



CS/NO: 1926  
USHURU SAVINGS AND CREDIT  
CO-OPERATIVE SOCIETY LIMITED



**ANNUAL REPORT &  
FINANCIAL STATEMENTS  
FOR YEAR ENDED 31  
DECEMBER 2014**



## **Slogan**

**“Huduma Maradufu”**

## **Vision**

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

## **Mission**

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

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## Society Information

### The Board of Directors and Supervisory Committee Members:

#### Board of Directors

Mr. Isaac Kiprop	National Chairman
Mr. Oliver Sikuku	National Vice Chairman
Mr. Frank Robert	National Hon. Secretary
Mr. Boaz Chimasia	National Treasurer
Mr. Hippolyte Komutho	Director
Mr. John Bosco Okotchi	Director
Mr. Patrick Chelule	Director
Ms. Clemence Wawuda	Director
Mr. Mark Odhiambo	Director
Mr. William Pudha	Chief Executive Officer

#### Supervisory Committee

Mr. Samuel Wachiuri	Chairman
Mr. Martin Obara	Secretary
Mr. Walter Murabula	Member

#### Registered Office:

##### **Ushuru Sacco Ltd.**

Forodha House 2nd Floor  
P.O. BOX 52072-00200  
Nairobi

##### **Mombasa Branch**

P.O BOX 87771  
Mombasa

##### **Kisumu Branch**

P.O BOX 1511  
Kisumu

##### **Eldoret Branch**

P.O BOX 2948  
Eldoret

#### Principal Bankers:

##### **Co-operative Bank of Kenya Limited**

Ukulima House Branch,  
Nairobi  
P.O BOX 74956-00200  
NAIROBI

#### Legal Advisors:

##### **King'ori Kariuki & Co. Advocates**

P.O BOX 46765-00100  
Nairobi

##### **B. A Achieng & Co. Advocates**

P.O BOX 54248-00200  
Nairobi

#### Auditors:

##### **Kiragu Njiru & Co.**

Certified Public  
Accountants  
P O Box 61232 -00200  
Nairobi

## Notice of Meeting

13th March 2015

By the Authority of the Ushuru Sacco Board, and in compliance with the Society's By-Laws Rule 42, Notice is hereby given that the 29th Annual Delegates Meeting shall be held on Saturday the 28th March 2015 at the Starbucks Hotel, Eldoret starting at 9.00 a.m.

### AGENDA

Reading of the Notice convening 29th Annual Delegates Meeting and the declaration of the meeting having been properly constituted.

1. Brief introduction and opening address by the National Chairman.
2. Confirmation of the Minutes of the 28th Annual Delegates Meeting held on the 29th March 2014 at Sunset Hotel, Kisumu.
3. Matters arising therefrom.
4. Report of the National Chairman.
5. Address by the Guest of Honour.
6. Consider and approve the report of the National Chairman.
7. Receive and discuss the Reports of:
  - (a) Branch Chairmen.
  - (b) Supervisory Committee.
8. Receive and approve the Auditor's Report and Accounts for the year ending 31st December 2014.
9. Consider and approve the operating and capital Budget for the period covering 1st January 2016 to 31st December 2016 and a supplementary budget for the year 2015
10. Disposal of the year 2014 surplus.
11. Fixing the Society's Borrowing Powers.
12. Appointment of the Society's Auditor for the year 2015.
13. Resolutions.
14. Elections of Board and Supervisory Committee members.
15. Any Other Business.

Please ensure that you observe strict time of this meeting.



**Frank Robert**  
**NATIONAL HON. SECRETARY**

## The Board Of Directors



Isaac Kiprop  
NATIONAL CHAIRMAN



Frank Robert  
NATIONAL HON. SECRETARY



Oliver Sikuku  
NATIONAL VICE CHAIRMAN



Boaz Chimasia  
NATIONAL TREASURER



John Bosco  
DIRECTOR



Patrick Chelule  
DIRECTOR



Hippo Komutho  
DIRECTOR



Mark Odhiambo  
DIRECTOR



Wawuda Clemence  
DIRECTOR



William Pudha  
C.E.O

## The Supervisory committee

---



Samuel Wachiuri  
CHAIRMAN



Martin Obara  
SECRETARY



Walter Murabula  
MEMBER



## Management Staff



William Pudha  
C.E.O



Edward Obilo  
FINANCE MANAGER



Cynthia Mwakalama  
CREDIT MANAGER



Wycliffe Mutuli  
IT MANAGER



Elizabeth Ouko  
AUDIT MANAGER

## The Report of The National Chairman



Dear Delagates,

It is my pleasure to present to you the annual report and audited Financial Statements of the Society for the year ended December 31, 2014.

### Economic Overview

Generally, the Kenyan economy was stable and conducive for business in the year 2014. The financial sector continued to do well as has been in the past and the economic parameters were favorable. The Central Bank lending rate stabilized compared to the relatively volatile scenario in the year 2013. This made it easy for us to predict our member's loan uptake trends. Inflation too was stable with a low of 6% and a high of 8%. This implied that the cost of living too remained stable thus making

it easy for us to predict our members' savings trends.

### Co-operative sector overview

With the stable economic environment witnessed in the country, the co-operative sector continued to play its key role of promoting socio-economic welfare of members with minimum hindrances. The sector witnessed challenges that came with the devolution of the co-operative oversight to the county level and many national Co-operatives, Ushuru Sacco included, are expecting to be affected by different co-operative legislations in different counties. We shall take on such challenges as and when they arise.

### Performance overview

The Society performed better in all respects in the year 2014 compared to the year 2013, with all the parameters recording positive growth. Key to note was the bold step to enhance capitalization and to improve on its core capital. Though it may not have hit the required target, this was a major milestone in the history of the Society. The society's turnover recorded an all time high of 255 million representing a 12% increase from the previous year. Total assets crossed the 2 billion mark recording a massive growth of over Kshs 1 billion in the last five years. This is a confirmation of the public confidence in the operations and management of the Society, largely attributed to increased savings by members and by extension, increased volume of loans to the same members. Loans granted during the year was 1.1 billion compared to 1.07 billion the previous period. More details on financial performance are available in the accompanying audited financial statements.

### Future outlook

Having been able to overcome most of the past internal challenges, the Society is well positioned to thrive in the industry and we urge the support of all our members and stakeholders in this endeavor. The future is bright!

A handwritten signature in blue ink, appearing to read 'Isaac C. Kiprop'. The signature is stylized and fluid.

Isaac C. Kiprop

NATIONAL CHAIRMAN

# Statement Of Corporate Governance

The Board recognizes the importance of corporate governance and as such it carries out its mandate with honesty, openness and integrity and is committed to applying and enforcing relevant corporate governance principles, policies and practices within the Society. The Board is committed to the principles of accountability and to the provision of relevant and meaningful reporting to all stakeholders.

## Responsibilities

The delegates' role is to appoint the Board of Directors and External Auditors. The delegates consider and approve the Company's Audited Accounts and approve payment of dividends and interest on deposits to the members.

## The Management Board

The Board of Directors is responsible and accountable for the governance of the Society, and is mandated to conduct the business and operations of USHURU with integrity and in accordance with generally accepted corporate governance principles. The Board of Directors consists of nine members with the Chief Executive Office as ex-official. The separate roles of Board and the Chief Executive officer are practiced and clearly defined in the by laws that are regularly revised to be in line with legislation and statutes.

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

## Supervisory Committee

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

## Board Committees

The Board has constituted several committees to assist in discharging its responsibilities and obligations. The society had five sub-committees Executive, Audit, Investment, Education and credit committee in place during the year with terms of reference clearly defined in the By-law to facilitate decision making of the Board of Directors in the execution of its powers, duties and authorities

- |    |                      |   |                                   |
|----|----------------------|---|-----------------------------------|
| 1. | Executive Committee  | - | Chaired by Mr. Isaac Kiprop       |
| 2. | Credit Committee     | - | Chaired by Mr. John Bosco Okotchi |
| 3. | Education Committee  | - | Chaired by Mr. Oliver Sikuku      |
| 4. | Investment Committee | - | Chaired by Mr. Boaz Chimasia      |
| 5. | Audit Committee      | - | Chaired by Mr. Patrick Chelule    |

## Executive Committee

This consists of the Chairman, Vice Chairman, Secretary and Treasurer. Their function is to execute all the policies and decisions of the Management Board and oversee the day to day functions of the society. This is in addition to those duties as prescribed in the By-laws.

## Credit Committee

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



### Education Committee

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

### Investment Committee

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

### Audit Committee

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

### Board Meetings and Attendance

The full Board meets regularly, with at least twelve formal meetings a year, and serves a notice indicating a schedule of matters reserved for discussion. The directors receive appropriate and timely reports to enable them to exercise full and effective control over strategic, financial, operational, compliance and governance issues. A careful balance of formal and informal meetings throughout the year exists and there is an atmosphere of cordial relations. This creates an environment that encourages challenge, consultation, information sharing, innovative thinking and openness in communication. The directors have full access to corporate information and sufficient detail to enable a productive and open discussion. There is diversity in the Board which ensures that the level of debate is both detailed and of a high technical standard.

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

	Board Meeting		Credit Committee		Education Committee		Supervisory Committee		Investment Committee		Audit Committee		Executive Committee	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
Isaac Kiprop	12	10											9	8
Oliver Sikuku	12	12			4	4							12	11
Frank Robert	12	12							3	3			12	11
Boaz Chimasia	12	12							3	3			12	11
Patrick Chelule	12	12	9	9							3	3		
Hippolyte Komutho	12	7									3	0		
Clemence Wawuda	9	9			3	3					3	3		
John Bosco Okotchi	12	7	9	6	4	4								
Mark Odhiambo	9	7	8	8					3	2				
William Pudha	12	10			4	4			4	3			12	10
Samuel Wachuri							3	3						
Martin Obara							4	4						
Walter Murabula							3	3						

#### Notes:

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





### **Risk Management And Internal Controls**

The Management recognises its role to grow shareholder value while adhering to approved risk assessment procedures and limits. This is done by identifying risks that may inhibit the Society from achieving its objectives, analysing those risks, avoiding certain risks and implementing plans for mitigating risks that remain.

The Directors recognises that managing risk, to ensure the optimal mix between risk and return, is an integral part of achieving corporate goals. They have also defined procedures and financial controls to ensure that the Society's system of internal controls provide reasonable assurance that the assets are safeguarded, transactions are authorised and recorded properly, and that material errors and irregularities are either prevented or detected within a reasonable period of time. There is a clearly defined organisational structure within which individual responsibilities are identified in relation to internal controls. The structure is complemented by defined procedures, financial controls and information system controls.

The Society's internal audit department performs various activities in the evaluation of the risk management, control and governance process. Significant business risks and weaknesses in the systems of operating and financial controls are highlighted and brought to the attention of the Audit Committee, senior management and external auditors. Areas accorded high-risk profiles are given urgent attention by management.

