

MINISTRY OF AGRICULTURE, LIVESTOCK, FISHERIES AND CO-OPERATIVES

OFFICE OF THE COMMISSIONER FOR CO-OPERATIVE DEVELOPMENT

Telegrams: "CO-OPS" Nairobi

Telegrams: Nairobi 020 2731531/9

Telex: Nairobi 020 240096

When replying please quote



SOCIAL SECURITY HOUSE
BISHOPS ROAD, CAPITAL HILL
P.O. BOX 40811- 00100 GPO,
NAIROBI

DATE: 16-4-2020

REF: CS/NO 4676

ACC. NAME: LSK SACCO

AUDIT AND SUPERVISION FEES

Attach official miscellaneous Receipt(s) No. 6100 546 for Kshs. 25,200=
dated 15-4-2020 in acknowledgement for your remittance.

The balance outstanding at the date of this letter is Kshs. Nil

FOR: COMMISSIONER FOR COOPERATIVE DEVELOPMENT

CS/4676

ORIGINAL
REPUBLIC OF KENYA

OFFICIAL RECEIPT B 6100546

Station..... NRB Date 15/4/2020, 20

RECEIVED from LSK SACCO LTD

Shillings Twenty five thousand two hundred only CENTS

on account of Audit & Spares

Vote Head..... 4-113

Sub-Head..... 0000

Item..... DEPOSIT

Cash Cheque No. CASH

Ken. 25,200 = cts
Ac.
No. 142344-2002001

FOR PRINCIPAL SECRETARY
DEPARTMENT FOR
SPECIAL SERVICES
NAROBI GPO
Signature of Officer receiving remittance
P. O. Box 3054

46

A

MINISTRY OF INDUSTRY, TRADE AND CO-OPERATIVES
STATE DEPARTMENT FOR CO-OPERATIVE DEVELOPMENT



Telephone: 020-2731531-9
0704097021/23
0788484840/41
Fax: 020240096

Commissioner for Cooperative Dev.
Social Security House
P.O. Box 40811-00100 GPO
NAIROBI

When replying please quote

17/04/2020

Ref NO. CS/4676

The County Co-operative Auditor
P.O. BOX 30202
NAIROBI

**CERTIFICATE OF ACCOUNTS – FINANCIAL YEAR 31/12/2019
LAW SOCIETY OF KENYA SACOO**

1. The accounts of the above Society are forwarded herewith duly approved.
2. Please forward these accounts to the Chairman of the Society together with:
 - a. Debit Note No.000045 for **Kshs. 25,200/= being** the fees as authorized under section 23(1) of the Act.
 - b. A fee Note for **Kshs. 250,000/=** from the External Auditor will be sent direct by the Auditor to the Society. Bankers Cheques in settlement of (a) should be made payable to the Commissioner for Co-operative Development.

3. Management/Auditors

Ensure the society implements the provisions of IFRS(9) or come up with a clear loan loss provisions. Note also staff bonus are supposed to be treated as provisions and not as expenses

A handwritten signature in black ink, appearing to read 'Javel M. Murira'.

JAVEL M. MURIRA AG. DCA.

For: COMMISSIONER FOR CO-OPERATIVE DEVELOPMENT

CO-OPERATIVE SOCIETIES ACT

(CAP. 490)

No 000045

DEBIT NOTE

THE COMMISSIONER FOR CO-OPERATIVE DEVELOPMENT
P.O. Box 40811, NAIROBI

16/4/2020

C/S No. ~~49~~ 4676
LAW SOCIETY OF KENYA SACCO

DR. TO: Through the Co-operative Officer: NAIROBI

COMMISSIONER FOR CO-OP DEVELOPMENT NAIROBI

		AMOUNT KSH.
001	To Audit Fees for the Financial Year ended20.....	
002		
	Audit Fees of External Auditors For information only	
	For Year ended 31-12-2019	
003	Messrs RONALD S MHP	(250,000)
004	Book-keeping Charges	25,000-
005	Supervision Charges	200:
006	Other Charges:	
007		
008		
009		
Fee Proforma Folio		AMOUNT DUE KSH. 25,200:

FOR OFFICIAL USE ONLY

COMPUTER DATA

ST.		SUB ST.		CS No.				M M Y Y				CODE	DOC. No.				DR.				CR.				AUDIT M M Y Y									
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33		

MINISTRY OF INDUSTRY
TRADE AND COOPERATIVES
State Department for Cooperative
MAIN REGISTRY

15 APR 2020

No.
P.O. Box 30547 - 00100
GPO, NAIROBI, KENYA



Ronalds

CS/4676

LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2019

CS/4676

**LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

SOCIETY INFORMATION

FOR THE YEAR ENDED 31ST DECEMBER 2019

MANAGEMENT COMMITTEE MEMBERS:

Justus M. Muniyithya	Chairperson
Philbert Caleb Nadebu	Vice Chairperson
Lawrence Mugambi Mungania	Treasurer
Kellen Njue	Hon. Secretary
Jackson Awele	Member
Gladys W. Kinyanjui	Member
Samuel Mwaniki	Member
Gad Gathu	Member
Boniface Mutwiri Kinoti	Member

SUPERVISORY COMMITTEE

Collins Wanderi	Chairperson
Joseph Makumi	Secretary
Callen Masaka	Member

CREDIT COMMITTEE

Samuel Mwaniki	Chairperson
Gladys W. Kinyanjui	Secretary
Boniface Mutwiri Kinoti	Member

REGISTERED OFFICE

LSK Sacco Limited,
Crawford Business Park, 3rd Floor,
State House Road,
P.O. Box 6740-00100,
Nairobi

PRINCIPAL BANKER

Co-operative Bank of Kenya Limited,
Kimathi Street Branch,
P.O Box 7512 - 00200,
Nairobi, Kenya.

