Illustrative Annual Report and Financial Statements for Savings and Credit Co-operative Societies (SACCOS)

Preamble

The Sacco Societies Act No. 14 of 2008 and Cooperative Societies Act, Cap 490 requires Sacco's to prepare accounts that conform to the International Financial Reporting Standards (IFRSs). This publication provides an illustrative set of financial statements, prepared in accordance with IFRSs, for a typical savings and credit co-operative society. The document also took into consideration the relevant provisions contained in the legislative framework of the sector.

These financial statements illustrate the disclosures required by the IFRSs effective for accounting periods beginning on or after January 2010. The examples given in the illustrative financial statements are not exhaustive. For example, its generally viewed that a number of disclosures required by IFRS 7 for financial instruments such as derivatives are not likely to apply widely and hence their omission. Entities with such instruments should refer to IFRS 7 for details regarding their disclosures. The form and content of a reporting entity's financial statements are the responsibility of the entity's management, and other forms of presentation which are equally acceptable may be preferred and adopted, provided they include the specific disclosures prescribed in IFRSs.

These illustrative financial statements are not a substitute for reading the Standards themselves or for professional judgement as to fairness of presentation. They do not cover all possible disclosures required by IFRSs. Depending on the circumstances, further specific information may be required in order to ensure fair presentation under the IFRSs.

An implementation guideline has been issued alongside these illustrative financial statements to provide further explanatory information.

The references in the left-hand margin of the illustrative financial statements represent the paragraph of the standards in which the disclosure requirements appear, while those in the right-hand margin represent the note in the implementation guideline.

Acknowledgement

The Council of ICPAK wishes to acknowledge the following members of the taskforce who worked tirelessly to ensure the success of this project.

Joe Gichuki (**Convenor**)	PKF Kenya.
Dr. Jim McFie	Strathmore University
Simon Fisher	RSM Ashvir
Joseph Kariuki	KPMG
Fred Aloo	Deloitte
Richard Njoroge	PWC
Eric Outa	United States International University Kenya
Erick Sile	Formerly WOCCU Kenya
Peter Njuguna	SASRA
Aaron Omwenga	Ministry of Cooperatives, Kenya
Jonah George	KUSCCO

Abbreviations:

AGM	Annual General Meeting
BP	Best Practice
FOSA	Front Office Services Activities
IAS	International Accounting Standards
ICPAK	Institute of Certified Public Accountants of Kenya (hereinafter referred to as the Institute)
IFRSs	International Financial Reporting Standards
IG	Implementation Guidance
KShs	Kenya Shillings
KUSCCO	Kenya Union of Savings & Credit Co-operative
Ref	Reference
S/S	Sacco Society Registration Number
SACCO	Savings and Credit Co-Operative
SASRA	Sacco Societies Regulatory Authority
SS Act	Sacco Societies Act
The Act	The Sacco Societies Act, No 14 of 2008
VAT	Value Added Tax
WOCCU	World Council of Credit Unions

Mkopo Sacco Limited
C/S ………………………
Annual Report and Financial Statements
For the Year Ended 31st December 2010

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Society Information

SS Act **The Board and Supervisory Committee Members:** ***(refer to IG 1)***

Board Members

…………………………………………………………………

…………………………………………………………………

…………………………………………………………………

Supervisory Committee:

……………………………………………………………….

……………………………………………………………….

……………………………………………………………….

Registered Office:

SS Act Mkopo SACCO Society

Mkopo House

P.O.Box ….

Town……….

LR No………….

Telephone…….. Fax ……………..Email:…………………………

BP **Principal Bankers:** ***(refer to IG 2)***

XY Bank of Kenya Limited

P.O. Box……………..

Town……………..

AZ Commercial Bank of Kenya Ltd

P.O. Box …………..

Town…………….

BP **Auditor:**

ABC Certified Public Accountant

P.0. Box xxx

Nairobi

BP **The Manager** ***(refer to IG 3)***

……………………..

P.O.Box xxx

Nairobi.

Statistical Information As At……………………..2010 ***(refer to IG 7)***

		2010	2009
Membership	- active	x	x
	- dormant	x	x
Total		**xx**	**xx**
Financial		**KShs '000**	**KShs '000**
Total Assets		x	x
Members' deposits		x	x
External Borrowing		x	x
Loans and advances to members		x	x
Investments		x	x
Core Capital		x	x
Share capital		x	x
Institutional Capital		x	x
Total Revenue		x	x
Total Interest Income		x	x
Total expenses		x	x
		x	x
Employees of the Sacco			

Key ratios:

	2010	2009
Capital Adequacy Ratio		
Core Capital/Total Assets	x%	x%
Core Capital/Total Deposits	x%	x%
Institutional Capital/Total Assets	x%	x%
Liquidity Ratio (15%)		
Liquid Assets/Total deposits & Long term liabilities	x%	x%
Operating Efficiency/Loan quality ratios		
Total Expenses / Total Revenue	x%	x%
Interest on member deposits/Total revenue	x%	x%
Interest rate on member's deposits	x%	x%
Dividend rate on members share capital	x%	x%
Total Delinquency Loans/Gross loan portfolio	x%	X%

Ref

BP **Chairman's Report** ***(refer to IG 4)***

(*As appropriate*)

Ref

Report of the Board of Directors ***(refer to IG 5)***

The members of the Board of Directors submit their annual report together with the audited financial statements for the year ended 31st December 2010..

SS Act

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.

IAS 1.112(c);138

Principal Activity

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

Results

	2010 **KShs '000**	**2009** **KShs '000**
Surplus (deficit) before tax	x	x
Income Tax expense	(x)	(x)
Net surplus (deficit) after tax (but before donations)	x	x
Donations	(x)	(x)
Retained surplus for the year	x	x
Interest on members' deposits	x	x

Dividend / Interest on members' deposits **(*refer to IG 6*)**

The Board of Directors recommends payment of first and final dividend of KShs….. per share (2009, KShs…per share). They also recommend interest on members' deposit of ….% (2009, …..%).

The Board of Directors

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

By order of the Board **(*refer to IG 5*)**

Signature……………………………… date…………………………….

Secretary

Statement of The Board of Directors' Responsibilities ***(refer to IG 8)***

The SACCOs Act, No 14 of 2008 requires the Board of Directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the society as at the end of the financial year and of its operating results for that year in accordance with IFRS It also requires the Board of Directors to ensure that the society keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the society. They are also responsible for safeguarding the assets of the society and ensuring that the business of the society has been conducted in accordance with its objectives, by-laws and any other resolutions made at the society's general meeting.

The Board of Directors accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the SACCO Societies Act No. 14 of 2008 . The Board of Directors is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the society and of its operating results in accordance with the IFRS. The Board of Directors further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Approved by the Board of Directors on……………. and signed on its behalf by:

………………………………………………………Chairman

Signature

………………………………………………………Treasurer

Signature

…………………………...……...............................Board Member

Signature

Report of the Independent Auditor to the members of Mkopo Sacco Limited

We have audited the accompanying financial statements of Mkopo Sacco Limited, set out on pages ……. to page……..which comprise the statement of financial position as at ….…..2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Saccos Societies Act. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of society's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Society's financial affairs at …………2010 and of the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Sacco Societies Act.