### **Ethical Standards**

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

### **Conflicts of Interest**

All directors are under a duty to avoid conflicts of interest. This entails not engaging, directly or indirectly in any business that competes or conflicts with the Society's business. The Society has established a robust process requiring directors to disclose outside business interests before they are entered into.

### **Communication With Members**

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

### **Financial Statements**

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

The Directors are responsible for the preparation and presentation of the financial statements of USHURU SACCO Limited which comprise the statement of financial position at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The directors accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.



### **Employment Equity**

The Society is committed to the creation of an organisation that supports the equality of all employees and is committed to the elimination of any form of discrimination in the work place. Our policy covers recruitment, staff development, retention and cultural diversity.

The Society manages the development of functional skills through the “License-to-Work” approach. This approach ensures that all employees are competent to perform their specific duties within a given time frame.

### **Remuneration Policy**

The remuneration for the Directors consists of sitting allowance paid quarterly, annual honoraria, monthly travelling allowances for attending Board and committee meetings. Information and disclosures relating to the Directors remunerations and salary emoluments paid to key management staff are contained in the financial statements. The Society endeavors to review and approve competitive remuneration packages, which are designed to attract, retain and motivate staff.

### **Corporate Social Responsibility**

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



Kids sing their hearts out during the 2014 CSR at St. Paul Children’s Home, Ngong



USSL members having fun with St. Paul childrens during the 2014 CSR.



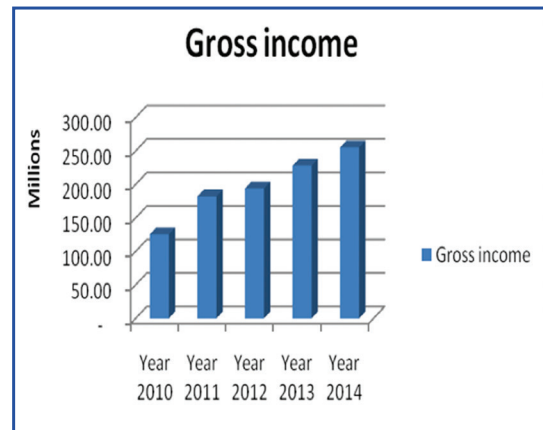
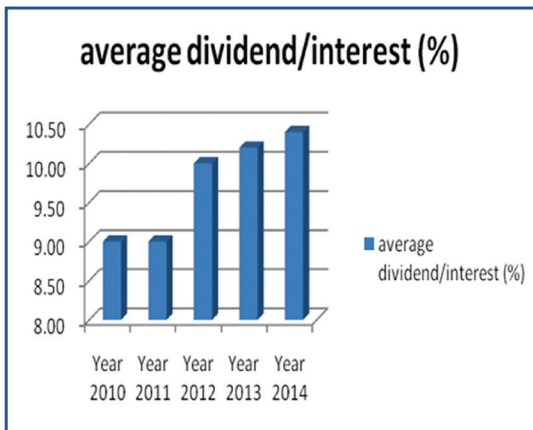
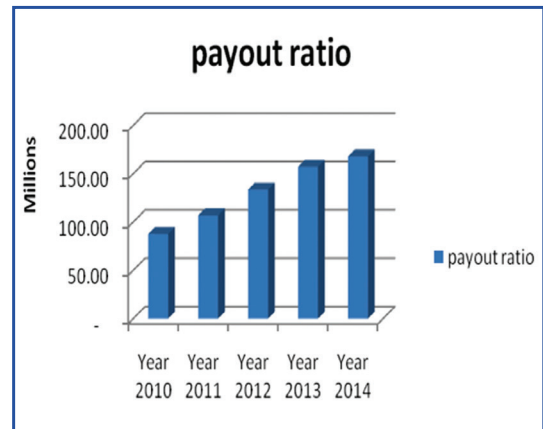
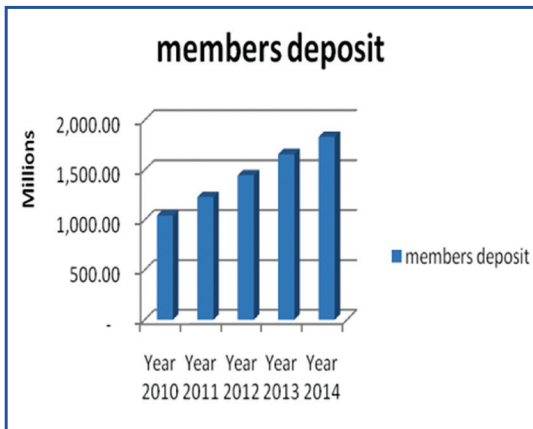
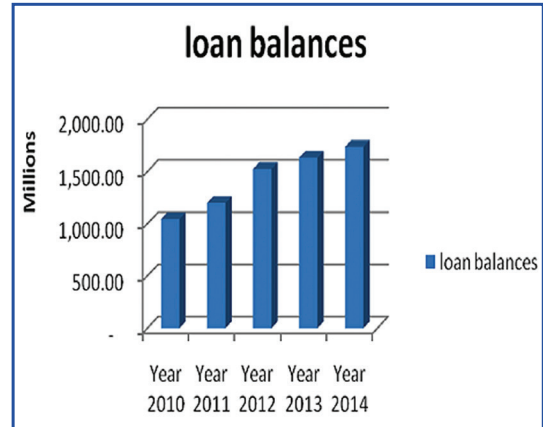
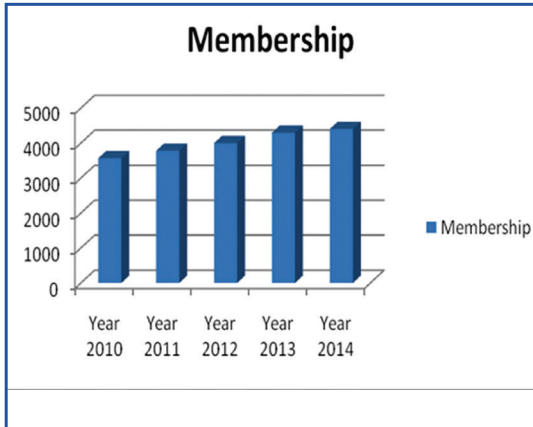
St. Paul childrens happy in new T-shirts issued by Ushuru Sacco Limited

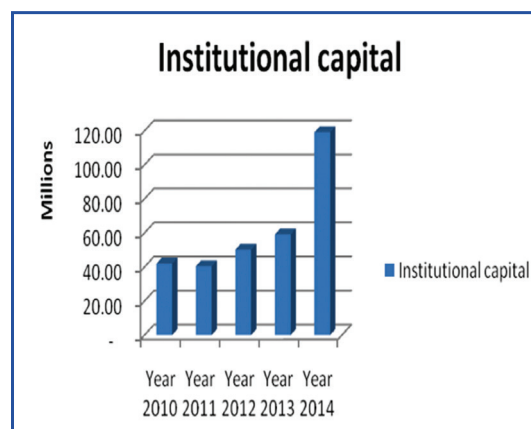
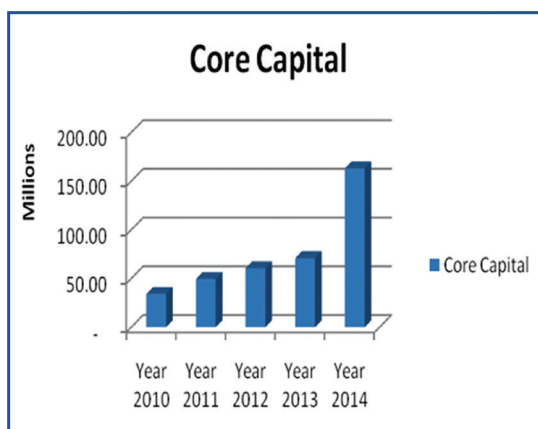
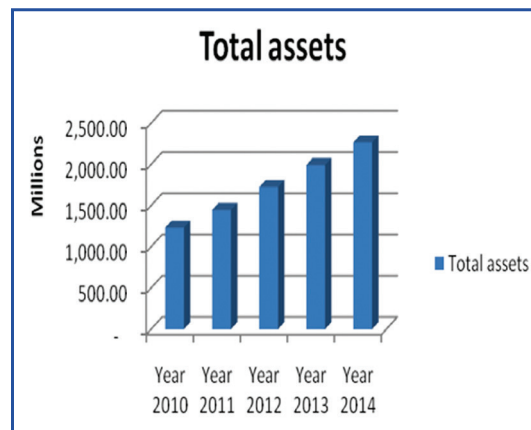
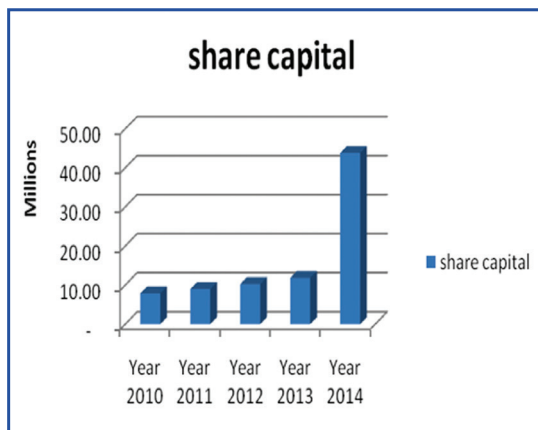


Ushuru Sacco Ltd donates to St. Paul Children’s Home



**FIVE YEAR PERFORMANCE REVIEW**







## Statistical Information



	2014	2013(Restated)
<b>Membership</b>		
As at 1 <sup>st</sup> January	4,298	4,056
Members who joined within the year	249	320
Withdrawals during the year	(142)	(78)
<b>As at 31st December</b>	<b>4405</b>	<b>4298</b>
<b>Comprising</b>		
– Active	4239	4203
– Dormant	166	95
<b>Total</b>	<b>4405</b>	<b>4298</b>
Employee of the Sacco	17	17
<b>Financial</b>	<b>Kshs</b>	<b>Kshs</b>
Total Assets	2,267,908,473.00	1,993,559,728.00
Member Deposits	1,832,003,951.00	1,659,169,217.00
Loan and Advances to members	1,738,645,750.00	1,632,784,028.00
Investments	36,626,974.00	6,497,100.00
Core Capital	163,018,062.00	70,926,480.00
Share Capital	43,857,879.00	11,811,386.00
Institutional Capital	119,160,183.00	59,115,094.00
Total revenue	255,568,877.00	228,238,318.00
Interest on members deposit	168,030,330.00	157,242,074.00
Interest on members product	6,304,882.00	5,590,002.00
Total expenses	59,740,588.00	50,383,648.00
<b>Capital adequacy ratios</b>	<b>Statutory</b>	
Core capital/Total Assets	10.00%	7.2% 3.5%
Core capital/total deposits	8.00%	8.9% 4.27%
Institutional capital/Total assets	8.00%	5.3% 2.97%
<b>Liquidity ratio</b>		
Liquid assets/Total deposits and long term liabilities		27% 19%
<b>Operating efficiency to loan quality ratios</b>		
Total expenses to total revenue		23.4% 22%
Interest on members deposits to total revenue		68.2% 72%
Interest on member's investment saving		9.0% 8.5%
Interest rate on member's deposit -weighted		10.4% 10.2%
Dividend rate on members share capital		12.0% 11%
Total delinquency loans to gross loan portfolio		0.3% 0.72%



### Report of Board of Directors

The members of the Board of Directors have the pleasure to submit their annual report together with the audited financial statements for the year ended 31st December 2014.

