MKOPO SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED	IAS1. p51
CS/……………………..	
ANNUAL REPORT AND FINANCIAL STATEMENTS	IAS1. p51
FOR THE YEAR ENDED 31 DECEMBER 2021	IAS1. p51

December 2021

INTRODUCTORY NOTES

This specimen provides an illustrative set of financial statements prepared in accordance with International Financial Reporting Standards and the reporting requirements of the Sacco Societies Act No. 14 of 2008 for accounting periods beginning on or after 1 January 2021. The presentation format is not the only acceptable form of presentation and alternative presentations may be acceptable provided that they comply with the presentation and disclosure requirements of IFRS.

The specimen is intended as guidance for members of ICPAK and is not a substitute for reading the standards and interpretations themselves or for professional judgement. Whenever necessary, reference to International Financial Reporting Standards should be made.

This specimen was updated using the edition containing the IFRS Standards, as approved by the International Accounting Standards Board for issue up to 31 December 2021, that are required to be applied for accounting periods beginning 1 January 2021 but without early adoption of prospective standards.

Policies and disclosures not applicable to this specimen draft:

- IAS 20 - 'Accounting for Government Grants and Disclosure of Government Assistance'
- IAS 26 - 'Accounting and Reporting by Retirement Benefit Plans'
- IAS 28 - 'Investments in Associates and Joint Ventures'
- IAS 29 - 'Financial Reporting in Hyperinflationary Economies'
- IAS 33 - 'Earnings per Share'
- IAS 34 - 'Interim Financial Reporting'
- IAS 37 - 'Provisions, Contingent Liabilities and Contingent Assets'
- IAS 41 - 'Agriculture'
- IFRS 1 - 'First time Adoption of International Financial Reporting Standards'
- IFRS 2 - 'Share- based payment'
- IFRS 3 - 'Business Combinations'
- IFRS 4 - 'Insurance Contracts'
- IFRS 5 - 'Non Current Assets Held for Sale and Discontinued Operations'
- IFRS 6 - 'Exploration for and Evaluation of Mineral Resources'
- IFRS 7 - 'Financial Instruments: Disclosures' - in respect of derivatives and hedge accounting
- IFRS 8 - 'Operating Segments'
- IFRS 10 - 'Consolidated Financial Statements'
- IFRS 11 - 'Joint Arrangements'
- IFRS 12 - 'Disclosure of Interests in Other Entities'
- IFRS 14 - 'Regulatory Deferral Accounts'
- IFRS 16 - 'Leases' - in respect of sale and lease-back transactions and lessor accounting for finance leases
- Disclosures related to amendments to IAS 16 and IAS 41 - 'Biological assets' and the application thereof.
- IFRS 17 - 'Insurance Contracts'

Abbreviations

IFRS1.p37	- International Financial Reporting Standard [number], paragraph [number].
IAS7.p22	- International Accounting Standard [number], paragraph [number].
IAS7.p22 VD	- International Accounting Standard [number], paragraph [number] Voluntary Disclosure Disclosure is encouraged but not required and, therefore, represents best practice.
SSA	- Sacco Societies Act No. 14 of 2008
SSAD	- Sacco Societies Act No. 14 of 2008 - Deposit taking (DP)
IG	- Implementation Guidance
SSAD - SOI	- Sacco Societies Act No. 14 of 2008 - Deposit taking DP - statement of income and expenditure
ECL	- Expected Credit Loss
FVTPL	- Fair Value Through Profit or Loss
FVTOCI	- Fair Value Through Other Comprehensive Income
SPPI	- Solely Payments of Principal and Interest
OCI	- Other Comprehensive Income
CAct	- Cooperative Act Cap 490

Principal authors for and on behalf of ICPAK:
PKF Kenya LLP

Issue date: December 2021

ADDITIONAL DISCLOSURES ARISING FROM THE IMPACT OF THE COVID-19 PANDEMIC

The global Covid-19 pandemic, will have had an impact on the financial performance of many companies in Kenya. The specimen financial statements are generic and cannot reflect the circumstances of an individual company, but they have highlighted the need to identify the areas where significant judgements or assumptions have had to be made about the impact of the pandemic (Note 1). The following notes focus on additional disclosures that may need to be made on accounting issues arising from the pandemic.

1 Going concern

For some companies the impact of the pandemic may be so severe as to create doubt as to the ability of the company to continue as a going concern for at least 12 months from the reporting date. The financial statements should be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so (IAS 1p25). The directors will need to carry out an assessment to demonstrate whether the going concern assumption is appropriate. When the directors are aware, in making their assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern, those uncertainties should be disclosed in the financial statements. When a company does not prepare financial statements on a going concern basis, it should disclose that fact, together with the basis on which it prepared the financial statements and the reason why the company is not regarded as a going concern.

2 Valuation and impairment of non-financial assets

For assets measured at fair value, such as investment property or biological assets, key assumptions may need to be made about the ongoing impact of the pandemic after the end of the reporting period. Such assumptions should be disclosed in the financial statements. For assets measured at cost, which could include property, plant and property, plant and equipment, intangible assets and goodwill, the pandemic may have created indicators of impairment, in which case impairment testing will need to be carried out. The cash flow projections required for such testing are likely to involve significant judgements and key assumptions, which again should be adequately disclosed in the financial statements.

3 Expected credit losses

Financial assets will be the subject of a provision for expected credit losses. In determining whether credit risk on a particular asset has increased significantly since initial recognition, if reasonable and supportable forward-looking information is available without undue cost or effort then that information should be taken into account when making the assessment. The estimation of expected credit losses should also take into account such forward-looking information.
This is again likely to involve significant judgements and key assumptions, which will need to be disclosed in the financial statements.

4 Rent concessions

If, as a result of the pandemic, the company has been given rent concessions by its landlord(s), under an amendment to IFRS 16, Leases, issued in May 2020 (and amended in March 2021), the company can opt not to account for this as a lease modification. If the company takes advantage of this practical expedient, it is required to disclose: (a) that it has applied the practical expedient to all rent concessions that meet the conditions in paragraph 46B of IFRS 16 or, if not applied to all such rent concessions, information about the nature of the contracts to which it has applied the practical expedient; and (b) the amount recognised in profit or loss for the reporting period to reflect changes in lease payments that arise from rent concessions to which the company has applied the practical expedient.

CONTENTS

IAS 1 permits the use of different titles for the various financial statements.
The titles used here are those used in the standard. IAS1.p10

SOCIETY INFORMATION

BOARD OF DIRECTORS	: ……………………….	
	: ……………………….	
SUPERVISORY COMMITTEE	: ……………………….	
	: ……………………….	
CHIEF OFFICERS	: ……………………….	
	: ……………………….	
REGISTERED OFFICE	: L.R. No. ……………..	IAS1.p138(a)
	: …...th Floor	
	: ……... Building	
	: ……………. Street/Road	
	: P.O. Box ………….	
	: NAIROBI	
PRINCIPAL PLACE OF BUSINESS	: …...th Floor	IAS1.p138(a)
(if different from registered office)	: ……... Building	
	: ……………. Street/Road	
	: P.O. Box ………….	
	: NAIROBI	
	: Telephone ………….	
	: Fax …………………..	
	: Email …………………	
INDEPENDENT AUDITOR	: ………………………..	
	: Certified Public Accountants	
	: P.O. Box ………….	
	: NAIROBI	
PRINCIPAL BANKERS	: ……………………….	
	: NAIROBI	
LEGAL ADVISORS	: ……………………….	
	: NAIROBI	

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2021, which disclose the state of affairs of the society.

INCORPORATION

The society is incorporated in Kenya under the Cooperative Societies Act, Cap 490 and Licensed under the Sacco Societies Act No. 14 of 2008, and is domiciled in Kenya

PRINCIPAL ACTIVITIES

The principal activities of the society are ………………………………………………………………………… IAS1.p138(b)

RESULTS	2021 Shs	2020 Shs
Profit/(loss) before tax		
Income tax expense		
Profit/loss for the year		
Other comprehensive income, net of tax		
Total comprehensive income for the year		
Interest on members' deposits		

INVESTMENT SHARES

The issued and paid up share capital of the society was increased during the year from Shs. ……. to Shs. ……...

DIVIDENDS AND INTEREST

The directors have recommended payment of ….% (2020: ….%) as dividend on investment shares and paid ….% (2020: ...%) interest on Sacco deposits. IG 6

OR

The directors do not recommend the declaration of a dividend for the year (2020: Shs…....).

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 1.

REPORT OF THE DIRECTORS (CONTINUED)

INDEPENDENT AUDITOR

The society's auditor, ..., has indicated willingness to continue in office in accordance with Sacco Societies Act No. 14 of 2008.

OR

.... was appointed during the year and continues in office in accordance with Sacco Societies Act No. 14 of 2008.

BY ORDER OF THE BOARD

Signature.. Date...............................2022

Secretary
NAIROBI
(location of where the report is being signed if different)

FINANCIAL AND STATISTICAL INFORMATION

	As at 31 December		
	2021	**2020**	
	Numbers	**Numbers**	
Membership			
- active	x	x	IG 7
- dormant	x	x	SSAD 27.1
	x	x	
Number of branches			
Number of employees			
	Shs	**Shs**	
Financial			
Total assets	x	x	
Members' deposits	x	x	
External borrowings	x	x	
Loans and advance to members	x	x	
Provision for impairment of loans and advances	x	x	
Financial assets	x	x	
Total revenue	x	x	
Total interest income	x	x	
Total expenses	x	x	
Investment shares	x	x	
Statutory reserve		x	
Appropriation account	x	x	
Core capital	x	x	
Institutional capital	x	x	
Loan loss reserve	x	x	

Key ratios	**2021**	**2020**	
	%	**%**	
Capital adequacy ratio			
Core capital/ total assets	x	x	SSAD 9(b)
Minimum ratio	10%	10%	
Core capital/ total deposits	x	x	SSAD 9(d)
Minimum ratio	8%	8%	
Institutional capital/total assets	x	x	SSAD 9(c)
Minimum ratio	10%	10%	
External borrowing ratio			
External borrowing/ total assets	x	x	SSAD 35.1
Minimum ratio	25%	25%	
Liquid ratio			
Liquid asset/total deposit and long term liabilities	x	x	
Minimum ratio	15%	15%	
Operating efficiency/loan quality ratio			
Total expenses/total revenue	x	x	
Interest on member deposits/total revenue	x	x	
Interest rate on member deposits	x	x	
Dividend rate on member share capital	x	x	
Total non-performing loans/gross loan portfolio	x	x	

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Sacco Societies Act No. 14 of 2008 requires the directors to ensure that the management maintains proper and accurate records that reflect the true and fair position of the society's financial condition, establish adequate and effective internal control systems and policies, safeguard the assets of the society and take reasonable steps for the prevention and detection of fraud and other irregularities. The directors are also responsible for the production of annual audited financial statements.

The directors accept responsibility for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Sacco Societies Act No. 14 of 2008. They also accept responsibility for:

i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
ii. Selecting and applying appropriate accounting policies; and
iii. Making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the society as at 31 December 2020 and of the society's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Sacco Societies Act No. 14 of 2008.

In preparing these financial statements the directors have assessed the society's ability to continue as a going concern. Nothing has come to the attention of the directors to indicate that the society will not remain a going concerr for at least the next twelve months from the date of this statement.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on ____________________ 2022 and signed on its behalf by:

_____________________________ CHAIRMAN

_____________________________ TREASURER

_____________________________ BOARD MEMBER

(N/B Edit if there are material uncertainties with regard to going concern)

Report of the independent auditor - tailor as appropriate.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME IAS1.p10

	Notes	2021 Shs	2020 Shs	
Revenue				
Interest income:				
Interest on loans and advances	2 (a)			IAS1.p82, IFRS7.p20(b) IFRS15.p113
Other interest income	2 (b)			
Total interest income				
Interest expenses	2 (c)			IAS1.p82
Net interest income				
Net fee and commission income	2 (d)			IAS1.p82, IFRS7.p20(c)
Other operating income	2 (e)			
Gains and losses arising from derecognition of financial assets measured at amortised cost	8			IAS1.p82(aa)
Impairment losses (including reversal of impairment losses or impairment gains)	3 (b)			IAS1.p82(ba), IFRS15.p113
Governance expenses	3 (d)			IAS1.p99
Marketing expenses	3 (e)			IAS1.p99
Staff costs	4			IAS1.p99
Other administrative expenses	3 (a)			IAS1.p99
Other operating expenses	3 (c)			IAS1.p99
Profit/(loss) before tax				
Income tax expense	5			IAS1.p82
Profit/(loss) for the year				IAS1.p81A

[NB: gains or losses on reclassification of financial assets should also be presented on the face of statement of profit or loss and OCI - IAS1.p82(ca) & (cb)]

	Notes	2021 Shs	2020 Shs	
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				IAS1.p82A
Gains/(losses) on property and equipment revaluation	13			IAS1.p7
Gains/(losses) on equity instruments at FVTOCI	9			IAS1.p7
Remeasurement of defined benefit asset/liability	23			IAS 19.p122
Effect of change in tax rate on deferred tax at the beginning of the year	15			
Deferred tax relating to items that will not be subsequently reclassified				IAS1.p91

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME IAS1.p10

	Notes	2021 Shs	2020 Shs	
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				IAS1.p82A
Gains/(losses) on investments in debt instruments at FVTOCI	9			IAS1.p7
Effect of change in tax rate on deferred tax at the beginning of the year	15			
Deferred tax relating to items that may be reclassified				IAS1.p99
Other comprehensive income for the year, net of tax				IAS1.p81A(b)
Total comprehensive income for the year				

The notes on pages 13 to 81 form an integral part of these financial statements.

Report of the independent auditor - page 6.

[Alternatively, each component of OCI can be presented net of tax with the tax relating to each component disclosed in the notes]

STATEMENT OF FINANCIAL POSITION IAS1.p10

	Notes	As at 31 December 2021 Shs	2020 Shs	
				IAS1.p39
ASSETS				IAS1.p63
Cash and cash equivalents	6			IAS1.p54 (i)
Receivables and prepayments	7			IAS1.p54 (h)
Tax recoverable	5(b)			IAS1.p54 (n)
Loans and advances	8			IAS1.p54 (d)
Other financial assets	9			IAS1.p54 (d),
Inventories	10			IAS1.p54 (g)
Investment property	11			IAS1.p54 (d)
Right-of-use assets	12			IFRS16.p47(a)
Assets classified as held-for-sale	24			
Property and equipment	13			IAS1.p54(a)
Intangible assets	14			IAS1.p54(c)
Deferred tax	15			IAS1.p54(o)
Total assets				
LIABILITIES				IAS1.p63
Interest due to members	16			
Member deposits	17			IAS1.p54 (m)
Borrowings	18			IAS1.p55
Lease liabilities	19			IFRS16.p47(b)
Other payables	20			IAS1.p54(k)
Deferred tax	15			IAS1.p54(o)
Provision for liabilities	21			IAS1.p54(l)
Other accrued liabilities	22			IAS1.p54(l)
Liabilities directly associated with the assets held for sale	24			IAS1.p54(p), IFRS 5.38
Tax payable	5(b)			IAS1.p54 (n)
Retirement benefits obligation	23			IAS1.p55
FINANCED BY				
Investment shares	25			IAS1.p54(r)
Statutory reserve	26(i)			
Appropriation account	26(ii)			
Loan loss reserve	26(iii)			
Fair value reserve	26(iv)			
Dividend account	26(v)			
Revaluation reserve	26(vi)			
Total liabilities and capital				

The financial statements on pages 7 to 81 were approved and authorised for issue by the board of directors on________________________2022 and were signed on its behalf by:

____________________________CHAIRMAN

____________________________TREASURER

____________________________BOARD MEMBER

The notes on pages 13 to 81 form an integral part of these financial statements.