Certified Public Accountants
Nairobi

(Date)

Statement of Comprehensive Income

Mkopo Sacco Society
Statement of Comprehensive Income for the Year Ended 31st December 2010

Reference		**Notes**	**2010 KShs'000**	**2009 KShs'000**	***IG ref***
IAS 1.82(a)	Revenue:				*10*
	-interest on loans and advances		X	X	
	-other interest income	3	X	X	
IFRS 7.20(b)	Total interest		**X**	**X**	
IFRS 7.20(b)	Interest expenses	4	(x)	(x)	*11*
IAS 1.83	**Net interest income**		**X**	**X**	
IFRS 7.20(c)	Other operating income	5	X	X	*12*
IAS 1.85	Other gains and losses	6	X	X	
IAS 1.99	Administration expenses	7	(x)	(x)	
IAS 1.83	Other operating expenses		(x)	(x)	
IAS 1.83	**Net operating surplus / (deficit) before income tax**	8	**x**	**x**	
IAS 1.81(d)	Income tax expense	9	(x)	(x)	
SSA	**Donations**		**x**	**x**	
IAS 1.81(f)	**Net surplus/ (deficit) for the year**		**XX**	**XX**	
	Other Comprehensive Income (OCI)				*12 A*
IAS1.82g	Surplus/(deficit) on revaluation of property, plant and equipment		X	X	
IAS1.82g	Change in fair value of available-for-sale financial assets		X	X	
IAS1.92;82g	Reclassification adjustment: gain on disposal of available-for sale financial assets included in the profit and loss account		X	X	
IAS 1.91b	Deferred income tax relating to components of other comprehensive income		X	X	
	Other comprehensive income for the year, net of tax		**X**	**X**	
IAS 1.106a,IAS1.82i	**Total Comprehensive Income**		**X**	**X**	

Statement of Financial Position

Mkopo Sacco Society
Statement of Financial Position
As At 31st December 2010 . (*refer to IG13*)

Reference		**Notes**	**2010 KShs '000**	**2009 KShs '000**	***IG ref***
	Assets				
IAS 1.54(i),7.54	Cash and cash equivalents	10	x	x	
IAS 1.78b;54h	Prepayments and sundry receivables	11	x	x	
IAS 1.78b;54h	Trade and other receivables	12	x	x	
IAS 1.54(n)	Current income tax recoverable		x	x	
IFRS 7.8(c)	Loans to members	13	x	x	
IAS 1.54j	Non-current assets classified held for sale	14	x	x	
IAS 1.564o;IAS 12.81g(i)	Deferred income tax	15	x	x	
IAS 1.54(d)	Other financial assets	16	x	x	*14*
IAS 1.54b	Investment property	17	x	x	
	Prepaid operating lease rentals		x	x	
IAS 1.54(c),38.118(c)	Intangible assets	18	x	x	
IAS 1.54(a),16.73(d)	Property plant and equipment	19	x	x	
SASRA	**Other Assets**		**x**	**x**	
	Total assets		**XX**	**XX**	
IAS 32.11a,b	**Liabilities**				
IAS 1.71	Members' deposits	20	x	x	
IAS 1.54n	Current income tax payable		x	x	

IAS1,56,54o; IAS12.81g(i)	Deferred income tax	15	x	x	
	Dividends payable		x	x	
	Retirement Benefits Liability				
IAS 1.54k	Trade payables and accrued expenses	21	x	x	
IAS 1.54k	Sundry creditors		x	x	
IAS 1.54p	Liabilities attributable to assets classified as held for sale		x	x	
SSA	Grants and Donations		x	x	
IAS 1.54m	Interest bearing liabilities	22	x	x	
	Total liabilities		**x**	**x**	
	Equity				
IAS 1.54r	Share capital	23	x	x	*15*
IAS 1.54r	Reserves	24	x	x	
	Total Equity		x	x	
	Total Liabilities and Equity		**XX**	**XX**	

IAS 10.17 The financial statements on pages 8-37 were authorized for issue by the Board of Directors on …. (Month, year)…… and signed on its behalf by:

1)Chairman………………………………2) Board Member……………………………..3) Board Member………………………………

(refer to IG 16)

Statement of Changes in Equity for the Year Ended 31st December 2010 *(refer to IG 17)*

		Note	Share capital Shs'000	Grants& Donations Shs'000	Revaluation surplus Shs'000	Other Reserves** Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
	At 1st January 2009		x	x	x	x	x		X
	As previously reported								
IAS 1-106(b)	Prior period adjustment	*							
	As restated		x	x	x	x	x		X
	Changes in equity in 2009								
IAS 1-106(d)(i)	Profit/(loss) for the year						x		X
IAS 1-106(d)(ii)	Surplus/(deficit) on revaluation of property, plant and equipment	19			x				X
IAS 1-106(d)(ii)	Change in fair value of financial assets measured at fair value					x			X
IAS 1-106(d)(ii)	Reclassification adjustment: gain on disposal of financial assets					(x)	x		X
IAS 1-106(d)(ii)	Deferred income tax relating to components of other comprehensive income	15					(x)		(X)
IAS 1-106(a)	Total comprehensive income for the year				x	x	x		X
IAS 1-106(d)(iii)	Transactions with owners:								
	Shares issued for cash/Bonus issue of shares	23	x						X
IAS 1-107	Dividends:								
	- Final for 2008							(x)	(X)
	- Proposed for 2009							(x)	
IAS 16-41	Transfer of excess depreciation				(x)		x		
IAS 12-61A(b)	Deferred income tax on depreciation transfer	15			x		(x)		
IAS 16-41	Transfer on disposal of property, plant and equipment				(x)		x		
IAS 12-61A(b)	Deferred income tax on disposal	15			x		(x)		
IAS 1-	**At 31st December 2009**		X	X	X	X	X	X	X

106(d)

	At 1st January 2010		x	x	x	x	x	x	X
	As previously reported								
IAS 1-106(b)	Prior period adjustment	*							
	As restated		x	x	x	x	x	x	X
	Changes in equity in 2010								
IAS 1-106(d)(i)	Profit/(loss) for the year						x		X
IAS 1-106(d)(ii)	Surplus/(deficit) on revaluation of property, plant and equipment	19			x				X
IAS 1-106(d)(ii)	Change in fair value of financial assets measured at fair value					x			X
IAS 1-106(d)(ii)	Reclassification adjustment: gain on disposal of financial assets					(x)	x		X
IAS 1-106(d)(ii)	Deferred income tax relating to components of other comprehensive income	15					(x)		(X)
IAS 1-106(a)	Total comprehensive income for the year				x	x			X
IAS 1-106(d)(iii)	Transactions with owners:								
	Shares issued for cash/Bonus issue of shares	23	x						X
IAS 1-107	Dividends:								
	- Final for 2009							(x)	(X)
	- Proposed for 2010							(x)	
IAS 16-41	Transfer of excess depreciation				(x)		x		
IAS 12-61A(b)	Deferred income tax on depreciation transfer	15			x		(x)		
IAS 16-41	Transfer on disposal of property, plant and equipment				(x)		x		
IAS 12-61A(b)	Deferred income tax on disposal	15			x		(x)		
IAS 1-106(d)	**At 31st December 2010**		X	X	X	X	X	X	X

