

UNISA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
C/S 20037
Annual Report and Financial Statements
For the Year Ended 31 December 2018
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UNISA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

C/S 20037

Annual Report and Financial Statements

For the Year Ended 31 December 2018

Society information

Board of Management

| | |
|----------------------|------------------------|
| Chairman | Francis Ngunjiri |
| Vice Chairman | Martin Kibati Mwaura |
| Honourable Secretary | Polly Gathoni |
| Treasurer | John Mwangi Maina |
| Member | Stephen Theuri Nderitu |
| Member | Patrick Maingi Kibaara |
| Member | Lucy Wanjiru Kairu |
| Member | Daniel Muthua |
| Member | Liddon Muturi Muthumbi |

Supervisory Committee

| | |
|-----------|--------------------------------|
| Chairman | David Karanja-Chairman |
| Secretary | Hannah Njeri-Secretary |
| Member | Elizabeth Wairimu Mugo- Member |

Registered office

S.K.Business Centre
Ladhes Road ,2nd Floor
P.O. Box 33745 - 00600,
Nairobi
info@unisasacco.co.ke

Auditors

Eunice Njuguna and Company
Certified Public Accountants of Kenya,CPA(K)
P.O. Box 51443-00100,
Nairobi.
Tel +254 772909630/0723102773

Principal Bankers

Co-operative Bank of Kenya Ltd
Nacico Branch
Nairobi

The Manager

Edward Nyaga
P.O.Box 33745-00200
Nairobi

UNISA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
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Annual Report and Financial Statements
For the Year Ended 31 December 2018

Statistical Information as at 31 December 2018

| | 2018 | 2017 |
|--|-------------------|-------------------|
| Membership | | |
| Active | 390 | 379 |
| Left | (27) | (8) |
| Dormant | 137 | 42 |
| Total | <u><u>500</u></u> | <u><u>413</u></u> |
| Number of Branches | <u><u>1</u></u> | <u><u>1</u></u> |
| Employees of the Sacco | <u><u>2</u></u> | <u><u>2</u></u> |
| Financial | Kshs | Kshs |
| Total Assets | 59,921,019 | 37,851,694 |
| Liquid Assets | 1,626,843 | 10,580,838 |
| Members deposits | 55,339,800 | 36,087,525 |
| Interest on Members Deposits | 2,213,592 | - |
| Loans to Members | 44,611,812 | 26,551,611 |
| Investments | 12,683,040 | 10,000 |
| Core Capital | 2,029,264 | 1,532,933 |
| Share Capital | 1,446,000 | 1,152,000 |
| Total Revenue | 5,654,711 | 2,698,088 |
| Total Interest Income | 4,036,668 | 2,457,838 |
| Total expenses | 3,232,790 | 2,217,848 |
| Key ratios | | |
| Capital Adequacy Ratio | | |
| Core Capital/Total Assets | 3.39% | 4.05% |
| Core Capital/Total Deposits | 3.67% | 4.25% |
| Liquidity Ratio | | |
| Liquid Assets/Total deposits & Long term liabilities | 2.94% | 29.32% |
| Operating Efficiency/Loan Quality Ratios | | |
| Total Expenses/Total Revenue | 57.17% | 82.20% |

UNISA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
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STATEMENT OF COMPREHENSIVE INCOME

| | Notes | 2018 Ksh | 2017 Ksh |
|--|-------|-----------------------|-----------------------|
| Interest Income | 2 | 4,036,668 | 2,457,838 |
| Investment Income | 3 | 831,812 | - |
| Interest Expense | 4 | (2,213,592) | - |
| Other Operating Income | 5 | 786,231 | 240,250 |
| | | <u>3,441,119</u> | <u>2,698,088</u> |
| Governance Expenses | 6 | 755,540 | 247,700 |
| Administrative Expenses | 7 | 2,399,355 | 1,885,944 |
| Financial Expenses | 8 | 77,895 | 84,204 |
| Total expenses | | <u>3,232,790</u> | <u>2,217,848</u> |
| Net Operating surplus/(deficit) before income tax | | <u>208,329.45</u> | <u>480,241</u> |
| Income tax expense | 9 | 5,999 | - |
| Net surplus/(deficit) for the year | | <u>202,331</u> | <u>480,241</u> |
| 20% transfer to statutory reserve | | (40,466) | (96,048) |
| Surplus/(Deficit) for the year | | <u><u>161,865</u></u> | <u><u>384,193</u></u> |

