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**THE SACCO SOCIETIES REGULATORY AUTHORITY  
(SASRA)**

**Our Ref: SASRA/SS/CS.4676/N-WDTS/VOL. 1 (7)**

**17<sup>th</sup> March, 2022**

**The Chief Executive Officer,  
Law Society of Kenya Regulated Non-WDT Sacco Society Ltd,  
P.O Box 6740-00100  
NAIROBI**

Dear Sir,

**RE: APPROVAL AND OBSERVATION OF THE AUTHORITY ON THE SACCO'S AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2021**

Pursuant to provisions of Section 41 of the Saccos Societies Act, 2008 as read with Reg. 56 (1) of the Sacco Societies (Non-Deposit-Taking Sacco Business) Regulations, 2020, the Authority has considered the Sacco's audited financial statements for the year ending 31<sup>st</sup> December 2021 for approval.

The Board of Directors of the Sacco was responsible for the preparation of the Audited Financial Statements of the Sacco in accordance with Section 40 of the said Act and takes responsibility for the same, while the External Auditor was responsible for auditing the said financial statements of the Sacco in accordance with Section 44 of the said Act as read with Reg. 57 of the aforesaid Regulations, and reports thereon and takes responsibility for the same.

The External Auditor was responsible for auditing the said financial statements of the Sacco in accordance with Section 44 of the said Act as read with Reg. 57 of the aforesaid Regulations, and to give reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue auditor's report thereon.

However, the Authority makes the following observations on the said Audited Financial Statements on the basis of the Authority's statutory mandate of on-site and off-site supervision of the Sacco.

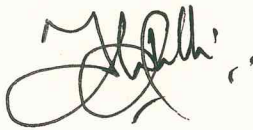
1. The audited financial statements fairly comply with Reg. 56 (2) of the said Regulations subject to the External Auditors opinion, in respect of the level of disclosures required.
2. The Authority notes the receivable/debt from Law Society of Kenya Housing Co-operative Society of Kshs 15.5 Million and advises the Sacco to ensure the same is fully settled in the year 2022. Further, the Sacco should ensure all transactions done

between the Sacco and the LSK Housing Co-operative are done at an arms length by ensuring the governance and management structure of the two is distinct.

3. The Authority takes cognizance of the issues in the management letter especially in regard to; loan delinquency management and management of unidentified remittances. These are pertinent concerns, which require the Sacco's urgent action to mitigate the risks thereof.
4. The board of directors shall present to the members the observations made herein in approving the audited financial statements in accordance with Regulation 56 (4) (b).

Subject to the foregoing observations and the auditor's opinion on the said audited financial statements, the Authority hereby approves the same for publication and presentation to the Sacco's Annual General Meeting.

Yours faithfully,



Anthony Mkabane

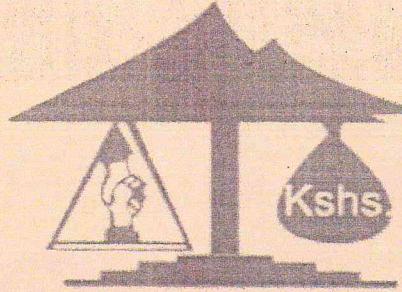
**FOR: CHIEF EXECUTIVE OFFICER**

Copy: Ronalds LLP CPA(K)  
P.O Box 41331, 00100  
NAIROBI



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LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED



ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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**LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED**

**SOCIETY INFORMATION**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

**BOARD OF DIRECTORS:**

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
Salome Muhia	Member

**PRINCIPAL OFFICER**

Mr. Samuel Ogosi Ogosi	Chief Executive Officer
------------------------	-------------------------

**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.

KCB Bank,  
Biashara Street,  
P.O. Box 45422-00100  
Nairobi, Kenya

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**LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED  
REPORT OF THE BOARD OF DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

The Board of Directors submit their final report together with the audited financial statements for the period ended 31 December 2021.

**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.

<b>RESULT</b>	<b>2021</b>	<b>2,020</b>
	<b>Kshs</b>	<b>Kshs</b>
Surplus before tax	40,733,202	23,697,558
Taxation	(3,584,163)	(3,703,193)
Operating surplus after tax	<u>37,149,039</u>	<u>19,994,365</u>
Transfer to Statutory reserve	7,429,808	3,998,873
Proposed dividends	16,494,203	10,239,978
Proposed honoraria and staff	7,190,640	2,178,037
Total distribution	31,114,651	16,416,888
Retained earnings for the year	6,034,388	3,577,477
Interests on members' deposit	198,954,831	86,570,378
Interests rate on Members' deposits	9.0%	4.5%
Dividends on Share Capital	10%	10.0%