**** Prior period adjustments comprise material prior period errors (IAS 8-42) and the effects of retrospective application of a change in an accounting policy (IAS 8-22). They would be explained in a Note, which is not illustrated in this template. Neither is the balance sheet as at the beginning of the comparative period, which is required under IAS 1-10(f), included in this illustration.***

***** Other reserves should be analysed into their separate components i.e. fair value reserve/statutory reserve, etc.***

Statement of Cash Flows for the year ended 31st December 2010

Reference	**Statement of Cash flows**	**Note**	**2010 KShs '000**	**2009 KShs '000**	*IG ref*
	Cash flows from operating activities				*18*
IAS 7.33	Interest receipts		x	x	*18*
IAS 7.33	Interest payments		(x)	(x)	
IAS 7.14	Payments to employees and suppliers		(x)	(x)	
			x	x	
	(increase) / decrease in operating assets				
IAS 7.15,24	-Net Loans to members		(x)	(x)	
IAS 7.14, 20(a)	-trade and other receivables		x	x	
IAS 7.15,24	-Short term investments		(x)	(x)	
	Increase / (decrease) in operating liabilities				
IAS 7.15,24	-deposits from members		x	x	
IAS 7.14	-trade and accrued expenses		(x)	(x)	
IAS 7.14	-sundry creditors		(x)	(x)	
	Net cash from operating activities before income taxes		*x*	*x*	
IAS 7.14f, 35	Income tax paid		(x)	(x)	
	Net cash from operating activities		**x**	**x**	
	Cash flow from investing activities				
IAS 7.16 (a)	Purchase of property and equipment		(x)	(x)	
IAS 7.16 (b)	Proceeds on disposal of plant and equipment		x	x	
IAS 7.16 (a)	Purchase of intangibles assets		(x)	(x)	
IAS 7.21	Purchase of investments securities		(x)	(x)	
IAS 7.31,33	Dividends received		x	x	*IG 18*
	Net cash from investing activities		**x**	**x**	
	Cash flow from financing activities				
IAS 7.17 (a),21	Share capital contributions		x	x	
IAS 7.17(c),21	Proceeds from long-term borrowings		x	x	
IAS 7.17 (d), 21	Repayment of long-term borrowings		(x)	(x)	
IAS 7.31,34	Dividends paid		(x)	(x)	
	Net cash from financing activities		**x**	**x**	
IAS 7.45	**Net (decrease)/increase in cash and cash equivalent**		**x**	**x**	
IAS 7.45	Cash and cash equivalent at the beginning of the year	10	x	x	
	Cash and cash equivalents at the end of the year	10	**x**	**x**	

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Notes

1. Summary of Significant Accounting Policies. *(refer to IG 19)*

Ref

IAS 1.117 (a), b The principal accounting policies adopted in the preparation of these financial statements are set out below:

IAS 1.114 **a) Statement of compliance & basis of preparation**

IAS 1.16,114 (a) The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRSs).

IAS 21.55 These financial statements are presented in the functional currency, Kenya shillings (KShs) rounded to the nearest thousand (000) and prepared under the historical cost convention, except as specified below under fair value measurement in accordance with applicable IFRSs.

IAS 1.82 (a) **b) Revenue recognition**

IAS 18.35(b) Interest on loans to members is calculated on a reducing balance method. Interest income is recognized on a time proportion basis by reference to the principal outstanding and the effective interest rate applicable.

IAS 1.54 (a) **c) Property, plant and equipment**

IAS 16.73) All property, plant and equipment are initially recorded at cost. Certain classes of property, plant and equipment are subsequently shown at revalued amounts, based on periodic valuations by the independent valuers, less subsequent. All other property plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

IAS 16.39 Increases in carrying value arising on revaluations are credited to other comprehensive income and accumulated in revaluation reserves in equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve.

IAS *16.40* all other decreases are charged against the profit or loss. Each year, the difference between the depreciation based on the revalued carrying amount of the asset (the depreciation charged to the income

IAS 16.41 statement) and depreciation based on the assets original cost is transferred to retained earnings.

IAS 16.73(b), (c) 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. The annual depreciation rates in use are:

Asset	**Rate (%)**
Freehold land	nil
Buildings	x
Plant and machinery	x
Motor vehicles	x
Furniture, fittings and equipment	x
Computers, photocopiers and other accessories	x

*****(Please note that in practice the depreciation method chosen should reflect the pattern of consumption of the benefits arising from use of the asset by the entity. The method may be straight line, reducing balance or units of production method).

IAS 16.51 The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each reporting date.

IAS 16.71 Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of a revalued asset, amount in the revaluation reserve relating to that asset is transferred to retained earnings.

IAS 16.67 **Derecognition**

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

(a) on disposal; or

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

IAS 16.68 The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised (unless IAS 17 requires otherwise on a sale and leaseback). Gains shall not be classified as revenue

d) Leases

IAS 17.31 **Finance leases recognised as assets by lessee shall be disclosed**

i) Finance lease

IAS 17.8
IAS 17.20
IAS 17.25

Leases of property, plant and equipment where the society assumes substantially all the benefits and risks of ownership are classified as finance leases. Assets acquired under finance leases are capitalized at the inception of the lease at the lower of their fair values and the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rentals obligations, net of finance charges are included in non-current liabilities while the interest element of the finance charge is charged to the profit or loss account over the lease period.

ii) Operating leases

IAS 17.8
IAS 17.33

Leases of assets where a significant proportion of the risks and rewards are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight line basis over the lease period. Prepaid operating lease rentals are recognized as assets and are subsequently amortized over the lease period.

IFRS 7.21 **e) Financial Instruments**

IAS 39. 9 The Sacco classifies its financial instruments into the following categories:

i) **Financial assets and financial liabilities at fair value through profit or loss,** which comprise financial assets and financial liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term or to generate short-term profit-taking; ***AND/OR***

Financial assets and financial liabilities at fair value through profit or loss, which comprise financial assets or financial liabilities designated by the company at fair value through profit or loss and which are managed and their performance evaluated on a fair value basis in accordance with the company's investment strategy.

ii) **Held-to-maturity investments,** which comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has a positive intention and ability to hold to maturity.

iii) **Loans and receivables,** which comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and excludes assets which the entity intends to sell immediately or in the near term or those which the entity upon initial recognition designates as at fair value through profit or loss or as available-for-sale financial assets.

iv) **Available-for-sale financial assets,** which comprise non-derivative financial assets that are designated as available-for-sale financial assets, and not classified under any of the other categories of financial assets.

Financial assets

All financial assets are recognised initially using the trade date accounting which is the date the company commits itself to the purchase or sale. Financial assets carried at fair value through profit or loss are initially recognised at fair value and the transaction costs are expensed in the profit and loss account. All other categories of financial assets are recorded at the fair value of the consideration given plus the transaction cost.

IAS 39.46 Subsequently, held-to-maturity investments and loans and receivables are carried at amortised cost using the effective interest method, while all other financial assets are carried at their fair values, without deduction for transaction costs that may be incurred on sale.

Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The fair value for quoted shares is determined using the quoted bid price at the reporting date while that of non-quoted shares is determined using valuation techniques ***AND/OR*** Investment in equity shares classified as available-for-sale assets for which there is no active market and whose fair value cannot be reliably measured are carried at cost.

Impairment of Financial Assets

IAS 36.59 The entity assesses at each reporting date whether there is objective evidence that a financial asset is impaired. If any such evidence exists, an impairment loss is recognised. Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. In the case of held-to-maturity investments and loans and receivables, the recoverable amount is the present value of the expected future cash flows, discounted using the asset's effective interest rate.

IAS 39.55 Changes in fair value of financial assets at fair value through profit or loss are recognised in the profit or loss account.

Changes in fair value for available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss), which are recognised in the profit and loss account. In the year of sale, the cumulative gain or loss recognised in other comprehensive income is recognised in the profit or loss account as a reclassification adjustment.

Derecognition

IAS 39.17 Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the company has transferred substantially all risks and rewards of ownership.

IAS 18.30a **Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest rate. A provision for impairment is recognised in the profit or loss in the year when the recovery of the amount due as per the original terms is doubtful. The provision is based on the difference between the carrying amount and the present value of the expected cash flows, discounted at the effective interest rate.

Receivables not collectible are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the profit or loss in the year of recovery

IAS 32.11 **Financial liabilities and equity instruments issued by the Sacco**

IAS 32.11;15 **Classification as debt or equity**

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

Equity instruments

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

Financial guarantee contract liabilities

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

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

Financial liabilities

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

IAS 39.43,47 All financial liabilities are recognised initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensed in the statement of comprehensive income.

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

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

Derecognition of Financial Liabilities

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

Provision for liabilities and charges

IAS 37.14 Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Other financial liabilities

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

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

f) Investment property

IAS 40.5;35 *An* investment property comprises a building or part of a building and land held for long term yields and /or capital appreciation and which are not occupied by the society and is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is carried at fair value representing market value determined annually by external independent valuers. Changes in fair values are recognised in the income statement.

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

IAS 38.8-18 **g) Intangible assets**

Software license costs are stated at historical cost less estimated accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight line method to write down the cost of the software to its residual value over the estimated useful life using an annual rate of……%

h) Impairment of non-financial assets *(refer to IG 20)*

IAS 36.9 The carrying amounts of the society's tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such condition exists the recoverable amount of the asset is estimated to determine the extent of impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount impairment loss is

IAS 36.60 recognized immediately, unless the relevant asset is carried at revalued amount in which case the impairment loss is treated as a decrease in revaluation reserve. The respective asset is reduced to its recoverable amount.

IAS 36.117 Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss had been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income

IAS 36.119 immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in revaluation reserve.

i) Employee entitlements

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

j) Retirement benefit obligations *(refer to IG 21)*

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

The Society has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior period. The society's contributions to the defined contribution schemes are charged to the profit or loss in the year to which they relate. *IAS 19.44*

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

k) Tax *(refer to IG 22)*

IAS 12. 46;47 Current tax is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation. Note that for Saccos, dividend and/or interest expense is deducted before computing/charging tax.

IAS 12.47 Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability. Currently enacted tax rates are used to determine deferred income tax.

IAS 12.24 Deferred income tax assets are recognized only to the extent that it is probable that the future taxable profits will be available against which temporary differences can be utilized.

l) Statutory reserves *(refer to IG 23)*

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

m) Translation of foreign currencies

IAS 21.21 Transactions in foreign currencies during the year are converted into Kenya shillings at rates ruling at the transaction dates. Assets and liabilities which are expressed in foreign currencies are translated into Kenya shillings at the exchange rates ruling at the reporting sheet date. The resulting differences from translation are dealt with in the profit or loss in the year in which they arise. *IAS 21.28*

n) Cash and cash equivalents

IAS 7.45 Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value net of bank overdrafts.

IAS 1.54(i),78(d)

IAS 37.11-13 **o) Provisions for liabilities and other charges**

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

p) Non Current Assets Held for Sale or Discontinued Operations

i) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

For assets to be classified as held for sale the asset(s) (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

IFRS 5.13 ii) Non-current assets that are to be abandoned

The Sacco does not classify as held for sale a non-current asset (or disposal group) that is to be abandoned. This is because its carrying amount will be recovered principally through continuing use. However, if the disposal group to be abandoned meets the criteria in paragraph 32(a)–(c), the entity shall present the results and cash flows of the disposal group as discontinued operations in accordance with paragraphs 33 and 34 at the date on which it ceases to be used. Non-current assets (or disposal groups) to be abandoned include non-current assets (or disposal groups) that are to be used to the end of their economic life and non-current assets (or disposal groups) that are to be closed rather than sold.

IFRS 5.33 iii) The Sacco discloses:

(a) a single amount in the statement of comprehensive income comprising the total of:
  (1) the post-tax profit or loss of discontinued operations and
  (2) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

IFRS 5.38 iv) The Sacco presents non-current asset(s) classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position.

IFRS 5.25 No depreciation (or amortisation) of a non-current asset takes place while it is classified as held for sale or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to be recognised

IFRS 7. 14 **q) Collateral**

The Sacco discloses:

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

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

(a) the fair value of the collateral held;

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

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

IAS 8.30 **r) Adoption of new and revised standards** *(refer to IG)*

In the current year, the Society has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2009. These are: xxxxx

At the date of authorization of these financial statements, revised and updated IAS 1; *Presentation of Financial Statements* had been issued by IASB. This will be effective for the year beginning 1st January 2009 and will affect the format presentations of financial statements. The committee anticipates that the adoption of these revisions in future periods will have no material financial impact on the financial statements of the Society.

s) New and revised standards and interpretations which have been issued but are not effective

The following revised standards and interpretations have been published and will be effective for the first time in the year ending 31st December 2010. The company has not early adopted any of these amendments or interpretations.*

a) IAS 27 (Revised) - Consolidated and Separate Financial Statements
b) IFRS 3 (Revised) - Business Combinations
c) IFRS 5 (Amendment) - Non-current Assets Held for Sale and Discontinued Operations
d) The annual improvements project published in April 2009
e) IFRS for Small and Medium-sized Entities

The Directors have assessed the potential impact of the above and expect that they will not have a significant impact on the company's financial statements for 2010.