Report of the independent auditor - page 6.

For prior year adjustments and reclassifications: On the statement of financial position only, a three year financial position will be disclosed i.e. for a PYA passed in the year 2021 the statement of financial position would show comparatives for 2020 and 2019. IAS1.p10

STATEMENT OF CHANGES IN EQUITY IAS1.p10

	Notes	Investment Shares	Statutory Reserve	Fair value Reserve	Appropriation Account	Loan loss reserve	Revaluation reserve	Total	
		Shs	Shs	Shs	Shs	Shs	Shs	Shs	IAS1.p106
Year ended 31 December 2021									
At start of year									
As previously stated									
Prior year adjustment(s)									
As restated									
Total comprehensive income for the year:									
Profit/(loss) for the year									
Other comprehensive income									
- gain/(loss) on revaluation	13								
- deferred tax on revaluation									
- gains/(losses) on equity instruments at FVTOCI	9								
- Remeasurement of net defined benefit asset/liability	23								
- deferred tax relating to items that will not be subsequently reclassified to profit/loss									
- gains/(losses) on investments in debt instruments at FVTOCI	9								
- deferred tax relating to items that may be reclassified to profit/loss									
Transfer on disposal of equity instruments designated as at FVOCI									IFRS9.B5.7.1
Transfer of excess depreciation	13								
Deferred tax on excess depreciation transfer									
Transfer on disposal of property, plant and equipment									IAS16.p41
Reversal of deferred tax on disposal									IAS12.p61A(b)
Transfer to/from statutory reserve									
Transfer to/from loan loss reserve account	8								
Transactions with owners:									
Shares issued for cash	25								
Dividends:									
- Final for 2020 (paid)	26(v)								
- Interim for 2021 (paid)	26(v)								
At end of year									

The notes on pages 13 to 81 form an integral part of these financial statements.

Report of the independent auditor - page 6.

NB. Transfers between reserves do not constitute other comprehensive income and should be reported on this statement.

STATEMENT OF CHANGES IN EQUITY IAS1.p10

	Notes	Investment Shares Shs	Statutory Reserve Shs	Fair value Reserve Shs	Revaluation reserve Shs	Appropriation Account Shs	Loan loss reserve Shs	Total Shs	
									IAS1.p106
Year ended 31 December 2020									
At start of year									
As previously stated									
Prior year adjustment(s)									
As restated									
Total comprehensive income for the year:									
Profit/(loss) for the year									
Other comprehensive income									
- gain/(loss) on revaluation	13								
- deferred tax effect on revaluation									
- gains/(losses) on equity instruments at FVTOCI	9								
- Remeasurement of net defined benefit asset/liability									
- deferred tax relating to items that will not be subsequently reclassified to profit/loss									
- gains/(losses) on investments in debt instruments at FVTOCI	9								
- deferred tax relating to items that may be reclassified to profit/loss									
Transfer on disposal of equity instruments designated as at FVOCI									IFRS9.B5.7.1
Transfer of excess depreciation	13								
Deferred tax on excess depreciation transfer									
Transfer on disposal of property, plant and equipment									
Reversal of deferred tax on disposal									IAS12.p61A(b)
Transfer to/from statutory reserve									
Transfer to/from loan loss reserve account	8								
Transactions with owners:									
Share issued for cash	25								
Dividends:									
- Final for 2019 (paid)	26(v)								
- Interim for 2020 (paid)	26(v)								
At end of year									

The notes on pages 13 to 81 form an integral part of these financial statements.

Report of the independent auditor - page 6.

NB. Transfers between reserves do not constitute other comprehensive income and should be reported on this statement.

STATEMENT OF CASH FLOWS IAS1.p10

	Notes	2021 Shs	2020 Shs
Cash flows from operating activities			
Interest income on loans and advances:	2 (a)		
Other interest income	2 (b)		
Interest paid on member deposits	16		
Interest paid on borrowings	18		
Interest paid on lease liabilities	19		
Net fee and commission income	2 (d)		
Other operating income	2 (e)		
Recoveries on loans previously written off	8		
Payment to employees and suppliers			
Increase/(decrease) in operating assets			
Loans and advances			
Debtors and prepayments			
Inventories			
Decrease/(increase) in operating liabilities			
Members deposits	17		
Creditors and accruals			
Net cash from operating activities before income taxes			
Income tax paid	5 (b)		
Net cash generated from/(used in) operating activities			
Investing activities			
Cash paid for purchase of property, plant and equipment	13		
Cash paid for purchase of investment properties	11		
Cash paid for in respect of right-of-use assets	12		
Cash paid for purchase of intangible assets	14		
Cash paid for purchase of financial assets	9		
Proceeds from disposal of property, plant and equipment			
Proceeds from disposal of investment properties			
Proceeds from disposal of financial assets			
Net cash generated from/(used in) investing activities			
Financing activities			
Proceeds from issue of investment shares	25		
Proceeds from borrowings	18		
Repayments of borrowings	18		
Payments of principal portion of the lease liability	19		
Dividends paid	26(v)		
Net cash generated from/(used in) financing activities			
Increase/(decrease) in cash and cash equivalents			
Movement in cash and cash equivalents			
At start of year			
Increase/(decrease) in cash and cash equivalents			
At end of year	6		

The notes on pages 13 to 81 form an integral part of these financial statements.

Report of the independent auditor - page 6.

NOTES IAS1.p10

1. **Significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. IAS1.p112, 117

Commentary
The identification of an entity's significant accounting policies is an important aspect of the financial statements. IAS 1.117 requires the significant accounting policies disclosures to summarise the measurement basis (or bases) used in preparing the financial statements, and the other accounting policies used that are relevant to an understanding of the financial statements. The significant accounting policies disclosed in this note illustrate some of the more commonly applicable accounting policies. However, it is essential that entities consider their specific circumstances when determining which accounting policies are significant and relevant and therefore need to be disclosed.

Covid-19 commentary

Background
Entities need to consider the impact of Covid-19 in preparing their financial statements. While the specific areas of judgement may not change, the impact of Covid-19 may have resulted in the application of further judgement within those areas. Although the financial year 2021 is the second annual reporting period impacted by the Covid-19 pandemic, the economic and financial impacts are still evolving, and further changes to estimates may need to be made in the measurement of of entities' assets and liabilities may still be necessary.

a) **Basis of preparation**

The financial statements have been prepared under the historical cost basis, except where otherwise stated in the accounting policies below and are in accordance with International Financial Reporting Standards. The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the society takes into account the characteristics of the asset or liability if market participants would take those characteristics into consideration when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 on 'Inventories' or value in use in IAS 36 on 'Impairment of Assets'. IFRS13.p9 IFRS13.p61-67

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

The financial performance of the society is set out in the report of the directors and in the statement of profit or loss and other comprehensive income. The financial position of the society is set out in the statement of financial position. Disclosures in respect of risk and capital management are set out in notes 28 and 29, respectively.

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.

NOTES

1. **Significant accounting policies (continued)**

a) **Basis of preparation (continued)**

NOTE: IF THERE ARE UNCERTAINTIES IN RELATION TO GOING CONCERN, THESE SHOULD BE DESCRIBED HERE.

Covid-19 commentary

Going Concern

Given the continued unpredictability of the impact of the outbreak, there may be material uncertainties that cast doubt on the entity's ability to operate as a going concern. IAS 1.25 requires management, when preparing financial statements, to assess an entity's ability to continue as a going concern, and whether the going concern assumption is appropriate. In assessing whether the going concern assumption is appropriate, the standard requires an entity to consider all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. When an entity is aware, in making its going concern assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, it must disclose those uncertainties. Entities will need to disclose the significant judgements made in the assessment of the existence of a material uncertainty. When making that assessment, management takes into consideration the existing and anticipated effects of the outbreak on the entity's activities. Management should consider all available information about the future that was obtained after the reporting date, up until the date of which the financial statements are issued in their assessment of going concern. This includes, but is not limited to, measures taken by governments and banks to provide relief to affected entities.

Considerations that an entity might disclose to address its going concern basis include:

- *Whether the entity has sufficient cash and / or headroom in its credit facilities to support any downturn whilst noting that the evolving nature of the Covid-19 pandemic means that uncertainties will remain, and it may not be able to reasonably estimate the future impact*
- *Actions the entity has taken to mitigate the risk that the going concern assumption is not appropriate such as activities to preserve liquidity*
- *Consideration of the entity's business model and related risks*
- *Any challenges of the underlying data and assumptions used to make the going concern assessment*

These financial statements comply with the requirements of the Sacco Societies Act No. 14 of 2008. The statement of profit or loss and other comprehensive income represents the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act. SSA 41.1

New standards, amendments and interpretations adopted by the society IAS 8.p28

This section only needs to include those standards that are effective and have had a material effect on the financial statements. More detail may be needed where there is a material effect on these financial statements - refer to IAS 8.28, including early adoption of standards.

The society applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The society has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

NOTES (CONTINUED)

1. **Significant accounting policies (continued)**

a) **Basis of preparation (continued)**

New standards, amendments and interpretations adopted by the society (continued) IAS 8.p28

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (continued)

These amendments had no impact on the financial statements of the Society. The Society intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 - Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Society has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within the allowed period of application.

For illustrative purposes, the society has listed all the disclosures of new and amended standards and interpretations that are effective from 1 January 2021, regardless of whether these have any impact on the society's financial statements. To the extent that an entity is not affected by a particular amendment, standard or interpretation, it is sufficient to disclose that fact together with its title.

New standards, amendments and interpretations issued but not effective

At the date of authorisation of these consolidated financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective for the year presented: IAS8.p30 IAS8.p31

- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current (issued in January 2020), effective for annual periods beginning or after 1 January 2023, clarify a criterion for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement for at least 12 months after the reporting date.

- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies (issued in February 2021)
  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

- Amendments to IAS 8 'Definition of Accounting Estimates' (issued in February 2021), effective for annual reporting periods beginning on or after 1 January 2023, introduce a definition of 'accounting estimates' and clarify the distinction between changes in accounting estimates and change in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

NOTES (CONTINUED)

1. **Significant accounting policies (continued)**

a) **Basis of preparation (continued)**

New standards, amendments and interpretations issued but not effective (continued)

- Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.
- Amendments to IAS 37 'Onerous Contracts – Costs of Fulfilling a Contract' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022, specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards 'Subsidiary as a first-time adopter' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.
- Amendments to IFRS 3 Business Combinations - The amendments added an exception to the the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. The amendments also clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.
- Amendment to IFRS 9 Financial Instruments 'Fees in the '10 per cent' test for derecognition of financial liabilities' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (issued in September 2014), applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.
- IFRS 17 'Insurance Contracts' (issued in May 2017), effective for annual periods beginning on or after 1 January 2023, establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The society does not issue insurance contracts.

The directors do not expect that adoption of these standards and interpretations will have a material impact on the financial statements in future periods. The society plans to apply the changes above from their effective dates.

Commentary IAS 8.30 requires disclosure of standards that have been issued but are not yet effective. These disclosures are required to provide known or reasonably estimable information to enable users to assess the possible impact of the application of such IFRSs on an entity's financial statements. The society has listed all standards and interpretations that are not yet effective, primarily for the illustrative purpose of these financial statements. An alternative that entities may consider would be to only list and address those which are expected to have an impact on the society's financial position, performance, presentation and/or disclosures.

NOTES (CONTINUED)

1. **Significant accounting policies (continued)**

b) **Significant accounting judgements, estimates and assumptions** IAS1.p122 IAS1.p125

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- **Measurement of expected credit losses (ECL):** IFRS9.p5

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD).

The ECL model applied for financial assets contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.
- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.
- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

Assessment of significant increase in credit risk: The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instrument's credit risk or PD at the reporting date and the credit risk or PD at the date of initial recognition. However, IFRS 9 includes rebuttable presumptions that contractual payments that are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The society uses these guidelines in determining the staging of its financial assets unless there is persuasive evidence available to rebut these presumptions.

NOTES (CONTINUED) IAS1.p10

1. **Significant accounting policies (continued)**

b) **Significant accounting judgements, estimates and assumptions (continued)** IAS1.p122 IAS1.p125

- **Measurement of Expected Credit Losses (ECL) (continued):** IFRS9.p5

The carrying amounts of the society's financial assets that are subject to impairment assessment are disclosed in notes xxx and xxx IAS1.p125

- **Useful lives, depreciation methods and residual values of property, plant and equipment, intangible assets and right-of-use assets**

Management reviews the useful lives, depreciation methods and residual values of the items of property, plant and equipment, intangible assets and right-of-use assets on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values. The carrying amounts of property, plant and equipment, right-of-use assets and intangible assets are disclosed in notes 13, 12 and 14, respectively. IAS1.p125

- **Accounting for leases under IFRS 16**

Management has made various judgements and estimates under IFRS 16 as detailed below:

Incremental borrowing rate: To determine the incremental borrowing rate, the society: IAS1.p112(c)

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease term/period: In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). IFRS16.p59b (ii), B50

For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the society is typically reasonably certain to extend (or not to terminate).
- If any leasehold improvements are expected to have a significant remaining value, the society is typically reasonably certain to extend (or not terminate).
- Otherwise, the society considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the society could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the society becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. IFRS16.p20

The carrying amounts of right-of-use assets and lease liabilities are disclosed in notes 12 and 9, respectively. IAS1.p125

NOTES (CONTINUED) IAS1.p10

1. **Significant accounting policies (continued)**

b) **Significant accounting judgements, estimates and assumptions (continued)** IAS1.p122,p125

- **Accounting for leases under IFRS 16 (continued)**

Other judgements and estimates may also require explanation in accounting for leases under IFRS 16 depending on the individual circumstances of the entity and the materiality of the amounts involved. These include: IAS1.p112,125 IFRS16.p51,59

(i) how the entity has determined whether a contract is, or contains, a lease
(ii) what is considered to be an index or rate in determining lease payments
(iii) how to account for costs incurred in connection with a lease that are not part of the cost of the right-of-use asset
(iv) the interpretation of what constitutes a penalty in determining the lease term/period.

