

MINISTRY OF INDUSTRY,
TRADE AND COOPERATIVES,
State Department for Cooperative
MAIN OFFICE

29 APR 2021

No.

CS/4676

P.O. Box 30547 - 00100

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



ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

CS/4676

**LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

SOCIETY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2020

MANAGEMENT COMMITTEE MEMBERS:

Justus M. Munyithya	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, Kenya

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 31 DECEMBER 2020**

The Management Committee submit their annual report together with the audited financial statements for the year ended 31 December 2020

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

	2020	2019
	Kshs	Kshs
Surplus before tax	23,697,558	23,385,454
Taxation	3,703,193	(3,609,483)
Operating surplus after tax	<u>19,994,365</u>	<u>19,775,971</u>
Transfer to Statutory reserve	3,998,873	3,955,194
Proposed dividends	10,239,978	7,224,663
Proposed honoraria	2,178,037	3,146,185
Total distribution	16,416,888	14,326,042
Retained earnings for the year	3,577,477	5,449,929
Interests on members' deposit	86,570,378	139,133,543
Interests rate on Members' deposits	4.5%	8.5%
Dividends on Share Capital	10%	15%

INDEPENDENT AUDITORS

The Sacco's auditors, Messrs Ronalds LLP, Certified Public Accountants (K) 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 22nd March 2021

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LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
STATISTICAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
Number of members			
Active		6,422	6,574
Dormant		3,336	2,558
		<u>9,758</u>	<u>9,132</u>
Employees of the Sacco		37	30
		Kshs	Kshs
Total Assets		2,392,743,780	2,076,200,266
Loans and Advances to members		2,007,441,186	1,744,269,093
Members' Deposits and Savings		2,071,711,081	1,775,654,686
Financial Assets		2,137,626	2,137,626
Liquid Assets		318,337,951	248,247,387
Core Capital		212,635,735	140,388,672
Share Capital		114,464,561	51,823,402
Institutional Capital		84,664,139	78,194,422
Total Liabilities		2,180,108,045	1,935,811,595
Total Revenue		182,850,664	212,964,822
Total Interest income		129,739,448	167,619,154
Ordinary expenses		72,582,727	50,445,825
Interest on members deposits		86,570,378	139,133,543
Key Ratios	STDs		
Capital adequacy ratio			
Core Capital/Total Assets	≥8%	8.89%	6.76%
Core Capital/Total deposits	≥5%	10.26%	7.91%
Share capital/Total assets	≥2%	4.78%	2.50%
Institutional Capital /Total Assets	≥4%	3.54%	3.77%
Net loans/Total assets	70-80%	83.90%	84.01%
Savings/Total assets	70-80%	86.58%	85.52%
Liquidity ratio			
Liquid assets/Total deposits and long term liabilities	≥10%	15.37%	13.98%
Total loans/Total deposits	≤85%	92.08%	90.11%
Operating efficiency ratios			
Total Expenses/ Total revenue		39.70%	23.69%
Dividend rate on members share capital		10%	15%
Interest on members deposits/Total revenue		47%	65%
Interest rate on members deposits		4.5%	8.5%
Delinquency ratio	≤5%	4.2%	3.5%

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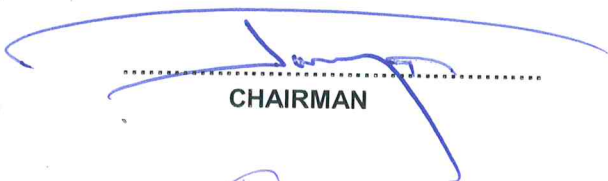
LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
STATEMENT OF MANAGEMENT COMMITTEE RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2020

The Sacco Societies 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.....*22nd March*.....2021 and signed on its behalf by:


.....
CHAIRMAN


.....
TREASURER


.....
COMMITTEE MEMBER

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF LAW SOCIETY OF KENYASACCO 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 10 to 26 which comprise the statement of financial position as at 31 December 2020 and the Statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes

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

Basis of Opinion

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

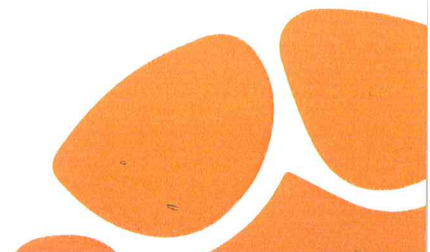
We are independent of the Society in accordance with the International Ethics Standards Board for Accountants Code of Ethics For Professional Accountant (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with IESBA code and in accordance with other ethical requirements applicable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

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

Key audit matters

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

Key Audit Matter	How the audit matter was addressed
<p>System Review</p> <p>The society transitioned to Micro-soft Navision software in the year 2017. No post implementation review on the system nor a system audit since then has been done to ascertain the data integrity. Additionally the newly promulgated non-deposit taking regulation of 2020 requires that a system audit report must be conducted annually to accompany the audited financial statements.</p>	<p>We performed tests on account balances based on materiality as well as an assessment on the operating effectiveness of the controls over the integrity of the system that were relevant to financial reporting.</p> <p>We recommended for the society to undertake a post implementation audit on the system as well as systems audit.</p>



Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibility for the Financial Statements.

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

Auditors' Responsibility for the audit of the financial statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

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

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

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

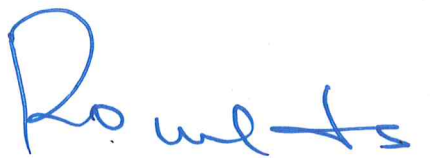
Auditors' Responsibility for the audit of the financial statements (Cont'd)

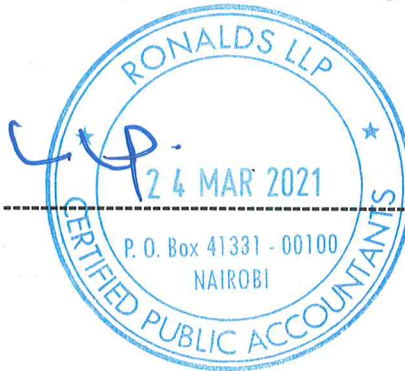
We provide the directors with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the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

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LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 Kshs	2019 Kshs
Revenue			
Interest on loans and advances	2	129,739,448 ✓	167,619,154 ✓
Other interest income	4	28,130,344 ✓	22,189,383 ✓
Total interest income		<u>157,869,792</u> ✓	<u>189,808,537</u> ✓
Interest expense	3	(86,570,378) ✓	(139,133,543) ✓
Net interest income		<u>71,299,415</u> ✓	<u>50,674,994</u> ✓
Other operating Income	5	24,980,871 ✓	23,156,285 ✓
		<u>96,280,286</u> ✓	<u>73,831,279</u> ✓
Expenditure			
Administrative expenses	6	(10,067,150) ✓	(8,203,485) ✓
Personnel expenses	7	(31,022,338) ✓	(26,536,734) ✓
Governance expenses	8	(5,593,029) ✓	(7,500,696) ✓
Financial expenses	9	(21,203,365) ✓	(1,091,707) ✓
Marketing and publicity expenses	10	(913,124) ✓	(2,909,805) ✓
Professional expenses	11	(313,330) ✓	(340,728) ✓
Depreciation and amortisation	12	(3,470,392) ✓	(3,862,670) ✓
Total Expenditure		<u>(72,582,727)</u> ✓	<u>(50,445,825)</u> ✓
Net Operating Surplus		<u>23,697,558</u> ✓	<u>23,385,454</u> ✓
Tax provision	23	(3,703,193) ✓	(3,609,483) ✓
Net surplus for the year		<u>19,994,365</u> ✓	<u>19,775,971</u> ✓