### Incorporation

The Society is incorporated in Kenya under the Cooperative Societies Act, Cap 490 and is domiciled in Kenya.

### Principal Activity

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

<b>Results</b>	<b>2014</b>	<b>2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Surplus before tax	21,493,077.00	15,022,594.00
Taxation charges	(4,005,832.00)	(2,265,804.00)
Surplus for the year	<u>17,487,245.00</u>	<u>12,756,790.00</u>
Retained surplus/loss for the year	8,989,998.00	8,906,180.00

### Interest and Dividend

The Board of Directors is pleased to recommend to the delegates for approval a payment based on weighted average deposits of 10.4% (2013: 10.2%) in interest, dividend of 12% (2013: 11%) on the paid up share capital and 9% (2013: 8.5%) interest on members withdrawable investment savings.

### The Board of Directors

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

### Independent Auditors

Kiragu Njiru and Co. Certified Public Accountants (k) who were appointed during the year have expressed their willingness to continue in office in accordance with section 159(2) of the Companies Act (Cap 486) and under the term of Section 25(4) of the co-operative Societies (Amendments) Act No.2 of 2004.

### BY ORDER OF THE BOARD

**ROBERT FRANK**  
**NATIONAL HON SECRETARY**  
**DATE 23/02/2015**



**Statement of Board of Directors' Responsibilities**

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

The Board of Directors accepts responsibility for the annual financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates in conformity with International Financial Reporting Standards and in the manner required by the Co-operatives Societies Act, Cap 490. The Board of Directors is of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Society and of its operating results in accordance with the IFRS. The Board of Directors further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements as well as adequate systems of internal financial control.

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

Approved by the Board of Directors on 23/02/2015 and signed on its behalf by:

National Chairman

.....

National Treasurer

.....

Member

.....



**Kiragu Njiru and Company**

**Certified Public Accountants**

**P.O.Box 61232-00200,**

**Tel; 020-313028/0721212723      Email:joseph@njiru.com**

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## **Report of the Independent auditors to the members of Ushuru Sacco Society Limited**

### **1. Report on the Financial Statements for the year ended 31st December 2014**

We have audited the accompanying financial statements of Ushuru Cooperative Savings and Society Ltd, set out on pages 18 to 46 which comprise the balance sheet, and the income statement and statement of changes in equity and cash flow statement for the year then ended and a summary of the significant accounting policies and other explanatory notes.

### **2. The Management Committee Responsibility for the financial statements**

The Management Committee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Co-operative Societies Act. This responsibility includes designing, implementing, and maintaining internal controls 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 estimate that are reasonable in the circumstances. The Kenya Co-operative Societies Act also requires the management committee to ensure that the society maintains proper books of accounts which are in agreement with the balance sheet and profit and loss account.

### **3. Auditor's Responsibility**

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

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

#### **4. Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Society's financial affairs at 31st December, 2014, the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Co-operative Societies Act..

#### **5. Report on other legal requirements**

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

- a) In accordance with the provisions of the Co-operative Societies Act
- b) In accordance with the Co-operative Society's objective, by-laws and any other resolutions made at the society's general meeting.

KIRAGU NJIRU AND COMPANY.  
CERTIFIED PUBLIC ACCOUNTANTS (CPA)  
CPA JOSEPH KIRAGU,  
PRACTICING CERTIFICATE NO 412  
EMBASSY HOUSE, 1ST FLOOR,  
HARAMEE AVENUE, NAIROBI.



DATE 23 February 2015



**Statement of Comprehensive Income**

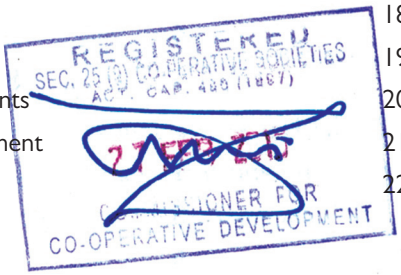
		<b>2014</b>	<b>2013</b>
<b>Income</b>	<b>Notes</b>	<b>KSHS</b>	<b>KSHS</b>
Interest on loan advances	<b>3</b>	206,375,345.00	193,725,582.00
Other interest income	<b>4</b>	22,377,511.00	8,020,269.00
Total interest income		<b>228,752,856.00</b>	<b>201,745,851.00</b>
Interest rebates on members deposits	<b>5</b>	(174,335,212.00)	(162,832,076.00)
<b>Net interest income</b>		<b>54,417,644.00</b>	<b>38,913,775.00</b>
Other operating income	<b>6</b>	26,816,021.00	26,492,467.00
Total income		<b>81,233,665.00</b>	<b>65,406,242.00</b>
<b>OVERHEADS</b>			
Governance expenses	<b>7</b>	20,726,278.00	19,123,677.00
Personnel expenses	<b>8</b>	23,935,713.00	18,135,251.00
Administration Expenses	<b>9</b>	11,053,973.00	8,701,705.00
Professional expenses	<b>10</b>	711,370.00	1,030,869.00
Other Expenses	<b>11</b>	2,818,393.00	3,045,967.00
Financial expenses	<b>12</b>	494,861.00	346,179.00
<b>Total Expenditure</b>		<b>59,740,588.00</b>	<b>50,383,648.00</b>
Net operating Surplus before tax		21,493,077.00	15,022,594.00
Income tax expense	<b>14</b>	(4,005,832.00)	(2,265,804.00)
Net Surplus for the year		<b>17,487,245.00</b>	<b>12,756,790.00</b>
Transfer to Statutory Reserve (20%)		(3,497,449.00)	(2,551,358.00)
<b>Surplus for the year available for distribution</b>		<b>13,989,796.00</b>	<b>10,205,432.00</b>

**USHURU SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED**  
**CS/NO. 1926**  
**Annual Report and Financial Statements for the Year Ended 31 December 2014**



**Statement of financial position**

<b>ASSETS</b>	<b>Notes</b>	<b>2014 Kshs</b>	<b>2013 Kshs</b>
Cash and Equivalent	15	117,604,158.00	111,113,310.00
Term Deposit	16	310,044,781.00	186,233,332.00
Investments	17	41,481,778.00	6,497,100.00
Loans to members	18	1,738,645,750.00	1,632,784,028.00
Inter Activity Receivable	19	3,138,785.00	-
Receivables and prepayments	20	21,800,403.00	19,361,727.00
Property ,Plant and Equipment	21	34,960,702.00	37,274,083.00
Other Intangible Assets	22	232,116.00	296,148.00
<b>Total assets</b>		<b>2,267,908,473.00</b>	<b>1,993,559,728.00</b>
<b>CURRENT LIABILITIES</b>			
Members Deposits	23	1,832,003,951.00	1,659,169,217.00
Members investment savings	24	81,137,808.00	73,660,561.00
Payables and Accruals	25	6,279,552.00	6,506,443.00
Interest on members deposit	26	174,335,212.00	162,832,076.00
Current income tax	14	2,759,640.00	1,495,050.00
Inter-Activity Payables	19	-	1,317,521.00
Proposed dividend		4,999,798.00	1,299,252.00
Proposed Committee honoraria		1,945,000.00	1,795,000.00
Proposed staff bonus		829,584.00	635,298.00
<b>Total Liabilities</b>		<b>2,104,290,545.00</b>	<b>1,908,710,418.00</b>
<b>EQUITY</b>			
Capital and reserves			
Share Capital	27	43,857,879.00	11,811,386.00
Reserves	28	119,760,049.00	73,037,924.00
<b>TOTAL EQUITY</b>		<b>163,617,928.00</b>	<b>84,849,310.00</b>
<b>NET LIABILITIES AND EQUITY</b>		<b>2,267,908,473.00</b>	<b>1,993,559,728.00</b>



The financial statements were approved by the management board on 23/02/2015  
 And signed on its behalf by ;

.....  
 Chairman

.....  
 Treasurer

.....  
 Member



Statement of changes in equity

	Retained Earnings	Statutory Reserve	Share capital	Capital Reserve	Revaluation reserve	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Year ended 2014</b>						
<b>At the Start of the year</b>	<b>45,039,885.00</b>	<b>19,972,443.00</b>	<b>11,811,386.00</b>	<b>599,866.00</b>	<b>7,425,730.00</b>	<b>84,849,310.00</b>
Surplus/Loss for the year	17,487,245.00	-	-	-	-	<b>17,487,245.00</b>
Transfer to Statutory Reserve	(3,497,449.00)	3,497,449.00	-	-	-	-
Years Contribution	-	-	32,046,493.00	-	34,234,678.00	<b>66,281,171.00</b>
Proposed Dividend	(4,999,798.00)	-	-	-	-	<b>(4,999,798.00)</b>
<b>At the end of the year</b>	<b>54,029,883.00</b>	<b>23,469,892.00</b>	<b>43,857,879.00</b>	<b>599,866.00</b>	<b>41,660,408.00</b>	<b>163,617,928.00</b>
<b>Year ended 2013</b>						
<b>At the Start of the year</b>	<b>36,133,705.00</b>	<b>17,421,085.00</b>	<b>10,254,676.00</b>	<b>599,866.00</b>	<b>7,425,730.00</b>	<b>71,835,062.00</b>
Surplus/Loss for the year	12,756,790.00	-	-	-	-	12,756,790.00
Transfer to Statutory Reserve	(2,551,358.00)	2,551,358.00	-	-	-	-
Years Contribution	-	-	1,556,710.00	-	-	1,556,710.00
Proposed Dividend	(1,299,252.00)	-	-	-	-	(1,299,252.00)
<b>At the end of the year</b>	<b>45,039,885.00</b>	<b>19,972,443.00</b>	<b>11,811,386.00</b>	<b>599,866.00</b>	<b>7,425,730.00</b>	<b>84,849,310.00</b>



