Middleware software to enhance security of system and avoid direct integration of ERP with 3rd party applications.

Upgrade of the current Vmware features to enable hot Disaster Recovery site setup

Upgrade of the current ERP whose end life is 2021 .

## APPOINTMENT OF AUDITORS 2021

The Society in January 2021 requested for proposals from 12 (Twelve) pre-qualified audit firms. Applications were received from four (4) firms and evaluated based on experience, personnel capacity, registration from SASRA and ICPAK. Three (3) firms were shortlisted having been found responsive during the tender evaluation exercise. The three (3) firms were interviewed by the Audit and Risk Management Committee (ARM) and hereby presented to the members for consideration and appointment of one of them as the society's financial year 2021 auditors.

NAME OF AUDIT FIRM	ORGANIZATIONS AUDITED IN THE PAST	NUMBER OF STAFF ASSIGNED TO THE WORK	FINANCIAL PROPOSAL (KSHS.)
<b>RONALD LLP</b>	Magereza Sacco, Ukulima Sacco, Waumini Sacco, Wanandegge Sacco, Jamii Sacco, Kimisitu Sacco Ltd	1 Engagement Partner 1 Lead partner 1 Review Partner 1 Audit managers 1 Audit Senior 1 Tax manager 5 Support staff	Kshs. 1,495,000.00
<b>GRANT THORNTON</b>	Flamingo Horticulture, Hyundai Engineering Company Ltd, Dyer & Blair Investment Bank Ltd, UFAA, Kenindia Assurance, African Alliance Kenya Securities Ltd	1 Engagement Partner 1 Engagement Manager 1 Lead partner 1 Review Partner 1 Audit managers 3 Audit assistants	Kshs. 2,146,000.00
<b>PKF</b>	Kenpipe Sacco, Ushuru Sacco, Amica Sacco, Sacco, Fortune Sacco, UN Sacco, Mhasibu, Safaricom Sacco,	1 Lead Partner 2 Partners 2 Engagement Manager 1 Senior Auditor 1 ICT Technical Manager 1 Risk Assurance in ICT 5 Audit assistants	Kshs.2,604,200.00

## RESOLUTIONS FOR THE 36<sup>TH</sup> ANNUAL GENERAL MEETING

The Board requests the SACCO members to approve the following resolutions:

### 1. Borrowing Powers

The Board seeks to maintain Borrowing Powers at Kshs.600 Million.

### 2. Distribution of Surplus

The board proposes to dispose the surplus for 2020 as follows:

- i. Payment of 15% dividends on members share capital as at 31st December 2020 **(Kshs. 64.9million)**.
- ii. Transfer 20% of the net surplus after taxation to the statutory reserves **(Ksh.34.9million)**.
- iii. Transfer 5% of the net surplus after taxation to the general reserves **(Kshs. 6.9million)**.
- iv. Payment of honorarium to the Board and Supervisory Committee gross amount **Kshs. 6.4M**.
- v. Retain 35% of the net surplus after tax to retained earnings **(Kshs. 61.3 million)**.

### 3. Payment of Interest on Members Deposits

The board proposes to pay interest on members' deposits as at 31st December 2020 at a rate of 8% **(Kshs.452 million)**.

### 4. Approval of 2022 budget and amendments for 2021 budget

### 5. Appointment of Auditors for year 2021

### 6. Amendments to By-Laws:

The board proposes the members to approve the aligned Bylaws to the Cooperative Act and Kenya Constitution 2010.

### 7. Board of Directors and Supervisory Committee Indemnity

Members to approve indemnity at Ksh.3,328,730 for each board member.

### 8. Approval of Formation of Kimisitu Foundation.

## PROPOSED KIMISITU FOUNDATION RESOLUTION

**DATE: 27<sup>TH</sup> FEBRUARY 2021**

<b>Product Name</b>	<b>KIMISITU SACCO FOUNDATION</b>
<b>Background</b>	For the last 36 years that Kimisitu Sacco has been in existence, it has always apportioned part of its annual profit towards CSR activities. Some of the activities include planting of trees in various parts of the country, helping vulnerable children and partnering with institutions that touches on various social projects in the society. This has been a success as it has left a positive impact on the society as a whole and transformed lives of hundreds of people.
<b>Justification</b>	<p>As the SACCO grows in terms of membership, partners and assets, there is need to engage the stake holders as part of the journey in its growth. To do this, there is need to bring various institutions and even individuals who are willing to support the good course.</p> <p>Kimisitu Sacco has over 400 organizations, mainly NGOs and most of these institutions are engaged in services that touches on the society (Humanitarian services). Kimisitu will partner with other likeminded organizations in this noble cause.</p>
<b>Funding for the Foundation</b>	<ol style="list-style-type: none"> <li>1. Partnerships with donors on climate change and other donors</li> <li>2. Annual green run to create awareness and raise funds</li> <li>3. Grants and donations</li> </ol>
<b>Functions/ Objectives of the Foundation</b>	<p>We define green into 3 components:</p> <ol style="list-style-type: none"> <li>1. Environmental conservation             <ul style="list-style-type: none"> <li>- Through partnerships with green organizations to preserve the environment</li> </ul> </li> <li>2. To create sustainable livelihood through agribusiness and support green businesses within our memberships and the communities that we serve</li> <li>3. Community outreach and assisting the disadvantaged or marginalized in the society</li> </ol>
<b>Benefits to the Sacco</b>	<ul style="list-style-type: none"> <li>• Growth of Brand visibility for the Sacco and thus a larger market share</li> <li>• All CSR activities of the SACCO to be run through the foundation, professionally.</li> <li>• Through financial synergy with other partners, the Sacco is likely to reduce on its CRS budget expenditure due to economy of large scale activities from pooling of resources.</li> <li>• Publicity which will help in recruitment of both individual and corporate members translating to more returns for the members.</li> <li>• More recruitment means more business and hence more profits</li> <li>• Noble cause for members to participate in CSR activities as we appreciate the communities and environment we live within</li> <li>• Partnerships: The foundation will have donors, and this will bring about more funds passing through the Kimisitu FOSA account, creating more capital and returns</li> </ul>



## OUR CONTACT CENTRE SERVICE OPTIONS



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