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# **PROGRAMME OF ANNUAL GENERAL MEETING**

- 9.00 a.m - Opening Prayer
- 9.05 a.m - Introduction
- 9.10 a.m - Board's Report
- 9.25 a.m - Supervisory Report
- 9.35 a.m - Treasurer's Report
- 9.45 a.m - 2020 audited accounts
- 10.05 a.m - Proposed 2022 budget
- 10.10 a.m - Appointment of auditors 2021
- 10.15 a.m - Reading and confirmation of the previous  
minutes
- 10.30 a.m - Matters arising thereof
- 10.45 a.m - Speeches from the guests
- 10.55 a.m - Closing Prayer
- 11.00 a.m - Departure



United We Grow

# COSMOPOLITAN DEPOSIT TAKING SACCO SOCIETY LIMITED

P.O. BOX 1931  
TEL: 051-2212416  
NAKURU.  
Mobile No. 0722-388 616

ADDRESS ALL CORRESPONDENCE  
TO THE SECRETARY COSMOPOLITAN  
DEPOSIT TAKING SACCO SOCIETY LTD  
Email: info@cosmpolitansacco.co.ke  
Website: www.cosmpolitansacco.com

Our Ref: .....

Date 5th February 2021.....

Your Ref: .....

TO: ALL MEMBERS OF COSMOPOLITAN  
DEPOSIT TAKING SACCO

Dear Co-operators,

RE: 41ST AGM NOTICE

We refer you to our notice of 41<sup>st</sup> AGM (SMS) dated 9<sup>th</sup> February 2021. The agendas of the day shall be as follows:-

1. Opening Prayer
2. Introduction
3. Board's Report.
4. Supervisory report
5. 2020 Audited Accounts
6. Proposed 2022 Budget
7. Appointment of Auditors 2022
8. Reading and confirmation of the previous minutes
9. Matters arising thereof
10. Speeches from the guests
11. Closing Prayer

Attached please find the 2020 balance sheet.

Yours Faithfully,

**FRANCIS WAIGERIA  
FOR HON. SECRETARY**



- C.C - County Commissioner for Cooperatives
- Sub County Co-operative Officer
- The OCS – Nakuru Central Police

Mobile No.

Bahati Branch - 0700 470 342, Naivasha Branch - 0700 470 339, Narok Branch - 0717 546 502, Molo Branch - 0716 861 224

## **CHAIRMAN'S OPENING REMARKS**

Our Chief Guest, invited guests and my fellow co-operators, we are gathered here today for our 41st Annual General Meeting. It is a time to celebrate our achievements, a time to share our aspirations as we plan on years ahead.

## **OUR PERFORMANCE**

This past year has seen us experience an economic crunch due to the Covid-19 effects. However, we have been able to perform our core duties of loaning. As per the board report there was a remarkable rise in member's savings.

Kshs. 4,854,238,135/= in 2019 to Kshs. 5,558,267,034/= in 2020.

Credit rose from Kshs. 4,494,771,539/= to Kshs. 5,141,194,295/=.

Our aim is to keep afloat and remain a leading SACCO in our region.

Our SACCO dreams of steady growth in all spheres, membership, shares, deposits, loans and interest on members. It is with this in mind that we anticipate to explore avenues of assisting members. You will surely note the board has come up with new products.

## **STRATEGIC PLAN**

Upon the expiry of the 2018-2020 strategic plan, we have come up with a 2021-2023 new strategic. This plan is based on the following pillars:-

- (1) Growth opportunity
- (2) Member Service, experience and relationship
- (3) Operational efficiency
- (4) Capacity to execute powered by people and technology

## **CONCLUSION**

As we envisage a bright future on economic growth, I take cognize to all those that

has seen the very stable and growth of society.

- The board for their bright policies. Each of board has contributed evenly.
- I wish to thank the staff headed by the C.E.O who have worked

tirelessly to implement the board policies.

- The members who have continued to patronize and give advice to the board on the way forward.
- Our partners who have ably given timely advice.

Regards,

JOHN MUIGAI NJUGUNA  
CHAIRMAN

**BOARD OF DIRECTORS REPORT TO THE 41ST ANNUAL  
GENERAL MEETING ON 20TH FEBRUARY 2021 AT  
KUNSTE GROUNDS**

**PREAMBLE**

The Chief Guest  
Invited Guests  
Honorable Members  
Ladies and Gentlemen

I feel greatly honoured to present to you this year's Board of director's report. The year 2020 was a year that had very unforeseen challenges than the other years. As will be outlined it took the hand of Almighty, the joint effort by the board, the cooperation of the members to overcome and see the end of it. We were able to maintain our operations and as will note have seen a growth in our returns.

**BRIEF OF PERFORMANCE**

The Society's membership as at December 2020 was 20869 compared to 20389 in the previous year. An increase of 480 members. This is an increase of 2.4%.

On savings deposits in 2019 it stood at Kshs. 4,854,238,135/= while in 2020 it stood at Kshs. 5,558,267,034/=.

The capital base stood at Kshs. 273,067,314/= while asset base rose from 6.14 billion to 6.95 billion an increase of Kshs. 806,903,182/=.

**SASA**

This is a facility that has really assisted our members. We appreciate your continued patronage. It is worth reminding you of available facilities i.e:-

- Mpesa
- Fixed deposit account
- Other accounts i.e. Holiday, school fees etc

- Safe Custody of documents
- Mobile banking services
- ATM

Make use of our facilities.

### **SACCO OVERALL PERFORMANCE**

The SACCOs overall operating results depicts an improved performance.

- Total revenue amounted to Kshs. 885,371,434/= in 2020 compared to Kshs. 816,884,046/=. An increase of Kshs. 68,487,388/= that is a 8.4% increase.

### **DIVIDENDS 2020**

The board of directors recommends the following payment:-

- Share capital at 15% amounting to Kshs. 40,960,097/= an increase from the past rate of 10.01% in 2019.
- Members deposits at 11.8% in 2020 amounting to Kshs. 475,039,903/= an increase up from payment of 11.2% in 2019.

### **SOCIETY'S BY LAW**

The board of management reviewed the by-laws to conform with the current trend in cooperative movement. It is worth noting that the board proposes that for a new member to be in the board the following be the guidelines:-

- Pass a fit, and proper test/knowledge in accounts.
- Be a member for at least five year.
- Must have a deposit of Kshs.1.5 million by November 2022.

### **DEMISE OF MEMBERS**

Year 2020 was a dark year for our society. Never have we experienced such a big loss in our society.

Below is a tabulation for how our dear members were promoted to glory as per division:-

Municipality	36
Njoro	11
Molo	8
Elburgon	6
Gilgil	5
Subukia	12
Solai/Rongai	11
Bahati	15
Olenguruone/Keringet 2	
Naivasha	13
Diaspora	2

**TOTAL** **121 members**

Let us all stand up in honour of the departed heroes. May they rest in eternal peace. AMEN.