**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 BOARD OF DIRECTORS**

  
.....  
**HONORARY SECRETARY**

**DATE** 15th March 2022.  
.....

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**LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED**  
**STATISTICAL INFORMATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021	2020
<b>Number of members</b>		
Active	6,985	6,422
Dormant	3,258	3,336
	<b>10,243</b>	<b>9,758</b>
<b>Employees of the Sacco</b>		
Male	10	11
Female	24	26
	<b>34</b>	<b>37</b>
	<b>Kshs</b>	<b>Kshs</b>
Total Assets	2,907,145,136	2,392,743,780
Loans and Advances to members	2,534,802,179	2,007,441,186
Members' Deposits and Savings	2,374,981,572	2,071,711,081
Financial Assets	2,187,627	2,137,626
Liquid Assets	268,604,586	318,337,951
Core Capital	262,745,362	212,635,734
Share Capital	164,617,027	114,464,561
Institutional Capital	98,128,335	84,664,139
Total Liabilities	2,620,714,931	2,180,108,045
Total Revenue	313,875,613	182,850,664
Total Interest income	282,775,087	129,739,448
Ordinary expenses	74,187,580	72,582,727
Interest on members deposits	198,954,831	86,570,378
<b>Key Ratios</b>	<b>STDs</b>	
<b>Capital adequacy ratio</b>		
Core Capital/Total Assets	≥8%	9.04%      8.89%
Core Capital/Total deposits	≥5%	11.06%      10.26%
Share capital/Total assets	≥2%	5.66%      4.78%
Institutional Capital /Core Capital	≥50%	37.35%      39.82%
Net loans/Total assets	70-80%	87.19%      83.90%
Savings/Total assets	70-80%	81.69%      86.58%
<b>Liquidity ratio</b>		
Liquid assets/Total deposits and long term liabilities	≥10%	11.31%      15.86%
Total Loans/Total Deposits	≤85%	106.73%      96.90%
<b>Operating efficiency ratios</b>		
Delinquency ratio	≤5%	4.2%      4.2%
Total Expenses/ Total revenue		23.64%      39.70%
Interest on members deposits/Total revenue		63%      47%
Dividend rate on members share capital		10%      10%
Interest rate on members deposits		9.0%      4.5%

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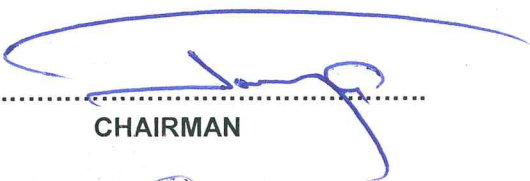
**LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED**  
**STATEMENT OF BOARD OF DIRECTORS RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

The Sacco Societies Act, No.14 of 2008 requires the Board of Directors 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 Board of Directors to ensure that the Society keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the 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 Board of Directors 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 Board of Directors 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 Board of Directors further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Approved by the Board of Directors on 15<sup>th</sup> March .....2022 and signed on its behalf by:

  
.....  
**CHAIRMAN**

  
.....  
**TREASURER**

  
.....  
**COMMITTEE MEMBER**



**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF LSK REGULATED NON-WDT SACCO SOCIETY LIMITED**
**Report on the financial statements**
**Opinion**

We have audited the accompanying financial statements of LSK Regulated Non-WDT Sacco Society Limited set out on pages 8 to 26 which comprise the statement of financial position as at 31 December 2021 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 as at 31 December 2021, the results of its operations and cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenya 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.

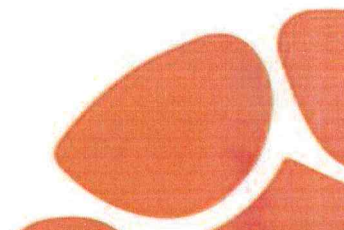
We are independent of the Society in accordance with the International Ethics Standards Board for Accountants Code of Ethics For Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with IESBA code and in accordance with other ethical requirements 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 for these year.

Key Audit Matter	How the audit matter was addressed
<p><b>Impairment of Loans</b>            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>	<ul style="list-style-type: none"> <li>i) Assessing the Inherent default risk in the various loan products and other financial Instruments.</li> <li>ii) Evaluation of the alternative measures taken by the management to mitigate accounting and disclosure of any future losses.</li> <li>iii) Representations by management that the non- adoption of IFRS 9</li> </ul>



<p>Key areas of judgement included:</p> <ul style="list-style-type: none"> <li>• The interpretation of the requirements to determine impairment under application of IFRS 9</li> <li>• The Sacco, using the SASRA model under-provisioned the loan impairment</li> </ul> <p>The need to apply additional overlays to reflect current or future external factors that are not correctly captured by the non-adoption of IFRS 9.</p>	<p>does not significantly impair the financial report for the year.</p> <p>iv) Commitment by management to adopt the IFRS 9 in the subsequent periods.</p> <p>v) We advised the Sacco to come up with a strategy which will ensure that loans are fully provided for and the same be communicated with the regulator.</p>
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### Other information

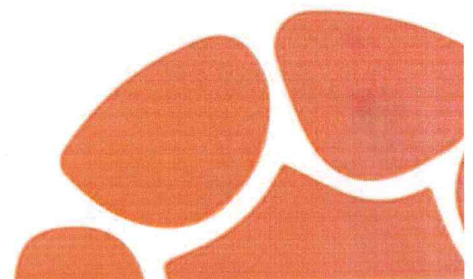
The Board of Directors is responsible for the other information. The other information comprises the budget and the chairman's report included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the 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 are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenya Cooperative Societies 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.