## Statement of cash flows

		2014	2013
	Note	KSHS.	KSHS.
<b>Cashflow from Operating Activities</b>			
Interest receipts	3 & 4	226,199,433.00	201,566,473.00
Other incomes	6	26,816,021.00	26,492,467.00
Interest payments	26	(160,278,653.00)	(137,935,850.00)
Payments to employees and suppliers		(56,170,889.00)	(47,053,869.00)
<b>Net cashflow before working capital</b>		<b>36,565,912.00</b>	<b>43,069,221.00</b>
<b>Increase/ Decrease in operating assets</b>			
Net loans to Members	18	(105,861,722.00)	(106,021,220.00)
Trade and other receivables	20	(2,438,676.00)	3,133,493.00
<b>Increase/ Decrease in operating liabilities</b>			
Member's Deposits	23	172,834,734.00	213,066,203.00
Investment Members savings	24	7,477,247.00	12,385,770.00
Trade and accrued expenses	19	(4,456,306.00)	34,227,406.00
Sundry creditors	25	(226,891.00)	1,225,068.00
Net Cashflow from operating activities before tax		103,894,298.00	201,085,941.00
Income tax paid	14	(2,741,242.00)	(1,058,515.00)
<b>Net cash from operating activities</b>		<b>101,153,056.00</b>	<b>200,027,426.00</b>
<b>Cashflow from Investing Activities</b>			
Purchase of unquoted investment	17	(750,000.00)	(2,500,000.00)
Purchase of property and equipment	21	(500,001.00)	(2,037,820.00)
Purchase of intangible Asset	22	(348,000.00)	(444,000.00)
<b>Net Cashflow used in Investing Activities</b>		<b>(1,598,001.00)</b>	<b>(4,981,820.00)</b>
<b>Cashflow from Financing Activities</b>			
Dividends paid		(1,299,252.00)	(1,004,958.00)
Share capital contribution	27	32,046,493.00	1,556,710.00
<b>Net Cashflow from Financial Activities</b>		<b>30,747,241.00</b>	<b>551,752.00</b>
<b>Net movement in cash and cash equivalent</b>		<b>130,302,296.00</b>	<b>195,597,358.00</b>
<b>Cash &amp; Cash Equivalent at 1st January</b>		<b>297,346,642.00</b>	<b>101,749,284.00</b>
<b>Cash &amp; Cash Equivalent at 31st December</b>	15	<b>427,648,938.00</b>	<b>297,346,642.00</b>
<b>Comprising</b> -Bank and Cash Balances	15	117,604,158.00	111,113,310.00
Term deposits	16	310,044,781.00	186,233,332.00
		<b>427,648,939.00</b>	<b>297,346,642.00</b>





## NOTES

### Summary of Significant Accounting Policies

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

#### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year.

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

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### **The Sacco has or will adopt the following standards on their effective dates. ISA 24, Related Party disclosures (Amendment)**

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

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

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

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

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

##### **IAS 40, Investment Property**

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



### **IFRS 13, Fair Value Measurement**

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

### **Key Source Of Estimation Uncertainty**

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

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

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

### **Impairment losses**

At each reporting period, the Society reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment

### **a) Statement of Compliance**

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

### **b) Revenue recognition**

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

- Interest on loan to member is calculated on a reducing balance method at monthly rates ranging between 1% to 5% per month. Interest income is recognized on a time proportion basis by reference to the principal outstanding and the effective interest rates applicable.
- New members to the Society are required to pay an entrance fee. The fee is recognized in the income statement in accordance with ISA 1.
- Dividend income is recognized when received.
- Other interest income comprises interest receivable from bank deposits and investment in securities. It is recognized when it is probable that the economic benefit will flow to the Society and the amount of income can be measured reliably and accrued in the profit or loss using the effective interest rate method.
- Rental income is accounted for on a straight- line basis over the lease term.



- Miscellaneous income includes: Sacco assurance income and income from risk management fund.
- In the normal course of business, the Society earns fees and commission income from a diverse range of services to its members. Fees and commission income are recognized at the time of effecting the transaction.

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

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

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

Depreciation is computed on a reducing balance method to write down the cost of each asset to its residual value. A full year's depreciation is charged in the year of purchase and nil in the year of disposal. The annual depreciation rates in use are:

#### **Asset rate (%)**

Land and building over period of lease	99 years (1.03%)
Computer & accessories	3 years (33.3%)
Motor vehicle	4 years (25%)
Intangible Assets	3 years (33.3%)
Furniture & Equipments	8 years (12.5%)
Computer software	3 years (33.3%)

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

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

### **d) Financial instruments**

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

#### **Financial assets**

The Society classifies its financial assets into the following categories: loans and receivables; held-to –maturity investments and available for sale assets.



Management determines the appropriate classification of its investments at initial recognition. The classification depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit and loss.

**i. Loans and advances**

Loans and advances are recognized when cash is advanced to members. Loan to members are stated net of provision for bad and doubtful loans. A risk management fund has been set up for any loans that may become irrecoverable.

**ii. Trade Receivables**

Trade receivables are carried at anticipated realizable values. The Estimate is made for doubtful receivables based on the review of all outstanding amounts at year end. Bad debts are written off when all reasonable steps to recover them have failed.

**iii. Available-for-sale financial assets**

Quoted investments are classified as available for sale and are initially recorded at cost and subsequently adjusted to their fair values gains or losses arising from changes in fair value are recognized in the income statement in the period in which they arise.

Unquoted investments are stated at cost.

Financial liabilities

The Society's financial liabilities comprise members' deposit and payables

**i. Members' savings account**

Members' savings accounts are recorded at the proceeds received and are recognized as a financial liability in the statement of financial position. Interest payable on the deposit is accounted for on the accrual basis in the profit and loss account.

**ii. Trade Payables**

Trade payables are stated at their nominal value.

**e) Investment property**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects the market conditions at the reporting date. Gains or losses arising from changes in fair values of investment properties are included in the profit and loss in the period which they arise.

Transfers are made to or from investment property only when there is change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the society accounts for such property in accordance with the policy stated under property, plant and equipment up to date of change in use.



Investment properties comprise land and parts of buildings held to earn rentals and/or for capital appreciation. They are carried at fair value, representing market value determined by external independent valuers. Valuations are performed every three years to ensure an asset's fair value does not differ materially from its carrying amount. Change in their fair values is included in profit and loss in the period in which they arise.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

#### **f) Intangible assets**

Intangible assets represent computer software and are stated at cost less amortization. An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Society. Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization expense on intangible assets is presented as a separate line item in the income statement.

#### **g) Retirement benefits Obligations**

The Society operates a defined contribution retirement benefit scheme for its employees. The Scheme is funded by payments from both the employees and the Society.

The Society also contributes to the statutory National Social security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Society's obligation under the scheme are limited to specific contributions legislated from time to time and are currently Kshs. 200 per month per employee.

The Society's obligations to staff retirement benefit plans are charged to profit and loss as they fall due.

#### **h) Tax**

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

#### **i) Statutory reserves**

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

#### **j) Cash and cash equivalents**

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

#### **k) Inventory**

All the inventory costs incurred during the year are expensed owing to the volumes purchased.



## **l) Reserves**

The Society maintains the following reserves which serve different purpose.

- a. Statutory reserve.
- b. Accumulated surplus.
- c. General reserve.

## **m) Risk Management Policies**

The financial risk management objective and policies are outlined below.

### **a. Credit risk**

The Society is exposed to the risk that some members may not repay loans when due and in full Exposure to the credit risk is managed by among others:

1. Ensuring that granting of loans is completely vetted by credit committee.
2. No member is granted loans exceeding three and a half times the shares held and /or amounts stipulated in the by-laws except the special product of Shujaa loans at the level of five times.
3. All loans advanced are co- guaranteed by members.
4. A Risk Management Fund is operated to cover against deceased members' loan balances, permanent incapacitation or any other cause satisfactory to the management Board.
5. Members of the sponsoring employee who change employment are promptly followed-up.

### **Unearned Interest Income risk**

The Society is exposed to the risk that unearned interest income may be accrued but not received. Exposure to the unearned interest income is managed by only recognizing the interest income received.

### **b. Interest Risk**

The Sacco is not exposed to interest risk, since the interest rate on the loans is standardized at between 1% and 5% per month.

### **c. Liquidity risk**

The Society is exposed to the risk that it may have difficulties in meeting members' loans obligations Liquidity risk is addressed through:

- (1) The Society has an aggressive policy of increasing members' deposits.
- (2) The Society does not invest member's shares savings in fixed properties.
- (3) The Society may use bank loans and overdrafts facilities to meet short term liquidity requirements.
- (4) Approval of loans is subject to availability of funds as indicated in the cash flow reports. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.





### 3. INTEREST ON LOANS

	<b>2014</b>	<b>2013</b>
Interest on Members Loans	206,375,345.00	193,725,582.00
	<b>206,375,345.00</b>	<b>193,725,582.00</b>

### 4. OTHER INTEREST INCOME

	<b>2014</b>	<b>2013</b>
Interest on Fixed Deposit account	3,090,075.00	2,865,912.00
Interest on term deposits	15,621,758.00	3,753,511.00
Write back of Overprovision- interest payable to members	2,553,423.00	179,378.00
Dividends	1,112,255.00	1,221,468.00
	<b>22,377,511.00</b>	<b>8,020,269.00</b>

### 5. REBATES ON MEMBERS DEPOSITS

	<b>2014</b>	<b>2013</b>
Members deposit (note 25)	174,335,212.00	162,832,076.00
	<b>174,335,212.00</b>	<b>162,832,076.00</b>

### 6. OTHER INCOME

	<b>2014</b>	<b>2013</b>
Income on Rent	3,015,000.00	3,789,000.00
Loan Clearance Commission	19,604,126.00	19,112,073.00
Bankers Cheque Commission	2,410.00	3,650.00
Encashment Commission	108,692.00	201,908.00
Entrance fee	135,000.00	204,500.00
Miscellaneous Income	3,950,793.00	3,181,336.00
	<b>26,816,021.00</b>	<b>26,492,467.00</b>

### 7. EXPENSES

	<b>2014</b>	<b>2013</b>
<b>Governance expenses</b>		
ADC Expenses	3,447,403.00	2,500,000.00
Delegates Education	1,843,940.00	1,930,003.00
Members Education	1,707,010.00	1,465,579.00
Board Education	2,242,900.00	2,723,250.00
Board Honoraria	1,945,000.00	1,795,000.00
Board Sitting Allowances	4,024,500.00	4,039,500.00
Board travel and other expenses	4,246,500.00	3,447,490.00
Branch Meeting Expenses	868,003.00	837,842.00
Board insurance	148,176.00	135,530.00
Ushirika Day Celebrations	252,846.00	249,483.00
<b>Sub-Total</b>	<b>20,726,278.00</b>	<b>19,123,677.00</b>



## 8. PERSONNEL EXPENSES

	<b>2014</b>	<b>2013</b>
Salaries, Wages and Emoluments	18,817,407.00	15,057,373.00
Staff Medical and Insurance	1,614,166.00	845,613.00
NSSF	41,400.00	32,200.00
Staff bonus	829,584.00	635,298.00
Provident Fund	647,956.00	532,561.00
Staff Education	1,485,200.00	1,032,206.00
Staff Retirement benefit	500,000.00	-
<b>Sub-Total</b>	<b>23,935,713.00</b>	<b>18,135,251.00</b>