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

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2020

	Notes	2020 Kshs	2019 Kshs
ASSETS			
Cash and cash equivalents	13	318,337,951	248,247,387
Accounts and other receivables	14	10,274,261	5,538,488
Related Party	15	15,448,100	14,614,800
Loans and advance to Members	16	1,987,286,131	1,744,269,093
Intangible Assets	17	2,771,313	3,464,141
Financial Assets	18	2,137,626	2,137,626
Property and equipment	28	56,488,399	57,928,731
TOTAL ASSETS		2,392,743,780	2,076,200,266
LIABILITIES			
Members' deposits and Savings	19	2,071,711,081	1,775,654,686
Accounts and other payables	20	11,077,714	9,323,450
Unanalyzed bank & standing orders	21	9,983,539	9,029,135
Tax Payable	23	765,333	2,670,781
Payments due to Members	22	86,570,378	139,133,543
TOTAL LIABILITIES		2,180,108,045	1,935,811,595
SHARE HOLDERS FUNDS FINANCED BY:			
Share capital	24	114,464,561	51,823,402
Retained earnings		62,531,223	60,060,379
Proposed Dividends and Honoraria/Staff bonus		13,507,034	10,370,848
Statutory reserve		22,132,916	18,134,043
TOTAL SHAREHOLDERS FUNDS		212,635,735	140,388,672
TOTAL EQUITY AND LIABILITIES		2,392,743,780	2,076,200,267

The financial statements were approved and authorised for issue by the Management Committee on 22nd March 2021 and signed on its behalf by:

CHAIRMAN

COMMITTEE MEMBER

TREASURER



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

STATEMENT OF CHANGES IN EQUITY

AS AT 31ST DECEMBER 2020

	SHARE CAPITAL Kshs	STATUTORY RESERVE Kshs	RETAINED EARNINGS Kshs	PROPOSED DIVIDENDS /HONORARIA Kshs	TOTAL Kshs
Balance as at 01.01.2019	45,409,170	14,178,849	35,374,149	9,421,294	104,383,462
Surplus for the year	-	-	19,775,971	-	19,775,971
Increase in share capital	6,414,232	-	-	-	6,414,232
2018 Honoraria Paid	-	-	-	(2,609,918)	(2,609,918)
2018 Dividends Paid	-	-	-	(6,811,376)	(6,811,376)
Transfer to statutory reserves	-	3,955,194	(3,955,194)	-	-
Prior year adjustment	-	-	19,236,301	-	19,236,301
Proposed honoraria 2019	-	-	(3,146,185)	3,146,185	-
Proposed dividends 2019	-	-	(7,224,663)	7,224,663	-
Balance as at 31.12.2019	51,823,402	18,134,043	60,060,379	10,370,848	140,388,672
Balance as at 01.01.2020	51,823,402	18,134,043	60,060,379	10,370,848	140,388,672
Surplus for the period	-	-	19,994,365	-	19,994,365
Increase in share capital	62,641,159	-	-	-	62,641,159
Transfer to statutory reserves	-	3,998,873	(3,998,873)	-	-
2019 Honoraria Paid	-	-	-	(3,146,185)	(3,146,185)
2019 Dividends paid	-	-	-	(7,224,663)	(7,224,663)
Prior year adjustment	-	-	(17,614)	-	(17,614)
Proposed honoraria 2020	-	-	(2,178,037)	2,178,037	-
Proposed dividends 2020	-	-	(10,239,978)	10,239,978	-
Proposed Staff Bonus 2020	-	-	(1,089,019)	1,089,019	-
Balance as at 31.12.2020	114,464,561	22,132,916	62,531,223	13,507,034	212,635,735