In preparing the financial statements, they are responsible for assessing the Sacco's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Sacco's or to cease operations, or have no realistic alternative but to do so. The Kenya Cooperative Societies Act also requires the Board of Directors to ensure that the Sacco maintains proper books of accounts which are in agreement with the statement of profit or loss and other 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.

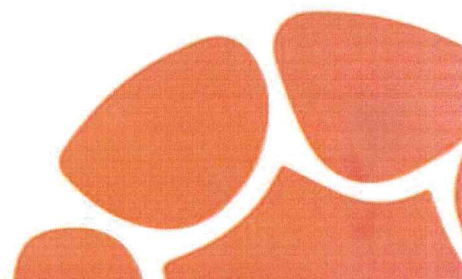
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 Members, 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.

Our responsibility is to express an 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 annual report and financial statements are free from material misstatement.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 the Sacco's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members.
- Conclude on the appropriateness of the Board of Directors use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sacco's ability to continue as a going



### Auditors' Responsibility for the audit of the financial statements (Con't)

concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sacco to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

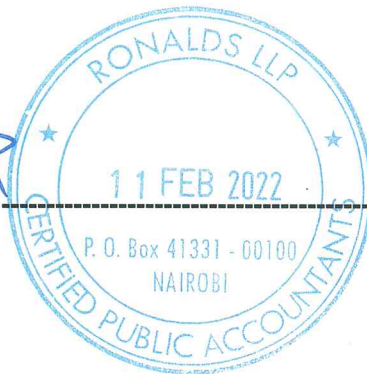
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Report on other legal requirements

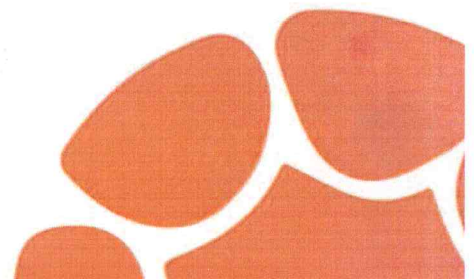
As required by the Sacco Societies Act we report to you that the financial statements are in agreement with the books of account kept by the Society and that, based on our audit, nothing has come to our attention that causes us to believe that the Society's business has not been conducted:

- In accordance with the provisions of the Sacco Societies Act.
- In accordance with the Sacco Societies Act 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 REGULATED NON-WDT SACCO SOCIETY LIMITED

STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 Kshs	2020 Kshs
<b>Revenue</b>			
Interest on loans and advances	2	260,519,866	129,739,448
Other interest income	4	22,255,220	28,130,344
<b>Total interest income</b>		<b>282,775,087</b>	<b>157,869,792</b>
Interest expense	3	(198,954,831)	(86,570,378)
<b>Net interest income</b>		<b>83,820,256</b>	<b>71,299,415</b>
Other operating Income	5	31,100,526	24,980,871
		<b>114,920,782</b>	<b>96,280,286</b>
<b>Expenditure</b>			
Administrative expenses	6	(10,551,410)	(10,067,150)
Personnel expenses	7	(31,643,123)	(31,022,338)
Governance expenses	8	(5,543,333)	(5,593,029)
Financial expenses	9	(21,313,683)	(21,203,365)
Marketing and publicity expenses	10	(894,374)	(913,124)
Professional expenses	11	(1,181,781)	(313,330)
Depreciation and amortisation	12	(3,059,877)	(3,470,392)
<b>Total Expenditure</b>		<b>(74,187,580)</b>	<b>(72,582,727)</b>
<b>Net Operating Surplus</b>		<b>40,733,202</b>	<b>23,697,558</b>
Tax provision	24	(3,584,163)	(3,703,193)
<b>Net surplus for the period</b>		<b>37,149,039</b>	<b>19,994,365</b>

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LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2021