## 9. ADMINISTRATION EXPENSES

	<b>2014</b>	<b>2013</b>
Depreciation (Note 20)	2,813,381.00	2,701,671.00
Amortization (Note 21)	412,032.00	183,242.00
Staff travel and Subsistence	1,115,383.00	996,760.00
Printing and Stationery	883,838.00	798,092.00
Cash in Transit expenses	105,560.00	-
Entertainment	280,434.00	297,317.00
Telephone and Postage & Airtime	814,959.00	636,072.00
Marketing, publicity & Advertisement	2,642,954.00	1,597,166.00
Repair and Maintenance	348,735.00	257,186.00
Motor vehicle expenses	565,769.00	455,328.00
Recruitment Commission	13,900.00	13,100.00
Computer Expenses	478,365.00	378,683.00
Electricity	10,200.00	-
Rent and Rates	130,088.00	6,945.00
Sundry Expenses	438,375.00	380,143.00
<b>Sub-Total</b>	<b>11,053,973.00</b>	<b>8,701,705.00</b>

## 10. PROFESSIONAL EXPENSES

	<b>2014</b>	<b>2013</b>
Audit fees	130,000.00	129,310.00
Supervision and filing fee(Rule 18; 3(b) and 17; 2	13,200.00	13,190.00
Strategic Plan expenses	510,650.00	751,379.00
Legal Fees	38,320.00	116,300.00
Vat Charge non-recoverable	19,200.00	20,690.00
<b>Sub-Total</b>	<b>711,370.00</b>	<b>1,030,869.00</b>



## 11. OTHER EXPENSES

	<b>2014</b>	<b>2013</b>
Bad debts written off	21,400.00	299,617.00
Provision for bad debts	2,422,145.00	2,456,482.00
Dividend Computation expenses	20,000.00	20,000.00
Social Responsibility	188,848.00	99,868.00
Subscription & Donations	166,000.00	170,000.00
<b>Sub-Total</b>	<b>2,818,393.00</b>	<b>3,045,967.00</b>

## 12. FINANCIAL EXPENSES

	<b>2014</b>	<b>2013</b>
Bank Charges	494,861.00	346,179.00
<b>Sub-Total</b>	<b>494,861.00</b>	<b>346,179.00</b>

## 13. PROVISION FOR BAD DEBTS

		<b>2014</b>	<b>2013</b>
As at 1st January		2,456,482.00	-
Provision for the year	<b>20</b>	2,422,145.00	2,456,482.00
Bad debts written off		(2,456,482.00)	-
As at 31st December		<b>2,422,145.00</b>	<b>2,456,482.00</b>

## 14. Taxation

		<b>2014</b>	<b>2013</b>
Balance brought forward		1,495,050.00	287,761.00
Add: Tax charge for the year	<b>14(b)</b>	4,005,832.00	2,265,804.00
Less: 2013 Tax paid		(1,495,050.00)	(287,761.00)
Less: 2014 Instalment paid		(1,246,192.00)	(770,754.00)
Tax due		<b>2,759,640.00</b>	<b>1,495,050.00</b>

### Tax Computation

a)		<b>2014</b>	<b>2013</b>
<b>OTHER INCOME</b>			
Miscellaneous income		3,950,793.00	3,181,336.00
Interest on Fixed deposit		3,090,075.00	2,865,912.00
Interest on Savings account		15,621,758.00	3,753,511.00
Taxable income		<b>22,662,626.00</b>	<b>9,800,759.00</b>
50% non taxable allowance		(11,331,313.00)	(4,900,379.50)
Net taxable income		<b>11,331,313.00</b>	<b>4,900,379.50</b>
Tax @ 30%		<b>3,399,394.00</b>	<b>1,470,113.85</b>



<b>b RENT INCOME</b>		
Rent income less rent expenses	2,887,800.00	3,789,000.00
30% non taxable allowance	(866,340.00)	(1,136,700.00)
Net taxable income	<b>2,021,460.00</b>	<b>2,652,300.00</b>
Tax @ 30%	<b>606,438.00</b>	<b>795,690.00</b>
Tax on other income	3,399,394.00	1,470,113.85
Tax on Rent income	606,438.00	795,690.00
<b>Total Tax payable</b>	<b>4,005,832.00</b>	<b>2,265,803.85</b>

Tax is charged at 30% on other income and rental income. Rental income is net of the expenses from rent which include service and electricity charges.

#### **15. CASH AND CASH EQUIVALENTS**

	<b>2014</b>	<b>2013</b>
Nairobi Main Account	100,791,630.00	90,822,626.00
Nairobi cash office Account	4,874,338.00	12,691,182.00
Mombasa Emergency Account	2,538,840.00	1,996,395.00
Kisumu Emergency Account	450,548.00	1,702,538.00
Eldoret Emergency Account	1,127,475.00	1,384,868.00
<b>Sub-Total</b>	<b>109,782,831.00</b>	<b>182,802,088.00</b>
<b>Petty Cash and floats</b>		
Petty Cash-Mombasa	278.00	1,686.00
Petty Cash-Kisumu	3,300.00	87.00
Petty Cash-Eldoret	5,286.00	1,440.00
M-sacco Accounts paybill	1,276,504.00	1,950,119.00
Mpesa deposit Account	6,107,188.00	274,000.00
Nairobi cheques clearance float	328,771.00	245,844.00
Branch cash	100,000.00	42,525.00
<b>Sub-Total</b>	<b>7,821,327.00</b>	<b>2,515,701.00</b>
<b>Total cash and bank balances</b>	<b>117,604,158.00</b>	<b>185,317,789.00</b>

#### **16. TERM DEPOSIT**

	<b>2014</b>	<b>2013</b>
CIC Money market fund	53,588,926.00	20,704,612.00
Reserve Savings Account	234,825,853.00	74,204,479.00
UAP Money Market Fund	5,110,987.00	-
British-American Money Market	5,094,774.00	-
Kuscco sacco special deposit	10,000,000.00	-
Kuscco central Finance	100,000.00	-
Central bank of Kenya (Treasury Bills)	-	90,000,000.00
Fixed Deposit Account	1,324,241.00	1,324,241.00
<b>Total</b>	<b>310,044,781.00</b>	<b>186,233,332.00</b>



## 17. INVESTMENTS

	<b>2014</b>	<b>2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Unquoted Investments		
Shares in Kuscco	4,250,000.00	3,500,000.00
Sub-Total	<b>4,250,000.00</b>	<b>3,500,000.00</b>
	<b>2014</b>	<b>2013</b>
	<b>Kshs</b>	<b>Kshs</b>
The Co-operative Bank of Kenya		
As at 1st January	1,997,100.00	1,997,100.00
Gain/(loss) on revaluation	30,379,874.00	-
As at 31st December	<b>32,376,974.00</b>	<b>1,997,100.00</b>
	<b>Kshs</b>	<b>Kshs</b>
Co-op Insurance Co. Shares		
As at 1st January	1,000,000.00	1,000,000.00
Gain/(loss) on revaluation	3,854,804.00	-
As at 31st December	<b>4,854,804.00</b>	<b>1,000,000.00</b>
<b>Total Investments</b>	<b>41,481,778.00</b>	<b>6,497,100.00</b>

## 18. MEMBER'S LOANS

	<b>2014</b>	<b>2013</b>
At 1st January	1,632,784,028.00	1,526,762,808.00
Granted during the year	1,184,018,869.00	1,071,285,516.00
Net refunds during the year	7,215,761.00	813,996.00
Loans written off	(4,557,358.00)	813,996.00
Repayment during the year	(1,080,815,550.00)	(966,078,292.00)
<b>At 31st December</b>	<b>1,738,645,750.00</b>	<b>1,632,784,028.00</b>
<b>Maturity Analysis</b>		
Due within the year	56,220,501.00	26,301,670.00
Due after one year	1,682,425,249.00	1,606,482,358.00
	<b>1,738,645,750.00</b>	<b>1,632,784,028.00</b>
As per listing at 31st December	<b>1,738,645,750.00</b>	<b>1,632,784,028.00</b>



<b>Comprising</b>	<b>2014</b>	<b>2013</b>
Development Loans	1,356,739,933.00	1,267,530,039.00
School fees loans	8,760,372.00	5,815,621.00
Emergency loans	14,602,414.00	18,361,280.00
Refinancing loans	214,263,897.00	204,614,568.00
Defaulter loans	3,170,715.00	1,696,166.00
Almasi loans	386,276.00	564,747.00
Jongea loans	778,129.00	1,560,022.00
Shujaa loans	131,650,769.00	122,360,609.00
Tiba loans	8,109,245.00	9,922,976.00
Plot loans	184,000.00	328,000.00
<b>TOTALS</b>	<b>1,738,645,750.00</b>	<b>1,632,754,028.00</b>

The Society has 2 categories of loans; normal loans and special loans.

#### **Normal Loans**

Normal loans comprise Development loan, School fees loans, Emergency loans, Refinancing and Plot loans. These loans are advanced to the members through back office transactions; the maturity of the loans varies from one month to sixty months. They attract a monthly interest rate of 1% on a reducing balance basis and are pegged on 3.5 times the members' deposits, sufficient guarantorship from colleagues and ability to repay.

#### **Special Loans**

These are loans which cater for members with special needs, they include Shujaa, Tiba, Jongea and Almasi. The maturity of the loans varies from one month to seventy two months. They attract a premium monthly interest rate of between 1.5% to 5% on a reducing balance basis and are pegged on ability to repay and 3.5 times the members' deposits except for Shujaa loan which is awarded 5 times the members' savings. All the loans must be fully guaranteed. Defaulter loans comprise loans which the loanees have failed to repay and are being serviced by guarantors. The loan is distributed based on the ratio of guarantee.

#### **19. INTER-ACTIVITY RECEIVABLES/PAYABLE**

	<b>2014</b>	<b>2013</b>
At 1st January	(1,317,521.00)	32,909,885.00
Pay out/in during the year	4,456,306.00	(34,227,406.00)
<b>At 31st December</b>	<b>3,138,785.00</b>	<b>(1,317,521.00)</b>





## 20. RECEIVABLES & PREPAYMENTS

	<b>2014</b>	<b>2013</b>
Trade Receivables	11,950,849.00	7,967,793.00
Msacco deposit	36,670.00	40,360.00
Staff advances	162,947.00	69,397.00
Kisaju, Nkoroi, Rongai plot debtors	8,107,822.00	8,057,422.00
Loan disbursement Control	1,100.00	-
I-Pad loans	527,329.00	-
Hornbill(Ushuru Restaurant)	-	2,456,482.00
Debtors- Investment Co-op Society	-	354,970.00
Debtors- RMF	3,435,831.00	2,871,785.00
	24,222,548.00	21,818,209.00
Provision for bad debts (10%)	(2,422,145.00)	(2,456,482.00)
<b>Total</b>	<b>21,800,403.00</b>	<b>19,361,727.00</b>

Trade receivables represent amounts deducted from members' salaries through the check off system with regard to the Sacco operations but whose payments have not been received. Staff advances are short term payments given to staff on request and is recoverable within 12 months including special benefit. Plot debtors represent the amounts owed to the Society by members on the facilitation of the purchase of plots in the areas mentioned. The total cost of the plot is fully borne by the member.