INDEPENDENT AUDITOR

Ronalds LLP,
Certified Public Accountants,
3rd Floor Rhapta Heights, Rhapta Road, Westlands,
P.O. BOX 41331-00100,
Nairobi, Kenya.

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**LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST DECEMBER 2019**

The Management Committee submit their annual report together with the audited financial statements for the year ended 31st December 2019.

INCORPORATION

The Society is incorporated in Kenya under the Co-operative Societies Act Cap 490.

PRINCIPAL ACTIVITY

The Society's principal activity is to receive deposits from members and advance loans on interest.

RESULT	2019 Kshs	2018 Kshs
Surplus before tax	23,385,453	15,773,592
Taxation	3,609,483	-
Operating surplus after tax	<u>19,775,970</u>	<u>15,773,592</u>
Transfer to Statutory reserve	3,955,194	3,178,728
Proposed dividends	7,224,663	6,811,376
Proposed honoraria	3,146,185	2,609,918
Total distribution	14,326,042	12,600,022
Retained earnings for the year	5,449,928	3,173,570
Interests on members' deposit	139,133,543	117,914,329
Interests on Members' deposits	8.5%	9%
Dividends on Share Capital	15%	15%

INTERESTS ON MEMBERS DEPOSITS AND DIVIDENDS ON SHARE CAPITAL

The Management Committee recommend interest on members' deposits at 8.5% (2018 9%) and dividends on Share Capital at 15% (2018 15%)

THE MANAGEMENT COMMITTEE

The Management Committee who served during the year and to the date of this report are as listed on page 1. The following will retire but still eligible for re-election;

1. Jackson Awele
2. Gad Gathu
3. Samuel Mwaniki

INDEPENDENT AUDITORS

The Sacco's auditors, Messrs Ronalds LLP, Certified Public Accountants (K) who were appointed during the year have expressed their willingness to continue in office in accordance section 25(4) of the Co-operative Societies(Amendment) Act No.2 of 2004.

BY ORDER OF THE MANAGEMENT COMMITTEE


.....
SECRETARY

DATE 13TH April 2020

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LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
STATISTICAL INFORMATION
FOR THE YEAR ENDED 31ST DECEMBER 2019

		2019	2018
Number of members			
Active		6,574	5,906
Dormant		2,558	2,330
		9,132	8,236
Employees of the Sacco		30	23
		Kshs	Kshs
Total Assets		2,075,698,266	1,663,102,332
Loans and Advances to members		1,744,269,093	1,353,855,006
Members' Deposits and Savings		1,775,654,686	1,427,809,438
Financial Assets		2,137,626	2,137,626
Liquid Assets		248,247,387	260,918,243
Core Capital		140,388,672	104,383,462
Share Capital		51,823,402	45,409,170
Institutional Capital		78,194,421	49,552,998
External Borrowings		-	-
Total Liabilities		1,935,309,594	1,558,718,870
Total Revenue		212,964,821	169,002,675
Total Interest income		167,619,154	131,088,784
Ordinary expenses		50,445,825	35,314,754
Interest on members deposits		139,133,543	117,914,329
Key Ratios			
	STDs		
Capital adequacy ratio			
Core Capital/Total Assets	≥10%	6.76%	6.28%
Core Capital/Total deposits	≥8%	7.91%	7.31%
Share capital/Total assets	≥2%	2.50%	2.73%
Institutional Capital /Total Assets	≥8%	3.77%	2.98%
Net loans/Total assets	70-80%	84.03%	81.41%
Savings/Total assets	70-80%	85.54%	85.85%
Liquidity ratio			
Liquid assets/Total deposits and long term liabilities	≥15%	13.98%	18.27%
Total loans/Total deposits	≤85%	90.13%	86.86%
External borrowings/Total assets	≤25%	0.00%	0.00%
Operating efficiency ratios			
Ordinary Expenses/ Total revenue		23.69%	53.27%
Dividend rate on members share capital		15%	15%
Interest on members deposits/Total revenue		65%	70%
Interest rate on members deposits		8.5%	9%

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LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
STATEMENT OF MANAGEMENT COMMITTEE RESPONSIBILITIES
FOR THE YEAR ENDED 31ST DECEMBER 2019

The Sacco Society Act, No.14 of 2008 requires the Management Committee to prepare financial statements for each year which give a true and fair view of the state of affairs of the Society as at the end of the financial year and its operating results for that year in accordance with International Financial Reporting Standards (IFRS). It also requires the Management Committee to ensure that the Society keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society. They are also responsible for safeguarding the assets of the Society 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 annual delegates meeting.

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

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

Approved by the Management Committee on.....^{13th April}.....2020 and signed on its behalf by:


.....
CHAIRMAN


.....
TREASURER


.....
COMMITTEE MEMBER



REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF LAW SOCIETY OF KENYA SACCO SOCIETY LIMITED

Report on the financial statements

Opinion

We have audited the accompanying financial statements of Law Society of Kenya Sacco Society Limited set out on pages 8 to 26 which comprise the statement of financial position as at 31 December 2019 and the Statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the state of the society's financial affairs at 31 December 2019, the results of its operations and cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Sacco Societies Act.