**** The list of revised standards and interpretations should be extended to include all such relevant changes up to the date of approval of the financial statements.***

IFRS 5.6
IAS 1.125 **2 (a) Key source of estimation uncertainty** *(refer to IG 25)*

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

1. In the absence of recently observed market prices, future oriented estimates are necessary to measure the recoverable amounts of classes of property, plant and equipment.
2. The effect of technological obsolescence on inventories
3. Provisions subject to future outcome of litigation in progress
4. In determining the liability for long-service payments (explained in note 20), management must make an estimate of salary increases over the following five years, the discount rate for the next five years to use in the present value calculation, and the number of employees expected to leave before they receive the benefits

IAS 1.122 **2 (b) Significant judgment(s) in applying the Society's accounting policies** *(refer to IG 26)*

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

Examples of judgments,

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

3. (a) Interest income

	2010 KShs '000	2009 KShs '000	IG ref
BOSA Loans	x	x	
FOSA Loans	x	x	
FOSA Advances	x	x	
Total	**x**	**x**	

b) Other interest income

		2010 KShs '000	2009 KShs '000	IG ref
	Bank deposits	x	x	
	Investments measured at fair value	x	x	
	Investments measured at amortised cost	x	x	
	KUSCCO savings	x	x	
IFRS 7.20(b)	**Net**	**x**	**X**	

4. Interest expense

		2010 KShs '000	2009 KShs '000	IG ref
IAS 1.86, 88				
	Member's deposits (BOSA or Non withdrawable)	x	X	
	FOSA Savings/Deposits	X	X	
	Bank loans	X	X	
	Loans from other financial institutions	X	X	
	KUSCCO loans	x	X	
	Other interest expense	x	X	
IFRS 7.20(b)	**Total**	**x**	**X**	

5. Other operating income

		2010 KShs '000	2009 KShs '000	IG ref
	Rental income	x	X	
	Entrance fee	x	X	
	Sundry income	x	X	
	Insurance agency commission	x	X	
	Non interest income from FOSA	x	X	
IFRS 7.20(c)	**Total**	**x**	**X**	

6. Other gains and losses

		2010 KShs '000	2009 KShs '000
IAS 1.88(c)	Gain/(loss) on disposal of property, plant and equipment	x	X
IAS 40.76(d)	Change in fair value of investment property	x	X
IFRS 7.20(a)	Change in fair value of financial assets carried at FVTPL	x	X

21p52(a)	Net foreign exchange gains / (losses)	x	X
	Total	**x**	**X**

7. Expenses

		2010 KShs '000	2009 KShs '000	*IG ref*
IAS 1.99	**Financial Expense**			
	Financial Expense on Funding Liabilities	x	x	
	Interest Expense on deposits	x	x	
	Cost of External Borrowings	x	x	
	Dividend Expense	x	x	
	Other Financial Expense	x	x	
	Fees and Commission Expense	x	x	
	Other Expense	x	x	
	Net Provision for Loan Losses	x	x	
	Operating/Administrative Expenses			
	Personnel Expenses			
	Salaries and wages	X	X	
	Staff benefits – (Medical/Life insurance covers)	x	x	
	Administration expenses			
	Travelling and subsistence X			
	Printing &stationery	x	x	
	Ushirika day celebrations	x	x	
	Insurance expenses – Property only	x	x	
	Computer expenses	x	x	
	Supervision fees to the Commissioner	x	x	
	Auditors' remuneration	x	x	
	Legal fees	X	X	
	Donations	X	X	
	Rent/Water/electricity etc	X	X	
		x	x	
	Governance expenses (member related costs)			
	Board meetings			
	Members education			
	Sitting allowance	X	X	
	AGM expenses	X	X	
		X	X	
	Depreciation/Amortisation			
	Depreciation/Amortization expenses	X	X	
	Marketing expenses			
	Public relations and advertisements			
	Product development & promotion	X	X	
		X	X	

8. Net operating surplus

		2010 KShs '000	2009 KShs '000	*IG ref*
	The following items have been charged in arriving at net operating surplus:			
IFRS 7.20(e)	**a) Impairment loss on financial assets**			
	Impairment loss recognised on trade receivables (note…)	X	X	
	Impairment loss on available-for-sale equity instruments	X	X	
	Impairment loss on available-for-sale debt investments	X	X	
	Impairment loss on loans carried at amortised cost	X	X	
	Total	**Xx**	**Xx**	
	b) Depreciation and amortisation			
	Depreciation of property, plant and equipment	X	x	
IAS 36.126(a)	Impairment of property, plant and equipment	X	x	
IAS 38.118(d)	Amortization of intangible assets	X	x	
	Total	**Xx**	**xx**	
	c) Employee benefits expense			
	Salaries and wages	X	x	
IAS 19.46	Pension costs: - Defined contribution	X	x	
IAS 19.142	Termination benefits	X	x	
	Total	**Xx**	**xx**	
IAS 17.35(c)	**d) *Operating lease***	X	x	
	Operating lease rentals expense	X	x	

9. Income tax

		2010 KShs '000	2009 KShs '000
IAS 12.79	Current Tax	x	x
IAS 12.79	Deferred tax	x	x
	Tax expense / (credit)	**x**	**x**

The tax of the society differs from the theoretical amount that would arise using the basic tax rate as follows:

		2010 KShs'000	2009 KShs '000
IAS 12.81(c)	**Reconciliation of the of the tax expense**		
	Profit / (loss) before tax	X	X
	Tax calculated at a tax rate of x % (2009: x %)	X	X
	Tax effects of:		
	Expenses not deductible for tax purposes	X	X
	Income not subject to tax	X	X
	Prior year overprovision	X	X
	Tax expense (credit) /charge	**X**	**X**

10. Cash and cash equivalents

2010 KShs'000	2009 KShs'000	*IG ref*

Cash and cash equivalents at the end of the year comprise:- *28*

Cash in hand	x	X
Cash at bank	x	X
Bank overdraft	(x)	(x)
Total	**x**	**X**

IAS 7.45 The year-end cash and cash equivalents comprised cash in hand and deposits held at the bank.

11. Prepayments and sundry receivables

IAS 1.54(h),66

	2010 KShs'000	2009 KShs'000
Prepayments	x	X
Deductions due from employers-net of provisions	x	X
Due from related companies	x	X
Others	x	X
Total	**x**	**X**

12. Sundry receivables

	2010 KShs '000	2009 KShs '000	*IG ref*
Other, sundry receivables	X	X	
Allowance for impairment losses	(x)	(x)	
	Xx	Xx	
Amounts due from members	X	X	
Total	**Xx**	**Xx**	

IFRS 7.36(c),37 Included in the Sacco's trade receivable balance are debtors with a carrying amount of KShs. x (2009: KShs.x) which are past due at the reporting date for which the Sacco has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Sacco does not hold any collateral over these balances. The average age of these receivables is x days (2009: x days).

13. Loan to members

	2010 KShs '000	2009 KShs '000	*IG ref*
At the start of the year	x	x	
Granted during the year	x	x	
Interest charged	x	x	
Repayment during the year	x	x	
Provisions	(x)	(x)	
At year end	**x**	**x**	

IFRS 7.37(a)

Ageing of past due impaired

	2010 KShs '000	2009 KShs '000	*IG ref*
0 days (Performing- 1% Provision)	x	x	

1-30 days (Watch- 5%)	x	x
31- 180 days (Substandard-25%)	x	x
181- 360 days (Doubtful- 50%)	x	x
>360 days or 12 Instalments overdue (Loss Account-100%)	x	x
Total	Xx	xx

IFRS 7.16 **Movement in the allowance for doubtful debts**

	2010 KShs '000	2009 KShs '000	*IG ref*
Balance at beginning of the year	X	x	
Impairment losses recognised on receivables	X	x	
Amounts written off as uncollectible	(x)	(x)	
Amounts recovered during the year	(x)	(x)	
Impairment losses reversed	(x)	(x)	
IFRS 7.20(e) **Balance at end of the year**	**x**	**x**	