### **CHALLENGES IN THE SOCIETY**

Members this society has had many challenges:-

- The covid 19 pandemic has really affected us. Most of members in the Biashara sector had to close businesses.
- We had a shift basis operation by our staff.
- Demise of members to the tune of 121 for the first time two from diaspora.

With all these we have been able to operate and serve our members well.

### **LOANS/SECTORAL LENDING**

We have continued giving out loans to our members. As of now our loans are dished out instantly and as per member request, we have given out. As indicated in our last A.G.M Sectoral lending has been put in place. A brief analysis:-

- Land/Housing	Kshs. 102,596,097.00
- Education	Kshs. 54,332,033.00
- Trade	Kshs. 21,703,830.00
- Agriculture	Kshs. 15,184,981.00

- Finance/Insurance Kshs. 14,654,171.75
- Consumption/Social Kshs. 7,708,300.00
- Human Health Kshs. 1,917,300.00

In view of the above analysis the board has come up with new products. Ensure you indicate the purpose of the loan at all time.

### **WEZESHA LOAN**

This is a loan open to members with pay slips. All what the member will be required to do is to provide the pay slips. The members will qualify using the 2/3 rule. There will be no guarantors. Please advise young teachers.

### **ASSET FINANCING**

This loan was developed mainly to empower our members to either:-

- (i) Own a piece of land (land buying)
- (ii) Mortgage
  - Buying a ready constructed house
  - Building a standard house
  - Limited to Kshs. 4,000,000/= per member.
  - This is open to all members (salaried and cash members).
  - Details pertaining the same can be accessed from the office

Members are advised to take advantage of this new product to be able to develop.

### **STRATEGIC PLAN**

In order to keep up with current trends of finance and also years ahead the society has come up with a 3 years strategic plan. This plan envisages to increase:-

- Membership – increase to 60,000 by 2023
- Savings deposits – Kshs. 1.3 billion
- General growth – Revenue Kshs. 1.4 billion by 2023
- Loan book Kshs. 9.23 billion by 2023

It is our earnest hope that members will embrace the strategic plan and

assist the society to reach the desired goals.

A token of Kshs. 500/= will be advanced to the members who recruits a new member.

### **AGENCY BANKING**

To enhance and expand the society, we will embark on reaching more members. We intend to open agency banking. The facility will facilitate members to access services closer to them. Please make use of the facility.

Those interested to be our agents in various areas can liaise with the C.E.O.

### **SOCIAL RESPONSIBILITY**

The Society carried out Social activity as a sign of remembering the less fortunate in the community. We visited all the divisions.

### **SATELLITES**

- The society has opened a satellite at Subukia. This will assist the members from Subukia, Kabazi and Mbogoini zones. We request members from that region to patronize the same.
- Plans are on top gear to open up others satellites at Mai Mahiu, Gilgil and Olengurone.
- The Mwisho Wa Lami satellite is opening its doors soon.

### **BRANDING**

Dear members, as per our report in last year's AGM, we have branded our branches and will continue doing so in the remaining and upcoming satellites.

### **SINKING FUND**

Dear members, we have started honoring the proposals made in last year's AGM and we are catering for our members and spouses.

## **INSURANCE FACILITY**

We have partnered with C.I.C to provide insurance services of all kinds to our members. Already there is a desk for the same facility. We are appealing to our members once again to take this early opportunity and purchase insurance covers from us.

## **VIRTUAL MEETING/HYBRID/PHSICAL**

The covid 19 has had damming effects in operations. It is only fair that we learn how to live with it. We have embraced the issue of social distancing and gathering. It is with this in mind that we want our members to adopt virtual meetings like the one we have today which is hybrid.

## **EDUCATION TO MEMBERS**

Considering all the factors affecting the society we were not able to conduct education to members like there before. However, we intend to visit teachers in their schools, groups and business people and propagate issues on Sacco in smaller groups. However when normalcy is back we will be back on track.

We were not able also able to conduct the elections in the divisions. The affected areas were duly informed and reasons carefully spelt out. The same was done with consultations with the Ministry of Cooperatives.

## **CONCLUSION**

In conclusion, I want to wish all our service providers KUSCCO, CIC, TSC MOE, Co-op Bank, FKE, CAK, KETSA and our wonderful members a fruitful and prosperous year 2021 full of God's Grace.

**LONG LIVE COSMOPOLITAN SACCO  
LONG LIVE THE CO-OPERATIVE MOVEMENT  
MAY THE LOVE OF GOD BE WITH YOU ALL**

**COMPILED BY  
JOHN MUIGAI  
CHAIRMAN**

# **SUPERVISORY COMMITTEE REPORT OF 41ST ANNUAL GENERAL MEETING HELD ON 20TH FEBRUARY 2021**

## **PREAMBLE**

Mr Chairman Sir,  
The Guest of Honour today,  
Distinguished Guests,  
Fellow Co-operators,  
Ladies and Gentlemen,  
I salute you all.

This being the 41st year since our society was born, and being the biblical first year after 40 years, I believe that God's blessings in a new way will continue to renew our strengths and hope .

The year 2020 has been tough in many ways but also a blessing to our society which remained relatively stable and promising all along.

We thank our Almighty God for taking care of each one of us through the whole year.

May I at this juncture, humbly take you through the stock that our committee took in the year under review.

## **MEMBERSHIP**

Mr Chairman, membership of any organization forms the strength and backbone of that organization. The higher the membership, the stronger the organization becomes.

In our case Mr Chairman our current membership now stand at 20,869 members though 7,263 have been dormant leaving only 13606 active members. Although some of the reasons for dormancy are genuine like retirement, our committee still feels that this number can be reduced further if a little more efforts is added by the affected because where there is a will there is always a way.

## **MONTHLY TURNOVER**

Our monthly turnover has continued to rise though at a low pace.

The confidence shown by these honorable members helps Cosmopolitan D.T. SACCO to remain a float. It is our prayer that these members will continue to support the worth course of making our SACCO an icon to be admired by all.

## **LOANS TO MEMBERS**

Mr Chairman, these great members have continued to grow economically due to the above vote.

May I continue to urge you members to continue taking the loans with a purpose and to expedite the same as intended to help you pay back comfortably and timely.

In the year under review, Kshs. 5,141,194,295/= was dispensed to you members and our committee is happy to note that most of you are paying back well to give a chance for others to enjoy the same.

However a few members have challenges in repaying promptly forcing the society to turn to guarantors who assisted them with trust.

Let us not betray our trust from our friends.

## **SACCO BRANCHES**

Dear members, our committee has applauded this board for the way they have continued to bring services closer to you by opening branches and satellites. It is our sincere hope that you shall patronize those branches so that they can sustain themselves and even make surplus for you members.

Honorable members, please tell a friend to tell a friend and even a non member to visit these branches, and even enjoy the good services offered there.

## **DEFAULTERS**

Mr Chairman, this is one of the topics that our committee is not happy to address.