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

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 Kshs	2019 Kshs
Cash flow from operating activities			
Interest receipts	2&4	157,869,792	189,808,537
Other operating income	5	24,980,871	23,156,285
Interest expense	3	(139,133,543)	(100,424,090)
Payment to employees and suppliers		(54,583,534)	(46,583,155)
		<u>(10,866,414)</u>	<u>65,957,577</u>
Increase/ (Decrease) in operating assets			
Loans to members		(263,172,093)	(390,414,087)
Related party	15	(833,300)	(299,712)
Prepayments and receivables	14	(4,735,773)	(3,368,983)
		<u>(268,741,165)</u>	<u>(394,082,782)</u>
(Decrease)/ Increase in operating liabilities			
Deposits from members	19	296,056,395	347,845,248
Unanalyzed bankings	21	954,404	3,338,675
Accruals and payables	20	1,754,264	1,516,806
Net Cash from/(used in) operating activities before tax		<u>19,157,484</u>	<u>24,575,524</u>
Net cash generated from /(used in) operations		<u>19,157,484</u>	<u>24,575,524</u>
Cash flow from investing activities			
Purchase of property and equipment	28	(1,337,232)	(34,239,317)
Net cash generated from investing activities		<u>(1,337,232)</u>	<u>(34,239,317)</u>
Cash flow from financing activities			
Share capital contribution movement	24	62,641,159	6,414,232
Dividends and honoraria paid	22	(10,370,848)	(9,421,294)
Net cash generated from(used in) financing activities		<u>52,270,311</u>	<u>(3,007,062)</u>
Cash and Cash equivalents at the start of the year.		248,247,388	260,918,243
Net cash increase/ (decrease) during the year		70,090,563	(12,670,855)
Cash and Cash equivalents at the end of the year	12	<u>318,337,951</u>	<u>248,247,388</u>

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

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2020

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%

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

ACCOUNTING POLICIES (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

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ACCOUNTING POLICIES (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 **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

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ACCOUNTING POLICIES (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

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ACCOUNTING POLICIES (CONT'D)
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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.

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ACCOUNTING POLICIES (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2020

(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.

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ACCOUNTING POLICIES (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2020

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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 Kshs	2019 Kshs
2 Interest Income		
Interest on loan to members	129,739,448	167,619,154
	129,739,448	167,619,154
3 Interest Expense		
Interest from members Deposits	86,570,378	139,133,543
	86,570,378	139,133,543
4 Other interest income		
CIC money market	26,056,729	19,445,514
Interest from KUSCCO Savings	2,073,615	2,743,869
	28,130,344	22,189,383
5 Other operating Income		
Entrance fees	626,000	861,020
Loan Insurance	2,983,914	3,156,222
Loan Offsetting charges	3,932,804	2,461,342
Lumpsum Deposit Charges	1,284,300	1,927,642
Loan Clearance Fees	6,110,013	6,817,083
Loan rescheduling fees	1,105,730	151,042
Loan Rescheduling fees	445,019	-
Share transfer fees	4,600	2,800
Loan application fees	6,728,899	6,941,482
Dividend income	737,919	661,053
Deposit refund processing fees	117,000	103,500
Sundry income	-	73,099
Law Society of Kenya Housing Hosting Charges	904,673	-
	24,980,871	23,156,285
6 Administrative expenses		
Printing & stationery	626,820	432,764
Subscription and Licensing fee	110,000	20,000
Supervision and recoverable fees	25,200	25,200
Loan guard insurance	2,721,892	2,523,738
Service charge	797,936	217,722
General office expenses	966,492	555,263
Telephone and internet communications	780,265	1,698,852
IT Expenses & system support	2,420,114	2,049,257
IPRS report expense	-	50,000
Backup and Data replication	652,802	-
Electricity	463,733	461,092
CRB reports	46,762	71,878
Insurance all -risks	343,354	-
File Storage charges	111,780	97,719
	10,067,150	8,203,485