IFRS 7.36 Maximum Exposure to Credit Risk

The Sacco's Maximum exposure to credit risk before collateral held or other credit enhancements

31st December 2010	**Loans& Advances to members**	**Loans and Advances to other entities**	**Total**
Neither Past due nor impaired	X	X	X
Past due but Not impaired			
Past Due up to 90 Days	X	X	X
Past Due over 90 Days	X	X	X
Impaired individually assessed	X	X	X
Total	**X**	**X**	**X**
Impairment Allowances Identified	(X)	(X)	(X)
Un Identified	(X)	(X)	(X)
Total Carrying Value	**X**	**X**	**X**

31st December 2009	**Loans& Advances to members**	**Loans and Advances to other entities**	**Total**
Neither Past due nor impaired	X	X	X

Past due but Not impaired			
Past Due up to 90 Days	X	X	X
Past Due over 90 Days	X	X	X
Impaired individually assessed	X	X	X
Total	**X**	**X**	**X**
Impairment Allowances Identified	(X)	(X)	(X)
Un Identified	(X)	(X)	(X)
Total Carrying Value	**X**	**X**	**X**

IFRS7.37b Receivables from individuals or entities that have been declared bankruptcy / insolvent are considered impaired. The Sacco holds collateral against these receivables with an approximate fair value of Ksh.x (2009; Ksh.x).

IFRS 7.36 b **Carrying amount of Collateral and Other Credit Enhancements Obtained**

Nature of Assets	2010	2009
	Ksh '000'	Ksh '000"
Commercial and Industrial Property	X	x
Others	X	x
Total	**X**	**X**

14. Non-current assets held for sale.

IFRS 5.41 The Sacco is seeking to dispose a number of its motor vehicles within the succeeding financial year. These were previously in the Sacco's operations. A search is underway for a buyer. No impairment loss was recognised on reclassification of the motor vehicles as held for sale as at 31 December 2009. Liabilities associated with assets classified as held for sale are as shown in the statement of financial position.

15. Deferred tax

Deferred income tax

IAS 12-81, 82 Deferred income tax is calculated using the enacted tax rate of 30% (2009: 30%). The movement on the deferred income tax account is as follows:

		2010	2009
	At 1st January		
	(Credit)/charge to profit or loss account (Note 9)	x	X
IAS 12-81(ab)	(Credit)/charge to other comprehensive income	x	x
	At 31st December	X	X

IAS 12-81(ab) The (credit)/charge to other comprehensive income relates to:

Surplus/(deficit) on revaluation of property, plant and equipment	x	X
Change in fair value of available-for-sale financial assets	x	X
Reclassification adjustment: gain on disposal of available-for-sale financial assets included in the profit or loss account	x	x
	X	X

IAS 12-81(g) Deferred tax assets and liabilities, deferred tax charge/(credit) in the profit or loss account and in other comprehensive income are attributable to the following items:

Year ended 31st December 2010	**At 1st January 2010 Shs'000**	**(Credited)/charged to profit or loss Shs'000**	**(Credited)/charged to other comprehensive income Shs'000**	**At 31st December 2010 Shs'000**
Deferred income tax asset/Liability				
Property, plant and equipment on historical cost basis	x	x	x	x
Provision for liabilities and charges	x	x	x	x
Tax losses carried forward	(x)	(x)	(x)	(x)
	x	x	x	x
IAS 12-74 **Net deferred tax liability/(asset)**	X	X	X	X

Year ended 31st December 2009	**At 1st January 2009 Shs'000**	**(Credited)/charged to profit & loss Shs'000**	**(Credited)/charged to other comprehensive income Shs'000**	**At 31st December 2009 Shs'000**
Deferred income tax asset/Liability				
Property, plant and equipment on historical cost basis	x	x	x	x
Provision for liabilities and charges	x	x	x	x
Tax losses carried forward	(x)	(x)	(x)	(x)
Net deferred tax liability/(asset)	X	X	X	X

IAS 12-64

In addition, deferred tax of Shs ______ (2009: Shs ______) was transferred from the revaluation surplus to retained earnings. This relates to the difference between the actual depreciation of the revalued carrying amounts of buildings and plant and machinery and the equivalent depreciation based on the historical cost of those assets (the excess depreciation).

IAS 12-82, 81(e) Deferred tax asset on tax losses carried forward has been recognised based on the projected future taxable profits that will be available to be utilised against the losses OR Deferred tax asset has not been recognised on tax losses carried forward amounting to Shs ______ (2009: Shs ______) due to lack of certainty of availability of future taxable profits against which such losses could be utilised.

16. Other financial assets

		2010 KShs'000	2009 KShs'000
IFRS 7.8	***Loans and Receivables***		
	Current	x	x
	Non current	x	x
		xx	**xx**
IFRS 7.8	***Held To Maturity Financial assets***		
	Current	x	x
	Non current	x	x
		xx	**xx**
IFRS 7.8	***Financial assets at FVTPL***		
	Current	x	x
	Non current	x	x
		xx	**xx**
IFRS 7.8	***Available for sale Financial assets***		
	Current	x	x
	Non current	x	x
		xx	**xx**

17. Investment property

IAS 40.76

	2010 KShs'000	2009 KShs'000
At start of year	x	X
Additions	x	X
Transfers from/ (to) property plant & equipment	x	X
Fair value gains/ (losses)	x	X
At end of year	**x**	**X**

The fair value of all of the investment properties has been made by an independent registered professional valuer with recent experience in the location and category of the investment property.

18. Intangible assets; computerization and software

IAS 38.118(c)

	2010 KShs'000	2009KShs'00 0
At start of year	x	X
Additions	x	X
Amortization charge	(x)	(x)

At end of year	**x**	**X**

19. Property, plant and equipment

Cost or valuation	Freehold land KShs '000	Buildings KShs '000	Plant & machinery KShs '000	Motor vehicles KShs '000	Furniture & fittings KShs '000	Computer, computer accessoires, copier & faxes KShs '000	Capital work in progress KShs '000	Office equipment KShs '000	Total KShs '000
At 1 January 2009	x	x	x	x	x	x	x	x	x
Additions	-	-	x	x	x	x	x	x	x
Transfers from investment properties	-	-	x	-	-	-	-	-	x
Disposals	-	-	(x)	(x)	(x)	(x)	(x)	(x)	(x)
Reclassified as held for sale	-	-	-	(x)	-	-	-	-	x
Balance as at 1 Jan. 2010	x	x	x	x	x	x	x	x	x
Additions	-	-	x	x	x	x	x	x	x
Transfers from investment properties	-	-	x	-	-	-	-	-	x
Disposals	-	-	-	(x)	(x)	(x)	(x)	(x)	(x)
Reclassified as held for sale	-	-	x	(x)	-	-	-	-	(x)
Balance at 31 Dec. 2010	x	x	x	x	x	x	x	x	x
Accumulated depreciation & impairment									
Balance as at 1 Jan.2009	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(x)
Effects of prior year adjustment									
Restated amount									
Eliminated at disposal	-	-	x	x	x	x	x	x	x
Eliminated on reclassification as held for sale	-	-	-	x	-	-	-	-	x
Impairment loss charged to p&l	-	-	(x)	-	-	-	-	-	(x)
Reversal of impairment loss	-	-	x	-	-	-	-	-	x
Depreciation charge	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(x)
Balance at 1 Jan 2010	-	-	x	x	x	x	x	x	(x)
Effect of prior year adjustment									
Restated amount									
Eliminated at disposal	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(x)
Eliminated on reclassification as held for sale	-	-	-	x	-	-	-	-	x
Impairment loss charged to p&l	-	-	-	(x)	(x)	(x)	(x)	(x)	(x)
Reversal of impairment loss	x	x	x	x	x	x	x	x	x
Depreciation charge	x	x	x	x	x	x	x	x	x
Balance at 31 Dec.2010	x	x	x	x	x	x	x	x	x
Carrying amount									
As at 31 Dec. 2009	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**
As at 31 Dec.2010	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**X**