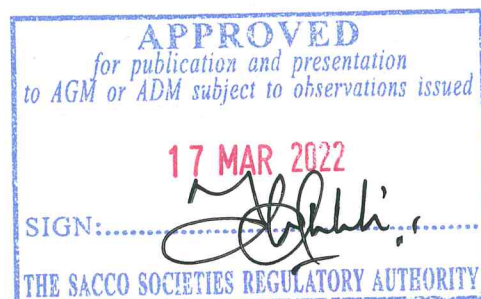
	Notes	2021 Kshs	2020 Kshs
<b>ASSETS</b>			
Cash and cash equivalents	13	268,604,586	318,337,951
Accounts and other receivables	14	3,807,630	10,274,261
Related Party	15	15,548,272	15,448,100
Loans and advance to Members	16	2,494,492,069	1,987,286,131
Intangible Assets	17	2,006,466	2,771,313
Financial Assets	18	2,187,627	2,137,626
Property and equipment	19	119,946,137	56,488,399
Tax receivable		552,349	-
<b>TOTAL ASSETS</b>		<b>2,907,145,136</b>	<b>2,392,743,780</b>
<b>LIABILITIES</b>			
Members' deposits and Savings	20	2,374,981,572	2,071,711,081
Accounts and other payables	21	36,780,221	11,077,714
Unanalyzed bank & standing orders	22	9,998,306	9,983,539
Tax Payable	24	-	765,333
Payments due to Members	23	198,954,831	86,570,378
<b>TOTAL LIABILITIES</b>		<b>2,620,714,931</b>	<b>2,180,108,045</b>
<b>SHARE HOLDERS FUNDS</b>			
<b>FINANCED BY:</b>			
Share capital	25	164,617,027	114,464,561
Retained earnings		68,565,611	62,531,223
Proposed Dividends and Honoraria/Staff bonus		23,684,843	13,507,035
Statutory reserve		29,562,724	22,132,916
<b>TOTAL SHAREHOLDERS FUNDS</b>		<b>286,430,205</b>	<b>212,635,735</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,907,145,136</b>	<b>2,392,743,780</b>

The financial statements were approved and authorised for issue by the Management Committee on 15th March 2022 and signed on its behalf by:

CHAIRMAN

TREASURER

COMMITTEE MEMBER



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## LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED

## STATEMENT OF CHANGES IN EQUITY

AS AT 31ST DECEMBER 2021

	SHARE CAPITAL Kshs	STATUTORY RESERVE Kshs	RETAINED EARNINGS Kshs	PROPOSED DIVIDENDS /HONORARIA Kshs	TOTAL Kshs
Balance as at 01.01.2020	51,823,402	18,134,043	60,060,379	10,370,848	140,388,672
Surplus for the year	-	-	19,994,365	-	19,994,365
Increase in share capital	62,641,159	-	-	-	62,641,159
2019 Honoraria Paid	-	-	-	(3,146,185)	(3,146,185)
2019 Dividends Paid	-	-	-	(7,224,663)	(7,224,663)
Transfer to statutory reserves	-	3,998,873	(3,998,873)	-	-
Prior year adjustment (note 28)	-	-	(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	-
<b>Balance as at 31.12.2020</b>	<b>114,464,561</b>	<b>22,132,916</b>	<b>62,531,223</b>	<b>13,507,034</b>	<b>212,635,735</b>
Balance as at 01.01.2021	114,464,561	22,132,916	62,531,223	13,507,034	212,635,735
Surplus for the period	-	-	37,149,039	-	37,149,039
Increase in share capital	50,152,466	-	-	-	50,152,466
Transfer to statutory reserves	-	7,429,808	(7,429,808)	-	-
2020 Honoraria Paid	-	-	-	(2,178,037)	(2,178,037)
2020 Staff Bonus Paid	-	-	-	(1,089,019)	(1,089,019)
2020 Dividends paid	-	-	-	(10,239,978)	(10,239,978)
Proposed Honoraria 2021	-	-	(4,793,760)	4,793,760	-
Proposed Dividends 2021	-	-	(16,494,203)	16,494,203	-
Proposed Staff Bonus 2021	-	-	(2,396,880)	2,396,880	-
<b>Balance as at 31.12.2021</b>	<b>164,617,027</b>	<b>29,562,724</b>	<b>68,565,611</b>	<b>23,684,843</b>	<b>286,430,205</b>

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## LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED

## STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 Kshs	2020 Kshs
<b>Cash flow from operating activities</b>			
Interest receipts	2&4	282,775,087	157,869,792
Other operating income	5	31,100,526	24,980,871
Interest expense	3	(86,570,378)	(139,133,543)
Payment to employees and suppliers		(50,972,648)	(54,583,534)
		<b>176,332,587</b>	<b>(10,866,413)</b>
<b>Increase/ (Decrease) in operating assets</b>			
Loans to members		(527,360,993)	(263,172,093)
Related party		-	(833,300)
Prepayments and receivables	14	6,366,407	(4,735,773)
		(520,994,586)	(268,741,166)
<b>(Decrease)/ Increase in operating liabilities</b>			
Deposits from members	20	303,270,491	296,056,395
Unanalyzed bankings	22	14,767	954,404
Accruals and payables	21	27,002,507	1,754,264
<b>Net Cash from/(used in) operating activities before tax</b>		<b>330,287,766</b>	<b>19,157,484</b>
Income Tax Paid		(4,901,845)	-
<b>Net cash generated from /(used in)operations</b>		<b>(19,276,079)</b>	<b>19,157,484</b>
<b>Cash flow from investing activities</b>			
Purchase of property and equipment	19	(67,052,718)	(1,337,232)
<b>Net cash generated from investing activities</b>		<b>(67,052,718)</b>	<b>(1,337,232)</b>
<b>Cash flow from financing activities</b>			
Share capital contribution movement	25	50,152,466	62,641,159
Dividends and honoraria paid and staff bonus	23	(13,507,034)	(10,370,848)
Purchase of investments securities	18	(50,001)	
<b>Net cash generated from(used in) financing activities</b>		<b>36,595,431</b>	<b>52,270,311</b>
Cash and Cash equivalents at the start of the year.		318,337,951	248,247,388
Net cash increase/ (decrease) during the year		(49,733,366)	70,090,563
<b>Cash and Cash equivalents at the end of the year</b>	12	<b>268,604,585</b>	<b>318,337,951</b>



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**LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED**

**ACCOUNTING POLICIES (CONT'D)**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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 20% 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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**LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED**  
**ACCOUNTING POLICIES (CONT'D)**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**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 24<sup>th</sup> 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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**LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED**

**ACCOUNTING POLICIES (CONT'D)**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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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**LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED**

**ACCOUNTING POLICIES (CONT'D)**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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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**LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED**

**ACCOUNTING POLICIES (CONT'D)**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

**(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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**LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED**

**ACCOUNTING POLICIES (CONT'D)**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

**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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## LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 Kshs	2020 Kshs
<b>2 Interest Income</b>		
Interest on loan to members	260,519,866	129,739,448
	<b>260,519,866</b>	<b>129,739,448</b>
<b>3 Interest Expense</b>		
Interest from members Deposits	198,954,831	86,570,378
	<b>198,954,831</b>	<b>86,570,378</b>
<b>4 Other interest income</b>		
CIC money market	19,244,956	26,056,729
Interest from KUSCCO Savings	3,010,264	2,073,615
	<b>22,255,220</b>	<b>28,130,344</b>
<b>5 Other operating Income</b>		
Entrance fees	563,000	626,000
Loan Insurance	8,517,001	2,983,914
Loan Offsetting charges	3,721,577	3,932,804
Lumpsum Deposit Charges	1,955,924	1,284,300
Loan Clearance Fees	9,695,695	6,110,013
Loan Restructuring fees	899,180	1,105,730
Loan Rescheduling fees	486,703	445,019
Share transfer fees	7,600	4,600
Loan application fees	4,244,522	6,728,899
Dividend income	660,324	737,919
Deposit refund processing fees	141,000	117,000
Sundry income	108,000	-
Law Society of Kenya Housing Hosting Charges	100,000	904,673
	<b>31,100,526</b>	<b>24,980,871</b>
<b>6 Administrative expenses</b>		
Printing & stationery	497,428	626,820
Subscription and Licensing fee	225,582	110,000
Supervision and recoverable fees	25,200	25,200
Loan guard insurance	3,419,193	2,721,892
General repairs & Maintenance	167,785	-
Service charge	808,392	797,936
General office expenses	463,915	966,492
Telephone and internet communications	2,341,352	780,265
Back up & data replication service/ IT Expenses	448,957	652,802
IT Security Expenses	203,000	2,420,114
Website	19,720	-
Bad Debts Written Off	1,138,534	-
Water & Electricity	661,156	463,733
CRB reports	56,028	46,762
Insurance all -risks	-	343,354
File Storage charges	75,168	111,780
	<b>10,551,410</b>	<b>10,067,150</b>

