

28th
ANNUAL
REPORT
Financial Statements



Budget



Investments



Profit

2020

*Unaitas Savings and Credit Co-operative Society Limited - CS/6760**Annual report and financial statements**For the year ended 31 December 2020***SOCIETY INFORMATION**

BOARD OF DIRECTORS	: James Kamau Kinoro	- Chairman
	: James Macharia	- Vice Chairman
	: Pius Macharia	- Member
	: Joseph N. Kabugu	- Member
	: Frashiah W Kamuri	- Member
	: Francis Mburu Nganga	- Member
	: Michael Muriithi	- Member
SUPERVISORY COMMITTEE	: Solomon G.Mwangi	- Chairman
	: John Kiiru	- Secretary
	: Samuel Gachau	- Member
MANAGEMENT STAFF	: Martin Muhoho	- Chief Executive Officer
	: Simon Gachuru	- Chief Manager Business Development
	: Fidelis Wanjihia	- Chief Manager Finance
	: Joseph Kimani	- Ag. Chief Manager Commercial
	: Alice Kimani	- Chief Manager Audit, Risk and Compliance
	: Felix Kamau	- Chief Manager IT
	: Nephath Murimi	- Chief Manager Human Resource
REGISTERED OFFICE	: Unaitas Sacco Society Limited	
	: Head Office	
	: Cardinal Otunga Plaza	
	: Cardinal Otunga Street, Nairobi	
	: P.O. Box 38721, 00100	
	: Nairobi	
	: Telephone 020-2425958, 0721-244139,	
	: 0775-530310	
AUDITOR	: PKF Kenya LLP	
	: Certified Public Accountants	
	: P.O. Box 14077, 00800	
	: NAIROBI	
PRINCIPAL BANKERS	: Co-operative Bank of Kenya Limited	
	: KCB Kenya Limited	
LEGAL ADVISORS	: Mutua Waweru Advocates	
	: P.O.Box 102998, 00101	
	: Nairobi	
	: Osoro Chege Kibathi & Company Advocates	
	: P. O. Box 21838, 00100	
	: NAIROBI	
	: Maina and Partners	
	: P.O.Box 1198, 00100	
	: NAIROBI	

*Unaitas Savings and Credit Co-operative Society Limited - CS/6760**Annual report and financial statements**For the year ended 31 December 2020***REPORT OF THE DIRECTORS**

The directors submit their annual report together with the audited financial statements for the year ended 31 December 2020 which show the society's state of affairs.

Incorporation

The society is incorporated in Kenya under the Co-operative Societies Act, Cap 490 and is domiciled in Kenya. It was registered as a Sacco under the Sacco Societies Act with effect from 22 December 2011.

Principal activity

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

Results

	2020 Shs	2019 Shs
Profit before tax	656,259,927	504,756,670
Income tax expense	<u>(36,076,678)</u>	<u>(18,539,513)</u>
Profit for the year	<u>620,183,249</u>	<u>486,217,157</u>
Interest on members' deposits	<u>215,886,730</u>	<u>197,341,874</u>

Investment shares

The issued and paid up share capital of the society was increased during the year from Shs. 3,560,854,621 to Shs. 3,711,992,101.

Dividends and interest

The directors have recommended payment of 7% (2019: 7%) of Shs. 259,835,969 (2019: Shs. 249,257,298) as dividend on investment shares and an additional 3% (2019: 3%) of Shs. 13,487,259 (2019: Shs. 20,840,203) as loyalty dividend for members who have complied with minimum share capital, Sacco deposits and have had a loan in good standing in the past two years.

The directors have also paid 5% (2019: 5%) of interest on Sacco deposits.

Board of directors

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

TERMS OF APPOINTMENT OF THE AUDITOR

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

BY ORDER OF THE BOARD

Signature.......... date.....*16 March*.....2021

Secretary

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF UNAITAS SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

Opinion

We have audited the financial statements of Unaitas Savings and Credit Co-operative Society Limited (the society) set out on pages 9 to 57, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the society's financial position as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Sacco Societies Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the society in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Loan impairment provisions

The directors exercise significant judgement in classification of loans and advances to customers into the various credit grades/stage as described in note 1(b) and note 26 to the financial statements as well as the level of expected credit loss provisions necessary for each grade/stage of loan which is based on the society's past experience and reference to the regulatory guidelines and industry standards and consideration of relevant forward looking factors. Because of the significance of these judgements and the quantum of loans and advances, the audit of loan expected credit loss provisions is a key audit matter. Further details of the loans and advances balances and impairment provisions are included in note 7 to the financial statements.

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF UNAITAS SAVINGS AND CREDIT CO-OPERATIVE SOCIETY
LIMITED (CONTINUED)**

Key audit matters (continued)

Loan impairment provisions (continued)

Our audit procedures included testing the model used by the directors in classifying loans and advances into their respective credit grades and stages of performance which included understanding the classification criteria and reviewing this for consistency with the society and industry experience. We tested a sample of loans and advances (including loans that had not been identified by management as impaired) to form our own assessment as to whether the loan classification and staging was reliable. For a sample of impaired loans we tested the extraction of data used in the models, the assessment of probability of default and the estimation of the future expected cash flows from the members based on historic experience, as adjusted for recent outturn of events and their likely impact over the future term of the loans including realisation of collateral held which primarily represented current deposits which we tested against records of member deposits which are key inputs into the loss given default assumption.

Information technology control environment

The society is highly dependent on information systems and controls over access rights to such systems are critical and therefore represent a key audit matter.