- **Impairment of non-financial assets**

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the society is not yet committed to or significant future investments that will enhance the performance of the assets of the cash-generating unit (CGU) being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The carrying amounts of property, plant and equipment, right-of-use assets and intangible assets are disclosed in notes 13, 12 and 14, respectively. IAS1.p125

Covid-19 commentary

Given the level of uncertainty and the sensitivity of judgements and estimates, clear disclosure of the key assumptions used, and judgements made is particularly important in financial statements prepared during the Covid19 pandemic. Although assumptions may already have been updated for the impact of the Covid-19 pandemic in the previous year, entities should again carefully scrutinise their existing judgements and estimates as they may find additional areas in which they will need to make judgements and estimates.

c) **Revenue recognition**

Interest income

Interest income is recognised under the effective interest method. The effective interest is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the society estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. IFRS9.p5.4

Fee and commission income IFRS7.p20(c)

Fees and commission income, including account servicing fees and custody fees are generally recognised on an accrual basis when the service has been provided.

Other income

i) Rental income from operating leases is recognised on a straight-line basis over the period of the lease. IFRS16.p81
ii) Dividend is recognised when the right to receive income is established.

NOTES (CONTINUED)

1. **Significant accounting policies (continued)**

d) **Property and equipment**

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less accumulated depreciation (except as stated below). Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use. IAS16.p73(a)

Freehold land, buildings and plant and machinery are subsequently measured at fair value, based on periodic valuations, less subsequent depreciation. IAS16.p73(a)

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and credited to revaluation reserve in equity except to the extent that the increase reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. Decreases that offset previous increases of the same asset are charged to other comprehensive income. All other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings. IAS16.p39, 40,41

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the society and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred. IAS16.p12

Freehold land is not depreciated.

Depreciation on all other assets is calculated on the reducing balance basis *[or straight line if that applies]* method to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates: IAS16.p73(c)

	Rate %
Buildings	
Motor vehicles	
Furniture and fittings	
Office equipment	
Computer equipment	

IAS16.p73(c)

The assets' residual values, useful lives and methods of depreciation are reviewed at the end of each reporting period and adjusted prospectively, if appropriate,. IAS16.p51

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. IAS36.p59

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit or loss. On disposal of revalued amounts in the revaluation reserve relating to the particular assets being disposed of are transferred to retained earnings in the statement of changes in equity. IAS16.p67 IAS16.p68,71

NOTES (CONTINUED)

1. **Significant accounting policies (continued)**

e) **Non-current assets (or disposal groups) held-for-sale**

Non-current assets (or disposal groups) are classified as held-for-sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amounts and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. IFRS5.p6, 15 IFRS5. App A

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. IFRS5.p25

f) **Investment property**

Fair value model:

Investment property is property held to earn rentals or for capital appreciation or both. Investment property, which can include right-of-use assets, is initially recognised at cost including the transaction costs. Subsequently, investment property is carried at fair value representing the open market value at the reporting date determined by annual valuations carried out by external registered valuers/directors (Level xx). Gains or losses arising from changes in the fair value are included in determining the profit or loss for the year to which they relate. IAS40.p5/20/33/35

Subsequent expenditure on investment property where such expenditure increases the future economic value in excess of the originally assessed standard of performance is added to the carrying amount of the investment property. All other expenditure is recognised as an expense in the year which it is incurred.

Investment properties are derecognised either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. IAS40.p66 IAS40.p69

OR

Cost model:

Investment property is property held to earn rentals or for capital appreciation or both. Investment property, which can include right-of-use assets, is initially recognised at cost including the transaction costs. It is subsequently carried at cost less accumulated depreciation and accumulated impairment losses. IAS40.p6,56, 69

Depreciation is calculated using the straight line method to write down the cost of the property to its residual value over its estimated useful life using the following annual rates:

	Rate %
Freehold land	Nil
Leasehold land	Lease period
Buildings	2

Subsequent expenditure on investment property where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other expenditure is recognised as an expense in the year which it is incurred.

The assets' residual values, useful lives and methods of depreciation are reviewed at the end of each reporting period and adjusted prospectively, if appropriate. IAS40.56 IAS16.p51 IAS16.p61

The properties' carrying amounts are written down immediately to their recoverable amount if the carrying amount is greater than their estimated recoverable amount. IAS36.p59

Investment properties are derecognised either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition IAS40.p66 IAS40.p69

NOTES (CONTINUED)

1. **Significant accounting policies (continued)**

f) **Investment property (continued)**

Right-of use assets that meet the definition of investment property shall not be presented separately from investment property in the statement of financial position. IFRS 16.p48

g) **Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. IAS38.p24 IAS38.p74

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. IAS38.p107 IAS38.p108 IAS38.p109

Computer software

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are estimated to be ___ years. *(State how many years the asset is amortised over).* IAS38.p118(a),(b) IAS38.p4

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the society, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development staff costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives which is estimated to be ___ years. IAS38.p68,71 IAS38.p118(a),(b)

In the case that the society has development costs refer to IAS 38 para 57)

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss.

h) **Impairment of non-financial assets**

At the end of each reporting period, the society reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). IAS36.p9

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually. IAS36.p9,10

An impairment loss is recognised for the amount by which the carrying amount of an asset or a cash-generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, management determines the recoverable amount of the CGU to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash flows that are largely independent of cash inflows from other assets or groups of assets. IAS36.p6 IAS36.p9 IAS36.p66 IAS36.p59

NOTES (CONTINUED)

1. **Significant accounting policies (continued)**

h) **Impairment of non-financial assets (continued)**

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. IAS36.p30 IAS36.p55 IAS36.p6

Impairment losses of continuing operations are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation. IAS36.p60 IAS36.p61

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the society estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase. IAS36.p110 IAS36.p114 IAS36.p117 IAS36.p119

i) **Financial instruments** IFRS7.p21

Financial assets and financial liabilities are recognised when the society becomes a party to the contractual provisions of the instrument. Management determines the classification of financial instruments at initial recognition.

- *Financial assets* IFRS9.p4.1.2

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss.

The society's financial assets fall into the following categories:

Amortised cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent Solely Payments of Principal and Interest (SPPI), and that the are not designated at Fair Value Through Profit or Loss (FVTPL), are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance measured and recognised. Interest income from these financial assets is included in 'interest and similar income' using the effective interest method. IFRS9.p4.1.2

Fair Value Through Other Comprehensive Income (FVTOCI) - Debt instruments: Financial assets that are held for collection of contractual cash flows where these cash flows comprise SPPI and also for liquidating the assets depending on liquidity needs and that are not designated at FVTPL, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are computed in the same manner as for financial assets measured at amortised cost and recognised in profit or loss. Gains and losses previously recognised in OCI are reclassified from equity to profit or loss on disposal of such instruments. IFRS9.p4.1.2A

NOTES (CONTINUED)

1. **Significant accounting policies (continued)**

i) **Financial instruments (continued)** IFRS7.p21

- ***Financial assets (continued)*** IFRS7.p21

Financial assets designated at fair value through OCI - equity instruments: IFRS9.p5.7.5
Upon initial recognition, the society can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the society benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. IFRS 9.p5.7.1A IFRS 9.B5.7.1

The society elected to classify irrevocably its non-listed equity investments under this category.

Fair Value Through Profit or Loss (FVTPL): IFRS9.p4.1.4
Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the statement of profit or loss and other comprehensive income.

For the purpose of SPPI the test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement will not comprise SPPI.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The society determines the business models at a level that reflects how the society's financial assets are managed together to achieve a particular business objective. The society’s business model does not depend on management’s intentions for an individual instrument. Therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The society has more than one business model for managing its financial instruments which reflect how the society manages its financial assets in order to generate cash flows. The society’s business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The society considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the society does not reasonably expect to occur, such as so-called ‘worst case’ or ‘stress case’ scenarios.

NOTES (CONTINUED)

1. **Significant accounting policies (continued)**

i) **Financial instruments (continued)** IFRS7.p21

- *Financial assets (continued)* IFRS7.p21

The society takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the society's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the society determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The society reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the society has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Impairment IFRS7.p35F, IFRS9.p5.5.1

The society recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Cash and cash equivalents
- Loans and advances
- Other financial assets

No impairment loss is recognised on investments measured at FVTPL.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month expected credit loss (ECL), i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument. (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the12-month ECL. More details on the determination of a significant increase in credit risk are provided in note 28.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the society under the contract and the cash flows that the society expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate (EIR).

NOTES (CONTINUED)

1. **Significant accounting policies (continued)**

i) **Financial instruments (continued)**

- *Financial assets (continued)* IFRS7.p21

Impairment (continued) IFRS7.p35F, IFRS9.p5.5.1

For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the society if the holder of the commitment draws down the loan and the cash flows that the society expects to receive if the loan is drawn down.

For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the society expects to receive from the holder, the debtor or any other party.

The society measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate (EIR), regardless of whether it is measured on an individual basis or a collective basis.

More information on measurement of ECLs is provided in note 28 (b), including details on how instruments are grouped when they are assessed on a collective basis.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- contractual payments that are more than 90 days overdue;
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event, instead, the combined effect of several events may have caused financial assets to become credit-impaired. The society assesses whether all new and revised standards and interpretations that have become effective for the first time credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the society considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding .

Modification and derecognition of financial assets IFRS9.p32.3

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The society renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms.

NOTES (CONTINUED)

1. **Significant accounting policies (continued)**

i) **Financial instruments (continued)**

- ***Financial assets (continued)***

Modification and derecognition of financial assets (continued)

The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The society has an established forbearance policy which applies for corporate and retail lending.

When a financial asset is modified, the society assesses whether this modification results in derecognition. In accordance with the society's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the society considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants, among others. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

If the difference in present value is greater than 10% the society deems the arrangement is substantially different leading to derecognition.

In the case where the financial asset is derecognised, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated - credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The society monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the society determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the society's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the society's ability to collect the modified cash flows taking into account the society's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the society calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the society measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

NOTES (CONTINUED)

1. **Significant accounting policies (continued)**

i) **Financial instruments (continued)**

- ***Financial assets (continued)***

Modification and derecognition of financial assets (continued) IFRS9.p32.3

The society derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the society neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the society recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the society retains substantially all the risks and rewards of ownership of a transferred financial asset, the society continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the society retains an option to repurchase part of a transferred asset), the society allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Write-off IFRS7.p35F, IFRS9.p5.4.4

Loans and debt securities are written off through profit or loss when the society has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the society determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. The society may apply enforcement activities to financial assets written off. Any subsequent recoveries are credited to credit loss expense.

- ***Financial liabilities***

The society's financial liabilities which include _______,_________,_________________and fall into the following categories:

NOTES (CONTINUED)

1. **Significant accounting policies (continued)**

i) **Financial instruments (continued)** IFRS7.p35F

- ***Financial liabilities (continued)***

- **Financial liabilities at fair value through profit or loss:** financial liabilities that are acquired or incurred principally for the purpose of repurchasing in the near term or upon initial recognition is part of a portfolio that has a recent pattern of short term profit taking. Such liabilities are carried at fair value and the fair value gains or losses are included in profit or loss. This category has two sub-categories: IFRS9.p4.2.1A
  - financial liabilities held-for-trading and;
  - those designated at fair value through profit or loss at inception.

- **Financial liabilities measured at amortised cost :** These include borrowings, trade and other payables, _____ and ____________. These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method. IFRS9.p4.2.1

  Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in profit or loss under finance costs using the effective interest method.

  Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in profit or loss under finance costs.

  Fees associated with the acquisition of borrowing facilities are recognised as transaction costs of the borrowing to the extent that it is probable that some or all of the facilities will be acquired. In this case, the fees are deferred until the drawn down occurs. If it is not probable that some or all of the facilities will be acquired the fees are accounted for as prepayments under trade and other receivables and amortised over the period of the facility.

  General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially completed for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

  All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

- **Derecognition**

  A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss. IFRS9.p3.3.1 IFRS9.p3.3.2 IFRS9.p3.3.3

- **Offsetting financial instruments** IFRS7.p13A

  Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a currently enforceable legal right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

NOTES (CONTINUED)

1. **Significant accounting policies (continued)**

j) **Inventories** IAS2.p36(a)

Inventories comprise consumables and are valued at the lower of cost and net realisable value. Cost is determined on a first-in-first-out (FIFO) basis and comprises all costs attributable to bringing the consumables to their current location and condition. Net realisable value is the estimated purchase price to replace an item of consumables from a supplier.

k) **Cash and cash equivalents** IAS7.p45

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and financial assets with maturities of less than 3 months, net of bank overdrafts and money market lines.

Restricted cash balances are those balances that the society cannot use for working capital purposes and are reduced from cash and cash equivalents.

In the statement of financial position, bank overdrafts are included within borrowings in current liabilities.

l) **Investment shares** IAS32.p18(a)

Members' interests are classified as equity where the society has an unconditional right to refuse redemption of the members' shares. IAS32.p18(a)

Provisions in the Act, regulations or the Sacco by-laws impose unconditional prohibitions on the redemption of members' shares. However, members' shares are transferable among members.

m) **Reserves**

- **Statutory reserve**

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

- **Loan loss reserve**

Where impairment losses required by legislation or regulation exceed those calculated under International Financial Reporting Standards, the excess is recognised as a regulatory credit risk and accounted for as an appropriation of retained profits. This reserve is not distributable.

n) **Dividends** IAS10.p12

Dividends are recognised as a liabilities in the period in which they are approved by the society's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the society.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

o) **Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in the other comprehensive income or in equity. In this case, the tax is also recognised in other comprehensive income or equity. IAS12.p58 IAS12.p61(a)

Current tax
Current tax is provided on the results for the year, adjusted in accordance with tax legislation. IAS12.p46

Deferred tax
Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the carry forward of unused tax credits and tax credits and unused tax losses can be utilised. IAS12.p24 IAS12.p15 IAS12.p34 IAS12.p47

NOTES (CONTINUED)

1. **Significant accounting policies (continued)**

o) **Taxation (continued)**

Deferred tax (continued)

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recoverable entirely through sale unless presumption is rebutted. The presumption is rebutted when the investment property is depreciable and held within a business model whose objective is to consume substantially all its economic benefits embodied in it over time rather than through sale. IAS12.p51C

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. IAS12.p56

The society offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. IAS12.p74

p) **Accounting for leases**

The society assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16.9

The society as lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the society recognises a right-of-use asset and a lease liability. IFRS16.p22

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the society is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the society's incremental borrowing rate is used. IFRS 16.p26 IFRS 16.p27

For leases that contain non-lease components, the society allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components. IFRS 16.p12

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease. IFRS 16.p24

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments. IFRS 16.p36

Leasehold land and buildings are subsequently carried at revalued amounts, based on annual/triennial valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the society at the end of the lease term, the estimated useful life would not exceed the lease term. IFRS16.p35

NOTES (CONTINUED)

1. **Significant accounting policies (continued)**

p) **Accounting for leases (continued)**

The society as lessee (continued)

In cases where the right-of-use assets include a class of asset that is not present under property, plant and equipment, the entity must disclose the depreciation rates applicable to the assets classified under right-of-use Assets. The disclosure may be similar to the depreciation rates under the policy for property, plant and equipment.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to profit or loss. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost (excess depreciation) is transferred from the revaluation reserve to the retained earnings. IAS16.p39,40 41

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period. IFRS16.p6 IFRS16.p60

The society as lessor

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments received under operating leases are recognised as income in profit or loss on a straight-line basis over the lease term. IFRS16.p62 IFRS16.p81

Amounts due from lessees under finance leases are recognised as receivables at the amount of the society's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the society's net investment outstanding in respect of the leases.

Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position. IFRS16.p95

The depreciation policy for depreciable underlying assets subject to operating leases shall be consistent with the lessor's normal depreciation policy for similar assets. A lessor shall calculate depreciation in accordance with IAS 16 and IAS 38. IFRS16.p84
A lessor should disaggregate each class of PPE into assets subject to operating leases and assets not subject to operating leases and provide IAS 16 disclosures separately. IFRS16.p95

q) **Provisions**

Provisions for restructuring costs and legal claims are recognised 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 the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions for future operating losses are not recognised. IAS 37.p14, 72,63

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small. IAS 37.p24

The amount recognised as a provision is the best estimate of the present value of expenditures expected to be incurred to settle the obligation using a pre-tax rate that reflects the current market assessments of time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense in profit or loss under finance costs. IAS 37.p45

NOTES (CONTINUED)

1. **Significant accounting policies (continued)**

r) **Employee entitlements**

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

s) **Retirement benefit obligations**

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date.

The society operates a defined contribution staff retirement benefit scheme for its permanent and pensionable employees. The scheme is administered by an insurance company. The society's contributions to the defined contribution retirement benefit scheme are charged to profit or loss in the year to which they relate. The society has no further payment obligations once the contributions have been paid. IAS19. p44

OR

The society operates a defined benefit staff retirement scheme for its permanent and pensionable employees. The pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to profit or loss so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry a full valuation of the plan every three years. The retirement benefit obligation is measured as the present value of the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the functional currency in which the benefits will be paid, and that have terms to maturity approximating the term of the related pension liability. The liability/asset recognised in the statement of financial position is the present value of the retirement benefit obligations less the fair value of the plan assets. IAS19.p64 IAS19.p67 IAS19.p83 IAS19.p120(a) IAS19.p120(a)

Remeasurements of the net liability/asset are recognised in other comprehensive income, with no reclassification in a subsequent period. Remeasurements comprise actuarial gains/losses and the return on plan assets, excluding amounts included in net interest on the defined benefit liability/ asset. IAS19.p120(c) IAS19.p122 IAS19.p127

The society and its employees also contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The society's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

t) **Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. IAS1.p41,42

OR

There were no changes in presentation in the current year.

Where there is a voluntary change in accounting policies, the entity shall also disclose: IAS8.p29

- *Nature of change in the accounting policy*
- *Reasons for the change in the policy and how the change in the policy provides reliable and more relevant information*
- *For the current period and each prior period presented, the amount of the adjustment for each financial statement line item*
- *The amount relating to periods before those presented*
- *Circumstances leading to impracticability of retrospective application and a description of how and from when the change has been applied*

If an entity changes the presentation or classification of items in its financial statements, it shall reclassify comparative amounts unless reclassification is impracticable, and disclose (including at the beginning of the preceding period):

- *Nature of the reclassification*
- *Amount of each item or class of items that is reclassified*
- *Reason for the reclassification*
- *If impracticable to reclassify comparative amounts:*
  - *the reason for not reclassifying the amounts*
  - *nature of adjustments that would have been made if the amounts had been reclassified*

NOTES (CONTINUED)

	2021 Shs	2020 Shs	
2. **Revenue**			IAS18.p29-35
a) **Interest income on loans and advances:**			IFRS7. p20(b) IFRS15.p114
Retail customers:			
- Mortgage lending			
- Other asset finance			
- Personal loans			
Corporate customers			
Total interest income on member loans and advances			
b) **Other interest income**			IFRS7.p20(b)
Interest income:			
- fair value through profit or loss financial assets			
- financial assets at fair value through other comprehensive income			
- financial assets at amortised cost			
c) **Interest expenses**			
i) Statement of profit or loss and other comprehensive income			SSAD.SOI 4:4.4
Interest expense:			IFRS7.p20(b)
- bank loans			
- members deposits			
- bank overdrafts			
- lease liabilities			IFRS16.p53(b)
- other borrowings			
ii) Statement of changes in equity			
Dividend paid during the year			SSAD.SOI 4:4.4
d) **Fee and commission income**			IAS18.p14
Fee and commission income			IFRS7.p20
Service fee			
Appraisal fees			
Other fees			
Commission (Mpesa, Msacco, ATM)			
Total fee and commission income			
Fee and commission expense			
Inter bank transaction fee			
Brokerage fee			
Other			
Total fee and commission expense			
Net fee and commission income			

Net fee and commission income represents transaction income in the Sacco Societies Act No. 14 of 2008

NOTES (CONTINUED)

2. e) **Other operating income**

	2021 Shs	2020 Shs	
i) **Other income from core operating activities**			
Dividend income:			IAS18.p29-30
- FVTPL			
- FVTOCI			
Fair value losses/gains			IAS18.p20(a)
- FVTPL			
- FVTOCI			
- investment property			
Profit on disposal of property and equipment			IAS16.p67-68
Profit on disposal of investment property			IAS40.p69
Profit on disposal of financial assets			IAS18.p20(a)
- FVTPL			
- FVTOCI			
Net investment property rental income (Note 11)			
Insurance claims			
Bad debts recovered (Note 8)			
ii) **Income from non-core operating activities**			SSAD- SOI 9
Business development services			
Consulting services			
Commissions from insurance			
Sale of merchandise			
Total other income			

Included in rental income above for the year ended 31 December 2021 is Shs. Xxx (2020: Sh.Xxx) of income from sub-leasing of right-of-use assets. IFRS16. p53(f)

For a better understanding to a reader of the financial statements, a brief description of any unclear items under other operating income may be given. This is not mandatory. SASRA requires that income from non-core business income be disclosed separately

f) **Total revenue from contracts with customers** IFRS15.p113

	2021 Shs	2020 Shs
Interest income (Note 2(a))		
Fee and commission income (Note 2(d))		
Total revenue from contracts with customers		

3. **Operating surplus before tax**

The following items have been charged in arriving at net operating surplus:

	2021 Shs	2020 Shs	
a) Administration expenses			SSAD- SOI 7:7.5
Travelling and subsistence			
Printing and stationery			
Ushirika day celebrations			
Computer expenses			
Supervision fees to the Commissioner			
Auditors' remuneration			
Legal fees			
Impairment of property and equipment			
Donations			

NOTES (CONTINUED)

3. **Operating surplus before tax (continued)**

	2021 Shs	2020 Shs	
The following items have been charged in arriving at net operating surplus:			
b) Impairment provision			
c) Other operating expenses			SSAD- SOI 7:7.5
Land rates			SSAD- SOI 7:7.4
Short term leases			IFRS16.p53(c)
Low value leases			IFRS16.p53(d)
Variable lease payments not included in the measurement of lease liabilities			IFRS16.p53(e)
Water, fuel and electricity			
Insurance expenses – Property only			
Repairs and maintenance			
Depreciation on property and equipment			
Depreciation on right-of-use assets			
Amortisation of intangible assets			
SASRA Levy			

SASRA rules require disclosure of expenses not disclosed in other categories. Disclosure of key expenses can be done in notes and the rest in the appendix. SASRA requires that expenses from non-core business income be disclosed separately

	2021 Shs	2020 Shs	
d) Governance expenses (member related costs)			SSAD- SOI 7:7.2
Board meetings			
Members education			
Sitting allowance			
AGM expenses			
e) Marketing expenses			SSAD- SOI 7:7.3
Public relations and advertisements			
Product development and promotion			

4. **Staff costs**

	2021 Shs	2020 Shs	
Staff costs			IAS19.p142
Staff leave accrual (Note 22)			
Pension costs:			IAS19.p46
- defined contribution scheme			
- defined benefit scheme (Note 23)			
- National Social Security Fund			
- other post employment benefits			

NOTES (CONTINUED)

5. a) **Tax**

	2021 Shs	2020 Shs	
Current tax			IAS12.p80 (a)
Deferred tax charge/(credit) relating to the origination and reversal of temporary differences (Note 15)			IAS12.p80 (c)
Deferred tax charge/(credit) relating to change in tax rate (Note 15)			IAS12.p80 (d)
Write-down/(reversal of write-down) of a deferred tax asset			IAS12.p80(g)
(Over)/under provision in prior years on:			IAS12.p80 (b)
- current tax			IAS12.p80 (b)
- deferred tax			IAS12.p80 (b)
Tax charge/(credit)			

The tax on the society's profit/(loss) before tax differs from the theoretical amount that would arise using the basic rate as follows: IAS12.p81(c)

	2021 Shs	2020 Shs	
Profit/(loss) before tax			
Tax calculated at a tax rate of 30% (2020: 25%)			IAS12.p81(c)
Tax effect of:			IAS12.p81(c)
- expenses not deductible for tax purposes			
- income not subject to tax			
- utilisation of previously unrecognised tax losses			IAS12.p80(e)
- tax losses on which no deferred tax has been recognised			
- deferred tax assets not recognised			
- (over)/under provision in prior years			IAS12.p80(b)
- deferred tax expense/(income) resulting from changes in tax rates			IAS12.p81(d)
- Write-down/reversal of a deferred tax asset			
- effect of lower tax rate on capital gains			
Tax charge/(credit)			
Effective rate of tax			IAS12.p86

The increase/decrease was caused by……………………………………………………………

	2021 Shs	2020 Shs	
Total tax charged to:			IAS12. p81(a,b)
- profit or loss			
- other comprehensive income			
- equity			

The statutory tax rate was increased to 30% for the year of income 2021 by the Tax Laws (Amendment) (No. 2) Act 2020.

The effective rate of tax for current and prior period and the reasons for the change between the two years is a mandatory requirement by IAS 12 - para 81 (d).

b) **Tax (payable)/recoverable**

	2021 Shs	2020 Shs
At start of year		
Income tax expense		
Tax paid		
At end of year		

NOTES (CONTINUED)

6. **Cash and cash equivalents**	**2021 Shs**	**2020 Shs**
Cash and bank balances		
Expected credit losses on bank balances		
Impairment provision		
At start of the year		
Changes relating to bank balances		
Other changes *(specify)*		
At end of the year		
Cash in hand		
Cash at bank		
Short term deposits		
Total		

The weighted average effective interest rate on short-term bank deposits at year-end was ….% (2020: ….%).

For the purpose of the statement cash flows, the year end cash and cash equivalents comprise the following: IAS7.p45

	2021 Shs	**2020 Shs**	
Cash and bank balances			IAS7.p8
Financial assets maturing within 91 days (Note 9)			
Bank overdraft (Note 18)			
Less: Short term bank deposits held under lien (restricted cash balances)			

Any restrictions on funds should not form part of cash and cash equivalents as per IAS 7.

Short term bank deposits amounting to Shs. … were placed under lien. IAS7.p45

As at 31 December 2021 bank balances amounting to Shs. ____________ are held with financial institutions that are under statutory management.

7. **Receivables and prepayments**	**2021 Shs**	**2020 Shs**
Prepayments		
Other receivables		

In the opinion of the directors, the carrying amounts of receivables and prepayments approximate their fair value.

Note: where receivables and prepayments include material financial assets, necessary disclosures of expected credit loss provision should be included.

If any trade and other receivables are discounted, then the discount rate must be disclosed.

Sacco societies are prohibited from foreign trade operations refer to (SSA 15 (a))

8. **Loans and advances**

		2021 Shs	2020 Shs
Loans and advances to customers at amortised cost	(i)		
Less: impairment provision	(ii)		
Total loans and advances to customers			

(i) **Loans and advances to customers at amortised cost** IFRS7R.p8(f)

	2021 Gross amount Shs	2021 ECL provision Shs	2021 Carrying amount Shs	2020 Gross amount Shs	2020 ECL provision Shs	2020 Carrying amount Shs
Retail customers						
Mortgage lending						
Other asset finance						
Personal loans						
Corporate customers						

The impairment provision includes the following:-

	Provisions as per statutory regulations	ECL provisions as per IFRS 9	Transfer to/(from) statutory loan reserves
Loans and advances to customers: Mortgages			
Loans and advances to customers: Other asset finance			
Loans and advances to customers: Personal loans (unsecured)			
Loans and advances to customers: Corporate lending			

Statutory provisions are analysed as follows:	2021 Shs	2020 Shs
0 Days (Performing - 1%)		
1- 30 Days (Watch - 5%)		
31 - 180 Days (Substandard - 25%)		
181- 360 Days (Doubtful - 50%)		
Over 361 Days or 12 Instalments over due (Loss Account - 100%)		

SSAD 44.1

(ii) **IFRS 9 provisions** IFRS7R. p35 H

Reconciliation from opening to closing balance of loss allowance for loans and advances to customers at amortised cost for 2021 is shown below; comparative amounts for 2020 represent total allowance account for credit losses under stages 1, 2 and 3.

NOTES (CONTINUED)

8. **Loans and advances (continued)**

(ii) **IFRS 9 provisions (continued)**

	2021				2020
	Stage 1 12-month ECL Shs	Stage 2 Lifetime ECL Shs	Stage 3 Lifetime ECL Shs	Total Shs	Shs
At start of the year					
- Changes in the gross carrying amount:					
- Transfer to stage 1					
- Transfer to stage 2					
- Transfer to stage 3					
- Write-offs					
- Recoveries of amounts previously written off					
- Changes due to modifications that did not result in derecognition					
- Net remeasurement of impairment provisions					
- New financial assets originated or purchased					
- Financial assets that have been derecognised					
- Changes in models/risk parameters					
At end of year					

The society has a loan guard policy on all classes of loans issued by ....in which there is compensation of insured loan balance in the event of death or total permanent disability of a member.

In the opinion of the directors, the carrying amounts of loans and advances to customers approximate their fair value.