It is one of the major drawbacks that pull the organization downwards when a loan is defaulted; the same eat into the surplus that could have been dispensed as interest to other members deposit due to the provision of loan loss.

Some defaulted loans are even provided for 100% therefore eating deeper into the surplus kit.

It is the high time that each one of us get baptized the second time to feel the effect that one creates when he or she defaults a loan. Remember these defaulters are our friends, neighbours, staff mates or even business associates. We should take an initiative of advising them where possible.

Dear members it is important also to note that defaulting loans also forces the society to:-

- (a) List the concerned with CRB.
- (b) Involve debt collectors
- (c) Involve Auctioneers and
- (d) Attach guarantors deposits

The above measures comes as a last result after all the other avenues are exhausted.

Honorable members lets advice our friends to avoid this embarrassments.

## **DEMISE OF MEMBERS**

The year under review was hectic to us as Cosmopolitan D.T. Sacco community. Many able, strong, active and promising colleagues, family members and friends left us.

Let us continue to pray for the family members who were left behind and even assist them where possible.

May we also pray for God's Grace to be with us always.

### **BOOKS OF ACCOUNTS**

Good books of accounts kept and timely reconciled gives a true picture of the growth of an organization. Our committee would like to report to this membership that our books have been well kept and where we noted errors of omission and commission, the same was addressed promptly.

### **SUGGESTION BOX**

Mr Chairman sir, these honorable members have gone digital in most areas including passing their views and feeling to our committee. However, we urge you members to blend the same by dropping a note where and when possible for our record keeping and evidence.

ALL in all our committee thank you most sincerely for being good supervisors even in our absence.

### **EDUCATION TO MEMBERS**

Mr. Chairman, this is one of the areas that faced a lot of challenges due to the covid 19 pandemic.

Our Committee applauds you and your management board for abiding with the presidential directives over the same and caring for this membership. We also congratulate you members for understanding the predicaments.

We are praying our Almighty God that the same will be behind us and we revert to society normal calendar of events.

### **PRUDENTIAL STANDARDS**

Mr Chairman, Government policies comes up with regulations that affect the operations of an organization in either way but at long run, benefit the organization more. Among them are the presence of the regulator (SASRA), introduction of prudential standards and use of International financial reporting Standards (IFRS9).

The above Mr Chairman have seen a big portion of surplus sinking into dormant loans and retained earnings. We hope that as you members continue to repay your loans faithfully and promptly, the board shall create even more surplus for you in future.

### **DIVIDEND/INTEREST**

Dear members, as our committee has continued to say for years, the time is due for each one of us to reap the ripe fruits from the tree that we individually have been nurturing. The size of the basket for carrying the fruits depends on how much one invested to the “tree”.

It is our prayer that even in this year 2021 most of us will put more to it to reap even more in the coming years.

### **AGM RESOLUTIONS**

During the last years AGM, the following were proposed and passed to be purchased:-

Salaries and allowances - Effected

8 computers - Bought

3 printers - Bought

5 money counting machines – Bought

Furniture & fittings – On going

Modern Switchboard – To be bought

Virtualization & Domain Controller – To be bought

Branding – On going

10 P.O.S – To be bought

Rent for head office and - adjusted

### **CONCLUSION**

In conclusion Mr Chairman, May I urge all of us to continue to preach the good gospel of our society and bring more members on board.

As a committee we are grateful for the commitment and support you have given to our SACCO through savings, patronizing our SACCO products and services and meeting your obligations of paying back loans when due.

Our SACCO will achieve even more when we join hands to do the best within our disposal to strengthen it thus our Motto “United we grow”.

**Long Live Cosmopolitan SACCO**  
**Long live our members**  
**GOD BLESS US ALL**

**Compiled By**  
**BONIFACE MUGO**  
**FOR SUPERVISORY COMMITTEE**

# TREASURER'S REPORT TO 41ST ANNUAL GENERAL MEETING

MR CHAIRMAN  
OUR GUEST OF HONOUR  
DISTINGUISHED GUESTS  
FELLOW CO-OPERATORS  
LADIES & GENTLEMEN

Today we are assembled here to receive, discuss and approve our financial statements.

## **PERFORMANCE**

The financial performance for the year ended 31st December 2020 was encouraging despite the economic hardship experienced all over the world due to Covid 19. The board tried to offer sustainable services which were effective and efficient.

During the year under review the society registered a growth of Asset of Kshs. 6,949,374,608/= compared to

Kshs. 6,142,471,425/= in the year 2019. Members deposit Kshs. 5,558,267,034/= as compared to Kshs. 4,854,238,135/= in the year 2019. This is a healthy growth. The board of directors proposes a total of Kshs. 520,000,000/= be shared to members who qualified at the closure of the year 2020 as follows:-

- Interest on members deposits Kshs. 475,039,903/=.
- Honoraria/bonus Kshs. 4,000,000/=.
- Kshs. 40,960,097/= be paid as dividends at the rate of 15%
- Interest on BOSA deposit @ 11.8%.
- Interest on retirement savings @ 5%
- We have been able to retain revenue of Kshs. 10,134,380/=
- In conclusion Mr. Chairman I am assuring honorable members that Cosmopolitan is a steady growing SACCO and SACCO of choice.

May I thank our partners TSC, CIC, KUSCCO, Co-operative Bank,

Consolidated Bank, Sidian Bank, National Bank and other stakeholders for their continued support, advice, education, business and friendship. Mr Chairman with your permission may I now invite our external auditor Mbiyu Muhia & Associates and Finance Manger to take us through the audited accounts and thereafter the CEO to take us through the proposed budget of 2022.

**GOD BLESS COSMOPOLITAN SACCO MEMBERS**

**GEOFFREY O. MACHOKA**  
**TREASURER**

**COSMOPOLITAN SACCO SOCIETY LIMITED.**  
**SOCIETY INFORMATION**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**BOARD OF DIRECTORS**

Mr. John Muigai	-	Chairperson
Mr. John Rukwaro	-	Vice - Chairman
Mr. John Warutumo	-	Hon. Secretary
Mr. Geoffrey Machoka	-	Hon.Treasurer
Mr. George Mungai	-	Member
Mr. John Kahugu	-	Member
Mr.Francis I. Waigeria	-	Member
Mr. Lawrence R. Ng'ang'a	-	Member
Mr. James Maingi	-	Member
Mr. George Mukalo	-	Member
Mr. John Towett	-	Member
Mr. George Mukalo	-	Member
Mr. John Towett	-	Member

**SUPERVISORY COMMITTEE**

Mrs Esther Ndirangu	-	Chairperson
Mr. Boniface Mugo	-	Secretary
Mr. James Gichohi	-	Member

**REGISTERED OFFICE**

Natec Building ; Ground & First Floor  
PO.BOX 1931 - 20100, NAKURU.  
TEL: (051)2212415/6,

**BANKERS**

- 1 Co-opearative Bank of Kenya Limited - Nakuru Branch
- 2 National Bank of Kenya - Nakuru Branch
- 3 Consolidated bank - Nakuru Branch
- 4 Sidian Bank - Nakuru Branch

**INDEPENDENT AUDITORS**

Mbiyu Muhia and Associates  
Certified Public Accountants-CPA (K)  
P.O Box 3975 - 01002, Thika  
E-mail: mbiyumuhia.mma.or.ke  
Website: www.mma.or.ke

CS/2675

**COSMOPOLITAN SACCO SOCIETY LIMITED.  
REPORT OF THE BOARD OF DIRECTORS  
FOR THE YEAR ENDED 31ST DECEMBER 2020**

The Board of Directors submit their annual report together with the audited financial statements for the period ended 31st December 2020.