Basis of Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

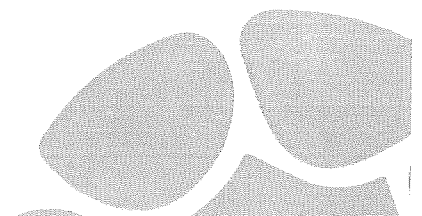
We are independent of the Society in accordance with the International Ethics Standards Board for Accountants Code of Ethics For Professional Accountant (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with IESBA code and in accordance with other ethical requirements applicable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

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

Key audit matters

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

Key Audit Matter	How the audit matter was addressed
<p>Impairment of Loans</p> <p>Impairment of loans to members are determined under application of IFRS 9 Financial Instruments.</p> <p>This was considered a key audit matter because significant judgement was involved in determining the impairment losses on loans since the Society is yet to adopt the IFRS 9 credit loss model;</p> <p>Key areas of judgement included:</p>	<p>i.) Assessing the Inherent default risk in the various loan products and other financial Instruments.</p> <p>ii.) Evaluation of the alternative measures taken by the management to mitigate accounting and disclosure of any future losses.</p>



- | | |
|--|--|
| <ul style="list-style-type: none"> • The interpretation of the requirements to determine impairment under application of IFRS 9 • The need to apply additional overlays to reflect current or future external factors that are not correctly captured by introduction of IFRS 9. | |
|--|--|

Other information

The Management Committee is responsible for the other information. The other information comprises the budget and the chairman's report included in the annual report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Auditors' Responsibility for the audit of the financial statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers the internal control relevant to the society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of society's internal controls.



Auditors' Responsibility for the audit of the financial statements (Cont'd)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Committee, as well as evaluating the overall presentation of the financial statements.

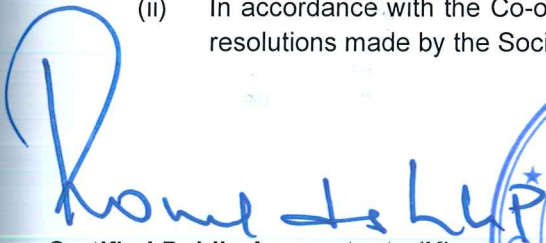
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We provide the directors with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

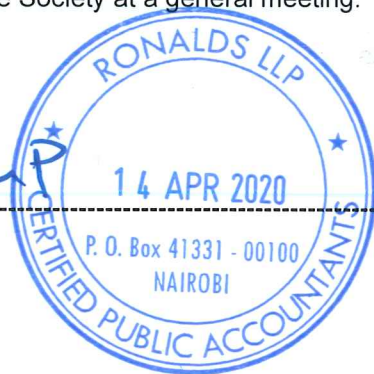
Report on other legal requirements

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

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



Certified Public Accountants (K)
Nairobi.



C.P.A Ronald N. Bwosi
Practising No. P/1865

CS/4676

LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Notes	2019 Kshs	2018 Kshs
Revenue			
Interest on loans and advances	2	167,619,154	131,088,784 ✓
Other interest income	4	22,189,383	20,126,397 ✓
Total interest income		<u>189,808,537</u>	<u>151,215,181</u>
Interest expense	3	(139,133,543)	(117,914,329) ✓
Net interest income		<u>50,674,994</u>	<u>33,300,852</u>
Other operating Income	5	23,156,284	17,787,494 ✓
		<u>73,831,278</u>	<u>51,088,346</u>
Expenditure			
Administrative expenses	6	(8,203,485)	(8,290,319)
Personnel expenses	7	(26,536,734)	(15,789,300) ✓
Governance expenses	8	(7,500,696)	(4,060,754)
Financial expenses	9	(1,091,707)	(1,137,439)
Marketing and publicity expenses	10	(2,909,805)	(2,096,068)
Professional expenses	11	(340,728)	(501,495)
Depreciation and amortisation	12	(3,862,670)	(3,439,379)
Total Expenditure		<u>(50,445,825)</u>	<u>(35,314,754)</u>
Net Operating Surplus		<u>23,385,453</u>	<u>15,773,592</u>
Tax provision	24	(3,609,483)	-
Net surplus for the year		<u>19,775,970</u>	<u>15,773,592</u>

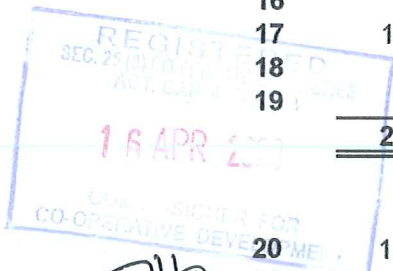
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LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

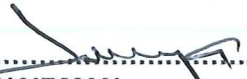
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 Kshs	2018 Kshs
ASSETS			
Cash and cash equivalents	13	248,247,387	260,918,243 ✓
Accounts and other receivables	14	5,538,488	2,169,505
Related Party	15	14,112,800	13,813,088 ✓
Property and equipment	16	57,928,731	26,258,588
Loans and advance to Members	17	1,744,269,093	1,353,855,006 ✓
Intangible Assets	18	3,464,141	3,950,276
Financial Assets	19	2,137,626	2,137,626 ✓
TOTAL ASSETS		2,075,698,266	1,663,102,332
LIABILITIES			
Members' deposits and Savings	20	1,775,654,686	1,427,809,438 ✓
Accounts and other payables	21	8,821,449	7,304,643
Unanalyzed bank & standing orders	22	9,029,135	5,690,460
Tax Payable	24	2,670,781	-
Payments due to Members	23	139,133,543 ✓	117,914,329
TOTAL LIABILITIES		1,935,309,594	1,558,718,870
SHARE HOLDERS FUNDS			
FINANCED BY:			
Share capital	25	51,823,402	45,409,170
Retained earnings		60,060,378 ✓	35,374,149
Proposed Dividends and Honoraria/Staff bonus		10,370,848 ✓	9,421,294
Statutory reserve		18,134,043 ✓	14,178,849
TOTAL SHAREHOLDERS FUNDS		140,388,672 ✓	104,383,462
TOTAL EQUITY AND LIABILITIES		2,075,698,266 ✓	1,663,102,332



The financial statements were approved and authorised for issue by the Management Committee on 13th April 2020 and signed on its behalf by:


CHAIRMAN


TREASURER


COMMITTEE MEMBER



LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2019

	SHARE CAPITAL Kshs	STATUTORY RESERVE Kshs	RETAINED EARNINGS Kshs	PROPOSED DIVIDENDS /HONORARIA Kshs	TOTAL Kshs
Balance as at 01.01.2018	39,176,646	11,000,121	32,080,529	-	82,257,296
Surplus for the year			15,893,642		15,893,642
Increase in share capital	6,232,524				6,232,524
Transfer to statutory reserves		3,178,728	(3,178,728)		
Proposed honoraria 2018			(2,609,918)	2,609,918	
Proposed dividends 2018			(6,811,376)	6,811,376	
Balance as at 31.12.2018	45,409,170	14,178,849	35,374,149	9,421,294	104,383,462
Balance as at 01.01.2019	45,409,170	14,178,849	35,374,149	9,421,294	104,383,462
Surplus for the period			19,775,970		19,775,970
Increase in share capital	6,414,232				6,414,232
Transfer to statutory reserves		3,955,193.96	(3,955,194)		
2018 Honoraria Paid				(2,609,918)	(2,609,918)
2018 Dividends paid				(6,811,376)	(6,811,376)
Prior year adjustment (note 28)					
2019 Proposed Honoraria			19,236,301		19,236,301
2019 Proposed Dividends			(3,146,185)	3,146,185	
			(7,224,663)	7,224,663	
Balance as at 31.12.2019	51,823,402	18,134,043	60,060,378	10,370,848	140,388,672

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Notes	2019 Kshs	2018 Kshs
Cash flow from operating activities			
Interest receipts	2&4	189,808,537	151,215,181
Other operating income	5	23,156,284	17,787,494
Interest expense	3	(100,424,090)	(95,362,033)
Payment to employees and suppliers		(46,583,155)	(31,875,375)
		<u>65,957,576</u>	<u>41,765,267</u>
Increase/ (Decrease) in operating assets			
Loans to members	17	(390,414,087)	(284,757,828)
Related party	15	(299,712)	(10,826,458)
Prepayments and receivables	14	(3,368,983)	540,969
		<u>(394,082,782)</u>	<u>(295,043,317)</u>
(Decrease)/ Increase in operating liabilities			
Deposits from members	20	347,845,248	303,529,335
Unanalyzed bankings	22	3,338,675	1,421,564
Accruals and payables	21	1,516,806	4,660,698
Net Cash from/(used in) operating activities before tax		<u>24,575,523</u>	<u>56,333,547</u>
Income tax paid	24	-	-
Net cash generated from /(used in) operations		<u>24,575,523</u>	<u>56,333,547</u>
Cash flow from investing activities			
Purchase of property and equipment	16	(34,239,317)	(2,090,892)
Disposal of fixed assets	16		3,762,167
Purchase of financial assets	19		-
Net cash generated from investing activities		<u>(34,239,317)</u>	<u>1,671,275</u>
Cash flow from financing activities			
Share capital contribution movement	25	6,414,232	6,232,524
Dividends and honoraria paid	23	(9,421,294)	(7,398,329)
Net cash generated from/(used in) financing activities		<u>(3,007,062)</u>	<u>(1,165,805)</u>
Cash and Cash equivalents at the start of the year.		260,918,243	204,079,226
Net cash increase/ (decrease) during the year		(12,670,856)	56,839,017
Cash and Cash equivalents at the end of the year	12	<u>248,247,387</u>	<u>260,918,243</u>

LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2019

1 Summary of Significant Accounting Policies

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

Basis of preparation**a) Statement of compliance**

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRSs).

These financial statements are presented in the functional currency, Kenya shillings (KShs) and prepared under the historical cost convention, except as specified below under fair value measurement in accordance with applicable IFRSs.

The financial performance of the society is set out in the Director's report and in the statement of comprehensive income. The financial position of the Society is set out in the statement of financial position.

Based on the financial performance and position of the Society and its risk management policies, the directors are of the opinion that the Society is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

b) Revenue recognition**Interest income and expense**

Interest on members loans and any other income is recognized on the year it is earned by the Society. Revenue shall be measured at the fair value of the consideration received or receivable. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Other income

- i) Entrance fee is recognized when a new member joins the Society;
- ii) Dividend is recognized when the right to receive income is established. Dividend are reflected as a component of other operating income based on the underlying classification of the equity instrument;
- iii) Commission income is recognized upon successful completion of the transaction;
- iv) Miscellaneous income is recognized upon performance of the services agreed on.
- v) Interest income is recognized on an cash basis in the profit or loss for the year using the effective yield on the asset. Interest income includes income from loans and advances. When financial assets become impaired, interest income is thereafter not recognized until such time that recoverability is assured.

c) Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Certain classes of property, plant and equipment are subsequently shown at revalued amounts, based on periodic valuations by the independent valuers. All other property plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

	Rates
Office partitions & fittings	12.5%
Office equipment	12.5%
Office furniture	12.5%
Motor vehicle	25.0%
Software	20.0%
Computers & Accessories	30.0%

Gains or 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. On disposal of a revalued asset, amount in the revaluation reserve relating to that asset is transferred to retained earnings.

Intangible Assets

Intangible assets include computer software recognized in the books at cost and amortized over an estimated useful life based on the circumstances at an annual rate of 25% per annum based on reducing balance method.

De-recognition

The carrying amount of an item of property, plant and equipment shall be derecognized:

(a) on disposal; or

(b) when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognized (unless IAS 17 requires otherwise on a sale and leaseback). Gains shall not be classified as revenue.