The effective interest rate on loans is …..% (2020: …..%)

Loans to insiders SAS- 42(a)

Insiders are deemed to be employees, members of supervisory committees and directors of the society. The following loans were granted to insiders:

	2021 Shs	2020 Shs
Total loans advanced during the year		
Total loans outstanding at the end of the year:		
Loans to key management		
Loans to directors		
Loans to supervisory committee members		
Loans to other employees		
Total loans		

Non-remitted deductions VD

The society works with various employer-institutions to remit deductions made from employees' emoluments. Below is an analysis of non-remitted deductions as at the end of year:

	2021 Shs	2020 Shs
Over 3 months		
Over 6 months		
Over 1 year		

NOTES (CONTINUED)

9. **Other financial assets**

Financial assets comprise the following:

a) **Fair value through profit or loss financial assets** — IFRS7.p8

	2021 Shs	2020 Shs
At start of year		
Additions		
Disposals		
Fair value gains/(losses)		
Interest		
At end of year		

Below is a summary of the financial assets held at fair value through profit or loss:

Institution A		
Institution B		
Others		

b) **Fair value through other comprehensive income**

i) **Investment in quoted shares**

At start of year		
Additions		
Disposals		
Fair value gains/(losses)		
Interest		
At end of year		

Below is a summary of financial assets at FVTOCI held in quoted companies:

Institution A		
Institution B		
Others		

ii) **Investment in non-quoted shares**

At start of year		
Additions		
Disposals		
Fair value gains/(losses)		
Interest		
At end of year		

Below is a summary of financial assets at FVTOCI held in non-quoted companies

Institution A		
Institution B		
Others		

Should also disclose the following:

- *reasons why the equity investments have been designated to be measured at FVTOCI* — IFRS&.p11A
- *dividends recognised during the period, showing separately those relating to investments derecognised during the period and those relating to investments held at the end of the period* — IFRS&.p11B
- *any transfers of cumulative gain or loss within the period and the reason for such transfers*
- *reasons for disposals during the period, fair value of the investments at the date of derecognition and the cumulative gain/loss on disposal*

NOTES (CONTINUED)

9. **Other financial assets (continued)**

c) **Amortised cost**

	2021 Shs	2020 Shs
At start of year		
Additions		
Liquidation/disposal		
Amortisation		
Interest		
At end of year		

Financial assets at amortised cost can be analysed as follows:

Maturing within 91 days (Note 6)		
Maturing after 91 days		
Total other financial assets		

During the year the society transferred gains/(losses) amounting to Shs. …. (2020: Shs. ….) from (name reserve) to retained earnings included in this amount is a loss of Shs. …. (2020: Shs. ….) relating to impairment of 'FVTOCI' financial assets.

The fair values of the unquoted shares are based on discounted cash flows using a rate based on the market interest rate and risk premium specific to the unquoted shares of __% (2020: ……%).

The above should be amended depending upon the valuation technique for investment held.

None of the financial assets (non-equity) is either past due or impaired.

The fair values of the financial assets are categorised under Level 1 based on the information set out in accounting policy 1(a).
OR
The fair values of financial assets are categorised as follows based on the information set out on accounting policy 1(a).

Year ended 31 December 2021	**Level 1 Shs**	**Level 2 Shs**	**Level 3 Shs**	**Total Shs**
Fair value through profit or loss				
Fair value through other comprehensive income				
Amortised cost				

IFRS13.p93
IFRS7.p25
IFRS7.p13.97

Year ended 31 December 2020	**Level 1 Shs**	**Level 2 Shs**	**Level 3 Shs**	**Total Shs**
Fair value through profit or loss				
Fair value through other comprehensive income				
Amortised cost				

The fair value of financial statements included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis with the more significant inputs being the discount rate that reflects the credit risk of counter parties IFRS13.p97 IFRS13.p93(d)

Credit risk primarily arises from the changes in the market value and the financial stability of the respective quoted companies, issuers of commercial bonds and investment funds. IFRS7.p36(a)

NOTES (CONTINUED)

9. **Other financial assets (continued)**

Management monitors the credit quality of financial assets by: IFRS7.p33
- discussion at the management and board meetings;
- reference to external historical information available;
- discussions with the society's investment advisors;

The maximum exposure to credit risk as at reporting date is the carrying amounts of the financial assets as disclosed above. IFRS7.p9(a)

None of the financial assets are impaired.

Additional notes for financial assets measured at amortised cost (tailor as necessary):

The society has not reclassified any financial assets measured at amortised cost to fair value during the year.

If any reclassifications have been done, then the amounts, including comparatives must be disclosed.

There were no gains or losses arising from the disposal of financial assets measured at amortised cost during the years ended 31 December 2021 and 31 December 2020 as all these were derecognised at their redemption date.

If any disposals were made, then the amount of gains/losses, including comparatives must be disclosed

Reconciliation of level 3 fair value measurements

	2021 Shs	**2020 Shs**
At start of year		
Total gains or losses:		
- in profit or loss		
- in other comprehensive income		
Purchases		
Issues		
Disposals/settlements		
Transfers out of level 3		
At end of year		

10. **Inventories**

Consumables			IAS2p.36(b)
Less: impairment provision			

11. **Investment properties**

	2021 Shs	**2020 Shs**	
Fair value model - This heading should not be included			IAS40.p76
At start of year			
Transfers from/(to) property and equipment (Note 13)			
Fair value gains/(losses)			
Additions			
Disposals			
At end of year			

The fair value of investment property was determined by reference to the market prices of similar properties of the type and in the area in which the property is situated. The valuation was carried out by (name of valuer) an independent professional valuer (or one employed by the company if this is the case) with recent experience in the location and category of the investment property being valued. IAS.40p75(e) IAS.40p75(d)

NOTES (CONTINUED)

11. **Investment properties (continued)**

The fair valuation of investment property is considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the property, consistent with prior periods. Management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs. There were no transfers between level 1, 2 or 3 fair values during the year.

The table above presents the changes in the carrying amount of the investment property arising from these fair valuation assessments.

(If there has been no such valuation, that fact shall be disclosed.)

OR

Cost model- The heading should not be included

IAS40.p79

Year ended 31 December 2021	Freehold land Shs	Buildings Shs	Total Shs
Cost			
At start of year			
Transfers from/(to) property and equipment (Note 13)			
Additions			
Disposals			
At end of year			
Accumulated depreciation			
At start of year			
Transfers from/(to) property and equipment (Note 13)			
On disposal			
Charge for the year			
At end of year			
Net carrying amount			
Fair value			

Year ended 31 December 2020	Freehold land Shs	Buildings Shs	Total Shs
Cost			
At start of year			
Transfers from/(to) property, plant and equipment (Note 13)			
Additions			
Disposals			
At end of year			
Accumulated depreciation			
At start of year			
Transfers from/(to) property, plant and equipment (Note 13)			
On disposal			
Charge for the year			
At end of year			
Net carrying amount			
Fair value			

NOTES (CONTINUED)

11. **Investment properties (continued)**

The following amounts are included under profit or loss in respect of the investment properties:

	2021 Shs	2020 Shs	
Rental income			
Less: direct rental expenses arising from investment properties that generate rental income			
Less: direct rental expenses arising from investment properties that do not generate rental income			
Net rental income/(loss) (Note 2)			IAS40.p75(f)

Impairment losses amounting to Shs. ___ have been recognised in profit or loss under establishment expenses. IAS36.p126(a)

Impairment losses previously recognised amounting to Shs. ___ have been reversed in profit or loss under establishment expenses. IAS36.p126(b)

The impairment loss/reversal of previously recognised impairment losses were as a result of _______________ . The recoverable amount used in determining the impairment loss/reversal is the value in use/fair value less costs of disposal. A discount rate of __% was used in the calculation of the value in use. IAS36.p130

The society has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

12. **Right-of use assets**

Year ended 31 December 2021	Land Shs	Buildings Shs	Motor vehicles Shs	Total Shs	
Carrying Amount					
At start of year					
Additions					IFRS16.p53(h)
Revaluation surplus					
Reversal of accumulated depreciation on valuation					
Disposals					
Depreciation charge for the year					IFRS16.p53(a)
At end of year					IFRS16.p53(j)
Year ended 31 December 2020					
At start of year					
Additions					
Disposals					
Depreciation charge for the year					
At end of year					

NOTES (CONTINUED)

12. **Right-of use assets (continued)**

The society leases various offices, warehouses, motor vehicles and office equipment. The leases of offices and warehouses are typically for periods of between 7 and 99 years, with no options to renew. Lease of motor vehicles are typically for periods of between 2 and 5 years, while leases of office equipment are for periods of not more than 12 months. None of the leases contains any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee. IFRS16.p59

OR/AND

The society leases various vehicles and machinery under non-cancellable lease agreements. The lease terms are between ….. and ….. years, and ownership of the assets lie within the society. IFRS 16.p59c

Leasehold land, buildings and plant and machinery were professionally valued on (date of valuation) (name of independent registered valuer) on the basis of open market value for freehold land and buildings and on replacement cost for plant and machinery. The carrying amounts of the properties were adjusted to the revaluation amounts and the resultant surplus, net of deferred tax, was credited to other comprehensive income. IFRS16.p57 IAS16. p77

If the leasehold land and buildings were stated on the historical cost basis, the carrying amounts would be Shs. Xxx.

In the statement of cash flows, the amount for payments for right-of-use assets represents: IAS16.p77(e)

	2021 Shs	**2020 Shs**
Additions, as above		
Less: amounts financed through finance leases		

For information on the related lease liabilities, see Note 19.

NOTES (CONTINUED)

13. **Property and equipment**

Year ended 31 December 2020

	Freehold land Shs	Buildings Shs	Motor vehicles Shs	Furniture and fittings Shs	Office equipment Shs	Computer equipment Shs	Capital work-in-progress Shs	Total Shs	IAS16.p73 (d),(e)
Cost or valuation									
At start of year									
Additions									
Disposals									
Transfer to disposal group - classified as held-for-sale (Note 24)									
Reversal of accumulated depreciation on revaluation									
Surplus on revaluation									
At end of year									
Comprising									
Cost									
Valuation									
Accumulated depreciation									
At start of year									
On disposals									
Reversal of accumulated depreciation on revaluation									
Transfer to disposal group - classified as held-for-sale (Note 24)									
Charge for the year									
At end of year									
Net carrying amount									

NOTES (CONTINUED)

13. **Property and equipment (continued)**

Year ended 31 December 2020

	Freehold land Shs	Buildings Shs	Motor vehicles Shs	Furniture and fittings Shs	Office equipment Shs	Computer equipment Shs	Capital work-in-progress Shs	Total Shs	IAS16.p73 (d),(e)
Cost or valuation									
At start of year									
Additions									
Disposals									
Transfer to disposal group - classified as held-for-sale (Note 24)									
Reversal of accumulated depreciation on revaluation									
Surplus on revaluation									
At end of year									
Comprising									
Cost									
Valuation									
Accumulated depreciation									
At start of year									
On disposals									
Reversal of accumulated depreciation on revaluation									
Transfer to disposal group - classified as held-for-sale (Note 24)									
Charge for the year									
At end of year									
Net carrying amount									

NOTES (CONTINUED)

13. **Property and equipment (continued)**

Freehold land and buildings with a carrying amount of Shs._________ have been pledged as security against borrowings as disclosed in Note 18. IAS16.p74(a)

Freehold land, buildings and plant and machinery were professionally valued on (date of valuation) by (name of independent registered valuer) on the basis of open market value for freehold land and buildings and on replacement cost for plant and machinery. The carrying amounts of the properties were adjusted to the revaluation amounts and the resultant surplus, net of deferred tax, was credited to other comprehensive income. IAS16.p77 (a)-(d)

In determining the valuations for land and buildings, the valuer refers to current market conditions including recent sales transactions of similar properties - assuming the highest and best use of the properties. For plant and machinery, current replacement cost adjusted for the depreciation factor of the existing assets is used. There has been no change in the valuation technique used during the year compared to prior periods.

The fair valuation of property and equipment is considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets and replacement costs for plant and machinery. Management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs. There were no transfers between level 1, 2 or 3 fair values during the year.

The table below presents the changes in the carrying amounts of the property and equipment arising from these fair valuation assessments.

The fair value of the various classes of property and equipment are as follows: IAS16.p79 VD

	2021 Shs	2020 Shs
Buildings		
Plant and machinery		
Motor vehicles		

If the freehold land, buildings and plant and machinery were stated on the historical cost basis, their carrying amounts would be as follows:

	Other assets Shs	Freehold land Shs	Buildings Shs	Plant and machinery Shs	Total Shs
Year ended 31 December 2021					
Cost					
Accumulated depreciation					
Net carrying amount					
Year ended 31 December 2020					
Cost					
Accumulated depreciation					
Net carrying amount					

During the year, the society has capitalised borrowing costs amounting to Shs. ………. (2020: Shs. ….) on qualifying assets. Borrowing costs were capitalised at a weighted average rate of its general borrowings of …….% IAS23.p26(a)

IAS7.e, i

	2021 Shs	2020 Shs
Reconciliation of additions during the year		
Additions acquired by cash payments		
Additions acquired through borrowings		
- bank borrowings		
- other borrowings		

NOTES (CONTINUED)

13. **Property and equipment (continued)**

OR

All the additions made during the year were made through cash payments.

Property and equipment with a net carrying amount of Shs. ____ is temporarily idle. Property and equipment with a net carrying amount of Shs. ___ has been retired from active use and has not been classified as held-for-sale. IAS16.p79(c) VD

The gross carrying amount of fully depreciated property and equipment was Shs.________. IAS16.p79(b) VD

The ongoing capital work-in-progress relates to _________________________.

Property and equipment transferred to the disposal group classified as held-for-sale amounts to Shs ………. and relates to assets that are used by branch xyz. See note 24 for further details regarding the disposal group held-for-sale IAS16. p73(e) (ii)

The disclosure on impairment is only needed if there is an impairment loss and there is no need to mention that there is NO impairment loss. IAS36. p126(a)

Impairment losses amounting to Shs. ___ (2020: Shs….) have been recognised in profit or loss under operating expenses.

Impairment losses previously recognised amounting to Shs. ___ have been reversed in profit or loss under other operating expenses. IAS36. p126(b)

Impairment losses on revalued assets amounting to Shs. ___ have been recognised in other comprehensive income. IAS36. p126(c)

The impairment loss/reversal of previously recognised impairment losses were as a result of______________ . The recoverable amount used in determining the impairment loss/reversal is the value in use/fair value less costs of disposal. A discount rate of __% was used in the calculation of the value in use. IAS36. p130

14. **Intangible assets**

	Software costs Shs	Patents and trademarks Shs	Total Shs	
Year ended 31 December 2021				IAS38.p118 c
Cost				
At start of year				
Additions				
Transfer to disposal group classified as held-for-sale (Note 24)				
At end of year				
Accumulated amortisation				
At start of year				
Charge for the year				
Transfer to disposal group classified as held-for-sale (Note 24)				
At end of year				
Net carrying amount				

NOTES (CONTINUED)

14. **Intangible assets (continued)**

Year ended 31 December 2020	**Software costs Shs**	**Patents and trademarks Shs**	**Total Shs**
Cost			
At start of year			
Additions			
Transfer to disposal group classified as held-for-sale (Note 24)			
At end of year			
Accumulated amortisation			
At start of year			
Charge for the year			
Transfer to disposal group classified as held-for-sale (Note 24)			
At end of year			
Net carrying amount			

Intangible assets with a carrying amount of Shs. _______ have been pledged as security against bank borrowings. IAS38.p122(d)

Intangible assets with a cost of Shs._________ have been fully amortised. IAS38.pDV128(a)

Other intangible assets include capitalised costs relating to internally developed software.

