

unaitas 

**29<sup>th</sup>**  
**ANNUAL**  
**REPORT**  
Financial Statements

**2021**



Unaitas Savings and Credit Co-operative Society Limited - CS/6760  
 Annual report and financial statements  
 For the year ended 31 December 2021

## SOCIETY INFORMATION

<b>BOARD OF DIRECTORS</b>	: 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
	: Peter Njoroge	- Member
	: Ernest Kiarie Muibu	- Member
<b>SUPERVISORY COMMITTEE</b>	: Solomon G.Mwangi	- Chairman
	: John Kiiru	- Secretary
	: Samuel Gachau	- Member
<b>MANAGEMENT STAFF</b>	: Martin Muhoho	- Chief Executive Officer
	: Simon Gachuru	- Chief Manager Business Development
	: Fidelis Wanjihia	- Chief Manager Finance
	: Alice Kimani	- Chief Manager Commercial
	: Brenda Kiende	- Chief Manager Audit, Risk and Compliance
	: Felix Kamau	- Chief Manager Special Purpose Vehicle
	: Nephath Murimi	- Chief Manager Human Resource
	: Joseph Kimani	- Chief Manager IT
<b>REGISTERED OFFICE</b>	: 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	
<b>AUDITOR</b>	: PKF Kenya LLP	
	: Certified Public Accountants	
	: P.O. Box 14077, 00800	
	: NAIROBI	
<b>PRINCIPAL BANKERS</b>	: Co-operative Bank of Kenya Limited	
	: KCB Kenya Limited	
<b>LEGAL ADVISORS</b>	: Mutua Waweru Advocates	
	: P.O.Box 102998, 00101	
	: Nairobi	
	: Osoro Chege Kibathi & Company Advocates	
	: P. O. Box 21838, 00100	
	: NAIROBI	
<b>SUBSIDIARIES</b>	: Unaitas Commercial Bank Plc	
	: NAIROBI	
	: Unaitas Insurance Agency Limited	
	: NAIROBI	

Unaitas Savings and Credit Co-operative Society Limited - CS/6760

Annual report and financial statements

For the year ended 31 December 2021

## REPORT OF THE DIRECTORS

The directors submit their annual report together with the audited financial statements for the year ended 31 December 2021 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	2021 Shs	2020 Shs
Profit before tax	673,668,316	656,259,927
Income tax expense	<u>(12,135,244)</u>	<u>(36,076,678)</u>
Profit for the year	<u>661,533,072</u>	<u>620,183,249</u>
Interest on members' deposits	<u>293,753,654</u>	<u>215,886,730</u>

### Investment shares

The issued and paid up share capital of the society was increased during the year from Shs. 3,711,992,101 to Shs. 3,855,543,553.

### Dividends and interest

The directors have recommended payment of 7% (2020: 7%) of Shs. 268,426,896 (2020: Shs. 259,835,969) as dividend on investment shares and an additional 3% (2020: 3%) of Shs. 18,619,147 (2020:

Shs.13,487,259) 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% (2020: 5%) of interest on Sacco deposits.

In the year 2020, there was an under provision for dividend of Shs. 12,746,527 relating to loyalty dividend which was subsequent adjusted in the year 2021. This was as a result of an error in analysing member who are in good standing and qualify for loyalty dividends.

### 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

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

### BY ORDER OF THE BOARD

Signature.....  ..... date 15 March 2022

Secretary

## **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 as well as completeness of information held in and derived from such system 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.

**The engagement partner responsible for the audit resulting in this independent auditor's report is FCPA Chaudhry Mohamed Asif, Practising certificate No. 2059**



For and on behalf of PKF Kenya LLP  
Certified Public Accountants  
Nairobi, Kenya