(d) Adoption of new Standards and Interpretations

The following standards and interpretations have been adopted as they are mandatory for the year ended 31 December 2019 as they were effective for annual periods beginning on or after 1 January 2016;

i) Disclosure Initiative-Amendments to IAS 1

The amendments clarify the materiality requirements in IAS 1, that specific items in the statements of comprehensive income and financial position may be disaggregated, that entities have flexibility as to the order in presenting notes to the financial statements,; and that the share of other comprehensive income of associates and joint ventures, accounted for using the equity method, must be presented in aggregate as a single line item, and classified between those items that will not be subsequently reclassified to profit or loss. The amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

ii) IFRS 10, IFRS 12 and IAS 20 Investment Entities; Applying the Consolidation Exemption-Amendments to IFRS 10, IFRS 12 and IAS 28

The amendments to IFRS 10 clarify that the exemption in paragraph 4 of IFRS from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, the amendment to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measure at fair value.

The amendment to IAS 28 allow the investor, when applying the equity method to retain the fair value measurement applied by the investment entity, associate or joint venture to its interest in subsidiaries.

iii) IAS 16 and IAS 38-Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendment clarifies the principle in IAS 16;Property ,Plant and Equipment and IAS 38;Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business(of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to the total revenue expected to be generated cannot be used to depreciated property, plant and equipment and may only be used in very limited circumstances to amortized intangible assets.

**LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
ACCOUNTING POLICIES (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2019**

iv) Accounting for Acquisition of interest in joints operations-Amendments to IFRS 11

The amendment requires an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendment also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of its parties to the joint operation on its formation. Furthermore, the amendment clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interest in the joint operation must not be remeasured if the joint operator retains joint control.

v) IAS 27:Equity Method in Separate Financial Statements-Amendments to IAS 27

The amendment allow an entity to use the equity method as described in IAS 28 to account for its investment in subsidiaries joint ventures and associates in its separate financial statements. Therefore, an entity must account for its investments either(1) at cost;(2) in accordance with IFRS 9; or (3) using the equity method. The entity must apply the same accounting for each category of investment, and the amendment must be applied retrospectively.

vi) IAS 7:Disclosure Initiative-Statement of Cash flows

The amendment are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flow and non-cash changes. The amendments are intended to provide information to help investors better understand changes in a Company's debt.

e) New Standards and Interpretations not yet adopted

The following new Standards and amendments to standards and interpretation effective 31st December 2016 are not expected to have a significant effect on the financial statements of the Society in future financial periods, or not applicable to the Society based on the existing assets and liabilities;

(i) IFRS 9: Financial instruments

Issued on 24th July 2014 this standard replaces earlier version of IFRS9 and superseded IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model

The standard is effective for annual periods beginning on or after 1st January 2018 with retrospective application, early adoption permitted.

The Sacco is assessing the potential impact on its financial statements resulting from the application of IFRS 9 but this is yet to be implemented during the year.

The Sacco classifies its financial instruments into the following categories:

i) Financial assets at fair value, which comprise of those held at Fair Value through Other Comprehensive Income(FVOCI) which meet the Solely Payments of Principal and Interest(SPPI) test and are held in a business model in which assets are managed both to collect contractual cash flows and for sale and those held at Fair Value through Profit or Loss(FVTPL) which are all other financial assets that do not qualify for measurement at FVOCI

**LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
ACCOUNTING POLICIES (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2019**

ii) **Financial assets at amortized cost**, which comprise of financial assets which meet the Solely Payments of Principal and Interest (SPPI) test and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows only.

iii) **Financial liabilities at fair value through profit or loss**, which comprise of those held for trading and those designated at FVTPL upon initial recognition.

iv) **Financial liabilities at amortized cost**, which comprises of all other financial liabilities except for those that the fair value option has been elected.

ii) IFRS 15: Revenue from Contracts

IFRS 15 was issued on May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structure approach to measuring and recognizing revenue. The Society is assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

iii) IFRS 16: Leases

The new standard introduces a single on balance sheet accounting model, similar to the current finance lease accounting. Under the new standard the society will be required to recognize a 'right to use' asset and a lease liability for all identified leased assets in the statement of financial position. The current operating lease (rent) expense will be replaced with a depreciation and finance charge. The standard becomes applicable for the financial year beginning on or after 1 January 2019 and the society intends to adopt IFRS 16 on its effective date. While there is not expected to be a material impact on overall cash flows and net profit or loss, the quantification of such impact cannot be reliably measured.

iii) IFRS 2: Classification and Measurement of Share Based Payments Transactions-Amendments to IFRS 2

The amendments to IFRS 2 are intended to eliminate diversity in practice, and addresses three main areas; (1) The effect of vesting conditions on the measurement of a cash -settled share based payment transactions, (2) The classification of a share based payment transaction with net settlement features for the withholding tax obligations (3) The accounting where a modification of the terms and conditions of a share based payment transaction changes its classification from cash settled to equity settled.

(f) IAS 12: Income Taxes

According to IAS 12, current tax for current and prior periods shall, to the extent unpaid, be recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset. Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Note that for Sacco's, dividend and/or interest expense is deducted before computing/charging tax.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability. Currently enacted tax rates are used to determine deferred income tax.

LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
ACCOUNTING POLICIES (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2019

Deferred income tax assets are recognized only to the extent that it is probable that the future taxable profits will be available against which temporary differences can be utilized.

(g) Financial liabilities and equity instruments issued by the Sacco

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Sacco are recorded at the proceeds received, net of direct issue costs. The capital comprise primarily of minimum share capital prescribed under the By-laws of the Sacco.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

All financial liabilities are recognized initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognized at fair value and the transaction costs are expensed in the statement of comprehensive income.

Subsequently, all financial liabilities are carried at amortized cost using the effective interest method except for financial liabilities through profit or loss which are carried at fair value.

All financial liabilities are classified as non-current except financial liabilities at fair value through profit or loss, those expected to be settled in the Society's normal operating cycle, those payable or expected to be paid within 12 months of the reporting date and those which the Society does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

De recognition of Financial Liabilities

Financial liabilities are derecognized only when the obligation specified in the contract is discharged or cancelled or expires.