RMF Debtors represent the amount owed to the Society by the RMF regarding its management. The amount is 50% of the total interest earned from the investments made from the fund.

A general provision of 10% of total debtors has been made for bad debts in the year 2014, a specific provision amounting to Kshs.2,456,482 relating to Hornbill Restaurant was made in the year 2013. This amount has since been written off. Provisions are recognized when there is a present obligation resulting from a past event and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation.



## 21. PROPERTY, PLANT AND EQUIPMENT

<b>NON CURRENT ASSETS</b>	<b>Leasehold Land</b>	<b>Building</b>	<b>Motor vehicle</b>	<b>Computer Accessories</b>	<b>Equipment Furniture &amp; Fittings</b>	<b>Totals</b>
<b>Rate</b>	<b>1.15%</b>	<b>1.03%</b>	<b>25%</b>	<b>33.3%</b>	<b>12.5%</b>	
<b>COST</b>	Kshs.	Kshs.	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	
As at 01.01.2014(Cost)	3,500,000.00	29,400,002.00	5,127,385.00	4,930,054.00	6,470,964.00	49,428,405.00
Additions	-	84,026.00	-	206,990.00	208,985.00	500,001.00
<b>As at 31.12.2014</b>	<b>3,500,000.00</b>	<b>29,484,028.00</b>	<b>5,127,385.00</b>	<b>5,137,044.00</b>	<b>6,679,949.00</b>	<b>49,928,406.00</b>

### DEPRECIATION

As at 01.01.2014	120,750.00	904,340.00	3,845,538.00	4,646,376.00	2,637,319.00	12,154,323.00
Charge for year	40,250.00	303,685.00	1,281,847.00	352,606.00	834,993.00	2,813,381.00
<b>As at 31.12.2014</b>	<b>161,000.00</b>	<b>1,208,025.00</b>	<b>5,127,385.00</b>	<b>4,998,982.00</b>	<b>3,472,312.00</b>	<b>14,967,704.00</b>

### NET BOOK VALUE

<b>As at 31.12.14</b>	<b>3,339,000.00</b>	<b>28,276,003.00</b>	<b>0.00</b>	<b>138,062.00</b>	<b>3,207,637.00</b>	<b>34,960,702.00</b>
<b>As at 31.12.13</b>	<b>3,379,250.00</b>	<b>28,495,663.00</b>	<b>1,281,847.00</b>	<b>283,678.00</b>	<b>3,833,645.00</b>	<b>37,274,083.00</b>

Property, plant and equipment are carried at fair value, representing market value determined by external independent valuers. Valuations are done every four years to ensure an asset's fair value does not differ materially from its carrying amount. Change in their fair values is included in profit and loss in the period in which they arise.



## 22. INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Totals</b>
<b>Rate</b>	<b>33.3%</b>	
<b>COST</b>	<b>Kshs.</b>	<b>Kshs.</b>
As at 01.01.2014(Cost)	5,792,166.00	5,792,166.00
Additions	348,000.00	348,000.00
<b>As at 31.12.2014</b>	<b>6,140,166.00</b>	<b>6,140,166.00</b>
<b>AMORTISATION</b>		
As at 01.01.2014	5,496,018.00	5,496,018.00
Charge for year	412,032.00	412,032.00
<b>As at 31.12.2014</b>	<b>5,908,050.00</b>	<b>5,908,050.00</b>
<b>NET BOOK VALUE</b>		
<b>As at 31.12.14</b>	<b>232,116.00</b>	<b>232,116.00</b>
<b>As at 31.12.13</b>	<b>296,148.00</b>	<b>296,148.00</b>

Intangible assets represent computer software and annual maintenance/upgrade costs.

## 23. MEMBERS' DEPOSITS (LEDGER)

	<b>2014</b>	<b>2013</b>
As at 1st January	1,659,169,217.00	1,446,103,014.00
Deposits during the year	284,220,531.00	255,542,926.00
Withdrawals/ Refunds during the year	(111,385,797.00)	(42,476,723.00)
<b>At 31st December</b>	<b>1,832,003,951.00</b>	<b>1,659,169,217.00</b>
<b>As per listing at 31st December</b>	<b>1,832,003,951.00</b>	<b>1,659,169,217.00</b>

This comprises monthly deposits by members and is refundable upon withdrawal of membership. These deposits have no specific term; interest is paid annually based on the Board of Directors' recommendation and Delegates approval at the Annual Delegates Meeting.

## 24. MEMBERS' INVESTMENT SAVINGS (LEDGER)

	<b>2014</b>	<b>2013</b>
At 1st January	73,660,561.00	61,274,791.00
Deposits during the year	100,167,412.00	78,671,005.00
Withdrawals/ Refunds during the year	(92,690,165.00)	(66,285,235.00)
<b>At year end</b>	<b>81,137,808.00</b>	<b>73,660,561.00</b>
<b>As per listing at 31st December</b>	<b>81,137,808.00</b>	<b>73,660,561.00</b>

These comprises short term deposits made by members and which are withdrawable on request without affecting the membership status. They do not have a specific term and are paid interest annually based on Board of Directors recommendation and delegates' approval on Annual Delegates Meeting.



## 25. PAYABLES AND ACCRUALS

<b>Main Sacco</b>	<b>2014</b>	<b>2013</b>
Audit	130,000.00	129,310.00
VAT	19,200.00	20,690.00
Supervision and filing fee	13,200.00	13,190.00
Mpesa deposit Account	169,938.00	212,198.00
Rent deposit	-	825,000.00
Printing expenses	5,850.00	-
Telephone Charges Accrued	30,172.00	9,148.00
Cash in transit expenses	10,440.00	-
Postage -G4S	25,059.00	19,292.00
Unclaimed Credits	5,875,693.00	5,277,615.00
<b>Total</b>	<b>6,279,552.00</b>	<b>6,506,443.00</b>

## 26. INTEREST PAYABLE TO MEMBERS

<b>Interest</b>	<b>2014</b>	<b>2013</b>
At 1st January	162,832,076.00	138,115,228.00
Less: Paid during the year	(160,278,653.00)	(137,935,850.00)
Write back of overprovision of interest payable	(2,553,423.00)	(179,378.00)
Add: Interest rebates on members deposits	168,030,330.00	157,242,074.00
Proposed interest on special savings	6,304,882.00	5,590,002.00
At 31st December	<b>174,335,212.00</b>	<b>162,832,076.00</b>

This comprises interest rebates on members deposits held by the society. The Board of Directors recommends the payment of interest on deposit on pro rata at the rate of 10.4% (2013-10.2%) representing a total of Kshs. 168,030,330 and interest on members savings 9% (2013-8.5%) representing a total of Kshs. 6,304,882.

Write back on overprovision of interest payable represents the amount which were provided for but which were not due for payment because the members withdrew within the year and were not in the members register as at close of the financial period 31st December 2014.

## 27. DIVIDEND

	<b>2014</b>	<b>2013</b>
At 1st January	1,299,252.00	1,004,958.00
Less: Paid during the year	(1,299,252.00)	(1,004,958.00)
Add: Proposed dividends for the year	4,999,798.00	1,299,252.00
At 31st December	<b>4,999,798.00</b>	<b>1,299,252.00</b>

This comprises amounts paid on the par value of shares held by members of the Society. The Board of Directors recommends a payment of dividend on share at the rate of 12% (2013-11%) amounting to Kshs.4,999,798.



## 28. SHARE CAPITAL

### Authorized

An unlimited number of shares of Kshs.20 each issued

fully and partly paid

At 1st January (...shares @20/=)

Contributions for the year (...shares @ 20/=)

	<b>2014</b>	<b>2013</b>
	11,811,386.00	10,254,676.00
	32,046,493.00	1,556,710.00
	<b>43,857,879.00</b>	<b>11,811,386.00</b>

Share capital represents par value of members shares held by the Society. The increase in share capital was as a result of a review of the minimum share capital per every member of the Society by the Delegates at the Year 2013 Annual Delegates Meeting.

## 29. RESERVES

	<b>Notes</b>	<b>2014</b>	<b>2013</b>
Statutory reserves	<b>29</b>	23,469,892.00	19,972,443.00
Capital reserves	<b>30</b>	599,866.00	599,866.00
Revaluation reserves	<b>31</b>	41,660,408.00	7,425,730.00
Retained Surplus		54,029,883.00	45,039,885.00
At the end of the year		<b>119,760,049.00</b>	<b>73,037,924.00</b>

## 30. STATUTORY RESERVES

	<b>2014</b>	<b>2013</b>
At 1st January	19,972,443.00	17,421,085.00
Additions for the year	3,497,449.00	2,551,358.00
<b>At 31st December</b>	<b>23,469,892.00</b>	<b>19,972,443.00</b>

The statutory reserve arises from transfer of at least 20% of the Society's net operating surplus before dividend payable on share capital as required under Section 47(1) and rule 37(1) of the Co-operative Society's Act Cap 490.

## 31. CAPITAL RESERVE

	<b>2014</b>	<b>2013</b>
At 1st January	599,866.00	599,866.00
At 31st December	599,866.00	599,866.00

Comprises amounts carried forward from the previous year's provisions

## 32. REVALUATION RESERVE

	<b>2014</b>	<b>2013</b>
At 1st January	7,425,730.00	7,425,730.00
Additions for the year (Note 17)	34,234,678.00	-
At 31st December	<b>41,660,408.00</b>	<b>7,425,730.00</b>

Comprises the amounts arising from revaluation and/or fair value restatement of the Society's assets. In the year 2014, shares held in Co-operative bank and Co-operative Insurance Company were revalued resulting into the increase.