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## LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 Kshs	2020 Kshs
<b>7 Personnel expenses</b>		
Salaries and wages	18,065,469	19,091,765
House Allowance	3,437,806	3,325,803
Staff medical Expense	4,103,639	2,985,674
Debt Collection	2,225,444	1,808,285
Special duty allowance	523,377	852,296
Staff travelling & subsistence	595,572	757,247
NSSF & Pension fund	821,246	719,387
Fuel Allowance	600,672	571,508
Responsibility allowance	300,334	307,444
Staff leave allowances	389,564	258,475
Staff Welfare	550,000	217,142
Overtime allowance	-	127,313
Entertainment	30,000	-
	<b>31,643,123</b>	<b>31,022,338</b>
<b>8 Governance expenses</b>		
Committee sitting allowance	4,371,485	4,847,913
Committee travelling & subsistence	392,007	341,032
Committee GPA Cover	-	327,964
Committee and staff Training	69,850	10,000
Member's Education Expenses	38,301	-
AGM expenses	394,878	-
Strategic plan	269,500	66,120
By-law Review	7,312	-
	<b>5,543,333</b>	<b>5,593,029</b>
<b>9 Financial Expenses</b>		
Provision for Loan Loss	20,155,055	20,155,055
Bank charges	1,158,628	1,048,310
	<b>21,313,683</b>	<b>21,203,365</b>
<b>10 Marketing and publicity expenses</b>		
Marketing and publicity	572,124	799,424
Corporate and social responsibility	180,000	100,000
CLE marketing Expenses	-	13,700
Recruitment Commission	142,250	-
	<b>894,374</b>	<b>913,124</b>
<b>11 Professional expense</b>		
Audit fees	250,000	250,000
VAT on audit fees	40,000	40,000
Legal fees	656,781	23,330
Consultancy fees & valuation fees	235,000	-
	<b>1,181,781</b>	<b>313,330</b>
<b>12 Depreciation and Amortization</b>		
Depreciation	2,558,260	2,777,564
Amortization	501,617	692,828
	<b>3,059,877</b>	<b>3,470,392</b>



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## LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 Kshs	2020 Kshs
<b>13 Cash and Cash Equivalents</b>		
CIC Money market	188,208,431	249,163,475
KUSCCO Fixed deposits	50,789,966	32,477,545
Co-operative Bank - savings account	25,437,052	29,681,050
Co-operative Bank - current account	2,053,266	6,325,244
KUSCCO central finance	788,889	665,281
Housing Finance Co.	17,583	17,583
Petty Cash	29,225	7,763
KCB Savings account	1,280,174	11
	<u>268,604,586</u>	<u>318,337,951</u>
<b>14 Account and other receivables</b>		
Prepaid expenses	304,138	6,181,789
Interest receivable from loans	1,834,112	1,895,531
Staff Imprest	-	60,132
Cooperative Bank	19,000	57,566
Prepaid Medical insurance	1,596,380	1,773,478
Interest receivable from KUSCCO Fixed Deposit	-	305,765
Chancery Wright-Parking fee	54,000	-
	<u>3,807,630</u>	<u>10,274,261</u>
<b>15 Related Party</b>		
As at 1 January	15,448,272	14,112,800
LSK Housing Hosting Charges	100,000	904,673
LSK Sacco Funds deposited in LSK Housing	-	430,627
	<u>15,548,272</u>	<u>15,448,100</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 Co-op Society Ltd.		
<b>16 Loans and advance to Members</b>		
At the start of the year	2,007,441,186	1,744,269,093
Disbursements during the year	1,769,422,760	1,276,570,335
Repayment from CIC for deceased members	(12,167,721)	(2,597,224)
Dividends & Interest 2020	(16,548,101)	(73,029,588)
Offset from deposits	(40,871,138)	(43,922,386)
Repayments during the year	(1,172,474,806)	(893,849,084)
	<u>2,534,802,179</u>	<u>2,007,441,186</u>
Provision for Loan Loss	(40,310,110)	(20,155,055)
Net Loan Portfolio	<u>2,494,492,069</u>	<u>1,987,286,131</u>

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LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2021

## Ageing Analysis

No.	Classification	No. of A/cs	Outstanding Loan Portfolio	Rate of Provision	2021	2020
					Kshs	Kshs
					Required Provision Amount	Required Provision Amount
1	Performing	1389	2,270,910,741	0.01	22,709,107.41	17,077,319
2	Watch	144	156,788,129	0.05	7,839,406.44	8,946,375
3	Substandard	52	68,982,925	0.25	17,245,731.33	21,051,007
4	Doubtful	26	15,835,232	0.5	7,917,616.06	7,440,725
5	Loss	44	22,348,033	1	22,348,032.94	21,412,729
		<b>1,655</b>	<b>2,534,865,060</b>		<b>78,059,894.17</b>	<b>75,928,155</b>
<b>Provision for impairment charged for the year</b>					40,310,110.00	20,155,055
<b>Difference in expected impairment provision</b>					37,749,784.17	55,773,100

Note: The society has not 100% provided for loan loss impairment.