Provision for liabilities and charges

Provisions are recognized when the Society has a present legal or constructive obligation as a result of past events, 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.

Other financial liabilities

All other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
ACCOUNTING POLICIES (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2019

(h) Employee entitlements

Employee entitlement to long service awards are recognized when they accrue to employees. Provision is made for the estimated liability of such entitlements as a result of services rendered by employees up to the reporting date. The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognized as an expense accrual.

(i) Retirement benefit obligations

The Society operates a defined contribution scheme for all employees. A defined contribution plan is a pension plan under which the Society pays fixed contributions into a separate entity. The assets of these schemes are held in a separately administered fund that is funded by contribution from the Society and employees.

The Society has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior period. The Society's contributions to the defined contribution schemes are charged to the profit or loss in the year to which they relate.

The Society also contributes to a mandatory statutory defined contribution pension scheme, the National Social Security Fund (NSSF) at varying values for its employees as legislated from time to time.

(j) 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 section 47 (1& 2) of the Co-operative Societies Act ,Cap 490.

(k) 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 net of bank overdrafts.

(l) Provisions for liabilities and other charges

Provisions are recognized when the Sacco has a present obligation (legal or constructive) as a result of a past event, it is probable that the Sacco will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

(m) Collateral

The Sacco discloses:

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

(b)the terms and conditions relating to its pledge

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

(a)the fair value of the collateral held;

(b)the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and

(c)the terms and conditions associated with its use of the collateral.

**LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
ACCOUNTING POLICIES (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2019**

n) Key source of estimation uncertainty

These are assumptions applied in estimating the carrying amounts and the underlying estimation uncertainty may lead to those amounts changing materially in the next 12 months. Examples of situations involving estimation uncertainty:

- (a) In the absence of recently observed market prices, future oriented estimates are necessary to measure the recoverable amounts of classes of property, plant and equipment.
- (b) The effect of technological obsolescence on inventories
- (c) Provisions subject to future outcome of litigation in progress
- (d) In determining the liability for long-service payments, management must make an estimate of salary increases over the following five years, the discount rate for the next five years to use in the present value calculation, and the number of employees expected to leave before they receive the benefits.

o) Significant judgment(s) in applying the Society's accounting policies

Disclosure is made of significant judgements (apart from those involving estimations) made in applying the accounting policies that have the most significant effect on the amounts recognized in the financial statements.

Examples of judgments,

- (1) When substantially all the significant risks and rewards of ownership of financial assets are transferred to other entities
- (2) Whether in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue
- (3) Whether the relationship with a special purpose entity indicates control of the Special Entity.

LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2019

	2019 Kshs	2018 Kshs
2 Interest Income		
Interest on loan to members	167,619,154	131,088,784
	<u>167,619,154</u>	<u>131,088,784</u>
3 Interest Expense		
Interest from members Deposits	139,133,543	117,914,329
	<u>139,133,543</u>	<u>117,914,329</u>
4 Other interest income		
CIC money market	19,445,514	17,665,400
Interest from KUSCCO Savings	2,743,869	2,460,997
	<u>22,189,383</u>	<u>20,126,397</u>
5 Other operating Income		
Entrance fees	861,020	926,000
Loan Insurance	3,156,222	2,215,716
Loan Offsetting charges	2,461,342	2,656,883
Lumpsum Deposit Charges	1,927,642	1,292,998
Loan Clearance Fees	6,817,083	3,434,744
Commission on bounced cheques		54,750
Loan rescheduling fees	151,042	765,621
Share transfer fees	2,800	-
Loan application fees	6,941,482	5,022,826
Dividend income	661,053	1,007,906
Deposit refund processing fees	103,500	99,700
Sundry income	73,099	310,350
	<u>23,156,284</u>	<u>17,787,494</u>
6 Administrative expenses		
Printing & stationery	432,764	316,924
Subscription and Licensing fee	20,000	10,000
Supervision and recoverable fees	25,200	18,200
Loan guard insurance	2,523,738	1,815,660
Office rent & Service charge	217,722	420,829
General office expenses	555,263	630,710
Telephone and internet communications	1,698,852	1,064,782
IT Expenses	2,049,257	1,825,748
IPRS report expense	50,000	-
Electricity	461,092	355,438
CRB reports	71,878	-
Minor office equipment	-	193,392
Bad Debts written off	-	1,638,636
File Storage charges	97,719	-
	<u>8,203,485</u>	<u>8,290,319</u>

LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2019

	2019 Kshs	2018 Kshs
7 Personnel expenses		
Salaries and wages	14,420,837	13,027,042
House Allowance	2,708,486	-
Responsibility allowance	290,014	-
Staff leave allowances	256,064	-
Overtime allowance	143,889	-
Special duty allowance	295,126	-
Staff bonus	1,138,859	-
Staff medical allowance	2,978,733	-
Staff travelling & subsistence	746,486	411,975
Staff Welfare	467,020	-
Other Staff costs	-	2,252,033
Fuel Allowance	596,055	-
Debt Collection	1,711,221	-
Team Building	142,500	98,250
NSSF & Pension fund	641,444	-
	<u>26,536,734</u>	<u>15,789,300</u>
8 Governance expenses		
Committee sitting allowance	3,680,191	1,666,988
Education Expenses	1,698,750	1,046,383
AGM expenses	805,200	639,225
Strategic plan	277,580	-
Committee and staff Training	211,250	-
Committee travelling & subsistence	827,725	708,158
	<u>7,500,696</u>	<u>4,060,754</u>
9 Financial Expenses		
Bank charges	1,091,707	1,137,439
	<u>1,091,707</u>	<u>1,137,439</u>
10 Marketing and publicity expenses		
Marketing and publicity	2,282,551	2,052,068
CLE marketing Expenses	422,040	-
Recruitment Commission	45,214	44,000
Corporate and social responsibility	160,000	-
	<u>2,909,805</u>	<u>2,096,068</u>
11 Professional expense		
Audit fees	250,000	180,000
VAT on audit fees	40,000	-
Legal fees	22,728	245,370
Consultancy fees & valuation fees	28,000	76,125
	<u>340,728</u>	<u>501,495</u>
12 Depreciation and Amortization		
Depreciation	2,996,635	1,746,404
Amortization	866,035	1,692,975
	<u>3,862,670</u>	<u>3,439,379</u>
13 Cash and Cash Equivalents		
Co-operative Bank - current account	2,178,191	6,341,231
Co-operative Bank - savings account	23,438,030	13,266,038
KUSCCO central finance	472,875	419,909
KUSCCO Fixed deposits	29,028,209	26,269,873
Housing Finance Co.	17,583	17,583
CIC Money market	193,106,746	214,599,933
Petty Cash	5,753	3,676
	<u>248,247,387</u>	<u>260,918,243</u>