**INCORPORATION.**

The society is incorporated in Kenya under the Co-operative Societies Act, Cap 490 and licensed under the SACCO Societies Act No. 14 of 2008, and is domiciled in Kenya.

**PRINCIPAL ACTIVITY**

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

<b><u>RESULTS FOR THE YEAR</u></b>	<b>KSHS 2020</b>	<b>KSH 2019</b>
Surplus(Deficit) Before Tax	82,607,265	185,310,364
Income Tax expense	(18,739,168)	(19,433,693)
Net Surplus(Deficit) After Tax	63,868,097	165,876,671
Transfer to Statutory Reserve	(12,773,619)	(33,175,334)
Proposed Dividends	(40,960,097)	(27,321,081)
Proposed honoraria and bonus	(4,000,000)	(4,000,000)
Retained Surplus for the year	10,134,380	101,380,256
Interest on member's deposit	(475,039,903)	(428,678,919)

**DIVIDEND/INTEREST ON MEMBERS' DEPOSITS.**

The Board of Directors recommends payment of Final dividends of 15% (2019, 10%) they also recommend payment of interest on members deposits of 11.8% on Pro-rata basis (2019, 11.2% ).

**BOARD OF DIRECTORS**

The Board of Directors who served during the year are shown on page 1

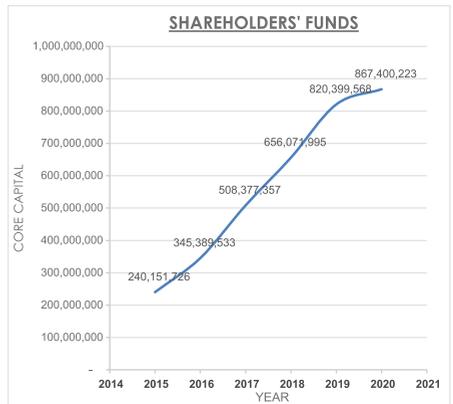
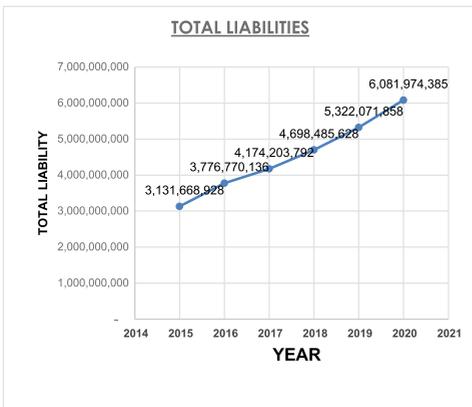
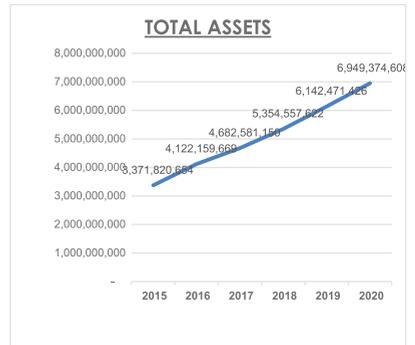
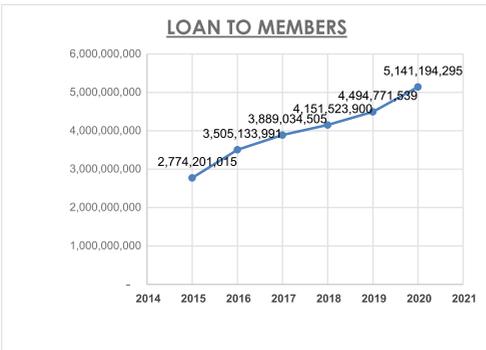
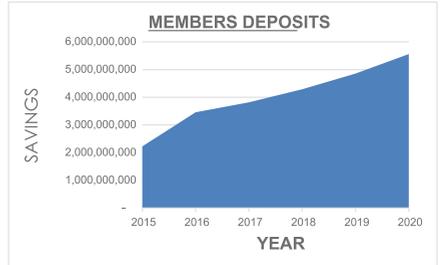
**INDEPENDENT AUDITOR**

M/S Mbiyu Muhia & Associates (Certified Public Accountants (CPA K) were appointed Auditors of the Society for the period ended 31st December 2020 under the term of section 25 (4) of the Co-operative Society Act CAP 490 & the SACCO Societies Act No.14 of 2008 and express their willingness to continue in office.

**BY ORDER OF THE BOARD OF DIRECTORS**

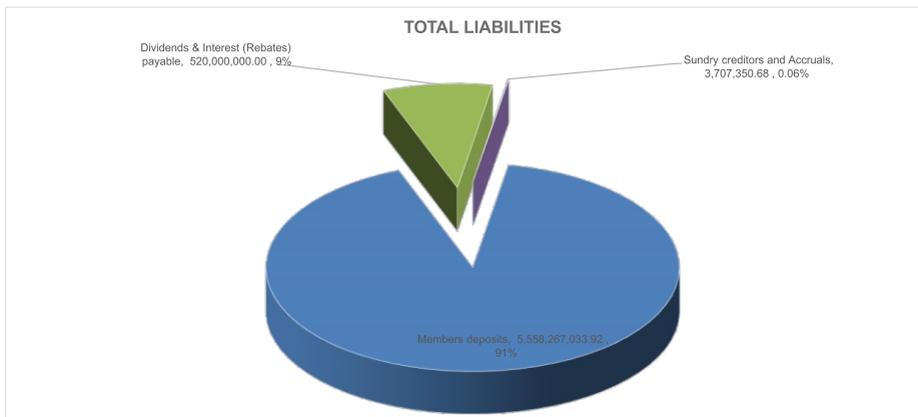
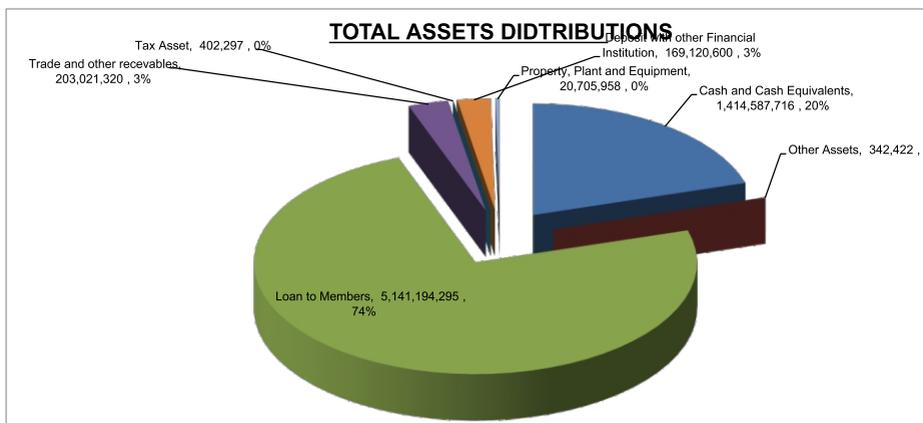
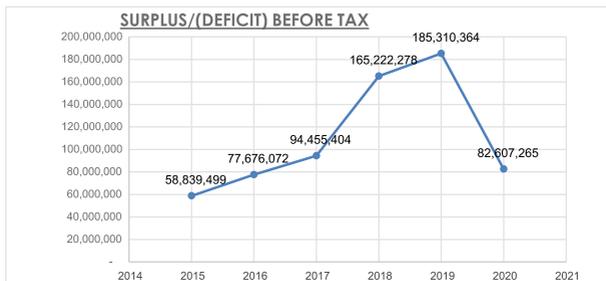
Signature.....  
Secretary *Signed*..... Date.....