## 17 Intangible Assets

As at 1st January	6,023,151	6,023,151
Additions	1,036,770	-
Adjustments	(1,300,000)	-
	<b>5,759,921</b>	<b>6,023,151</b>
Accumulated amortization as at 1st January	3,251,838	2,559,010
Amortization for the Period	501,617	692,828
As at 31 December 2021	<b>3,753,455</b>	<b>3,251,838</b>
<b>Net Book Value</b>	<b>2,006,466</b>	<b>2,771,313</b>

## 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	87,568
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
	<b>1,347,766</b>	<b>1,347,765</b>

## 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	312,801
KUSCCO Ltd - 550 shares	57,060	57,060
LSK Housing- 50 Shares	50,000	-
	<b>839,861</b>	<b>789,861</b>
<b>Total Investments</b>	<b>2,187,627</b>	<b>2,137,626</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2021

## 19 Property and Equipment

	FURNITURES & FITTINGS		OFFICE EQUIPMENT		PROPERTY OFFICE SPACE		OFFICE PARTITIONS		COMPUTERS & ACCESSORIES		LAND(BIRIKA GLE)		TOTAL
	12.5% KSHS	12.5% KSHS	12.5% KSHS	12.5% KSHS	2.5% KSHS	2.5% KSHS	12.5% KSHS	12.5% KSHS	30.0% KSHS	30.0% KSHS	KSHS	KSHS	
<b>Cost or Valuation</b>													
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	<b>4,364,028</b>	<b>100,560</b>	<b>56,238,572</b>	<b>3,452,396</b>	<b>7,943,418</b>	<b>-</b>	<b>72,098,974</b>						
<b>Depreciation</b>													
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 year	356,150	11,827	1,278,333	303,851	827,403	-	2,777,564						
As at 31 December 2020	<b>1,870,979</b>	<b>17,772</b>	<b>6,383,575</b>	<b>1,325,439</b>	<b>6,012,810</b>	<b>-</b>	<b>15,610,575</b>						
<b>Net book value</b>													
As at 31 December 2020	<b>2,493,049</b>	<b>82,788</b>	<b>49,854,997</b>	<b>2,126,957</b>	<b>1,930,608</b>	<b>-</b>	<b>56,488,399</b>						
<b>Cost or Valuation</b>													
As at 1 January 2021	4,364,028	100,560	56,238,572	3,452,396	7,943,418	-	72,098,974						
Additions	-	571,068	-	-	244,880	65,200,000	66,015,948						
As at 31 December 2021	<b>4,364,028</b>	<b>671,628</b>	<b>56,238,572</b>	<b>3,452,396</b>	<b>8,188,298</b>	<b>65,200,000</b>	<b>138,114,922</b>						
<b>Depreciation</b>													
As at 1 January 2021	1,870,979	17,772	6,383,575	1,325,389	6,012,810	-	15,610,525						
Charge for the period	311,631	81,732	1,246,375	265,876	652,646	-	2,558,260						
As at 31 December 2021	<b>2,182,610</b>	<b>99,504</b>	<b>7,629,950</b>	<b>1,591,265</b>	<b>6,665,456</b>	<b>-</b>	<b>18,168,785</b>						
<b>Net book value As at 31st December 2021</b>	<b>2,181,418</b>	<b>572,124</b>	<b>48,608,622</b>	<b>1,861,131</b>	<b>1,522,842</b>	<b>65,200,000</b>	<b>119,946,137</b>						

**Note**

\*During the financial year, the society purchased land (21.04 Acres) from LSK Housing at a cost of Ksh 65.2M. The land will be utilized for office Space as approved by members during the 2018, 2019 & 2021 AGMs.

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## LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 Kshs	2020 Kshs
<b>20 Members deposits</b>		
<b>BOSA</b>		
At the start of the year	2,071,711,081	1,775,654,686
Contribution during the year	414,587,017	364,881,846
Deposits received from CIC for deceased members	25,305,621	8,730,572
2020 Interest on deposits	55,710,153	43,366,343
Transfer to shares	(43,662,680)	(45,330,255)
Loan offsets	(46,370,647)	(43,922,386)
Deducted to benevolent fund	(4,819,200)	(4,719,600)
Paid to Beneficiaries (Deceased)	(28,894,402)	(10,533,763)
Transfer to Payable Accounts(Deceased)	(23,973,443)	-
Withdrawals during the year	(44,611,928)	(16,416,362)
<b>Total Members deposits</b>	<b>2,374,981,572</b>	<b>2,071,711,081</b>
<b>21 Accounts and other payables</b>		
Benevolent funds Contribution	8,219,200	6,106,996
Junior Savings Account	3,290,960	2,768,959
Holiday Savings Account	658,702	233,209
Other accrued expenses	56,800	61,699
The Filling Room	-	18,468
Asterisk Technologies	-	32,718
Chemserve Cleaning Services	-	5,472
Aberdares Water	10,701	14,302
Withdrawal Dues (Exited- members)	716	114,048
Deceased Members Accounts	23,973,443	-
Dividends/Interest Payable	26,492	1,293
VAT on audit fees	20,000	40,000
Supervision & Recoverable fees	25,200	25,200
Contigent liabilities	34,800	34,800
Safaricom	-	149,429
Withholding Tax(Dynamic NAV)	17,400	-
Cortec Systems	-	1,300,000
Kuscoco Consultancy	132,500	-
Co-op Bank Consultancy	66,120	66,120
Office 2000 Plus-Stationery	15,061	-
Audit fees	125,000	105,000
Other Payables	107,127	-
	<b>36,780,221</b>	<b>11,077,714</b>
<b>22 Unallocated - unanalyzed bank bal</b>		
Unanalyzed bank bal.	9,998,306	9,983,539
	<b>9,998,306</b>	<b>9,983,539</b>