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 Kshs	2019 Kshs
7 Personnel expenses		
Salaries and wages	19,091,765	14,420,837 ✓
House Allowance	3,325,803	2,708,486 ✓
Staff medical allowance	2,985,674	2,978,733 ✓
Debt Collection	1,808,285	1,711,221 ✓
Special duty allowance	852,296	295,126 ✓
Staff travelling & subsistence	757,247	746,486 ✓
NSSF & Pension fund	719,387	641,444 ✓
Fuel Allowance	571,508	596,055 ✓
Responsibility allowance	307,444	290,014 ✓
Staff leave allowances	258,475	256,064 ✓
Staff Welfare	217,142	467,020 ✓
Overtime allowance	127,313	143,889 ✓
Staff bonus	-	1,138,859 ✓
Team Building	-	142,500 ✓
	<u>31,022,338</u>	<u>26,536,734</u> ✓
8 Governance expenses		
Committee sitting allowance	4,847,913	3,680,191 ✓
Committee travelling & subsistence	341,032	827,725 ✓
Committee GPA Cover	327,964	-
Committee and staff Training	10,000	211,250 ✓
Education Expenses	-	1,698,750 ✓
AGM expenses	-	805,200 ✓
Strategic plan	66,120	277,580 ✓
	<u>5,593,029</u>	<u>7,500,696</u> ✓
9 Financial Expenses		
Provision for Loan Loss	20,155,055 ✓	-
Bank charges	1,048,310	1,091,707 ✓
	<u>21,203,365</u>	<u>1,091,707</u> ✓
10 Marketing and publicity expenses		
Marketing and publicity	799,424	2,282,551 ✓
Corporate and social responsibility	100,000	160,000 ✓
CLE marketing Expenses	13,700	422,040 ✓
Recruitment Commission	-	45,214 ✓
	<u>913,124</u>	<u>2,909,805</u> ✓
11 Professional expense		
Audit fees	250,000	250,000 ✓
VAT on audit fees	40,000	40,000 ✓
Legal fees	23,330	22,728 ✓
Consultancy fees & valuation fees	-	28,000 ✓
	<u>313,330</u>	<u>340,728</u> ✓
12 Depreciation and Amortization		
Depreciation	2,777,564	2,996,635 ✓
Amortization	692,828	866,035 ✓
	<u>3,470,392</u>	<u>3,862,670</u> ✓

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 Kshs	2019 Kshs
13 Cash and Cash Equivalents		
CIC Money market	249,163,475	193,106,746
KUSCCO Fixed deposits	32,477,545	29,028,209
Co-operative Bank - savings account	29,681,050	23,438,030
Co-operative Bank - current account	6,325,244	2,178,191
KUSCCO central finance	665,281	472,875
Housing Finance Co.	17,583	17,583
Petty Cash	7,763	5,753
KCB Savings account	11	-
	<u>318,337,951</u>	<u>248,247,387</u>
14 Account and other receivables		
Prepaid expenses	6,181,789	-
Interest receivable from loans	1,895,531	1,925,132
Staff Imprest	60,132	5,164
Cooperative Bank	57,566	57,566
Prepaid Medical insurance	1,773,478	1,796,734
Interest receivable from KUSCCO Fixed Deposit	305,765	1,753,892
	<u>10,274,261</u>	<u>5,538,488</u>
15 Related Party		
As at 1 January	14,112,800 X	13,813,088
Law Society of Kenya Housing Hosting Charges	904,673	300,000
LSK Sacco Funds deposited in LSK Housing	430,627	501,712
	<u>15,448,100</u>	<u>14,614,800</u>
<p>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</p>		
16 Loans and advance to Members		
At the start of the year	1,744,269,093	1,353,855,006
Understated during 2018	-	5,477,082
Disbursements during the year	1,276,570,671	1,270,511,654
Repayment from CIC for deceased members	(2,597,224)	(832,712,021)
Dividends & Interest 2019	(73,029,588)	(25,368,455)
Offset from deposits	(43,922,386)	(27,494,173)
Repayments during the year	(893,849,084)	-
	<u>2,007,441,186</u>	<u>1,744,269,093</u>
Provision for Loan Loss	(20,155,055)	-
Net Loan Portfolio	<u>1,987,286,131</u>	<u>1,744,269,093</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2020

Ageing Analysis

No.	Classification	No. of A/cs	Outstanding Loan Portfolio	Required Provision	Required Provision Amount
1	Performing	1104	1,707,731,891	0.01	17,077,318.91
2	Watch	184	178,927,501	0.05	8,946,375.06
3	Substandard	55	84,204,029	0.25	21,051,007.19
4	Doubtful	16	14,881,451	0.5	7,440,725
5	Loss	45	21,412,729	1	21,412,729
		1,404	2,007,157,600		75,928,155