**CS/2675**  
**COSMOPOLITAN SACCO SOCIETY LIMITED.**  
**FINANCIAL ANALYSIS HIGHLIGHTS**  
**FOR THE YEAR ENDED**  
**31ST DECEMBER 2020**



CS/2675

**COSMOPOLITAN SACCO SOCIETY LIMITED.  
FINANCIAL ANALYSIS HIGHLIGHTS  
FOR THE YEAR ENDED 31ST DECEMBER 2020**



**CS/2675**  
**COSMOPOLITAN SACCO SOCIETY LIMITED.**  
**STATISTICAL INFORMATION**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

		<b>2020</b>	<b>2019</b>
<b>Membership</b>	Active	13,606	18,690
	Dormant	7,263	1,699
Totals		<u>20,869</u>	<u>20,389</u>

**Financial**

Total Assets	6,949,374,608	6,142,471,426
Members' deposits: Non withdrawable	4,243,376,586	3,827,490,351
Members' Savings: Withdrawable	1,314,890,448	1,026,747,784
Total deposits	5,558,267,034	4,854,238,135
Loans and advances to members	5,141,194,295	4,494,771,539
Investments	169,120,600	198,647,587
Core Capital	867,400,223	820,399,568
Share Capital	273,067,314	261,047,349
Institutional Capital	594,332,909	559,352,219
Total Revenue	885,371,434	816,884,046
Total Interest Income	839,700,610	741,332,850
Total Expenses	290,347,279	202,894,763

**Employees of the SACCO**

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**Key ratios:**

**recommended ratio**

**Capital Adequacy Ratios**

Core capital /Total Assets	<b>10%</b>	12%	13%
Core capital /Total Deposits	<b>8%</b>	16%	17%
Institutional Capital /Total Assets	<b>8%</b>	8.6%	9.1%

**Liquidity Ratios**

Liquid Assets/Total Deposits & Long term Liabilities	<b>15%</b>	<b>25%</b>	<b>28%</b>
--	------------	------------	------------

**Operating Efficiency/Loan quality ratios**

Total Expenses/Total Revenue	33%	25%
Interest on member Deposits/Total Revenue	54%	52%
Interest rate on member's Deposits	11.80%	11.20%
Dividend rate on members share capital	15%	10%
Total Delinquency Loans/Gross loan portfolio	3.76%	3.24%

**CS/2675**

**COSMOPOLITAN SACCO SOCIETY LIMITED.  
STATEMENT OF DIRECTORS RESPONSIBILITIES FOR THE  
YEAR ENDED 31ST DECEMBER 2020**

The Saccos Societies Act, No 14 of 2008 requires the Board of Directors to prepare financial statements for each financial 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. It also requires the Board of Directors to ensure that the society keeps proper accounting records which disclose with reasonable accuracy the financial position of the society. They are also responsible for safeguarding the assets of the society and ensuring that the business of the society has been conducted in accordance with its objectives, by-laws and any other resolutions made at society's general meeting.

The Board of Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the SACCOs Societies Act No.14 of 2008.

The Board of Directors is of opinion that the financial statements give a true and fair view of the state of financial affairs of the society and of its operating results in accordance with 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 directors to indicate that the society will not remain a going concern for at least the next twelve months from the date of this statement.

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

Chairperson..... Signature:.....

Secretary.....Signature:.....

Treasurer..... Signature:.....

**Signed**

**CS/2675**

**COSMOPOLITAN SACCO SOCIETY LIMITED.  
REPORT OF THE INDEPENDENT AUDITOR  
FOR THE YEAR ENDED 31ST DECEMBER 2020**

**Opinion**

We have audited the accompanying financial statements of Cosmopolitan SACCO Society Limited, which comprise the statement of financial position as at 31st December 2020, statement of surplus/deficit and other comprehensive income, statement of changes in equity and statement of cashflows for the period ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 10 to 33.

In our opinion, the financial statements give a true and fair view of the state of financial position of the society as at 31st December 2020 and of its financial performance and its cashflows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Sacco Societies Act.

**Basis of 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 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 the most significant in our audit of the current

period's financial statements. 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

**a) Cash and Cash Equivalents**

Cash management forms our key audit matter due its significance as one of the core pillars to the Sacco. Our assessment is based on the Sacco having too much cash at their disposal. We sought to verify if the board and managements have utilised all avenues to market the Saccos credit facilities that will in turn translate to returns in forms on interest

Due to the growth in members' deposits there is increased demand for the Sacco to pay higher returns on deposits and shares and this requires a proportionate increase in revenue. This poses a risk for a lower retention that directly affect the capital adequacy

We recommend the management to establish and implement robust marketing strategies that will open up revenue streams through issuance of loans thus providing a balance between payment to members and retention rate.

**CS/2675**

**COSMOPOLITAN SACCO SOCIETY LIMITED.  
REPORT OF THE INDEPENDENT AUDITOR  
FOR THE YEAR ENDED 31ST DECEMBER 2020**

**Other Information**

The directors are responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the auditor otherwise appears to be materially misstated. If, based on the work we have performed, 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

**Directors' responsibility for the financial statements**

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Kenyan Sacco Societies Act, 2016, 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 a ccounting unless the directors either intend to liquidate the society or to cease operations, or have 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 required by the Kenyan Sacco Societies Act we report to you, based on our audit, that:**

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

- (i) 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.
- (ii) 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.
- (iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (iv) Conclude on the appropriateness of management'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 society'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 upto the date of the auditor's report. However, future events or conditions may cause the society to cease to continue as a going concern.

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

We 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.