IAS 16.7 The properties were revalued on ....…by XYZ Valuers who are an independent firm of valuers. Valuations were made on the basis of the open market value. Investment properties with fair value of KShs…were transferred to property plant and equipment during the year. The book values of the properties were adjusted to the revaluations and the resultant surplus net of deferred income tax was credited to the revaluations surplus in shareholders' equity.

IAS 16.77e If the land and buildings had been carried at depreciated historical costs the amount would be as follows:

	2010 KShs'000	2009 KShs'000	*IG ref*
Cost	x	X	
Accumulated depreciation	x	X	
Net carrying amount	**x**	**X**	

IAS 16p79b Motor vehicles are assets with a cost of KShs. X (2009-KShs.x) which were fully depreciated as at ………2010 but are still in use.

20. Members' deposits

	2010 KKShs '000	2009 KKShs '000	*IG ref*
Savings Deposits			
At the start of the year	x	x	
Deposits during the year	x	x	
Withdrawals/Refunds during the year	(x)	(x)	
Sub Total	**X**	**X**	
Short term Deposits			
At the start of the year	**x**	**x**	
Deposits during the year	**x**	**x**	
Withdrawals/Refunds during the year	**(x)**	**(x)**	
Sub Total	**X**	**X**	
Non Withdrawable Deposits			
At the start of the year	**x**	**x**	
Contribution during the year	**x**	**x**	
Sub Total	**X**	**X**	
Total	**X**	**X**	

21. Trade and other payables

		2010 KShs '000	2009 KShs '000	*IG ref*
	Trade payables	x	x	
IAS 24.17b(i)	Payables to related parties	x	x	
	Unclaimed dividends	x	x	
	Other payables	x	x	
	Total	**x**	**x**	

IFRS 7.7 The average credit period on purchases of goods from suppliers is x months. No interest is charged on the trade payables for the first x days from the date of the invoice. Thereafter, interest is charged at 2% per annum on the outstanding balance. The Sacco has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

IFRS 7.36(c), 37 The average payment period during the year was ____ days. In the opinion of the Board of Directors , the carrying amount of trade and other payables approximates to their fair value.

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22. Interest bearing liabilities

Borrowings:	**2010 KShs '000**	**2009 KShs '000**
Bank loans	X	x
Loans from non financial institutions	X	x
Loans from KUSSCO	X	x
Total	**X**	**x**
The borrowing are repayable as follows:		
On demand and within one year	X	x
In the second year	X	x
In the third to fifth year	X	x
Total	**X**	**x**
Amounts due for settlement within one year	**X**	**x**
Amounts due for settlement after one year	**X**	**x**

The interest rates on the bank loans and bank overdrafts are reviewed periodically by the banks in line with market rates and thus expose the society to cash flow interest rate risk.

In the opinion of the Board of Directors the carrying amounts of short term borrowings approximate to their fair value. Also in their opinion it is impracticable to assign fair values to the Sacco's long-term liabilities due to inability to forecast interest rate changes.

Breach of loan agreement

IFRS 7.18 During 2010, the Sacco was late in paying interest for the first quarter on one of its loans with a carrying amount of KShs. x. The delay arose because of a temporary lack of funds on the date interest was payable due. The interest payment outstanding of KShs. x was repaid in full on the following day, including the additional interest and penalty.

The lender did not request accelerated repayment of the loan and the terms of the loan were not changed. The Committee has reviewed the Sacco's settlement policy to ensure that such circumstances do not recur.

23. Share capital

IAS 1.54(r)

	2010 KShs '000	**2009 KShs '000**	***IG ref***
Balance brought forward (x number of share@ KShs x)	**x**	**X**	
Contributions for the year (x number of shares @ KShs x)	x	X	
Total	**x**	**X**	

IAS 1-79(a)

Share capital	**No. of ordinary**	**Issued and fully**	**Share**

	shares	paid up capital Shs'000	premium Shs'000
At 1st January 2009			
Bonus issue	x	x	x
At 31st December 2009			
Issue for cash/Bonus issue			
At 31st December 2010	x	x	x
	X	X	X

The total number of authorised ordinary shares is ……………… (2009: …...………..) with a par value of Shs …………… each.

IAS 1-79(b) The share premium account arose in 20XX_ on issue of shares at a premium and is not distributable.

24. Reserves

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

IAS 1.54(r) The properties revaluation reserve arises on the revaluation of land and buildings. Where revalued land or Buildings are sold, the portion of the properties revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained profits. This reserve is not available for distribution.

IAS 1.54(r) The investments revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectively realised, is removed from other comprehensive income and recognised in profit or loss. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in profit or loss.

IFRS 7.23(d) Gains and losses transferred from equity into profit or loss during the period are included in other gains and losses.

SASRA The following should be included in the computation of reserves.

	2010	2009
Prior year's retained earnings	x	x
Current year's surplus	x	x
Statutory reserve	x	x
Other reserves	x	x
Revaluation reserves	x	x
Proposed dividends	x	x
Adjustments to equity	x	x
Total	**X**	**X**

25. Related party transactions *(refer to IG)*

a) Key management / supervisory committee remuneration

IAS 24.16

	2010 KShs '000	2009 KShs '000	IG ref
Short term employment benefits	X	-	
Post-employment benefits	X	x	
Other long term benefits	X	x	
Termination benefits	X	x	
Honorarium/ allowances	X	x	
Total	**X**	**x**	

b) Loans to the Board of Directors

IAS 24.17

	2010 KShs '000	2009 KShs '000	IG ref
At the start of the year	X	-	
Granted during the period	X	X	
Interest charged	x	X	
Repayment	x	X	
Total	**x**	**X**	

Loans are provided to the Board of Directors at arms length transactions

26. Operating lease commitments

The society has the following commitments under non cancellable leases.

IAS 17p35(a)

	2010 KShs '000	2009 KShs '000
Not later than 1 year	x	X
Later than 1 year and not later than five years	x	X
Later than 5years	x	X

IAS 1.134

27. Capital Risk management *(refer to IG)*

The Sacco 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 Sacco consists of net debt calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents and equity (comprising issued capital, reserves and retained earnings). The Board of Directors reviews 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. The Sacco has a target gearing ratio of x % determined as the proportion of net debt to equity. In order to maintain or adjust the capital structure, the Sacco may adjust the amounts of dividends paid to members or sell assets to reduce debt. The Sacco's overall strategy remains unchanged from 2009.