We tested the design and implementation of the society's controls around the information technology environment and operating effectiveness for controls that were critical to databases within the scope of our audit and the financial reporting process. Where our procedures identified deficiencies, we assessed the design and implementation of any controls that mitigated the identified risks and extended the scope of our tests of operating effectiveness of controls and/or substantive audit procedures.

Other information

The directors are responsible for the other information. The other information comprises the report of the directors and financial and statistical information which we obtained prior to the date of this auditor's report, and the other reports included in the annual report excluding the financial statements and our audit report thereon which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this report of the independent auditor, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other reports expected to be made to us after date of report of the independent auditor, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF UNAITAS SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED (CONTINUED)

Responsibilities of directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs and the requirements of the Sacco Societies Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the society or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sacco's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sacco to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF UNAITAS SAVINGS AND CREDIT CO-OPERATIVE SOCIETY
LIMITED (CONTINUED)**

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**Certified Public Accountants
Nairobi**

-----16-03-----2021

**FCPA Chaudhry Mohamed Asif, Practicing certificate P/No. 2059
Signing partner responsible for the independent audit**

xxx/21

Unaitas Savings and Credit Co-operative Society Limited - CS/6760
Annual report and financial statements
For the year ended 31 December 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2020	2019
	Shs	Shs
		* As restated
Revenue		
Interest income:		
Interest on loans and advances	2,179,489,465	1,851,610,113
Other interest income	<u>20,405,041</u>	<u>56,562,776</u>
Total interest income	2,199,894,506	1,908,172,889
Interest expense	<u>(303,880,542)</u>	<u>(197,341,874)</u>
Net interest income	1,896,013,964	1,710,831,015
Investment Income	44,605,740	53,034,527
Net fee and commission income	201,155,069	190,217,537
Other operating income	69,976,406	46,538,100
Reclassification to profit or loss: gain on disposal of debt instruments measured at fair value through other comprehensive income	-	43,991,708
Expected credit losses allowance expense	(249,323,106)	(57,815,431)
Governance expenses	(68,248,180)	(60,131,741)
Staff costs	(632,875,399)	(652,870,399)
Other administrative expenses	(227,643,724)	(325,031,825)
Other operating expenses	(328,743,512)	(288,288,701)
Finance costs	<u>(48,657,331)</u>	<u>(52,637,212)</u>
Profit before tax	656,259,927	607,837,578
Income tax expense	<u>(36,076,678)</u>	<u>(18,539,513)</u>
Profit for the year	<u><u>620,183,249</u></u>	<u><u>589,298,065</u></u>
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
- Change in fair value of debt instruments designated as at fair value through other comprehensive income	-	1,352,466
- Reclassification to profit or loss: gain on disposal of debt instruments measured at fair value through	-	(43,991,708)
- Fair value (loss)/gain on equity instruments at fair value through other comprehensive income	(46,342,095)	16,521,895
- Deferred tax thereon	<u>2,220,104</u>	<u>(805,980)</u>
Total comprehensive income	<u><u>576,061,258</u></u>	<u><u>562,374,738</u></u>
Dividend:		
Proposed dividend for the year	<u>273,323,228</u>	<u>270,097,501</u>

*As restated - refer to note 28

The notes on pages 14 to 57 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 8.

Unaitas Savings and Credit Co-operative Society Limited - CS/6760
Annual report and financial statements
For the year ended 31 December 2020

STATEMENT OF FINANCIAL POSITION

	2020 Shs	As at 31 December 2019 Shs * As restated	2018 Shs * As restated
ASSETS			
Cash and bank balances	655,622,128	714,504,506	1,509,622,275
Receivables and prepayments	118,454,209	92,056,896	100,952,195
Tax recoverable	13,817,732	-	-
Loans and advances to members	13,117,777,414	10,599,454,698	8,496,367,315
Financial assets	947,667,877	1,076,051,646	1,314,304,876
Inventories	9,048,099	10,852,184	24,161,474
Property inventory	123,700,080	81,600,040	-
Property and equipment	652,689,107	632,118,302	625,363,716
Right of use of assets	424,521,301	401,393,730	-
Intangible assets	503,059,107	588,397,195	628,855,096
Total assets	16,566,357,054	14,196,429,197	12,699,626,947
LIABILITIES			
Payables	441,224,963	252,630,510	259,349,186
Current tax	-	3,677,400	20,803,118
Retirement benefit obligation	64,715,012	32,630,159	2,482,549
Interest due to members	32,721,043	74,274,040	109,555,478
Member deposits	8,920,046,210	8,049,485,031	7,479,884,459
Lease liabilities	461,708,864	425,813,668	-
Borrowings	833,333,333	-	-
Deferred tax	11,041,919	13,262,023	12,456,043
	10,764,791,344	8,851,772,831	7,884,530,833
FINANCED BY			
Investment shares	3,711,992,101	3,560,854,621	3,327,471,395
Statutory reserve	693,682,199	569,645,549	472,402,118
Fair value reserve	79,858,101	124,171,984	170,968,753
Appropriation account	910,104,864	685,972,719	508,774,802
Loan loss reserve	132,605,218	133,913,992	69,281,334
Dividend account	273,323,228	270,097,501	266,197,712
	5,801,565,711	5,344,656,366	4,815,096,114
Total liabilities and capital	16,566,357,054	14,196,429,197	12,699,626,947

The financial statements on pages 9 to 57 were approved and authorised for issue by the board of

directors on 16 March 2021 and were signed on its behalf by:

[Signature] CHAIRMAN

[Signature] BOARD MEMBER

[Signature] BOARD MEMBER



The notes on pages 14 to 57 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 8.