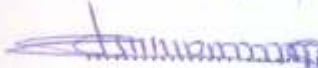


UNISA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
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Annual Report and Financial Statements
As at 31st December 2018

STATEMENT OF FINANCIAL

| | Notes | 2018 Ksh | 2017 Ksh |
|--------------------------------------|-------|-------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | 10 | 1,626,843 | 10,580,838 |
| Investments | 11 | 12,683,040 | 10,000 |
| Trade and other receivables | 12 | 548,362 | 405,108 |
| Loan with members | 13 | 44,611,812 | 26,551,611 |
| Property, plant and equipments | 14 | 270,988 | 304,137 |
| Tax paid at source | | 118,773 | |
| Jiko Koa | | 61,200 | |
| Total Assets | | 59,921,019 | 37,851,694 |
| LIABILITIES | | | |
| Members deposits | 15 | 55,339,800 | 36,087,525 |
| Trade and other payables | 16 | 332,364 | 231,237 |
| Tax Payable | 10 | 5,999 | - |
| Proposed interest on Members Deposit | 4 | 2,213,592 | - |
| Total Liabilities | | 57,891,755 | 36,318,762 |
| EQUITY | | | |
| Share capital | 17 | 1,446,000 | 1,152,000 |
| Retaining Reserves | 18 | 446,750 | 284,885 |
| Statutory reserves | 19 | 136,514 | 96,048 |
| Total Equity | | 2,029,264 | 1,532,933 |
| Total Liabilities and Equity | | 59,921,019 | 37,851,694 |



The financial statements set out on pages 7-15 were approved by the Board of Directors on 28/10/21 2019 and signed on its

 Chairman
 Treasurer
 Board member



UNISA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
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STATEMENT OF CHANGES IN EQUITY

| | Share Capital | Retained Earnings | Statutory Reserves | Total |
|--------------------------------|------------------|----------------------|-----------------------|------------------|
| | Ksh | Ksh | Ksh | Ksh |
| At 1st January 2017 | 951,000 | (99308) | - | 851,692 |
| Issue of share capital | 201,000 | | | 201,000 |
| Surplus/(Deficit) for the year | | 480,241 | | 480,241 |
| Transfer to statutory reserve | | (96,048) | 96,048 | |
| Paid during the year | | - | | |
| Proposed Dividend-2017 | - | - | - | - |
| At 31 December 2017 | 1,152,000 | 284,885 | 96,048 | 1,532,933 |
| At 1st January 2018 | 1,152,000 | 284,885 | 96,048 | 1,532,933 |
| Issue of share capital | 294,000 | | | 294,000 |
| Surplus/(Deficit) for the year | | 202,331 | | 202,331 |
| Transfer to statutory reserve | | (40,466) | 40,466 | - |
| Paid during the year | | - | | - |
| Proposed Dividend-2018 | - | - | - | - |
| At 31 December 2018 | 1,446,000 | 446,750 | 136,514 | 2,029,264 |

UNISA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
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For the Year Ended 31 December 2018
STATEMENT OF CASH FLOWS

| | Note | 2018 Ksh | 2017 Ksh |
|--|------|---------------------|-------------------|
| Cash flows from operating activities | | | |
| Interest receipts | 2 | 4,036,668 | 2,457,838 |
| Other interest income | 3 | 831,812 | |
| Other operating income | 5 | 786,231 | 240,250 |
| Payments to employees and suppliers | | (2,573,648) | (2,162,920) |
| Decrease / (increase) in: | | 3,081,063 | 535,169 |
| Trade and other receivables | | (143,254) | (276,913) |
| Increase / (decrease) in: Stock items-Jiko koa | | (61,200) | |
| Increase / (decrease) in Net loans to members | | (18,672,594) | (17,360,213) |
| Trade and other payables | | 101,127 | 114,538 |
| Members deposits | | 19,252,275 | 26,220,220 |
| Net cash from operating activities before tax | | 3,557,417 | 9,232,800 |
| Income tax paid | | (118,772) | - |
| Net cash from operating activities after tax | | 3,438,645 | 9,232,800 |
| Cash flow from investing activities | | | |
| Purchase of property and equipment | | (13,600) | (10,795) |
| Payment of interest on members deposit | | - | - |
| Purchase of investment securities | | (12,673,040) | - |
| Net cash from investing activities | | (12,686,640) | (10,795) |
| Cash flows from financing activities | | | |
| Share capital contributions | | 294,000 | 201,000 |
| Dividends paid | | - | - |
| Net cash generated from financing activities | | 294,000 | 201,000 |
| Net (decrease) in cash and cash equivalents | | (8,953,995) | 9,423,005 |
| Cash and cash equivalents at 1st January | 7 | 10,580,838 | 1,157,831 |
| Cash and cash equivalents at 31st December | 7 | 1,626,843 | 10,580,838 |