**Report on other legal requirements**

- (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account have been kept by the society, so far as appears from our examination of those books;
- (iii) The society's Statement of financial position and income statement are in agreement with the books of account.

**The engagement partner responsible for the audit resulting in this independent auditor's report was CPA David Mbiyu Practising Certificate No P 1590**

.....  
Mbiyu Muhia & Associates  
Certified Public Accountants (CPA K)  
P. O. BOX 3975-01002, Thika. TEL: 020 2602369/0721349128  
EMAIL:  
Muranga Farmers Building 2nd Floor Rm.13  
Kwameh Nkurumah Street.

*Signed*

Date.....

**CS/2675**  
**COSMOPOLITAN SACCO SOCIETY LIMITED.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

	Notes	2020 KSHS	2019 KSHS
<b>REVENUE</b>			
Interest from loan and advances	2 (a)	726,966,008	656,888,498
Interest Income from Non-Core Business	(b)	112,734,602	84,444,352
<b>Total interest</b>		839,700,610	741,332,850
<b>Interest Expense</b>	(c)	(475,039,903)	(428,678,919)
<b>Net interest income</b>		<u>364,660,707</u>	<u>312,653,931</u>
Other operating income	(d)	45,670,825	48,357,226
Other gains and loses	(e)	(37,376,987)	27,193,970
<b>Total income</b>		<u>372,954,545</u>	<u>388,205,127</u>
<b>EXPENSES</b>			
Governance Expenses	3.(a)	39,241,466	33,738,921
Financial Expenses	(b)	53,644,533	39,054,104
Administration Expenses	(c)	67,563,524	52,994,955
Marketing and Public Relations	(d)	6,101,306	7,258,620
Personnel Expenses	(e)	63,771,208	62,023,506
Allowance for Asset Impairment	(f)	60,025,242	7,824,657
<b>Total expenses</b>		<u>290,347,279</u>	<u>202,894,763</u>
<b>Net Operating Surplus/ (Deficit) Before Income Tax</b>		82,607,265	185,310,364
Income tax Expense	(g)	<u>(18,739,168)</u>	<u>(19,433,693)</u>
<b>Net Operating Surplus/ (Deficit) after Income Tax</b>		63,868,097	165,876,671
20% Transfer to Statutory Reserves		(12,773,619)	(33,175,334)
<b>Net Surplus /(Deficit) for the Year to Retained Earnings</b>		<u>51,094,477</u>	<u>132,701,337</u>

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**COSMOPOLITAN SACCO SOCIETY LIMITED.  
STATEMENT OF FINANCIAL POSITION  
AS AT 31ST DECEMBER 2020.**

ASSETS	NOTES	2020 KSHS	2019 KSHS
Cash and Cash Equivalents	4)	1,414,587,716	1,340,500,872
Other assets	5)	342,422	278,285
Prepayments and trade receivables	6)	203,021,320	84,335,862
Loan to Members	7)	5,141,194,295	4,494,771,539
Financial investments	9)	169,120,600	198,647,587
Tax Asset	11)	402,297	-
Property, Plant and Equipment	8)	20,705,958	23,937,279
<b>TOTAL ASSETS</b>		<b>6,949,374,608</b>	<b>6,142,471,426</b>
<b>LIABILITIES</b>			
Members deposits	10)	5,558,267,034	4,854,238,135
Taxation	11)	-	5,094,379
Dividends & Interest (Rebates) payable	12)	520,000,000	460,000,000
Sundry creditors and Accruals	13)	3,707,351	2,739,344
<b>Total Liabilities</b>		<b>6,081,974,385</b>	<b>5,322,071,858</b>
<b>SHAREHOLDERS' FUND</b>			
Share capital	14)	273,067,314	261,047,349
General Reserves	15)	1,346,267	1,346,267
Statutory Reserves	16)	148,556,091	135,782,472
Retained earnings	17)	444,430,551	422,223,481
		<b>867,400,223</b>	<b>820,399,568</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUND</b>		<b>6,949,374,608</b>	<b>6,142,471,426</b>

The financial statements on pages 10 - 33 were authorised by the Board of Directors on 01/02/2021 and signed on its behalf by:-

CHAIRMAN JOHN MUIAAT Sign: \_\_\_\_\_

SECRETARY JOHN RUKWARO Sign: \_\_\_\_\_

TREASURER GEOFFREY MACHOKA Sign: \_\_\_\_\_



**CS-2559  
COSMOPOLITAN SACCO SOCIETY LIMITED.  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31ST DECEMBER 2020**

**Year ended 31st December 2019**

**At start of year - 1st Jan 2019**

	Share capital Ksh.	General reserves Ksh.	Statutory reserves Ksh.	Retained earnings Ksh.	TOTAL Ksh.
Adjustments	242,183,263	1,346,267	102,607,138	309,935,327	656,071,994
Surplus for the period	-	-	-	10,907,898	10,907,898
Statutory reserves	-	-	-	165,876,671	165,876,671
Proposed dividends	-	-	33,175,334	(33,175,334)	-
Proposed Honoraria and bonus Additions	-	-	-	(27,321,081)	(27,321,081)
	18,864,086	-	-	(4,000,000)	(4,000,000)
<b>At end of year 31 December 2019</b>	<b>261,047,349</b>	<b>1,346,267</b>	<b>135,782,472</b>	<b>422,223,481</b>	<b>820,399,568</b>

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**Period ended 31st December 2020**

**At start of year - 1st Jan 2020**

	Share capital Ksh.	General reserves Ksh.	Statutory reserves Ksh.	Retained earnings Ksh.	TOTAL Ksh.
Adjustments - Unutilised prov for divs & int on deposits - Capitalised expenses	261,047,349	1,346,267	135,782,472	422,223,481	820,399,568
Surplus for the period	-	-	-	16,254,690	16,254,690
Statutory reserves	-	-	-	(182,000)	(182,000)
Proposed Dividends	-	-	-	63,868,097	63,868,097
Proposed Honoraria and bonus Additions	-	-	12,773,619	(12,773,619)	-
	-	-	-	(40,960,097)	(40,960,097)
	12,019,965	-	-	(4,000,000)	(4,000,000)
<b>At end of period 31st December 2020</b>	<b>273,067,314</b>	<b>1,346,267</b>	<b>148,556,091</b>	<b>444,430,551</b>	<b>867,400,223</b>