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## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2021 Shs	2020 Shs
<b>Revenue</b>			
Interest income:			
Interest on loans and advances	2 (a)	2,215,063,024	2,179,489,465
Other interest income	2 (b)	76,398,176	20,405,041
<b>Total interest income</b>		2,291,461,200	2,199,894,506
Interest expense	2 (c)	(421,398,178)	(303,880,542)
<b>Net interest income</b>		1,870,063,022	1,896,013,964
Investment Income	2 (d)	64,876,256	44,605,740
Net fee and commission income	2 (e)	212,969,263	201,155,069
Other operating income	2 (f)	92,844,414	69,976,406
Expected credit loss expense	3 (a)	(58,896,804)	(249,323,106)
Governance expenses	3 (b)	(67,501,903)	(68,248,180)
Staff costs	3 (c)	(707,299,930)	(632,875,399)
Other administrative expenses	3 (d)	(278,134,123)	(227,643,724)
Other operating expenses	3 (e)	(340,870,465)	(328,743,512)
Finance costs	3 (f)	(114,381,414)	(48,657,331)
Profit before tax		673,668,316	656,259,927
<b>Income tax expense</b>	4(a)	(12,135,244)	(36,076,678)
<b>Profit for the year</b>		661,533,072	620,183,249
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
- Fair value gain/(loss) on equity instruments at fair value through other comprehensive income	8	8,769,277	(46,342,095)
- Deferred tax thereon	21	(438,464)	2,220,104
- Over provision of deferred tax in previous years	21	6,838,861	-
<b>Total comprehensive income</b>		676,702,746	576,061,258
Dividend:			
Proposed dividend for the year	23 (v)	287,046,043	273,323,228

The notes on pages 14 to 62 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  
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**STATEMENT OF FINANCIAL POSITION**

	Notes	As at 31 December	
		2021 Shs	2020 Shs
<b>ASSETS</b>			
Cash and bank balances	5	2,200,125,104	655,622,128
Receivables and prepayments	6	125,239,284	118,454,209
Tax recoverable	4 (b)	11,721,571	13,817,733
Loans and advances to members	7	13,512,468,223	13,117,777,414
Financial assets	8	1,263,960,729	947,667,877
Inventories	9	10,006,566	9,048,099
Property inventory	10	123,700,080	123,700,080
Property and equipment	11	606,751,767	652,689,106
Right of use of assets	12	363,749,756	424,521,301
Investment in subsidiary	14	-	-
Intangible assets	13	428,848,432	503,059,107
<b>Total assets</b>		<b>18,646,571,512</b>	<b>16,566,357,054</b>
<b>LIABILITIES</b>			
Payables	15	449,347,905	441,224,963
Retirement benefit obligation	17	8,002,991	64,715,012
Interest due to members	16	45,192,145	32,721,043
Member deposits	19	10,141,285,907	8,920,046,210
Lease liabilities	16	414,355,208	461,708,863
Borrowings	20	1,247,995,680	833,333,333
Deferred tax	21	4,641,522	11,041,919
		<b>12,310,821,358</b>	<b>10,764,791,343</b>
<b>FINANCED BY</b>			
Investment shares	22	3,855,543,553	3,711,992,101
Statutory reserve	23(i)	825,988,813	693,682,199
Fair value reserve	23(ii)	88,188,914	79,858,101
Appropriation account	23(iii)	1,110,022,040	910,104,864
Loan loss reserve	23(iv)	168,960,791	132,605,218
Dividend account	23(v)	287,046,043	273,323,228
		<b>6,335,750,154</b>	<b>5,801,565,711</b>
<b>Total liabilities and capital</b>		<b>18,646,571,512</b>	<b>16,566,357,054</b>

The financial statements on pages 9 to 62 were approved and authorised for issue by the board of

directors on 15 March 2022 and were signed on its behalf by:

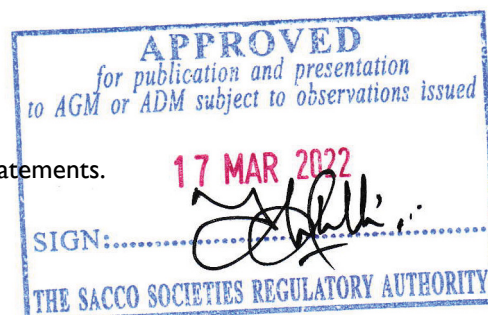
 CHAIRMAN

 BOARD MEMBER

 BOARD MEMBER

The notes on pages 14 to 62 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 8.







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[www.unaitas.com](http://www.unaitas.com)



[memberservice@unaitas.com](mailto:memberservice@unaitas.com)