NOTES

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Statement of compliance

The financial statements are prepared in compliance with International Financial Reporting Standards under the historical cost convention, and are presented in the functional currency, Kenya Shillings (Shc)

b) Revenue recognition

Interest on loans to members is calculated on a Flat rate method at the monthly rate of 1.0%. Interest income is recognized on a time proportion basis by reference to the principal outstanding and the effective interest rate applicable

c) Provision for liabilities and charges

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

d) Loans and receivables

quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

e) Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

f) Statutory reserves

Transfers are made to the statutory reserve fund at a rate of 20% of net operating surplus after tax in compliance with the provision of the Co-operative Societies Act .

g) Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate. A provision for impairment is recognized in the profit and loss account in the year when the recovery of the amount due as per the original terms is doubtful. The provision is based on the difference between the carrying amount and the present value of the expected cash flows, discounted at the effective interest rate.

Receivables not collectible are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account in the year of recovery

h) Trade and other Payables

Finance charges, including premiums payable on the settlement or redemption, are accounted for on accrual basis and added to the carrying amount of the instruments to the extent that they are not settled in the period in which they arise. Trade payables are stated at their amortized cost.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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NOTES

j) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

k) Property, plant and equipment

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

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 using the following annual rates:

| | <u>Rate - %</u> |
|------------------------|-----------------|
| Freehold land | Nil |
| Office equipment | 12.50 |
| Fixtures and Fittings | 12.50 |
| Motor Bike | 25.00 |
| Computer & Accessories | 30.00 |

l) Intangible assets

Software licence costs are stated at historical cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight line method to write down the cost of the software to its residual value over the estimated useful life using an annual rate of 30%.

m) Retirement benefit obligations

The Society and the employees contribute to the National Social Security Fund, a national defined contribution scheme. Contributions are determined by local statute and the company's contributions are charged to the profit and loss account in the year to which they relate.

n) Employee entitlements

Employee entitlements to long service awards are recognised as a liability based on the service rendered by the employees up to the balance sheet date. The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

o) Borrowing costs

Borrowing costs are recognised as an expense in the year in which they are incurred.

p) Taxation

Tax expense in the profit and loss account is the aggregate of the current income tax and deferred income tax.