This is unnarrated deposits in the bank account mostly from Pesa 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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LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 Kshs	2020 Kshs
<b>23 Payments due to Members &amp; Committee</b>		
As at start of the year	100,077,412	149,504,391
Payment during the year	(100,050,920)	(149,504,391)
	<u>26,492</u>	<u>-</u>
Proposed interest on members deposits	198,954,831	86,570,378
Proposed dividends	16,494,203	10,239,978
Proposed honoraria	4,793,760	2,178,037
Staff Bonus	2,396,880	1,089,019
	<u>222,666,165</u>	<u>100,077,412</u>
<b>24 Taxation</b>		
Balance at start of the year	765,333	2,670,781
Provision for the year	3,584,163	3,703,193
	<u>4,349,496</u>	<u>6,373,974</u>
Less: Installment tax	(4,136,512)	(2,937,860)
Tax paid	(765,333)	(2,670,781)
Balance at end of the year	<u>(552,349)</u>	<u>765,333</u>
<b>25 Share capital</b>		
As at the start of the year	114,464,561	51,823,402
Contributions during the year	50,152,466	62,641,159
<b>At the end of the year</b>	<u>164,617,027</u>	<u>114,464,561</u>
<b>26 Reserves</b>		
Retained earnings	68,565,611	62,531,223
Statutory reserve	29,562,724	22,132,916
	<u>98,128,335</u>	<u>84,664,139</u>

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LAW SOCIETY OF KENYA REGULATED NON-WDT SACCO SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 Kshs	2020 Kshs
<b>27 Related party Transactions</b>		
<b>a. Key management personnel and directors remuneration</b>		
(i) Management salaries and wages	<u>31,643,123</u>	<u>31,022,338</u>
<b>(ii) Board of Directors Honoraria &amp; sitting Allowances</b>		
1. Justus Munyiithya (Chairman)	706,627	612,222
2. Lawrence Mugambi (Treasurer)	720,913	605,079
3. Philbert K. Nadebu (Vice-Chairman)	806,628	690,794
4. Kellen Njue (Hon. Secretary)	692,341	590,793
5. Gladys Kinyanjui	928,054	683,648
6. Boniface Mutwiri	985,198	783,652
7. Samuel Mwaniki	1,006,627	783,651
8. Jackson Awele	678,055	540,795
9. Gad Gathu Kiragu	685,198	547,937
10. Collins Wanderi	656,628	395,793
11. Joseph Makumi	642,342	395,793
12. Salome Muhia	656,633	395,793
	<u>9,165,245</u>	<u>7,025,950</u>
<b>b. Loans and Advances to staff</b>		
At Start of the year	11,628,378	6,839,185
Disbursement during the period/year	5,651,500	13,714,000
Repayments	<u>(5,068,215)</u>	<u>(8,924,807)</u>
At the end of the year	<u>12,211,663</u>	<u>11,628,378</u>
<b>Loans and Advances to Board</b>		
At Start of the year	77,665,373	64,115,851
Disbursement during the period/year	75,250,853	45,184,000
Repayments	<u>(47,776,219)</u>	<u>(31,634,478)</u>
At the end of the year	<u>105,140,007</u>	<u>77,665,373</u>

**28 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 REGULATED NON-WDT SACCO SOCIETY LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2021

PIN NO. P051116153U

TAX COMPUTATION

	2021 Kshs
<b>INTEREST FROM NON-MEMBERS</b>	
Fixed deposit interest income	22,255,220
Taxable Interest from Non-Members (50%)	11,127,610
<b>OTHER OPERATING INCOME</b>	
Share transfer fees	7,600
Sundry income	108,000
Entrance fees	563,000
Deposit refund fees	141,000
<b>Total Taxable Income</b>	<b><u>11,947,210</u></b>
<b><u>Tax Account</u></b>	
Tax provision for the year @30%	3,584,163
<b>Add: Balance b/f</b>	<b><u>765,333</u></b>
	<b>4,349,496</b>
<b>Less:</b>	
Tax paid	(765,333)
Installment tax paid	<u>(4,136,512)</u>
<b>Tax Receivable</b>	<b><u>(552,349)</u></b>