### **33. Financial Risk Management**

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

#### **Market risk**

##### **Interest rate risk**

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

##### **Liquidity risk**

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

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

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



**USHURU SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED**  
**CS/NO. 1926**  
**Annual Report and Financial Statements for the Year Ended 31 December 2014**



	<b>Upto 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Total</b>
<b>31st December 2014</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>Asset</b> Members' loans	-	4,006,245.00	9,797,954.00	1,724,841,551.00	1,738,645,750.00
Unquoted Investment	-	-	-	41,481,778.00	41,481,778.00
Term deposit	-	75,218,928.00	-	234,825,853.00	310,044,781.00
Receivables	15,386,680.00	8,835,868.00	-	-	24,222,548.00
Bank Balances	7,821,327.00	109,782,831.00	-	-	117,604,158.00
<b>Total</b>	<b>23,208,007.00</b>	<b>197,843,872.00</b>	<b>9,797,954.00</b>	<b>2,001,149,182.00</b>	<b>2,231,999,015.00</b>
<b>Liabilities</b> Members' deposits	-	-	-	1,832,003,950.00	1,832,003,950.00
Payables	-	6,279,552.00	-	-	6,279,552.00
Interest Payable	-	174,335,212.00	-	-	174,335,212.00
<b>Total Liabilities</b>	<b>-</b>	<b>180,614,764.00</b>	<b>-</b>	<b>1,832,003,950.00</b>	<b>2,012,618,714.00</b>
<b>Net liquidity gap</b>	<b>23,208,007.00</b>	<b>17,229,108.00</b>	<b>9,797,954.00</b>	<b>169,145,232.00</b>	<b>219,380,301.00</b>
<b>31st December 2013</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>Asset</b>					
Members' loans	-	4,735,074.00	32,655,681.00	1,595,393,273.00	1,632,784,028.00
Unquoted Investment	-	-	-	6,497,100.00	6,497,100.00
Receivables	10,839,578.00	10,978,631.00	-	-	21,818,209.00
Bank Balances	5,083,801.00	215,602,661.00	-	74,204,479.00	294,890,941.00
<b>Total</b>	<b>15,923,379.00</b>	<b>231,316,366.00</b>	<b>32,655,681.00</b>	<b>1,676,094,852.00</b>	<b>1,955,990,278.00</b>
<b>Liabilities</b>					
Members' deposit	-	-	-	1,659,169,217.00	1,659,169,217.00
Payables	-	6,506,443.00	-	-	6,506,443.00
Interest Payable to members	-	162,832,076.00	-	-	162,832,076.00
<b>Total Liabilities</b>	<b>-</b>	<b>169,338,519.00</b>	<b>-</b>	<b>1,659,169,217.00</b>	<b>1,828,507,736.00</b>
<b>Net liquidity gap</b>	<b>15,923,379.00</b>	<b>61,977,847.00</b>	<b>32,655,681.00</b>	<b>16,925,635.00</b>	<b>127,482,542.00</b>



### Credit risk

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

This is achieved through:

- Setting the maximum loan that a member can borrow which is currently capped at 3.5 times the member's maximum deposits;
- All loan being guaranteed by at least four other society's members plus member deposits which act collateral.
- The society operates a Risk Management Fund to cover exposure which may arise from Death, Permanent incapacitation and or any other cause which may be satisfactory to the management board.

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

	<b>Total Amount</b>	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>31st December 2014</b>				
Asset	-			
Members' loans	1,743,203,108.00	1,734,535,363.00	4,110,387.00	4,557,358.00
Receivables	24,222,548.00	24,222,548.00	-	-
Bank Balances	344,628,424.00	344,628,424.00	-	-
<b>Total</b>	<b>2,112,054,080.00</b>	<b>2,103,386,335.00</b>	<b>4,110,387.00</b>	<b>4,557,358.00</b>

	<b>Total Amount</b>	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>31st December 2013</b>				
Asset	-			
Members' loans	1,632,784,028.00	1,620,679,517.00	12,104,511.00	-
Receivables	21,818,209.00	21,818,209.00	-	-
Bank Balances	182,802,088.00	182,802,088.00	-	-
<b>Total</b>	<b>1,837,404,325.00</b>	<b>1,825,299,814.00</b>	<b>12,104,511.00</b>	<b>-</b>

Bank balances are fully performing. The member's loans under the fully performing category are paying their loans as they fall due. The default rate is low. The incremental past due loans are delinquent loans arising from unpaid loans after due dates. This is as a result of stringent rules applied by employers in maintaining the third rule on basic salary in the year 2014. These loans have adequate security in case they become impaired.

The society has members' deposits of Kshs.1,832,003,950 (2013:Kshs. 1,659,169,217) which can be enforced in the event of a member's default.



### 33. Capital management

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

### 34. Incorporation

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

### 35. Related party disclosures

#### a) Compensation of Key Management personnel and Board of Directors

The remuneration of Board of Directors and other members of key management during the year were as follows.

	<b>2014</b>	<b>2013</b>
Key management staff		
Salaries and allowances	7,391,904.00	6,857,568.00
Board of Directors		
Board of Directors sitting allowance	4,024,500.00	4,039,500.00

Staff allowances comprises house, commuter, leave allowance, insurance and medical cover. Board sitting allowances are the payments made to Board of Directors on quarterly basis for attendance to meetings to deliberate the Society issues.

#### b) Loans to Sacco employees and Board of Directors

	<b>2014</b>	<b>2013</b>
<b>Loans to Sacco employees</b>		
Loans granted during the year	8,769,000.00	7,665,200.00
Loan balances as at 31st December	11,363,270.00	11,074,641.00
<b>Loans to Board of Directors</b>		
Loans granted during the year	5,188,000.00	3,110,000.00
Loan balances as at 31st December	7,594,403.00	5,689,719.00

The loans granted to staff and Board of Directors are secured by guarantors and withdrawable deposits with interest chargeable at the applicable rates depending on the type of loan. These loans are not impaired.

### 36. Events after the reporting Date

No material events or circumstances have arisen between the accounting date and the date of this report.

### 37. Currency

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



## USHURU SACCO RISK MANAGEMENT FUND

### Statement of Comprehensive income

	Notes	2014 KSHS.	2013 KSHS.
<b>Income</b>			
Members Contributions during the year		13,393,000.00	10,347,940.00
Premiums on loans issued		7,969,727.00	8,424,713.00
<b>Total Income</b>		<b>21,362,727.00</b>	<b>18,772,653.00</b>
<b>Other Income</b>			
Interest from Treasury Bills/Bonds		-	1,270,780.00
Interest from Bank		6,871,661.00	4,472,790.00
<b>Total Other Income</b>	<b>A</b>	<b>6,871,661.00</b>	<b>5,743,570.00</b>
<b>Total Income</b>		<b>28,234,388.00</b>	<b>24,516,223.00</b>
<b>Claims</b>			
Loans written off		12,213,672.00	3,395,781.00
Members refund and loan offset		2,081,076.00	1,296,342.00
Funeral expences paid		290,000.00	160,000.00
<b>Total Claims</b>		<b>14,584,748.00</b>	<b>4,852,123.00</b>
<b>Expenditure</b>			
Board Expenses and bank charges		357,055.00	367,605.00
Management fee to Sacco(50% of income from RMF)		3,435,830.00	2,871,785.00
<b>Total expenditure</b>		<b>3,792,885.00</b>	<b>3,239,390.00</b>
<b>Total Outgoings</b>	<b>B</b>	<b>18,377,633.00</b>	<b>8,091,513.00</b>
<b>Net (deficit)/surplus for the year</b>	<b>A-B</b>	<b>9,856,755.00</b>	<b>16,424,710.00</b>
Fund Balance At 1st January		57,348,191.00	40,923,481.00
<b>Fund Balance at year End</b>		<b>67,204,946.00</b>	<b>57,348,191.00</b>



**Statement of Financial Position**

	Notes	2014 KSHS.	2013 KSHS.
<b>Assets</b>			
Cash and Cash Equivalent	6	73,874,061.00	51,902,455.00
Term Deposits	7	-	7,000,000.00
Inter activity Receivables	8	-	1,317,521.00
<b>Total assets</b>		<b>73,874,061.00</b>	<b>60,219,976.00</b>
<b>Liabilities</b>			
Inter Activity payable	8	3,138,785.00	-
Payables and Accruals	9	3,530,330.00	2,871,785.00
<b>Total Liabilities</b>		<b>6,669,115.00</b>	<b>2,871,785.00</b>
<b>Equity</b>			
Risk Management Fund balance		67,204,946.00	57,348,191.00
<b>TOTAL EQUITY</b>		<b>67,204,946.00</b>	<b>57,348,191.00</b>
<b>Total Net Assets</b>		<b>73,874,061.00</b>	<b>60,219,976.00</b>



## Notes

### Risk Management Fund:

The Society operates a Risk management fund for insurance of deceased members' loan balances. The excess of members' contributions over premium payments is recorded under risk management fund. Contribution to the risk management fund is currently set at Kshs. 300 per member per month. The carrying amount at the end of the period is disclosed under payables and accruals

1. The Risk Management Fund (RMF) comprises monthly members contribution amounting to Kshs.300 per month and premium charged on loans above Kshs.500,000 which is 3% on the amount above Kshs.500,000.
2. The RMF fund is invested in short term deposits and risk free investments e.g. Treasury bills. A transfer of 50% is done to the main Sacco from the returns on the investments.
3. Loans written off from RMF comprises loans from the deceased members and irrecoverable loans from members whose cases are with the Lawyers. The amounts are Kshs.7,656,314 and Kshs.4,557,358 respectively.
4. The Society pays funeral expenses for the deceased. The figure currently is Kshs.30,000 from Kshs.20,000(previously) as approved in the year 2014 Annual Delegates meeting.

### 5. Bank balances

	2014	2013
Savings Account	<b>73,874,061.00</b>	<b>51,902,455.00</b>

### 6. Term deposits

Central bank of Kenya (Treasury Bills)	-	7,000,000.00
Total	-	<b>7,000,000.00</b>

### 7. Term deposits

<b>Inter-activity receivables/payable(members contribution)</b>	<b>2014</b>	<b>2013</b>
At 1st January	(1,317,521.00)	32,909,885.00
Pay out/in during the year	4,456,306.00	(34,227,406.00)
<b>At 31st December</b>	<b>3,138,785.00</b>	<b>(1,317,521.00)</b>

Inter-activity payable arises when the net assets of RMF is in excess of the fund balance hence the amount payable to the Society





**8. Payables-Administrative**

Management fee	3,435,831.00	2,871,785.00
Board sitting allowance	94,500.00	-
At 31st December	<u>3,530,331.00</u>	<u>2,871,785.00</u>

Board expenses are the travelling allowances for the Quarterly meetings held to deliberate on RMF issues. Management fee is a 50% transfer to the Main Sacco from the income earned from RMF investments.