	2020 Kshs	2019 Kshs
17 Intangible Assets		
As at 1st January	6,023,151	5,643,251
Additions	-	379,900
	<u>6,023,151</u>	<u>6,023,151</u>
Accumulated amortization as at 1st January	2,559,010	1,692,975
Amortization for the year	692,828	866,035
As at 31 December	<u>3,251,838</u>	<u>2,559,010</u>
Net Book Value	<u>2,771,313</u>	<u>3,464,141</u>
18 Financial Assets		
Quoted Shares at fair value		
Kenya Commercial bank - 5,119 Ordinary Shares	234,874	234,874
Stanbic Bank Uganda Ltd - 32,000 Ordinary Shares	189,441	189,441
Safaricom Ltd - 26,900 Ordinary Shares	170,280	170,280
Nation Media Group - 1,100 Ordinary Shares	147,843	147,843
EAB Ltd - 1,100 Ordinary Shares	144,600	144,600
Equity Bank Ltd - 10,000 Ordinary Shares	142,548	142,548
KENGEN - 5,000 Ordinary Shares	132,366	132,366
Housing Finance Co. (K) - 5,500 Ordinary Shares	87,569	87,569
Scan Group Ltd - 2,000 Ordinary Shares	53,108	53,108
Kenya Re-insurance Co. - 2,579 Ordinary Shares	36,137	36,137
Access Kenya Ltd shares - 900 Ordinary Shares	9,000	9,000
	<u>1,347,765</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	312,801	312,800
KUSCCO Ltd - 550 shares	57,060	57,060
	<u>789,861</u>	<u>789,860</u>
Total Investments	<u>2,137,626</u>	<u>2,137,626</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 Kshs	2019 Kshs
19 Members deposits		
BOSA		
At the start of the year	1,775,654,686	1,427,809,438 ✓
Understated in 2019	-	417,110 ✓
Contribution during the year	364,881,846	346,663,932 ✓
Deposits received from CIC for deceased members	8,730,572	-
2019 Interest on deposits	43,366,343	54,666,091 ✓
Transfer to shares	(45,330,255)	(5,994,614) ✓
Loan offsets	(43,922,386)	(27,494,173) ✓
Deducted to benevolent fund	(4,719,600)	(4,050,000) ✓
Paid to Beneficiaries (Deceased)	(10,533,763)	-
Withdrawals during the year	(16,416,362)	(16,363,098) ✓
Total Members deposits	<u>2,071,711,081</u>	<u>1,775,654,686</u>
20 Accounts and other payables		
Benevolent funds Contribution	6,106,996	3,576,604 ✓
Junior Savings Account	2,768,959	1,566,364 ✓
Holiday Savings Account	233,209	151,746 ✓
Other accrued expenses	61,699	45,704 ✓
The Filling Room	18,468	-
Asterisk Technologies	32,718	-
Chemserve Cleaning Services	5,472	-
Aberdares Water	14,302	-
Withdrawal Dues (Exited- members)	114,048	-
Dividends Payable	1,293	-
VAT on audit fees	40,000	40,000 ✓
Supervision & Recoverable fees	25,200	25,200 ✓
Contigent liabilities	34,800	34,800 ✓
Safaricom	149,429	149,431 ✓
Cortec Systems	1,300,000	1,300,000 ✓
LSK Housing	-	502,001 ✓
Co-op Bank Consultancy	66,120	-
Dynamics NAV System	-	1,681,600 ✓
Audit fees	105,000	250,000 ✓
	<u>11,077,714</u>	<u>9,323,450</u>
21 Unallocated - unanalyzed bank bal		
Unanalyzed bank bal.	9,983,539	9,029,135 ✓
	<u>9,983,539</u>	<u>9,029,135</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.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 Kshs	2019 Kshs
22 Payments due to Members & Committee		
As at start of the year	149,504,391 ✓	127,335,623 ✓
Payment during the year	<u>(149,504,391) ✓</u>	<u>(127,335,623) ✓</u>
	-	-
Proposed interest on members deposits	<u>86,570,378 ✓</u>	<u>139,133,543 ✓</u>
Proposed dividends	10,239,978 ✓	7,224,663 ✓
Proposed honorarium	2,178,037 ✓	3,146,185 ✓
Staff Bonus	<u>1,089,019 ✓</u>	<u>- ✓</u>
	<u>100,077,412</u>	<u>149,504,391</u>
23 Taxation		
Balance at start of the year	2,670,781 ✓	-
Charge for the year	3,703,193	3,609,483 ✓
Less: Installment tax	(2,937,860)	(938,702) ✓
Tax paid	<u>(2,670,781) ✓</u>	<u>- ✓</u>
Balance at end of the year	<u>765,333</u>	<u>2,670,781</u>
24 Share capital		
As at the start of the year	51,823,402 ✓	45,409,170 ✓
Contributions during the year	<u>62,641,159 ✓</u>	<u>6,414,232 ✓</u>
At the end of the year	<u>114,464,561</u>	<u>51,823,402</u>
25 Reserves		
Retained earnings	62,531,223 ✓	60,060,378 ✓
Statutory reserve	<u>22,132,916 ✓</u>	<u>18,134,043 ✓</u>
	<u>84,664,139</u>	<u>78,194,421</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 31 DECEMBER 2020