Impairment losses amounting to Shs. ___ have been recognised in profit or loss under other operating expenses. IAS36.p126(a)

Impairment losses previously recognised amounting to Shs. ___ have been reversed in profit or loss under other operating expenses. IAS36.p126 (b)

The impairment loss/reversal of previously recognised impairment losses were as a result of______________ . The recoverable amount used in determining the impairment loss/reversal is the value in use/fair value less costs of disposal. A discount rate of __% was used in the calculation of the value in use. IAS36.p130

The society has not recognised an internally generated trademark of which the estimated market value based on the directors' judgement amounts to Shs.__________ as this does not meet the criteria of….. IAS38.p128(B) VD

Intangible assets transferred to the disposal group classified as held-for-sale amount to Shs….. and relate to assets that are used by (name branch). See note 24 for further details regarding the disposal group held-for-sale. IAS38.p118(e)

NOTES (CONTINUED)

15 **Deferred tax**

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2020: 30%) on temporary differences other than fair value gains on financial assets and investment property which apply a rate of 5% (2020: 5%) as the rate for capital gains tax. The movement on the deferred tax account is as follows:

	2021		2020	
	Effect of change of tax rate at the beginning of the year Shs	Origination and reversal of temporary differences Shs	Origination and reversal of temporary differences Shs	
At start of year				
Charge/(credit) to profit or loss (Note 5)				IAS12.p80(c)
Charge/(credit) to other comprehensive income				IAS12.p81(a)
At end of year				
Charge/(credit) to other comprehensive income relate to:				IAS12.p81(ab)
Items that will not be reclassified subsequently to profit or loss:				
Gains/(losses) on property and equipment revaluation				
Change in fair value of equity instruments designated as at FVTOCI				
Remeasurement of defined benefit asset/liability				
Items that may be reclassified subsequently to profit or loss:				
Gains/(losses) on investments in debt instruments at FVTOCI				
Reclassification to profit or loss: gain on disposal of debt instruments measured at FVTOCI				

Deferred tax (assets)/liabilities in the statement of financial position, deferred tax charge/(credit) to other comprehensive income and deferred tax charge/(credit) to profit or loss are attributable to the following items: IAS12.p81(g)

NOTES (CONTINUED)

15. **Deferred tax (continued)**

		Effect of change of tax rate at the beginning of the year		Origination and reversal of temporary differences		
Year ended 31 December 2021	**At start of year Shs**	**Charge/ (credit) to profit or loss Shs**	**Charge/(credit) to other comprehensive income Shs**	**Charge/ (credit) to profit or loss Shs**	**Charge/(credit) to other comprehensive income Shs**	**At end of year Shs**
Property and equipment						
- accelerated tax depreciation						
- revaluation						
Right-of-use assets						
- accelerated tax depreciation						
- revaluation						
Investment property at fair value						
Other financial assets carried at fair value						
Provisions						
Lease liabilities						
Retirement benefit obligations						
Other timing differences						
Net deferred tax (assets)/ liabilities						
Year ended 31 December 2020						
Property and equipment						
- accelerated tax depreciation						
- revaluation						
Right-of-use assets						
- accelerated tax depreciation						
- revaluation						
Investment property at fair value						
Other financial assets carried at fair value						
Provisions						
Lease liabilities						
Retirement benefit obligations						
Other timing differences						
Net deferred tax (assets)/ liabilities						

NOTES (CONTINUED)

16. **Interest due to members**	**2021 Shs**	**2020 Shs**	
At the start of the year			
Provisions for the year			
Payments during the year			
At end of year			

17. **Members' deposits**			
Savings deposits			
At the start of the year			
Contributions during the year			
Withdrawals/refunds during the year			
Short term deposits			
At the start of the year			
Deposits during the year			
Withdrawals/refunds during the year			
Fixed deposits account			
At the start of the year			
Deposits during the year			
Withdrawals/refunds during the year			
Non withdrawable			
At the start of the year			
Deposits during the year			
Total Member savings			SSA 42 a

The following members hold more than 25% of total members deposits

Name	Shares held	**2021** %	**2020** %
Member 1	....		
Member 2	....		
Others	....		

OR

There are no members holding more than 25% of total members deposits.

As at the end of the year, members holding the following deposits had applied for withdrawal of membership and refund: VD

	2021 Shs	**2020 Shs**
Within 3 months		
Within 6 months		
Over 1 year		

NOTES (CONTINUED)

18. **Borrowings**

	2021 Shs	2020 Shs	
The borrowings are made up of the following:			IFRS7.p8F
Non-current			
Bank borrowings			
Borrowings from related parties (Note 27 (vii))			
Other borrowings			
Current			
Bank overdraft (Note 6)			
Bank borrowings			
Borrowings from related parties (Note 27 (vii))			
Other borrowings			
Total borrowings			

Reconciliation of liabilities arising from financing activities: IAS7.p44A

	2021 Shs	2020 Shs	
At start of year			
Interest charged to profit or loss			IAS23-p29
Borrowing costs capitalised during the year			
Cash flows:			
- Operating activities (interest paid)			
- Proceeds from borrowings			
- Repayments of borrowings			
At end of year			

The borrowings are secured by the following: IFRS7.p14

a) …………………..
b) …………………..
c) …………………..

The borrowing facilities expiring within one year are subject to review at various dates during the next financial year. IFRS7.p31

The following borrowings were higher than the core-capital: SSA 42(b)

	Amount Shs	Core capital Shs	Excess Shs
Borrowing from Bank A Ltd	....	....	....

The following borrowings were in excess of 25% of the total assets SSAD 35.1

	Amount Shs	Total assets Shs	Excess Shs
Borrowing from Bank A Ltd	....	....	....

The above limit has been waived by SASRA after successfully demonstrating the need to raise the limit and the waiver request granted.

OR

There are no borrowings exceeding the core capital nor are there any borrowings exceeding 25% of the total assets.

NOTES (CONTINUED)

18. **Borrowings (continued)**

The exposure of the society's borrowings to interest rate changes and the contractual reprising dates at the reporting date are as follows: IFRS7.p31

	2021 Shs	2020 Shs	
Non interest bearing			IFRS7. p31
6 months or less			
6 - 12 months			
1 - 5 years			
Over 5 years			

Weighted average effective interest rates at the reporting date were:	2021 %	2020 %	IFRS7.p31 IFRS7. p7
Bank borrowings			
Bank overdraft			
Borrowings from related parties			
Other borrowings			

The average interest charge to members is at least 2% higher than that charged by external borrowers. SSAD 35.4

The fair values of current borrowings equal to their carrying amount, as the impact of discounting is not significant. IFRS7.p29(a)

OR

In the opinion of the directors, the carrying amounts of short-term borrowings approximate their fair value. IFRS7.p25

OR

In the opinion of the directors, it is impracticable to assign fair values to the society's long-term liabilities due to inability to forecast interest rate and foreign exchange rate changes. IAS1p.7

The carrying amounts of the society's borrowings are denominated entirely in Kenya Shillings. IFRS7.p31 IFRS7.p34(c)

Maturity based on the repayment structure of non-current borrowings is as follows: IFRS7.p39

	2021 Shs	2020 Shs
Between 1 and 2 years		
Between 2 and 5 years		
Over 5 years		

During the year, the society was in default of covenants under borrowing agreements by …………… and the details are as below:

i) ……………………………………..
ii) ……………………………………..

Borrowings from this institution amounted to Shs…… (2020: Shs………) as at the reporting date. Interest payable of Shs. …. (2020: Shs….) remained unpaid as at 31 December 2021. These amounts have been paid by …and the management expects to meet all/not meet all contractual obligations in the future.

NOTES (CONTINUED)

18. **Borrowings (continued)**

Based on the current changes in Kenya, certain borrowings may be restructured. Disclosures for these should be made in the financial statements.

Undrawn facilities as at the reporting date were as follows: IFRS7.p50(a)

	2021 Shs	2020 Shs
Bank borrowings		
Bank overdraft		
Borrowings from related parties		
Other borrowings		

19. **Lease liabilities**

	2021 Shs	2020 Shs
Non-current		
Current		

The total cash outflow for leases in the year was: IFRS16.p53(g)

	2021 Shs	2020 Shs
Payments of principal portion of the lease liability		
Interest paid on lease liabilities		

Reconciliation of lease liabilities arising from financing activities: IAS7.p44A

	2021 Shs	2020 Shs
At start of year		
Interest charged to profit or loss		
Foreign exchange (gain)/loss		
Cash flows:		
- Operating activities (interest paid)		
- Amounts financed through leases		
- Payments under leases		
At end of year		

The lease liabilities are secured by the following:
a) ………………….. IFRS7.p14
b) …………………..
c) …………………..

The leases expiring within one year are subject to review at various dates during the next financial year. IFRS7.p31

NOTES (CONTINUED)

19. **Lease liabilities (continued)**

The exposure of the society's leases to interest rate changes and the contractual repricing dates at the reporting date are as follows: IFRS7.p31

	2021 Shs	2020 Shs
Non interest bearing		
6 months or less		
6 - 12 months		
1 - 5 years		
Over 5 years		

Weighted average effective interest rates at the reporting date was: IFRS7.p7,p31

	2021 %	2020 %

Sacco societies are prohibited from foreign trade operation refer to (SSA 15 (a))

Maturity based on the repayment structure of lease liabilities is as follows: IFRS7p.39,B11 IFRS16.p58

	2021 Shs	2020 Shs
Gross lease liabilities - minimum lease payments		
Not later than 1 year		
Later than 1 year and not later than 5 years		
Later than 5 years		
Total gross lease liabilities		
Future interest expense on leases liabilities		
Present value of lease liabilities		
Present value of lease liabilities - minimum lease payments		
Not later than 1 year		
Later than 1 year and not later than 5 years		
Later than 5 years		

During the year, the society was in default of covenants under lease agreements by …………… and the details are as below:

i)
ii)

Leases from this institution amounted to Shs…… (2020: Shs………) as at the reporting date. Interest payable of Shs. …. (2020: Shs….) remained unpaid as at 31 December 2021. These amounts have been paid by …and the management expects to meet all/not meet all contractual obligations in the future.

NOTES (CONTINUED)

19. **Lease liabilities (continued)**

Undrawn leases as at the reporting date was as follows:	2021 Shs	2020 Shs	IFRS 16.p59 b(iv)

The society leases various vehicles and machinery under non-cancellable lease agreements. The lease terms are between ….. and ….. years, and there are no restrictions or covenants imposed by the leases on the society. IFRS 16.p59c

A lessee shall disclose additional qualitative and quantitative information about its leasing activities necessary to meet the disclosure objective of IFRS 16.p51. IFRS 16.p59 (a-d)

20. **Other payables**

	2021 Shs	2020 Shs	
Non-current			IAS1.p77
Accruals			
Other payables			
Payable to related parties (Note 27 (v))			IAS24.p17
Current			
Accruals			
Other payables			
Payable to related parties (Note 27 (v))			IAS24.p17
Total other payables			

In the opinion of the directors, the carrying amounts of other payables approximate their fair value.

The maturity analysis of the society's other payables is as follows: IFRS7.p39(b)

	0 to 1 month Shs	2 to 3 months Shs	4 to 12 months Shs	Total Shs
Year ended 31 December 2021				
Trade payables				
Accruals				
Other payables				
Payable to related parties				
Year ended 31 December 2020				
Trade payables				
Accruals				
Other payables				
Payable to related parties				

N.B. Unless it can be objectively shown that the payables do not fall due until later, most will fall in the first column.

OR	2021 Shs	2020 Shs
Within three months		
Three to twelve months		
Between one and two years		
Over two years		

NOTES (CONTINUED)

20. **Other payables (continued)**

	2021 Shs	2020 Shs	
The maturity of non-current payables is as follows:			IFRS7p.39(a)
Between 1 and 2 years			
Between 2 and 5 years			
Over 5 years			

21. **Provisions for liabilities**

	Gratuity Shs	Others Shs	Total Shs	IAS37. p84(a-e)
At start of year				
Unused amounts reversed				
Additional provisions during the year				
Transfer to disposal group classified as held-for-sale (Note 24)				
At end of year				
Analysed as follows:				
- current portion				
- non-current portion				

A re-imbursement of Shs. __________ has been recognised in profit or loss is expected to be received from __________ towards the provision. IAS37. p85

Provision for interest for members deposits	2021 Shs	2020 Shs
At the start of the year		
Provisions for the year		
Interest capitalised		
Payments during the year		
At end of year		

The directors recommended a provision of ....% (2020:......%) interest on members deposits.

A brief explanation relating to the provisions made needs to be disclosed including any action taken by the directors of the entity. IAS37. p85(a) IAS37. p85(b)

NOTES (CONTINUED)

	2021 Shs	2020 Shs	
22 **Other accrued liabilities *(e.g. provision for outstanding leave days)***			IAS37. p84(a-e)
At start of year			
Charge/(credit) to profit or loss (Note 4)			
Transfer to disposal group classified as held-for-sale (Note 24)			
At end of year			
Analysed as follows:			
- current portion			
- non-current portion			

23 **Retirement benefit obligations**

The society operates a gratuity scheme for qualifying employees which qualifies as a defined benefit scheme. Under the plan, the employees are entitled to __ days of their basic annual salary for each successfully completed year of service.