**9. Currency** -These financial statements are presented in Kenya Shillings (Kshs.).

**USHURU SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED**  
**CS/NO. 1926**  
**Annual Report and Financial Statements for the Year Ended 31 December 2014**



**OPERATING BUDGET PROPOSAL YEAR - 2016**

<b>PARTICULARS</b>	<b>A/C</b>	<b>ACTUAL 2014</b>	<b>BUDGET 2014</b>	<b>BUDGET 2015</b>	<b>BUDGET 2016</b>
<b>INCOME</b>	<b>KSHS</b>	<b>KSHS</b>	<b>KSHS</b>	<b>KSHS</b>	<b>KSHS</b>
Interest on members loans	0-101	206,375,345.00	203,400,000.00	211,152,000.00	217,980,000.00
Interest on Securities	0-201	3,090,075.00	3,017,500.00	3,300,000.00	4,500,000.00
Interest on savings A/C	0-203	15,621,758.00	1,600,000.00	4,000,000.00	12,500,000.00
Management fees-RMF	0-207	3,435,831.00	2,500,000.00	2,500,000.00	-
RMF Net Income	0-208	-	-	-	19,297,600.00
Rent income	0-2012	3,015,000.00	3,840,000.00	3,840,000.00	3,840,000.00
Cash office income	0-106	22,783,613.00	21,986,400.00	22,569,000.00	22,455,600.00
Entrance fee	0-215	135,000.00	225,000.00	247,500.00	250,000.00
Sundry Income	0-213	1,112,255.00	1,092,500.00	1,758,500.00	2,304,500.00
<b>TOTAL INCOME</b>		<b>255,568,877.00</b>	<b>237,661,400.00</b>	<b>249,367,000.00</b>	<b>283,127,700.00</b>
<b>Expenditure</b>					
Salaries & Wages	1-104	10,977,792.00	10,572,767.00	11,899,825.00	12,548,422.00
House allowances	1-105	4,810,593.00	4,863,600.00	4,745,664.00	4,762,296.00
Staff medical expenses	1-106	1,554,390.00	1,500,000.00	1,500,000.00	1,900,000.00
Leave allowance	1-107	207,023.00	214,763.00	241,501.00	368,000.00
Commuter allowance	1-102	2,566,000.00	2,597,616.00	2,542,680.00	2,546,208.00
Responsibility allowance	1-103	256,000.00	352,800.00	252,000.00	252,000.00
Provident fund	1-109	647,956.00	756,868.00	867,736.00	916,382.00
n.s.s.f	1-108	41,400.00	38,400.00	40,800.00	73,440.00
Staff Travel & Subsistence	1-110	1,115,383.00	1,121,400.00	1,348,600.00	1,445,600.00
Staff training/education	1-111	1,485,200.00	1,390,000.00	1,662,000.00	2,500,000.00
Ushirika day	1-206	252,846.00	250,000.00	250,000.00	250,000.00
Repairs and maintenance	1-114	348,735.00	300,000.00	350,000.00	400,000.00
depreciation	1-310	3,225,413.00	4,000,000.00	3,000,000.00	3,500,000.00
Legal and fees	1-302	38,320.00	200,000.00	200,000.00	200,000.00
Audit and supervision	1-303	162,400.00	200,000.00	350,000.00	900,000.00
Subscription/donations	1-125	166,000.00	200,000.00	250,000.00	250,000.00
Bank charges	1-301	494,861.00	600,000.00	500,000.00	600,000.00
Insurance	1-123	466,959.00	840,000.00	840,000.00	840,000.00
Provision for bad debts	1-312	2,443,545.00	2,000,000.00	3,000,000.00	1,000,000.00
Income tax	1-311	4,005,832.00	900,000.00	2,500,000.00	4,500,000.00
Delegates meeting	1-209	3,447,403.00	2,500,000.00	2,500,000.00	3,500,000.00
Branch delegates meetings	1-207	868,003.00	900,000.00	900,000.00	1,250,000.00
Board & branch sitting all.	1-201	4,024,500.00	3,682,770.00	4,002,180.00	5,044,000.00
Board & branch travel all.	1-202	3,996,500.00	3,284,400.00	3,712,800.00	4,934,800.00
Board & Branch Education	1-203	2,242,900.00	3,205,000.00	3,121,000.00	4,500,000.00
Delegates Education	1-210	1,843,940.00	1,990,000.00	2,100,000.00	3,000,000.00

**USHURU SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED**  
**CS/NO. 1926**  
**Annual Report and Financial Statements for the Year Ended 31 December 2014**



Other committee expenses	I-202	250,000.00	250,000.00	250,000.00	250,000.00
Education to Members	I-210	1,707,010.00	1,800,000.00	2,000,000.00	2,500,000.00
Entertainment	I-127	280,434.00	280,000.00	300,000.00	300,000.00
Dividend calculation	I-314	20,000.00	25,000.00	25,000.00	25,000.00
Printing and stationery	I-115	883,838.00	900,000.00	900,000.00	950,000.00
Postage & Telephone	I-118	814,959.00	690,000.00	740,000.00	900,000.00
Rent and rates	I-120	130,088.00	200,000.00	200,000.00	200,000.00
Computer expenses	I-131	478,365.00	450,000.00	545,000.00	665,000.00
Strategic Plan	I-129	510,650.00	800,000.00	800,000.00	800,000.00
Motor Vehicle expenses	I-132	306,762.00	400,000.00	500,000.00	500,000.00
Marketing and publicity	I-121	2,642,954.00	3,800,000.00	3,800,000.00	4,500,000.00
Social Responsibility	I-133	188,848.00	300,000.00	300,000.00	300,000.00
Recruitment commission	I-211	13,900.00	30,000.00	30,000.00	30,000.00
Licence Fees	I-134	-	70,000.00	70,000.00	70,000.00
security/cash in Transit	I-135	105,560.00	370,000.00	400,400.00	416,000.00
Sundry expenses	I-128	448,375.00	450,000	500,000	550,000
<b>Total Expenditure</b>		<b>60,471,638.00</b>	<b>59,275,384.00</b>	<b>64,037,186.00</b>	<b>74,937,148.00</b>
<b>Surplus / deficit</b>		<b>195,097,239.00</b>	<b>178,386,016.00</b>	<b>185,329,814.00</b>	<b>208,190,552.00</b>

**AMMENDMENTS TO 2015 BUDGET-SUPPLEMENTARY**

ITEM	A/C	FROM	TO	CHANGE
<b>INCOME</b>				
Interest on loans	0-101	211,152,000.00	214,080,000.00	2,928,000.00
Interest on Securities	0-201	3,300,000.00	3,800,000.00	500,000.00
Interest on Savings	0-203	4,000,000.00	10,000,000.00	6,000,000.00
RMF Net Income	0-208		18,198,200.00	18,198,200.00
Rent Income	0-212	3,840,000.00	3,015,000.00	(825,000.00)
<b>Totals</b>		<b>222,292,000.00</b>	<b>249,093,200.00</b>	<b>26,801,200.00</b>
<b>EXPENDITURE</b>				
Staff Personel Expenses	I-104-109	20,549,407.00	21,841,114.00	1,291,707.00
Staff Medical Expenses	I-106	1,500,000.00	1,800,000.00	300,000.00
NSSF Employer	I-108	40,800.00	77,760.00	36,960.00
Staff Expenses	I-110-111	3,010,600.00	3,945,600.00	935,000.00
Repairs & Maintanance	I-114	350,000.00	400,000.00	50,000.00
Board/Superv and branch travel all.	I-202	3,712,800.00	4,642,800.00	930,000.00
Board/Superv and branch Education.	I-203	3,121,000.00	4,000,000.00	879,000.00
Ushirika Day	I-206	250,000.00	500,000.00	250,000.00
Audit & Supervision	I-303	350,000.00	900,000.00	550,000.00



Depreciation	I-310	3,000,000.00	3,500,000.00	500,000.00
Income Tax	I-311	2,500,000.00	4,450,000.00	1,950,000.00
Provision for Bad debts	I-312	3,000,000.00	1,000,000.00	2,000,000.00
Motor Vehicle Expenses	I-132	400,000.00	600,000.00	200,000.00
Telephone & Postage	I-118	740,000.00	840,000.00	100,000.00
Marketing & Publicity	I-121	3,800,000.00	4,500,000.00	700,000.00
Branch Delegates Meetings	I-207	900,000.00	970,000.00	70,000.00
Sundry Expenses	I-128	500,000.00	550,000.00	50,000.00
Computer expenses	I-131	545,000.00	665,000.00	120,000.00
<b>Totals</b>		<b>48,269,607.00</b>	<b>55,182,274.00</b>	<b>6,912,667.00</b>

## Notes on amendments to the 2015 Budget

### 10. Interest on loans (0-101)

Based on figures generated for this income in 2014, a higher revenue is anticipated in 2015 hence an increase of Kshs. 2,928,000 due to a steady disbursement of main & refinancing loans.

### 11. Interest on Securities (0-201)

We intend to maintain and grow the current investments in money market in CIC, UAP & Britam which have shown a steady return.

### 12. Interest on Savings (0-203)

We project to increase our reserve funds that have earned us good returns in the last financial year.

### 13. RMF Net Income (0-208)

The net income is from operations of Risk Management Fund following changes in RMF policy.

### 14. Rent Income (0-212)

The reduction in projection is due to termination of tenancy of the first occupant of Saachi Plaza floor.

### 15. Staff Personnel Expenses (I-104-109)

To capture the correct status of the current personell establishment & emoluments.

### 16. NSSF Employer (I-108)

The increase is to cater for the new NSSF rates.

### 17. Staff Medical Expenses (I-106)

The increase is to cater for cover for staff medical scheme of new employees.

### 18. Staff Expenses (I-110-111)

The increase is to cater for escalated cost of training by the service providers and an underprovision in the current budget on both Staff training and staff travel.

### 19. Repairs & Maintance (I-114)

The increase represents underprovision in the original budget of 2015.



**20. Board, Supervisory & Branch Travel (I-202)**

The increase represents underprovision in the original budget of 2015.

**21. Board, Supervisory & Branch Education (I-203)**

The increase represents underprovision in the original Budget of 2015.

**22. Ushirika Day insert (I-206)**

The increase is to cater for higher attendance of members for this festival.

**23. Audit and supervision (I-303)**

This is to ensure that the Sacco is in tandem with market rates for the provision of audit services.

**24. Depreciation(I-310)**

The increase of provision is due to underprovision based on 2014 actual figures.

**25. Provision for Bad Debts (I-312)**

A reduced provision for bad debts is anticipated in 2015 due to performing debtors.

**26. Income Tax (I-311)**

The increase is to cover for the underprovision based on 2014 actual figures. There is increased income from investments and other sources apart from interest on loans to members

**27. Motor vehicle expenses (I-132)**

The increase of provision is to cater for purchase of new tyres for the Society's Van in the current year.

**28. Telephone & Postage (I-118)**

The increase is to cater for dedicated line for quarantors confirmations and increased courier services to and from branches.

**29. Marketing & Publicity(I121)**

The additional costs are to cater for promotional tools, product sensitization, membership drive & advertisements.

**30. Branch Delegates Meetings (I-207)**

The increase is to cater for election expenses in new stations.

**31. Sundry Expenses (I-128)**

The increase represents underprovision in the original budget of 2015.

**32. Computer expenses (I-131)**

The increase is to cater for renewal of anti-virus and bulk Sms.

**CAPITAL BUDGET PROPOSAL 2015**

EQUIPMENT	300,000.00
COMPUTER & ACCESORIES	1,130,000.00
	<b>1,430,000.00</b>



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**SACCO ASSURANCE**







**Ushuru Sacco Ltd.**  
Forodha House 2nd Floor  
P.O. BOX 52072-00200  
Nairobi

**Mombasa Branch**  
P.O BOX 87771  
Mombasa

**Kisumu Branch**  
P.O BOX 1511  
Kisumu

**Eldoret Branch**  
P.O BOX 2948  
Eldoret