UNISA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
C/S 20037

Annual Report and Financial Statements
For the Year Ended 31 December 2018

NOTES

| | 2018 Ksh | 2017 Ksh |
|---|------------------|------------------|
| 2 Interest on Loans and advances | | |
| Interest on Loans | 4,036,668 | 2,457,838 |
| | <u>4,036,668</u> | <u>2,457,838</u> |
| 3 Other Interest Income | | |
| CIC Interest Income | 791,812 | - |
| KUSCCO interest income | 40,000 | - |
| | <u>831,812</u> | <u>-</u> |
| 4 Interest on Members Expense | | |
| Proposed Interest on Members Deposit | <u>2,213,592</u> | <u>-</u> |
| 5 Other Operating Income | | |
| Activation fee | 36,360 | - |
| Penalties | 359,638 | 101,050 |
| Entrance fees | 138,000 | 139,200 |
| Bridging Charges | 243,533 | - |
| Jiko Koa | 8,700 | - |
| | <u>786,231</u> | <u>240,250</u> |
| 6 Governance expenses | | |
| AGM expenses | 289,500 | 120,420 |
| Committee meeting expenses | 218,370 | 43,500 |
| Members Education | 198,370 | 33,190 |
| Training-Board members | 49,300 | 50,590 |
| | <u>755,540</u> | <u>247,700</u> |
| 7 Administration expenses | | |
| Staff training | 30,410 | 32,170 |
| Licences | 69,500 | 79,500 |
| Legal fees | 20,000 | 203,000 |
| Office Expenses | 128,590 | 69,344 |
| Printing and stationeries | 88,230 | 145,470 |
| Rent and service charge | 464,232 | 442,129 |
| Repair and Maintenance | 1,700 | - |
| Salaries and wages | 684,741 | 548,787 |
| Bulk SMS and Internet | 35,280 | 67,846 |
| Telephone | 43,800 | 41,400 |
| Transport and travelling expenses | 81,430 | 32,640 |
| Marketing expenses | 42,000 | 81,300 |
| Audit Fees | 38,000 | 38,000 |
| Supervision fees | 4,500 | 3,800 |
| Electricity | 7,800 | 5,630 |
| Ushirika Day | - | 10,000 |
| Accountancy fees | - | 30,000 |
| Depreciation | 46,749 | 54,928 |
| Provision for Loan loss | 612,393 | - |
| | <u>2,399,355</u> | <u>1,885,944</u> |
| 8 Financial Expenses | | |
| Bank charges | <u>77,895</u> | <u>84,204</u> |
| | <u>77,895</u> | <u>84,204</u> |

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NOTES

| | 2018 Ksh | 2017 Ksh |
|---|-------------------|-------------------|
| 9 Taxation | | |
| Non-members income | 831,812 | - |
| Taxable amount(50%) | 415,906 | - |
| Tax (30%) | 124,772 | - |
| Less: Tax paid at Source | (118,773) | - |
| Tax Payable | <u>5,999</u> | <u>-</u> |
| 10 Cash and cash Equivalent | | |
| Co-operative bank Current account | 1,208,502 | 10,287,341 |
| Co-operative bank Haba na Haba | 29,970 | - |
| Quick fix cash account | 92,980 | 94,740 |
| Cash in Hand | 3,941 | 2,615 |
| Cash at Paybill | 291,450 | 196,142 |
| | <u>1,626,843</u> | <u>10,580,838</u> |
| 11 Investments | | |
| KUSCCO (Shares) | 10,000 | 10,000 |
| CIC Investments | 9,673,040 | - |
| KUSCCO Central Finance Fund | 3,000,000 | - |
| | <u>12,683,040</u> | <u>10,000</u> |
| 12 Trade and other receivables | | |
| Deposits and prepayments | 128,195 | 128,195 |
| Interest on Loans receivable | 380,167 | 276,913 |
| Accrued KUSCCO Interest receivable | 40,000 | - |
| | <u>548,362</u> | <u>405,108</u> |
| 13 Loans with Members | | |
| Normal loan | 44,150,304 | 25,767,886 |
| School fees loans | 549,735 | 254,496 |
| Emergency loans | 361,965 | 350,317 |
| Quick fix loans | 126,201 | 178,912 |
| Jiko Koa Loan | 36,000 | - |
| Less: Provision for Loan Loss | (612,393) | - |
| | <u>44,611,812</u> | <u>26,551,611</u> |
| Movement in provision for loan loss | | |
| At 1 January | - | - |
| Increase/ (decrease) in provision for loan during | 612,393 | - |
| At 31 December | <u>612,393</u> | <u>-</u> |
| Ageing of Loan | | |
| Performing Loans | 44,254,553 | 26,551,611 |
| 1-30 days (Watch-5%) | 478,453 | - |
| 31-180 days (Substandard-25%) | 398,699 | - |
| 181-360 days(Doubful-50%) | 92,500 | - |
| >360Day (Loss Account -100%) | - | - |
| | <u>45,224,205</u> | <u>26,551,611</u> |
| Ageing of past due impaired | | |
| Performing Loans(1%) | 442,546 | - |
| 1-30 days (Watch-5%) | 23,923 | - |
| 31-180 days (Substandard-25%) | 99,675 | - |
| 181-360 days(Doubful-50%) | 46,250 | - |
| >360Day (Loss Account -100%) | - | - |
| | <u>612,393</u> | <u>-</u> |
| 13b INSIDER LOANS | | |
| Directors | 7,331,655 | - |
| Staff | 38,550 | - |
| | <u>7,370,205</u> | <u>-</u> |