The amounts recognised in the statement of financial position are determined as follows:	2021 Shs	2020 Shs	
Present value of funded obligations			IAS19-120A f
Fair value of scheme assets			
Present value of unfunded obligations /(over-funding)			
Liability/asset in the statement of the financial position			

The movement in the present value of the defined benefit obligation was as follows:	2021 Shs	2020 Shs	IAS19-120A c
At start of year			
Current service cost			
Interest cost			
Actuarial losses/(gains)			
Benefits paid			
Past service costs			
At end of year			

The movement in the present value of plan assets is as follows: IAS 19-120A e

	2021 Shs	2020 Shs
At start of year		
Expected return on plan assets		
Actuarial losses/(gains)		
Employer contributions		
Employee contributions		
Benefits paid		
At end of year		

NOTES (CONTINUED)

23. **Retirement benefit obligations (continued)**

The major categories of planned assets and the expected rate of return at the reporting date were as follows: IAS19.p120A j

Plan assets comprise:	2021 Fair value Shs	2021 Expected return %	2020 Fair value Shs	2020 Expected return %
Equity investments				
Debt securities				
Investment property				
Other				
Total				

Amounts recognised in profit or loss for the year are as follows: IAS19.p120A q

	2021 Shs	2020 Shs
Current service cost		
Interest cost		
Expected return on scheme assets		
Past service costs		
Net charge for the year included in employee expense (Note 4)		

IAS19.p120A g

Amounts recognised in other comprehensive income for the year are as follows: IAS19.p135b

	2021 Shs	2020 Shs
Net return on scheme assets		
Actuarial gains and losses arising from		
- demographic assumptions		
- actuarial assumptions		

The principal actuarial assumptions used were as follows: IAS19.p120A(g)

	2021 %	2020 %
Discount rate		
Expected return on scheme assets		
Future salary increases		
Future pension increases		

The following table analyses the history of experience adjustments. IAS19.p120A(p)

	2021 Shs	2020 Shs	2019 Shs	2018 Shs	2017 Shs
Present value of the defined benefit					
Fair value of the plan assets					
Surplus/(deficit) at end of year					
Experience adjustments on plan liabilities					
Experience adjustments on plan assets					

NOTES (CONTINUED)

24. **Assets and liabilities classified as held-for-sale** IFRS5.IN6b

Assets of ____ branch have been held-for-sale following approval by the society's directors on ____.

	2021 Shs	2020 Shs	
Assets			IFRS5.p38
Property, plant and equipment			
Intangible assets			
Other current assets			
Liabilities			
Trade and other payables			
Other current liabilities			
Provisions			IFRS5.p38

NB: The total of assets will not match the total of liabilities and assets held-for-sale are NOT depreciated IFRS5.p25

25. **Investment shares**

	No of shares	Shs	IAS1.p79(a)
At start of year			
Bonus issue of shares from retained earnings			
Interest/dividend capitalised			
Issue of share capital			
At end of year			

The minimum number of shares for a members is ....shares with a par value of Shs........ SSAD 21.1

On ……………2021, a bonus issue of one share for every ……. shares held was made by capitalising Shs ………. from retained earnings. A total of ……….shares were issued. IAS1.p79(a)

On ……………2021, a bonus issue of one share for every ……. shares held was made by capitalising Shs ………. from retained earnings/proposed dividend account. A total of ………. shares were issued. IAS1.p79(a)

The following members hold more than 25% of the share capital SSAD 42(a)

Name	Shares held	%
Member 1	....	
Member 2	....	
Others	....	

OR
There are no members who hold more than 25% share capital.

OR
The following are the members with the largest shareholding as at 31st December 2021

Name	Shares held	%
Member 1	....	
Member 2	....	
Others	....	

NOTES (CONTINUED)

26. **Reserves**

Included in the members balances are the following reserves which are as a result of statutory requirements:-

	2021 Shs	2020 Shs	
i) **Statutory reserve**			SSAD Form 1 (1.1.2)
ii) **Appropriation account**			SSAD 44
iii) **Loan loss reserve**			SSAD 44
iv) **Fair value reserve**			

Gains or losses on financial assets measured at fair value through other comprehensive income are recognised, net of deferred income tax, directly in the fair value reserve. On disposal of debt instruments, the cumulative gain or loss is reclassified to profit or loss. On disposal of equity instruments, the cumulative gain or loss is transferred directly to retained earnings. The reserve is not distributable — IAS 1.p79(b) IFRS9.p5.7.10 IFRS9.B5.7.1

v) **Dividend account** — SSAD 21.4/21.5

The directors propose a final dividend of Shs …….. per share (2020: Shs …… per share) amounting to a total of Shs … (2020: Shs ….). This has not been recognised in these financial statements. — IAS1.p107 IAS1.p137(a)

During the year, an interim dividend of Shs.................. per share (2020: Shs........... per share), amounting to a total of Shs............. (2020: Shs……….) was paid. The total dividend for the year is therefore Shs..... per share (2020: Shs ...... per share) amounting to a total of Shs.......... (2020: Shs…...). — IAS1.p107 IAS1.p137(a)

Dividends can only be paid out from net surplus after statutory reserves. Also can only be paid if necessary capital adequacy and any other requirement are complied. — SSAD 21.4

vi) **Revaluation reserve**	2021 Shs	2020 Shs
- Freehold land		
- Leasehold land		
- Buildings		

The movement on the revaluation reserve is as follows:

Freehold land		
At start of year		
Revaluation surplus		
Deferred tax on revaluation surplus		
At end of year		
Leasehold land		
At start of year		
Revaluation surplus		
Transfer of excess depreciation		
At end of year		
Buildings		
At start of year		
Revaluation surplus		
Transfer of excess depreciation		
At end of year		

NOTES (CONTINUED)

27. **Related party transactions and balances**

The following transactions were carried out with related parties:	**2021 Shs**	**2020 Shs**	IAS1.p138(c)
i) **Insider deposits**			IAS24.p16
Total deposits and savings outstanding at end of year:			
Due to key management			IAS19.p47
Due to directors			
Due to supervisory committee members			
Due to other employees			
ii) **Key management personnel compensation**			IAS24.p16
Short term employee benefits			
Post employment benefits			IAS19.p47
Other long term benefits			
Termination benefits			
Share based payments			
iii) **Loans/advances to/from related parties**			
At start of year			
Advances			
Interest charged/(credited)			
Repayments			
At end of year (Note 7/18)			

Loans/advances to related parties can be analysed as follows:

Directors			
Supervisory committees			
Key management personnel			
Loans to other employees			

The advances to/from related parties are subject to interest at __ % p.a./ interest free, have no specific dates of repayment and are unsecured/secured over______ IAS24.p17.(b)

There were no provisions for impairment held against amounts due from related parties at the end of the year (2020 - nil). IAS24.p18(c) IAS24.p18()d

Provision for bad debts held at the end of the year and expense during the period should be disclosed.

iv) **Receivable from related parties**

(through common shareholding/directorship)

At the start of the year		
Disbursements		
Payments		
At the end of the year		

v) **Payable to related parties**

(through common shareholding/directorship)

At the start of the year		
Write off/Payments		
At the end of the year		

NOTES (CONTINUED)

27. **Related party transactions and balances (continued)**

IAS 24 requires:
- *to disclose whether related party balances are secured/unsecured and the nature of the consideration to be provided in settlement.*
- *the terms of the related party transactions are equivalent to those that prevail in arm's length transactions ONLY if such terms can be substantiated.*
- *the expense recognised during the period in respect of bad and doubtful debts due from related parties and balance at the end of the year.*
- *disclosures about the settlement of liabilities on behalf of the entity or on behalf of another party.*
- *Also need to explain the nature of the relationship.*
- *Transactions with entities owned or controlled by key management should also be disclosed. Refer to IAS 24p19*
- *Amounts incurred by the entity for the provision of key management personnel services that are provided by a separate management entity should also be disclosed.*

ix) **Commitments and contingencies**

The society has guaranteed a loan given to ………………….. (a related society by virtue of common shareholding and directorship). The balance of loan outstanding as at 31 December 2021 is Shs………… (2020: Shs………..). IAS24. p20(h)

During the year, the society provided impairment losses amounting to Shs… (2020: Shs………) relating to related party balances carried at amortised cost. IAS24. p17(c)

28. **Risk management objectives and policies**

An entity need not provide a specific disclosure required by an IFRS if the information is not material. IAS1.p31

Financial risk management

The society's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. IFRS7.p31

The society's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the society's financial performance.

Risk management is carried out by the risk sub-committee under policies approved by the directors. The risk sub-committee identifies, evaluates and manages financial risks in close co-operation with various departmental heads. The directors provides written principles for overall risk management, as well as written policies covering specific areas, such as liquidity risk, interest rate risk, credit risk, and investment of excess liquidity.

The sub-committee reports to the directors on all aspects of risks including nature of risks, measures instituted to mitigate risk exposures etc.

(a) **Market risk**

- *Interest rate risk*

IFRS7.p33(a)
IFRS7.p33(b)
IFRS7.p22(c)

The society's exposure to interest rate risk arises from borrowings and financial assets. Loan and advances and members deposits are fixed interest securities and therefore not susceptible to market interest rate changes.

Financial assets and liabilities advanced and obtained at different rates expose the society to interest rate risk. Financial assets and liabilities obtained at fixed rates expose the society to fair value interest rate risk, except where the instruments are carried at amortised cost. The society maintains adequate ratios of borrowings when compared to total borrowings in fixed interest rates.

28. **Risk management objectives and policies (continued)**

The table below summarises the effect on post-tax profit had interest and equity rates been 1 percentage point higher, with all other variables held constant. If the interest rates were lower by 1 percentage point, the effect would have been the opposite. IFRS7. p40 IFRS7IG. p36

	2021 Shs	2020 Shs
Effect on profit (decrease)/increase		
Effect on equity (decrease)/increase		

OR

At 31 December 2021, if interest rates at that date had been 1 percentage point lower (that is say 10% to 9% per annum) with all other variables held constant, post-tax profit for the year would have been Shs. ____ (2020: Shs.____) higher, arising mainly as a result of lower interest expense on variable borrowings, and other components of equity would have been Shs. ____ (2020: Shs. ____) higher, arising mainly as a result of an increase in the fair value of fixed rate financial assets classified as FVTOCI. If interest rates had been 1 percentage point higher, with all other variables held constant, post-tax profit would have been Shs. _____ (2020: Shs. _____) lower, arising mainly as a result of higher interest expense on variable borrowings, and other components of equity would have been Shs. _____ (2020: Shs. ______) lower, arising mainly as a result of a decrease in the fair value of fixed rate financial assets classified as FVTOCI. Profit is more sensitive to interest rate decreases than increases because of __________________. The sensitivity is lower in 2021 than in 2020 because of a reduction in outstanding borrowings that has occurred as the entity's debt has matured. (As applicable)

A 1% sensitivity rate is used when reporting interest risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates. IFRS7.p41

- *Other price risk*

The society is exposed to equity securities price risk because of investments held by the society and classified on the statement of financial position either as (list as necessary e.g. *equity investments designated as at FVTOCI, debt instruments at FVTOCI, financial assets at FVTPL or convertible bonds if valued using market prices). The society is not exposed to* commodity price risk (as applicable). To manage its price risk arising from ______________________, the society diversifies its portfolio (as applicable). Diversification of the portfolio is done in accordance with the limits set by the society. IFRS7.p33(a) IFRS7.p33(b)

Example:

The society's investments in equity of other entities are publicly traded and included in the Nairobi Securities Exchange (NSE).

The table below summarises the impact of increases/decreases of the NSE on the society's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 5% with all other variables held constant and all the society's equity instruments moved according to the historical correlation with the index: IFRS7.p40 IFRS7IG.p36

	Impact on profit for the year		Impact on equity	
Index	**2021 Shs**	**2020 Shs**	**2021 Shs**	**2020 Shs**
NSE	xx	xx	xx	xx

NOTES (CONTINUED)

28. **Risk management objectives and policies (continued)**

(a) **Market risk (continued)**

- *Other price risk*

A 5% sensitivity rate is used when reporting price risk internally to key management personnel and represents management's assessment of a reasonably possible change in market rates of stock prices. IFRS7.p41

Profit for the year would increase/decrease as a result of gains/losses on equity securities classified as FVTPL. Other components of equity would increase/ decrease as a result of gains/losses on equity securities classified as FVOCI.

(b) **Credit risk** IFRS7.p35A

Credit risk is the risk that a customer or counterparty will default on its contractual obligation resulting in financial loss to the society. The society's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other financial institutions (including related commitments to lend such as loans or credit card facilities) and investment in debt securities. The society considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Credit risk management

The society's credit committee is responsible for managing the society's credit risk by;

- Ensuring that the society has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the society's stated policies and procedures, IFRSs and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the society, from an individual instrument to a portfolio level.
- Creating credit policies to protect the society against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposure against internal risk limit.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the society's risk grading to categories exposure according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the society's risk processes for measuring Expected Credit Loss including monitoring of credit risk, incorporating forward looking information and the method used to measure ECL.
- Ensuring the society has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk to account for ECL. Providing advice, guidance and special skills business units to promote best practice in the management of credit risk.

The internal audit function performs regular audit to make sure that the established controls and procedures are adequately designed and implemented.

Significant increase in credit risk IFRS7.p35F(a) IFRS9.p5.5.13

The society monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been an increase in significant risk the society will measure the loss allowance based on the lifetime rather than 12 - months ECL.

NOTES (CONTINUED)

28. **Risk management objectives and policies (continued)**

(b) **Credit risk (continued)**

IFRS7. p35A
IFRS7. p35Fa,
IFRS9. p5.5.13

Significant increase in credit risk (continued)

Internal credit risk rating

SSA 41.2,
IFRS7. p35Ga

The society takes on exposure to credit risk which is the risk of financial loss to the society if a member or counterparty to a financial instrument fails to meet its contractual obligations.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral against loans and advances in the form of registered securities over assets and guarantees from members. Credit risk in the society, is also managed through a framework of policies and procedures. Origination and approval roles are segregated.

To aid credit managers in portfolio management, regular internal risk management reports contain information on key environmental and economic trends across major portfolios, portfolio delinquency and loan impairment performance as well as information on migration across credit grades and other trends. Expected loss is the long-run average credit loss across a range of typical economic conditions. It is used in the delegation of credit approval authority and must be calculated for every transaction to determine the appropriate level of approval. To assist risk officers in monitoring the portfolio, various internal risk management reports are available on a regular basis, providing individual counterparty, counterparty society and portfolio exposure information, the status of accounts showing signs of weakness or financial deterioration and updates on credit markets.

The society's grading systems is based on the basic principles issued by the regulatory authority SASRA on the basis that the periods are largely consistent with the IFRS presumptions on stages of credit products. In addition to nominal aggregate exposure, expected loss is used in the assessment of individual exposures and for portfolio analysis.

The credit grades within society are based on a probability of default. The society structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to the nature and type of loans. The society grades its loans into five categories on the basis of the following criteria:

(1) **Performing loans**, being loans which are well documented and performing according to contractual terms. Such loans are considered under stage 1 - no significant increase in credit risk for purposes of the ECL calculation;
(2) **Watch loans**, being loans whose principal or interest have remained un-paid for one day to thirty days or where one instalment is outstanding for less than 30 days. Such loans are also classified as stage 1 for purposes of the ECL calculation;
(3) **Substandard loan**, being loans not adequately protected by the current repayment capacity and the principal or interest have remained un-paid between thirty-one to one eighty days or where two to six instalments have remained outstanding. Under this category, loans past due between 31 - 90 days (or 2-3 pending instalments) are classified within in stage 2 - significant increase in credit risk for purposes of the ECL calculation. Loans aged beyond 90 days are classified as stage 3 - credit impaired;
(4) **Doubtful loans**, being loans not adequately protected by the current repayment capacity and the principal or interest have remained un-paid between one hundred and eighty one to three hundred and sixty days or where seven to twelve instalments have remained outstanding. Such loans are classified as stage 3 for purposes of the ECL calculation; and
(5) **Loss loans**, being loans which are considered uncollectible or of such little value that their continued recognition as receivable assets is not warranted, not adequately protected and have remained un-paid for more than three hundred and sixty days or where more than twelve instalments have remained outstanding. Such loans are also classified as stage 3 for purposes if the ECL calculation.