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LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED 31ST DECEMBER 2019

	2019 Kshs	2018 Kshs
14 Account and other receivables		
Cooperative Bank		
Valere	57,566	19,000
Prepaid Medical insurance	-	20,000
Interest receivable from KUSCCO Fixed Deposit	1,796,734	1,602,365
Staff Imprest	1,753,892	473,140
Interest receivable from loans	5,164	55,000
	<u>1,925,132</u>	-
	<u>5,538,488</u>	<u>2,169,505</u>
15 Related Party		
As at 1 January		
Law Society of Kenya Housing Hosting Charges	13,813,088	2,986,630
40% share of Software cost	300,000	8,681,636
Cash payments	-	3,762,167
LSK Housing funds in LSK Sacco (payable)	-	(1,561,345)
LSK Sacco Funds deposited in LSK Housing	(502,000)	-
	501,712	(56,000)
	<u>14,112,800</u>	<u>13,813,088</u>

The Sacco operating expenses are refunded by Law Society of Kenya Housing Cooperative Society where applicable as per the resolution of the Management Committee between Law Society of Kenya Sacco Ltd and Law Society of Kenya Housing Society Ltd

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2019

16 Property and Equipment

	FURNITURES & FITTINGS 12.5% KSHS	OFFICE EQUIPMENT 12.5% KSHS	PROPERTY OFFICE SPACE 2.5% KSHS	OFFICE PARTITIONS 12.5% KSHS	COMPUTERS & ACCESSORIES 30.0% KSHS	TOTAL KSHS
Cost or Valuation						
As at 1 January 2018	2,529,095	-	25,933,752	1,452,800	5,712,426	35,628,073
Additions					466,892	466,892
Disposal						-
As at 31 December 2018	<u>2,529,095</u>	<u>-</u>	<u>25,933,752</u>	<u>1,452,800</u>	<u>6,179,318</u>	<u>36,094,965</u>
Depreciation						
As at 1 January 2018	904,759	-	3,226,448	730,932	3,227,833	8,089,972
Charge for the year	203,042	-	567,683	90,234	885,446	1,746,405
Eliminated on disposal						-
As at 31 December 2018	<u>1,107,801</u>	<u>-</u>	<u>3,794,131</u>	<u>821,166</u>	<u>4,113,279</u>	<u>9,836,377</u>
Net book value	<u>1,421,294</u>	<u>-</u>	<u>22,139,621</u>	<u>631,634</u>	<u>2,066,039</u>	<u>26,258,588</u>
As at 31 December 2018						
Cost or Valuation						
As at 1 January 2019	2,529,095	-	25,933,752	1,452,800	6,179,318	36,094,965
Additions	1,834,933	47,560	30,304,820	971,744	1,507,720	34,619,217
Disposal						-
Transfer to/(from)						-
As at 31 Dec 2019	<u>4,364,028</u>	<u>47,560</u>	<u>56,238,572</u>	<u>2,424,544</u>	<u>7,687,038</u>	<u>70,761,742</u>
Depreciation						
As at 1 January 2019	1,107,801	-	3,794,131	821,166	4,113,279	9,836,377
Charge for the period	407,028	5,945	1,311,111	200,422	1,072,128	2,996,634
Disposal						-
Transfer to/(from)						-
As at 31 Dec 2019	<u>1,514,829</u>	<u>5,945</u>	<u>5,105,242</u>	<u>1,021,588</u>	<u>5,185,407</u>	<u>12,833,011</u>
Net book value	<u>2,849,199</u>	<u>41,615</u>	<u>51,133,330</u>	<u>1,402,956</u>	<u>2,501,631</u>	<u>57,928,731</u>
As at 31 Dec 2019						

LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2019

	2019 Kshs	2018 Kshs
17 Loans and advance to Members		
At the start of the year	1,353,855,006	1,069,097,178
Understated during 2018	5,477,082	-
Disbursements during the year	1,270,511,654	922,291,207
Cash repayment	(832,712,021)	-
Dividends	(25,368,455)	-
Offset from deposits	(27,494,173)	-
Repayments during the year	-	(637,533,379)
	<u>1,744,269,093</u>	<u>1,353,855,006</u>
18 Intangible Assets		
As at 1st January	5,643,251	7,781,418
Additions	379,900	1,624,000
Software costs allocated to housing	-	(3,762,167)
	<u>6,023,151</u>	<u>5,643,251</u>
Accumulated amortization as at 1st January	1,692,975	-
Amortization for the year	866,035	1,692,975
As at 31 Dec	<u>2,559,010</u>	<u>1,692,975</u>
Net Book Value	<u>3,464,141</u>	<u>3,950,276</u>
19 Financial Assets		
Quoted Shares at fair value		
Access Kenya Ltd shares - 900 Ordinary Shares	9,000	9,000
Kenya Commercial bank - 5,119 Ordinary Shares	234,874	234,874
Scan Group Ltd - 2,000 Ordinary Shares	53,108	53,108
Kenya Re-insurance Co. - 2,579 Ordinary Shares	36,137	36,137
KENGEN - 5,000 Ordinary Shares	132,366	132,366
Safaricom Ltd - 26,900 Ordinary Shares	170,280	170,280
EAB Ltd - 1,100 Ordinary Shares	144,600	144,600
Nation Media Group - 1,100 Ordinary Shares	147,843	147,843
Equity Bank Ltd - 10,000 Ordinary Shares	142,548	142,548
Stanbic Bank Uganda Ltd - 32,000 Ordinary Shares	189,441	189,441
Housing Finance Co. (K) - 5,500 Ordinary Shares	87,569	87,569
	<u>1,347,766</u>	<u>1,347,766</u>
Un-quoted shares at fair value - Available for sale		
Co-op Bank (K) Ltd - 420,000 Ordinary Shares	420,000	420,000
CIC Insurance Co. Ltd - 13,800 Ordinary Shares	312,800	312,800
KUSCCO Ltd - 550 shares	57,060	57,060
	<u>789,860</u>	<u>789,860</u>
Total Investments	<u>2,137,626</u>	<u>2,137,626</u>

LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2019

	2019 Kshs	2018 Kshs
20 Members deposits		
BOSA		
At the start of the year	1,427,809,438	1,124,280,103
Understated in 2018	417,110	-
Contribution during the year	346,663,932	301,950,785
Interest on deposits	54,666,091	-
Transfer to shares	(5,994,614)	60,395,111
Loan offsets	(27,494,173)	-
Deducted to benevolent fund	(4,050,000)	-
Withdrawals during the year	(16,363,098)	(58,816,561)
Total Members deposits	<u>1,775,654,686</u>	<u>1,427,809,438</u>
21 Accounts and other payables		
Audit fees	250,000	108,000
VAT on audit fees	40,000	
Supervision & Recoverable fees	25,200	18,200
Contingent liabilities	34,800	34,800
Committee sitting allowance	-	401,445
Safaricom	149,431	123,953
Other accrued expenses	45,704	121,740
Holiday Savings Account	151,746	157,054
Junior Savings Account	1,566,364	1,359,337
Cortec Systems	1,300,000	1,300,000
Co-operative consultancy	-	65,000
Benevolent funds Contribution	3,576,604	1,563,214
Dynamics NAV System	1,681,600	1,682,000
Law Society of Kenya Cooperative Housing Society	-	369,900
	<u>8,821,449</u>	<u>7,304,643</u>
22 Suspense account - unanalyzed bank bal		
Unanalyzed bank bal.	9,029,135	5,690,460
	<u>9,029,135</u>	<u>5,690,460</u>

This is unnarrated deposits in the bank account mostly from Peza Link and bank transfers made by members who have not remitted to the Sacco transfer instructions to enable allocation of funds to their personal Sacco accounts.

LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2019

	2019 Kshs	2018 Kshs
3 Payments due to Members & Committee		
As at start of the year	127,335,623	127,335,623
Payment during the year	<u>(127,335,623)</u>	<u>(127,335,623)</u>
	-	-
Proposed interest on members deposits	139,133,543	117,914,329
Proposed dividends	7,224,663	6,811,376
Proposed honorarium	<u>3,146,185</u>	<u>2,609,918</u>
	<u>149,504,391</u>	<u>127,335,623</u>
4 Taxation		
Balance at start of the year	-	-
Charge for the year	<u>3,609,483</u>	-
	-	-
Less: Withholding tax	<u>(938,702)</u>	-
Balance at end of the year	<u>2,670,781</u>	<u>-</u>
5 Share capital		
As at the start of the year	45,409,170	39,176,646
Contributions during the year	<u>6,414,232</u>	<u>6,232,524</u>
At the end of the year	<u>51,823,402</u>	<u>45,409,170</u>
6 Reserves		
Retained earnings	60,060,378	35,374,149
Statutory reserve	<u>18,134,043</u>	<u>14,178,849</u>
	<u>78,194,421</u>	<u>49,552,998</u>

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LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2019

	2019 Kshs	2018 Kshs
27 Related party Transactions		
a. Key management personnel and directors remuneration		
Management salaries and wages	26,536,734	15,789,300
Honoraria and Sitting allowances	10,646,881	6,670,672
	<u>37,183,615</u>	<u>22,459,972</u>
b. Loans and Advances to Board and staff		
At Start of the year	4,909,087	3,340,125
Disbursement during the year	5,563,617	6,033,894
Repayments	(3,633,519)	(4,464,932)
At the end of the year	<u>6,839,185</u>	<u>4,909,087</u>

28 Prior year adjustment

This relates to unrecognized income earned from Law Sacco of Kenya Housing Cooperative Ltd.

29 Comparatives

Where necessary, presentation in the previous year has been adjusted to match presentation in the

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LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
FOR THE YEAR ENDED 31ST DECEMBER 2019

PIN NO. P051116153U

TAX COMPUTATION

	Kshs	2019 Kshs
INTEREST FROM NON-MEMBERS		
Fixed deposit interest income	22,189,383	
Taxable Interest from Non-Members (50%)		11,094,692
OTHER OPERATING INCOME		
Share transfer fees		2,800
Entrance fees		861,020
Sundry Income		73,099
Total Taxable Income		<u>12,031,611</u>
<u>Tax Account</u>		
Tax provision for the year @30%		3,609,483
Less:		
Withholding Tax		(938,702)
Tax paid		
Balance b/f		-
Tax payable		<u><u>2,670,781</u></u>