UNISA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
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 NOTES

14 Property, plant and equipment

| | Furnitures and Fittings Shs | Computer & Accessories Shs | Total Shs |
|---------------------------------------|-----------------------------------|----------------------------------|-----------------------|
| COST | | | |
| At 1st January 2017 | - | - | - |
| Additions | 343,218 | 82,000 | 414,423 |
| Disposals | - | - | - |
| Balance as at 1st January 2018 | <u>343,218</u> | <u>82,000</u> | <u>425,218</u> |
| Additions | 13,600 | - | 13,600 |
| Disposals | - | - | - |
| Balance as at 31 December 2018 | <u><u>356,818</u></u> | <u><u>82,000</u></u> | <u><u>438,818</u></u> |
| DEPRECIATION | | | |
| Balance as at 1st January 2017 | 41,553 | 24,600 | 66,153 |
| Charge for the year | 37,708 | 17,220 | 54,928 |
| Disposals | - | - | - |
| Balance as at 1st January 2018 | <u>79,261</u> | <u>41,820</u> | <u>121,081</u> |
| Disposals | - | - | - |
| Charge for the year | 34,695 | 12,054 | 46,749 |
| Balance as at 31 December 2018 | <u><u>113,956</u></u> | <u><u>53,874</u></u> | <u><u>167,830</u></u> |
| CARRYING AMOUNT | | | |
| As at 31st December 2017 | <u><u>263,957</u></u> | <u><u>40,180</u></u> | <u><u>304,137</u></u> |
| As at 31 December 2018 | <u><u>242,862</u></u> | <u><u>28,126</u></u> | <u><u>270,988</u></u> |
| | 2018 | 2017 | |
| | Ksh | Ksh | |
| 15 Members' Deposits | | | |
| At the start of the year | 36,087,525 | 9,867,305 | |
| Deposits during the year | 20,261,515 | 26,614,520 | |
| Withdrawal/Refund during the year | (1,009,240) | (394,300) | |
| | <u><u>55,339,800</u></u> | <u><u>36,087,525</u></u> | |
| 16 Trade and other payables | | | |
| Audit fees | 38,000 | 38,000 | |
| Supervision fees | 4,000 | 3,800 | |
| Kuscco Insurance | 48,020 | 68,790 | |
| Other Payables | 242,344 | 120,647 | |
| | <u><u>332,364</u></u> | <u><u>231,237</u></u> | |

UNISA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
C/S 20037

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NOTES

| | 2018 Ksh | 2017 Ksh |
|----------------------------------|------------------|------------------|
| 17 Share Capital | | |
| Balance b/f | 1,152,000 | 951,000 |
| Contribution for the year | 294,000 | 201,000 |
| | <u>1,446,000</u> | <u>1,152,000</u> |
| 18 Retained Reserves | | |
| Prior year retained earnings | 284,885 | (99,308) |
| Current year's surplus/(deficit) | 202,331 | 480,241 |
| Statutory reserve | (40,466) | (96,048) |
| | <u>446,750</u> | <u>284,885</u> |
| 19 Statutory reserves | | |
| As at 01/01/2018 | 96,048 | - |
| Statutory reserve for the year | 40,466 | 96,048 |
| | <u>136,514</u> | <u>96,048</u> |

20 Financial risk management objectives

The sacco operations are exposed to financial risk due to the changing marketing conditions. These risk include market risks, credit risk, liquidity risk and cash flow interest rate risk. The sacco's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effect on the Sacco's financial performance.

i) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual resulting in financial loss to the Sacco and arises principally from the sacco's loan and advances to its members. The Sacco policy is to deal with creditworthy counterparties and obtain sufficient collateral, undertakes by placing limits on amount of risk accepted in relation to one borrower or group of borrowers. The Sacco does not have any significant credit risk exposure to any counterparty as all its loans to members are fully guaranteed.

ii) Liquidity risk management

The Sacco manages liquidity risk by maintaining adequate reserves, banking facilities and reserves borrowing facilities, by countinuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.