	2020 Kshs	2019 Kshs
26 Related party Transactions		
a. Key management personnel and directors remuneration		
Management salaries and wages	31,022,338	26,536,734 ✓
Honoraria and Sitting allowances	7,771,066	10,646,881 ✓
	<u>38,793,403</u>	<u>37,183,615</u> ✓
b. Loans and Advances to staff		
At Start of the year	6,839,185	4,909,087 ✓
Disbursement during the period/year	13,714,000	5,563,617 ✓
Repayments	(8,924,807)	(3,633,519) ✓
At the end of the year	<u>11,628,378</u>	<u>6,839,185</u> ✓
Loans and Advances to Board		
At Start of the year	64,115,851	39,021,121 ✓
Disbursement during the period/year	45,184,000	65,100,479 ✓
Repayments	(31,634,478)	(40,005,749) ✓
At the end of the year	<u>77,665,373</u>	<u>64,115,851</u> ✓

27 Comparatives

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

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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 31 DECEMBER 2020

28 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 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	34,666,777
As at 31 December 2019	4,364,028	47,560	56,238,572	2,424,544	7,687,038	70,761,742
Depreciation						
As at 1 January 2019	1,107,801	-	3,794,131	821,166	4,113,279	9,836,377
Charge for the year	407,028	5,945	1,311,111	200,422	1,072,128	2,990,689
As at 31 December 2019	1,514,829	5,945	5,105,242	1,021,588	5,185,407	12,833,011
Net book value						
As at 31 December 2019	2,849,199	41,615	51,133,330	1,402,956	2,501,631	57,928,731
Cost or Valuation						
As at 1 January 2020	4,364,028	47,560	56,238,572	2,424,544	7,687,038	70,761,742
Additions	-	53,000	-	1,027,852	256,380	1,337,232
As at 31 December 2020	4,364,028	100,560	56,238,572	3,452,396	7,943,418	72,098,974
Depreciation						
As at 1 January 2020	1,514,829	5,945	5,105,242	1,021,588	5,185,407	12,833,011
Charge for the period	356,150	11,827	1,278,333	303,851	827,403	2,777,564
As at 31 December 2020	1,870,979	17,772	6,383,575	1,325,439	6,012,810	15,610,575
Net book value						
As at 31 December 2020	2,493,049	82,788	49,854,997	2,126,957	1,930,608	56,488,399

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**LAW SOCIETY OF KENYA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2020**

PIN NO. P051116153U

TAX COMPUTATION

	2020 Kshs
INTEREST FROM NON-MEMBERS	
Fixed deposit interest income	28,130,344
Taxable Interest from Non-Members (50%)	14,065,172
OTHER OPERATING INCOME	
Share transfer fees	4,600
Entrance fees	626,000
Deposit refund fees	117,000
Total Taxable Income	<u>14,812,772</u>
<u>Tax Account</u>	
Tax provision for the year @25%	3,703,193
Less:	
Tax paid	(2,670,781)
Installment tax paid	(2,937,860)
Balance b/f	2,670,781
Tax payable	<u><u>765,333</u></u>