**CS-2559**  
**COSMOPOLITAN SACCO SOCIETY LIMITED.**  
**CASHFLOW STATEMENT**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>CASH GENERATED FROM</b>		
<b>OPERATING ACTIVITIES:</b>		
Interest receipts	839,700,610	741,332,850
Rebates & Interest payments	(412,424,229)	(373,681,674)
Other income	45,670,825	75,551,196
Board Member Honoraria and staff Bonus paid	(4,000,000)	(2,100,000)
Payments to employees & suppliers	(230,322,038)	(195,070,106)
Adjustment for capitalised expenses	(182,000)	-
	<b>238,443,168</b>	<b>246,032,266</b>
Increase/decrease in operating assets		
Loans to members	(696,852,484)	(343,247,639)
Prepayments and sundry receivables	(118,685,458)	102,257,879
Inventories	(64,137)	307,392
Increase/decrease in operating liabilities		
Members Deposits & savings	704,028,899	565,788,197
Creditors and accrued expenses	968,007	(8,177,318)
Provision and other payables	-	551,969,200
Net cash from operating activities before income tax	<b>127,837,995</b>	<b>1,114,929,977</b>
Income tax paid	(24,235,844)	(14,830,540)
Net cash from operating activities	<b>103,602,151</b>	<b>1,100,099,437</b>
<b>Investing activities</b>		
Property , plant & equipment	(6,364,193)	(11,091,431)
Purchase of Investment	(7,850,000)	(25,190,280)
Net cash from investing activities	<b>(14,214,193)</b>	<b>(36,281,711)</b>
<b>Financing activities</b>		
Share capital	12,019,965	18,864,086
Dividends paid	(27,321,081)	(24,218,326)
Cash after financing activities	(15,301,116)	(5,354,240)
Net increase/decrease in cash and cash equivalent	<b>74,086,843</b>	<b>1,058,463,486</b>
cash and cash equivalent at the beginning of the year	<b>1,340,500,872</b>	<b>282,037,386</b>
<b>cash and cash equivalent at the end of the year</b>	<b>1,414,587,716</b>	<b>1,340,500,872</b>

**CS/2675**

**COSMOPOLITAN SACCO SOCIETY LIMITED.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2020**

**1. Significant accounting policies:**

The principal accounting policies adopted in the preparation of these financial statements and which have been consistently applied unless otherwise stated, are set out below:-

**a) Statement of compliance and basis of preparation**

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRSs). These financial statements are presented in the functional currency, Kenya shillings (KShs) rounded to the nearest unit and are prepared under the historical cost convention, except as specified below under fair value measurement in accordance with applicable IFRSs. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although the estimates are based on the management committee's best knowledge of current events and actions, actual results ultimately may differ from those of estimates.

**b) Revenue recognition:**

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.

**c) Property, Plant and Equipments.**

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.

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.

Depreciation is calculated using the reducing balance 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:

<b>Property, plant and equipment</b>	<b>RATES</b>
Partitions and improvements	12.5%
Motor Vehicles	12.5%
Furniture, Fittings and Equipment	20%
Computer equipment	20%
Software	20%

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

**CS/2675**  
**COSMOPOLITAN SACCO SOCIETY LIMITED.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**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.

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

**d) Leases**

Finance leases recognised as assets by lessee shall be disclosed

**i) Finance lease**

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**

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.

e) Financial Instruments

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.

**CS/2675**

**COSMOPOLITAN SACCO SOCIETY LIMITED.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2020**

**Financial assets**

All financial assets are recognised initially using the trade date accounting which is the date the Sacco 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.

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**

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.

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**

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.

### **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.

### **f) 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

Included in the debtors is an adoption of unreconciled BOSA/FOSA control Account of Kes. 24,292,955 as at the start of the year which has been wholly written off as at 31st December 2020. It relates to unreconciled balances of Kes. 98,302,955 that was continually being written off at Kes. 2 million per month since September 2016.

### **g) Financial liabilities and equity instruments issued by the Sacco** **Classification as debt or equity**

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

### **Equity instruments**

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

### **Financial guarantee contract liabilities**

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

the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

the amount initially recognised less, where appropriate,

cumulative amortisation recognised in accordance with the revenue recognition policies.

### **h) Financial liabilities**

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

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.

### **i) Members' deposit and savings**

Members' deposit and savings are stated at their nominal value. Interest payable on the members' savings are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### **Provision for liabilities and charges**

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.

### **j) Investment property**

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.

### **k) Intangible assets**

Acquired computer Software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. The costs are amortised using the reducing balance method over a period of four years(4). Cost associated with developing or maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable software products controlled by the sacco, that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

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

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 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.

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 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.

**m) Retirement benefit obligations**

The Society operates a defined contribution scheme for all employees. A defined contribution plan is a pension plan under which the society

pays fixed contributions into a separate entity. The assets of these schemes are held in a separately administered fund that is funded by contribution from the society and employees.

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

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

#### **n) Income Tax**

Current income tax is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with the Kenya Income tax Act. In accordance to section 19A.(4) of the Income tax Act, Saccos interest from its members is not subjected to tax. There were no temporary differences arising between the tax bases of assets and liabilities and their carrying value for financial reporting purposes. Deferred tax has therefore not been provided for. Note that for saccos, dividends and/or interest expense is deducted before computing/charging tax

#### **o) RESERVES**

##### **Statutory reserves**

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

##### **Revaluation Reserve**

##### **Property revaluation reserve**

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.

### **Investment Revaluation Reserve**

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.

### **p) Cash and cash equivalents**

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

### **q) 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.

### **r) 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.

**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 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.

**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.

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. 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

**s) Collateral**

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.

#### **t) (a) Key source of estimation uncertainty**

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

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

#### **u) Comparatives**

Where necessary, comparative figures have been restated to conform to the changes in presentation in the current year and with SASRA guidelines.

#### **v) RISK MANAGEMENT**

The Society remits premium to an registered insurance company to cater for deceased members' loan balances. Each member is deducted a premium on application of loan which covers this.

#### **i) CAPITAL RISK MANAGEMENT**

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 30% 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.

In implementing capital requirement, the Sacco Society act requires each Sacco to maintain:-

Core capital of not less than 10 Million

Core capital of not less than 10% of total asset

Institutional Capital of not less than 8% of the total asset

Core capital of not less than 10% of total deposits

The Sacco is not subject to any external imposed capital requirements. However, the Kenyan Sacco Societies act stipulates that a Sacco shall not acquire external borrowings in excess of 25% of its total asset unless the limit have being waived by the authority.

The primary objective of the Saccos capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise shareholders value.

### **ii) Financial Risk Management Objectives.**

The Sacco's operations are exposed to the financial risks. These risks included 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.

### **iii Interest rate risk management**

The Sacco's is exposed to interest rate risk as it borrows funds at both

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.

#### **iv Credit risk management**

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 on 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.

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

#### **v Liquidity risk management**

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.