NOTES (CONTINUED)

28. **Risk management objectives and policies (continued)**

(b) **Credit risk (continued)** IFRS7. p35A

Significant increase in credit risk (continued) IFRS7. p35Fa, IFRS9. p5.5.13

Internal credit risk rating (continued)

The society analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as GDP growth, unemployment, benchmark interest rates and house prices. The society generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The society then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

Loan commitments are assessed along with the category of loan the society is committed to provide, i.e. commitments to provide mortgages are assessed using similar criteria to mortgage loans, while commitments to provide a corporate loan are assessed using similar criteria to corporate loans.

The society presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the society has reasonable and supportable information that demonstrates otherwise.

The society has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due. The society performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

Incorporation of forward-looking information IFRS7. p35G a,b

The society uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The society employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The society applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the society for strategic planning and budgeting. The society has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The society has not made changes in the estimation techniques or significant assumptions made during the reporting period.

The principal macroeconomic indicators included in the economic scenarios used at 31 December 2021 for Kenya are as follows:

- GDP Growth
- Unemployment rates
- Interest rates
- Inflation
- Property price indices

NOTES (CONTINUED)

28. **Risk management objectives and policies (continued)**

(b) **Credit risk (continued)** — IFRS7. p35A

Significant increase in credit risk (continued) — IFRS7. p35Fa, IFRS9. p5.5.13

Incorporation of forward-looking information (continued) — IFRS7. p35G a,b

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 3 years. The society has determined that over this historical period, there has been minimal correlation between the macroeconomic factors and the experienced credit losses. Therefore, these factors do not have a material impact on the ECL.

Measurement of ECL

The key inputs used for measuring ECL are:

• probability of default (PD);

• loss given default (LGD); and

• exposure at default (EAD).

Total			

As explained above these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information where it may have a material impact on the ECL.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross-collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and the calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The society's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The society uses EAD models that reflect the characteristics of the portfolios.

NOTES (CONTINUED)

28. **Risk management objectives and policies (continued)**

(b) **Credit risk (continued)** IFRS7. p35A

Significant increase in credit risk (continued) IFRS7. p35Fa, IFRS9. p5.5.13

Measurement of ECL (continued) IFRS7. p35G a,b

The society measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial instruments such as revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the society's contractual ability to demand repayment and cancel the undrawn commitment does not limit the society's exposure to credit losses to the contractual notice period. For such financial instruments, the society measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the society does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are cancelled only when the society becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the society expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

The ECL calculation for accounting purposes is different from the provisions calculation for regulatory purposes. The society has ensured that the appropriate methodology is used when calculating ECL for both accounting and regulatory purposes. The main differences between the methodologies used to measure ECL in accordance with IFRS 9 versus the ones applied for regulatory purposes are as disclosed in Note 8 to the financial statements. Any excess in regulatory provisions over IFRS 9 ECLs is accounted for as an appropriation from retained earnings into a loan loss reserve.

Groupings based on shared risks characteristics IFRS9.B5.5.5

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as:

- instrument type;
- credit risk grade;
- collateral type;
- remaining term to maturity;
- industry/economic sector; and
- geographic location of the borrower.

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

Credit quality IFRS7. p34

The credit quality of the portfolio of loans and advances (excluding commitments and guarantees) that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Sacco based on the guidelines provided by the SASRA as follows:

NOTES (CONTINUED)

28. **Risk management objectives and policies (continued)**

(b) **Credit risk (continued)** IFRS7. p35A

Credit quality (continued) IFRS7. p34

	Mortgages	Other asset financing	Personal loans	Corporate lending	Total loans
Loans and advances to customers					
0 Days (Performing, stage 1)					
1- 30 Days (Watch, stage 1)					
31 - 180 Days (Substandard, stage 2)					
181- 360 Days (Doubtful, stage 3)					
Over 361 Days (Loss Account, stage 3)					

Analysis of the society's credit risk exposure per class of financial assets, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the tables represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the tables represent the amounts committed or guaranteed, respectively.

	Stage 1 12 Months ECL Shs	Stage 2 Lifetime ECL Shs	Stage 3 Lifetime ECL Shs	Total Shs
Loans and advances to customer at amortised cost				
Mortgage lending				
Other asset finance				
Personal loans				
Corporate				
Total gross credit exposure				
Impairment provision				
Net credit exposure				
Loan commitments and guarantees				
Loan commitments				
Guarantees				
Total gross credit exposure				
Impairment provision				
Net credit exposure				

NOTES (CONTINUED)

28. **Risk management objectives and policies (continued)**

(b) **Credit risk (continued)**

Collateral held as security IFRS7. p35Kb

The society holds collateral against all loans and advances to members in the form of cash, residential, commercial and industrial property, fixed assets such motor vehicles, chattels and other members guarantees. The society has developed specific policies and guidelines for the acceptance of different classes of collateral.

Estimates of the collateral's fair values are based on the value of collateral independently and professionally assessed at the time of borrowing, and re-valued with a frequency commensurate with nature and type of the collateral and credit advanced. Collateral structures and covenants are subjected to regular review to ensure they continue to fulfil the intended purpose. Collateral is generally not held in respect of deposits and balances due from banking institutions, items in the course of collection and Government securities.

Repossessed Collateral IFRS7. p38

The society obtained assets by taking possession of collateral held as security. The nature and carrying amounts of such assets at the reporting date are as follows:

Carrying amount	**2021 Shs**	**2020 Shs**
Nature of assets		
- Residential property		
- Land		
- Chattels		
- Motor vehicles		

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified within 'other assets'.

(c) **Liquidity risk**

Liquidity risk is the risk that the society will encounter difficulty in meeting obligations associated with financial liabilities. Cash flow forecasting is performed by the finance department monthly by monitoring the society's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the society does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. IFRS7.p34

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the society's management maintains flexibility in funding by maintaining availability under committed credit lines. IFRS7.p39(a),(b)

Notes 18 and 19 disclose the maturity analysis of borrowings and other payables.

NOTES (CONTINUED)

28. **Risk management objectives and policies (continued)**

(c) **Liquidity risk (continued)**

The table below disclose the undiscounted maturity profile of the society's financial liabilities:

Year ended 31 December 2021 IFRS7IG23,25 (b)

	Interest rate %	Between 1 - 3months Shs	Between 3months - 1 year Shs	Between 1 - 5 years Shs	More than 5 years Shs	Total Shs
Interest bearing liabilities						
- Interest due to members						
- Member deposits						
- Borrowings						
Lease liabilities						
Non-interest bearing liabilities						
- Interest due to members						
- Member deposits						
- Borrowings						

IFRS16.p58

Year ended 31 December 2020

	Interest rate %	Between 1 - 3months Shs	Between 3months - 1 year Shs	Between 1 - 5 years Shs	More than 5 years Shs	Total Shs
Interest bearing liabilities						
- Interest due to members						
- Member deposits						
- Borrowings						
Non-interest bearing liabilities						
- Interest due to members						
- Member deposits						
- Borrowings						

Note that the table above is meant to present undiscounted analysis - i.e. including interest that will be payable in each year until date of maturity for interest bearing liabilities. For this reason, the total above will not agree to the statement of financial position. *IFRS7.B11D*

NOTES (CONTINUED)

29. **Capital management** IAS1.p135

Internally imposed capital requirements

The society manages its capital to ensure that it will be able to continue as a going concern while maximising the return to members through the optimisation of the debt and equity balance.

The capital structure of the society consists of net debt calculated as sum of total borrowings and members' deposits (as shown in the statement of financial position) less cash and cash equivalents and equity (comprising investment shares, reserves and appropriation account). The directors review the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. In order to maintain the capital structure, the society may adjust the amounts of dividends paid to members or sell assets to reduce debt. The society's overall strategy remain unchanged from 2020. IAS1.p135(c)

The debt-to-capital ratios at 31 December 2021 and 31 December 2020 were as follows:

The above is just an example of how this note can be tailored. The society's objectives can be tailored/amended as required.

Capital management (continued)	**2021 Shs**	**2020 Shs**	
Total borrowings, including lease liabilities (Note 18, 19)			
Total members deposits (Note 17)			
Less cash and cash equivalents (Note 6)			
Net debt			
Total equity			IAS1.p135(b)
Gearing ratio			

It is not mandatory to compute a gearing ratio.

NOTES (CONTINUED)

29. **Capital management (continued)**

Externally imposed capital requirements IAS1.p135 d

The Sacco Societies Act No. 14 of 2008 has established certain guidelines for the management of capital and working capital for deposit taking societies.

- core capital of not less than ten million shillings; SASD 9
- core capital of not less than ten percent of total assets; SASD 9
- institutional capital of not less than eight percent of total assets; and SASD 9
- core capital of not less than eight percent of total deposits. SASD 9
- maintain fifteen percent of its savings deposits and short term liabilities in liquid assets. SASD 13(2)

The Sacco Societies Act No. 14 of 2008. has issued certain restrictions on borrowing. Refer to note 18 on borrowings on the restrictions.

The ratios at 31 December 2021 and 2020 were as follows:	2021 Shs	2020 Shs
a) **Core capital of not less than Shs 10 million**		
As per statement of financial position		
b) **Core capital of not less than 10% of total assets**	%	%
As per statement of financial position		
c) **Institutional capital of not less than 8% of total assets**	%	%
As per statement of financial position		
d) **Core capital of not less than 8% of total deposits**	%	%
As per statement of financial position		
e) **15% of savings deposits and short term liabilities in liquid assets**	%	%
As per statement of financial position		

The above ratio has exceeded the SASRA requirement due to __________________________ IAS1. p135d,e
SASRA are aware of this breach and __________________________ IAS1. p135 d,e

NOTES (CONTINUED)

30. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be realised or settled. IAS1.p61

31 December 2021

	Within 12 months Shs	After 12 months Shs	Total Shs
ASSETS			
Cash and cash equivalents			
Receivables and prepayments			
Tax recoverable			
Loans and advances			
Other financial assets			
Inventories			
Investment property			
Right-of-use assets			
Assets classified as held-for-sale			
Property and equipment			
Intangible assets			
Deferred tax			
Total assets			
LIABILITIES			
Interest due to members			
Member deposits			
Borrowings			
Lease liabilities			
Other payables			
Deferred tax			
Provision for liabilities			
Other accrued liabilities			
Liabilities directly associated with the assets held for sale			
Tax payable			
Retirement benefits obligation			
Total liabilities			
Net			

NOTES (CONTINUED)

30. Maturity Analysis of Assets and Liabilities (continued) IAS1.p61

31 December 2020

	Within 12 months Shs	After 12 months Shs	Total Shs
ASSETS			
Cash and cash equivalents			
Receivables and prepayments			
Tax recoverable			
Loans and advances			
Other financial assets			
Inventories			
Investment property			
Right-of-use assets			
Assets classified as held-for-sale			
Property and equipment			
Intangible assets			
Deferred tax			
Total assets			
LIABILITIES			
Interest due to members			
Member deposits			
Borrowings			
Lease liabilities			
Other payables			
Deferred tax			
Provision for liabilities			
Other accrued liabilities			
Liabilities directly associated with the assets held for sale			
Tax payable			
Retirement benefits obligation			
Total liabilities			
Net			

NOTES (CONTINUED)

31. **Contingent liabilities**

The society had given guarantees amounting to Shs.......... .... (2020: Shs.................) in respect of third parties in the ordinary course of business from which no material loss is anticipated. IAS37.p86

The society is a defendant in various legal actions. In the opinion of the directors and after taking appropriate legal advice, the outcome of such actions will not give rise to any significant loss (or loss amounting to Shs ……………)

(Put note on contingent liabilities that may arise from items such as warranty costs, claims, penalties or possible losses e.g. construction contracts if needed). IFRS15.B28 -33

(Guarantees given by the bankers on behalf of the society (e.g.: guarantees to KPLC) are not contingent liabilities).

32. **Commitments**

Contractual commitments for the acquisition of assets

At the reporting date these commitments were as follows:

	2021 Shs	2020 Shs	
Property and equipment			IAS.16p 74(c)
Investment property			IAS40.p75(h)
Intangible assets			IAS38.p122(e)
Investment property - contractual obligations for repairs and maintenance			

Lease commitments - as a lessee

Lease commitments for short-term leases to which commitment at the end of the reporting period is dissimilar to the short-term lease expense (note 4) should be disclosed here. IFRS16.p55

Operating lease commitments - the company as a lessor IFRS16.p89 IFRS16.p90 IFRS16.p92 IFRS16.p97

The society has entered into operating leases on its investment property portfolio consisting of certain office and manufacturing buildings (see Note 11). These leases have terms of between 5 and 20 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties. Rental income recognised by the society during the year is Shs. Xxx (2020: Shs. Xxx).

The future minimum lease payments receivable under non-cancellable operating leases are as at 31 December are as follows:

	2021 Shs	2020 Shs
Not later than 1 year		
Later than 1 year and not later than 5 years		
Later than 5 years		

During the year, the society received Shs. …(2020: Shs….) as contingent rent.

NOTES (CONTINUED)

33. **Events after the reporting period**

(This should not be used if there are no events after the year end)

On 15 January 2022, the premises of XYZ Branch were damaged by fire. Insurance claims are in process, the cost of renovation is currently expected to exceed the claim recoverable by Shs…………… IAS10. p21

If non adjusting events after the reporting period are material, the following disclosures should be made:
- *The date of event*
- *The nature of event*
- *Estimate of its financial effect.*

Disclosure should be made of all material transactions after the year end e.g. borrowings received to finance major capital expansion. IAS10. p21 IAS10. p22(f) IAS33. p71(e)

34. **Incorporation**

Mkopo Savings and Credit Co-operative Society Limited is registered in Kenya under the Sacco Societies Act No. 14 of 2008 as Savings and Credit Co-operative Society and is domiciled in Kenya. IAS1. p138(a)

35. **Period of reporting** IAS1. p36

The financial statements have been prepared for a period of 18 months/9 months as the society began operations on _____________/ceased trading on ____________.

Only to be used where the period of reporting is more or less than 12 months.
Also applicable if entity changes y/e - reason for using longer/shorter period than 1 year should be disclosed and the fact that the amounts presented in the financial statements are not entirely comparable. IAS1. p36

36. **Presentation currency**

The financial statements are presented in Kenya Shillings (Shs.)/Kenya Shillings rounded off to the nearest thousand (Shs. '000). IAS1. p51 IAS21. p9,17,18