The debt-to-capital ratios at 31 December 2010 and 2009 were as follows:

IAS 24.16

	2010 KShs '000	2009 KShs '000	IG ref
Total borrowings	X	-	

Less cash and cash equivalents	X	x
Net debt	**X**	**x**
Total equity	**X**	**x**
Debt-to-adjusted capital ratio	**X**	**x**

The decrease in the debt-to-capital ratio during 2009 resulted primarily from………………

IFRS 7.31

28. Financial risk management objectives

The Sacco's operations are exposed to financial risks. These risks include market risk (including currency risk, fair value, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Sacco's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Sacco's financial performance.

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

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

IFRS 7.33, 34

28.1) **Interest rate risk management**

The Sacco is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed through maintaining an appropriate mix between fixed and floating rate borrowings. The Sacco's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

IFRS 7.40(a) If interest rates had been x% lower and all other variables were held constant, the post tax profit would have been KShs. x (2009-KShs x) higher, arising mainly as a result of lower interest expense on variable borrowings, and other component of equity would have been KShs x (2009- KShs x) higher, arising mainly a result of increase in fair value of fixed rate financial assets classified as available for sale.

If interest rates had been x% higher and all other variables were held constant, the post-tax profit would have been KShs. x (2009-KShs x) lower, arising mainly as a result of higher interest expense on variable borrowings, and other component of equity would have been KShs x (2009- KShs x) lower, arising mainly a result of decrease in fair value of fixed rate financial assets classified as available for sale.

IFRS 7.33(c) The Sacco's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt instruments.

28.2 **Other price risks**

The Sacco is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Sacco does not actively trade these investments.

Equity price sensitivity analysis

IFRS 7.40(a) If equity prices had been x% higher/lower:

- net profit for the year ended 31 December 2009 would have been unaffected as the equity investments are classified as available-for-sale and no investments were disposed of or impaired; and

- other equity reserves would increase/decrease by KShs. x (2009: increase/decrease by KShs. x) for the Sacco as a result of the changes in fair value of available-for-sale shares.

IFRS 7.40(c) The Sacco's sensitivity to equity prices has not changed significantly from the prior year.

IFRS 7.36, appB9

28.3 Credit risk management

*IFRS 7.34(b),*app B8 Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to
the Sacco and arises principally from the Sacco's loans and advances to its members. The amounts presented in the statement of financial position are net of impairment for doubtful debts, estimated by the committee based or prior experience and assessment of the current economic environment. The Sacco has adopted a policy (as contained in its by-laws) of only dealing with creditworthy counterparties and obtaining sufficient collateral, guarantors where appropriate, as a means of mitigating the risk of financial loss from defaults. The Sacco also structures the level of credit risk it undertakes by placing limits on amount of risk accepted in relation to one borrower or group of borrowers.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

IFRS 7.34(c) The Sacco does not have any significant credit risk exposure to any single counterparty or any Sacco of Counterparties having similar characteristics.

28.4 Liquidity risk management

IFRS 7.33, 39(b) The committee has built an appropriate liquidity risk management framework for the management of the Sacco's short, medium and long-term funding and liquidity management requirements. The Sacco manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

IFRS 7.34, 35, 39(a) The following tables detail the Sacco's remaining contractual maturity for its financial liabilities. The table have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Sacco can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 Month	1-3 Months	3 Months to 1 year	1-5 years	5+ years	Total
	%	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
2010							
Non-interest bearing	-	x	x	-	-	x	X
Member deposits	x	x	x	x	x	x	X
Attributable to assets held for sale	x	x	x	x	x	-	X
Interest bearing liabilities	x	x	x	x	x	-	X

Trade payables and accrued interest	-	-	-	-	-	-	-
Total		**x**	**x**	**x**	**x**	**x**	**X**
2009							
Non-interest bearing	-	x	x	-	-	x	X
Member deposits	x	X	x	x	x	x	X
Attributable to assets held for sale	x	x	x	x	x	-	X
Interest bearing liabilities	x	x	x	x	x	-	X
Trade payables and accrued interest	-	-	-	-	-	-	-
Total		**x**	**x**	**x**	**x**	**x**	**X**

At the year end it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the amount included above is nil.

IFRS 7.34, 35 The following table details the Sacco's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period

	Less than 1 Month KShs'000	1-3 Months KShs'000	3 Months to 1 year KShs'000	1-5 years KShs'000	5+ years KShs'000	Total KShs'000
2010						
Non-interest bearing	x	X	-	-	-	x
Loans to members	x	X	-	-	-	x
Attributable to assets held for sale	x	X	X	x	-	x
Total	**x**	**X**	**X**	**x**	**x**	**x**
2009						
Non-interest bearing	x	X	-	-	-	x
Loans to members	x	X	-	-	-	x
Attributable to assets held for sale	x	X	X	x	-	x
Total	**x**	**X**	**X**	**x**	**x**	**x**

IFRS 7.39(b) The Sacco has access to financing facilities, the total unused amount which is KShs.x at the reporting date. The Sacco expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Sacco expects to maintain current debt to equity ratio, within x-x% limits increasing it to x%. This will be achieved through the issue of new debt and the increased use of secured bank loan facilities.

28.5 Fair value of financial instruments

IFRS 7.27 A The Sacco classifies fair value measurements using a fair value hierarchy that reflects the Significance of the inputs used in making the measurements. The fair value hierarchy has the following levels,

a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices (Level 2): and

c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

IFRS 7. 27b

Assets Measured At Fair Value

	Fair Value Measurement at end of the reporting Period			
	2010	**Level 1**	**Level 2**	**Level 3**
Description	Ksh '000'	Ksh '000'	Ksh '000'	Ksh '000'
Financial Assets at Fair Value Through Profit or Loss Trading Securities	X	x	x	x
Financial Assets at fair value through comprehensive Income				
Available For Sale	X	x	x	x

	2009	**Level 1**	**Level 2**	**Level 3**
Description	Ksh '000'	Ksh '000'	Ksh '000'	Ksh '000'
Financial Assets at Fair Value Through Profit or Loss Trading Securities	X	x	x	x
Financial Assets at fair value through comprehensive Income				
Available For Sale	X	x	x	x

IFRS 7.27

The financial statements include holdings in unlisted shares which are measured at fair value. Fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates. In determining the fair value, an earnings growth factor of x % (2009: x %) and a risk adjusted discount factor of x % (2009: x %) is used. If these inputs to the valuation model were x % higher/lower while all the other variables were held constant, the carrying amount of the shares would decrease / increase by KShs. x (2009: decrease/increase by KShs.x).

IFRS 7.25, 29(a) Except as detailed in the following table, the committee consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

	2010		**2009**	
	Carrying amount KShs'000	Fair value KShs'000	Carrying amount KShs'000	Fair value KShs'000
Financial assets				
Loans and receivables	x	x	x	x
Held to maturity:				
Government bonds	x	x	x	x
Debentures	x	x	x	x
Financial liabilities				
Borrowings:				
Bank loans at fixed interest rate	x	x	x	x
Loans from other entities	x	x	x	x