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	<b>2020</b>	<b>2019</b>
<b>2 (a) INTEREST INCOME</b>	<b>KSHS</b>	<b>KSHS</b>
Interest on FOSA Loans	69,171,299	64,928,757
Interest on BOSA Loans	<u>657,794,708</u>	<u>591,959,741</u>
	<b><u>726,966,008</u></b>	<b><u>656,888,498</u></b>
<b>(b) INCOME FROM NON-CORE BUSINESS</b>		
<b>Interest from financial deposits</b>		
Sidian	1,246,575	445,886
KUSCCO	61,533,791	29,871,602
Consolidated Bank	13,809,066	18,002,618
CIC Money Markets	23,415,481	22,937,774
CO-OP Bank Dividend Reserves	58,600	980,617
CO-OP Bank Fixed Deposit	2,130,822	2,599,315
KETSA	541,478	535,400
<b>Dividends from Investments</b>		
Kengen	-	2,444
CO-OP Holding	8,740,930	8,744,513
CIC	-	252,655
Safaricom	56,525	71,528
NATEC	838,930	-
KUSCCO	356,403	-
Ketsa	6,000	-
	<b><u>112,734,602</u></b>	<b><u>84,444,352</u></b>
<b>(c) INTEREST EXPENSE</b>		
Interest on members deposits	<u>475,039,903</u>	<u>428,678,919</u>
Total	<b><u>475,039,903</u></b>	<b><u>428,678,919</u></b>
<b>(d) OTHER OPERATING AND NON-OPERATING INCOME</b>		
Interest and processing fees	43,051,286	43,574,629
Sundry Income	889,376	622,971
Entrance Fee	1,127,800	653,500
M-Pesa	313,983	262,503
Other non-operating income	<u>288,380</u>	<u>3,243,623</u>
	<b><u>45,670,825</u></b>	<b><u>48,357,226</u></b>
<b>(e) Other Gains and losses</b>		
Reduction in provision for loan loss	-	2,345,202
Change in fair value of financial assets	<u>(37,376,987)</u>	<u>24,848,768</u>
	<b><u>(37,376,987)</u></b>	<b><u>27,193,970</u></b>

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	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>3.(a) GOVERNANCE EXPENSES</b>		
Committee Sifting Allowance	7,744,071	5,852,683
Committee Travel & Subsistence	15,806,967	14,095,343
Other member expenses	2,684,382	2,105,470
Education to Members	6,325,877	6,001,511
Other Committee expenses	6,680,169	5,683,914
	<b><u>39,241,466</u></b>	<b><u>33,738,921</u></b>
<b>(b) FINANCIAL EXPENSES</b>		
Bank Charges & ATM Expenses	3,377,734	3,547,981
Interest payable to fixed deposit A/C	25,973,843	17,506,123
Bosa/Fosa Control Account Written Off	24,292,955	18,000,000
	<b><u>53,644,533</u></b>	<b><u>39,054,104</u></b>
<b>(c) ADMINISTRATION EXPENSES</b>		
Licences and Service charges	7,795,185	6,602,050
Entertainment(visitors)	142,566	183,881
Repair and maintenance	3,776,991	4,597,225
Loss in valuation of assets/shares	-	2,391,171
Transport	1,367,500	974,660
Telephone & Postage	455,017	488,616
Printing & Stationery	2,188,087	2,477,010
Insurance Premium	21,553,010	13,805,108
Consultation Fees	7,650,000	900,000
Subscriptions	752,650	814,750
Rent & Rates	5,026,667	4,660,162
Sundry Expenses	28,562	15,058
Water & Electricity	1,167,029	1,350,455
Security Charges	10,983,111	9,918,004
Audit fees, Supervision & Recoverable	638,000	500,000
Office welfare	1,828,230	1,803,405
Newspapers and periodicals	109,500	107,340
Legal Fees	191,000	135,000
Motor Vehicle Expenses	305,617	58,090
Donations	1,604,804	1,212,970
	<b><u>67,563,524</u></b>	<b><u>52,994,955</u></b>
<b>(d) MARKETING AND PUBLIC RELATIONS EXPENSES</b>		
Public relation	3,075,570	3,790,416
Product development and Promotion	3,025,736	3,468,204
	<b><u>6,101,306</u></b>	<b><u>7,258,620</u></b>

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	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>(e) PERSONNEL EXPENSES</b>		
Salaries & Wages	35,749,126	34,836,290
Casual wages overtime & Ag. All	99,900	83,200
Provident Fund	4,410,697	4,360,623
Housing Allowance	7,126,369	6,317,934
NSSF Employees contributions	106,480	115,800
Other Staff Expenses	3,529,256	4,672,618
Travelling & Substience	6,505,500	4,974,300
Education to staff	6,243,879	6,662,741
	<b><u>63,771,208</u></b>	<b><u>62,023,506</u></b>
<b>(f) ALLOWANCE FOR ASSET IMPAIRMENT</b>		
Depreciation and amortization	9,595,514	7,824,657
Provision for Loan Losses	50,429,728	-
	<b><u>60,025,242</u></b>	<b><u>7,824,657</u></b>
<b>(g) INCOME TAX EXPENSE</b>		
Current tax (Note 11)	17,717,079	19,433,693
Previous year underprovision	1,022,089	-
	<b><u>18,739,168</u></b>	<b><u>19,433,693</u></b>

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	<b>2020</b>	<b>2019</b>
	<b>KSHS</b>	<b>KSHS</b>
<b>The cash and cash equivalents at the end of the period comprise:-</b>		
<b>4) CASH AND CASH EQUIVALENTS</b>		
<b>Bank and Cash balances</b>		
NBK -Current A/C	169,169,773	124,931,801
Co- op Bank -Current (SACCO)	33,699,078	22,502,359
Co- op Bank M-Pesa settlement	12,655	12,655
Co- op Bank ATM settlement	6,508,516	-
Co- op Bank (Savings S.F.R)	42,652,408	66,857,508
Cash in Hand & Treasury (NKU/NSHA/BAHA/MOL)	32,866,251	29,496,978
Consolidated Bank Current Account	78,227	16,239
Co-op Bank Div Reserves	10,110,317	11,052,317
Sidian Bank Current Account	7,075	-
Personal Cheques bank account	(4,500)	-
Others - mcosmo/ spot-cash float	20,337,608	15,930,617
<b>Fixed Deposits</b>		
Co-op Bank Fixed deposit account	-	-
Cic Unit Trust	209,236,586	277,716,059
Consolidated Bank fixed deposit account	103,500,000	268,800,001
Sidian Bank Fixed Deposits	51,240,000	-
Kuscco Fixed Account	724,496,844	515,448,938
Ketsa	10,676,878	7,735,400
	<b><u>1,414,587,716</u></b>	<b><u>1,340,500,872</u></b>

The year-end cash and cash equivalents comprised cash in hand and deposits held at the bank. The carrying amount of the sacco's cash and cash equivalents are denominated in Kenya shillings.

The cash and cash equivalents are available for use by the sacco. The Sacco Society regulatory authority(SASRA) requires that a sacco to maintain 15% of its savings deposits and short term liabilities in liquid assets.

<b>5) Other Assets</b>	Kshs	Kshs
Inventory	342,422	278,285
	<b><u>342,422</u></b>	<b><u>278,285</u></b>
<b>6) Prepayments and trade receivables</b>	Kshs	Kshs
Accrued interest income	16,836,330	13,750,388
Salary Control A/C & OTHERS (Ministry)	13,228,947	6,618,547
Bosa/Fosa control a/c	-	24,292,955
Debt collection control account	16,348	-
Loan valuation	9,950	-
M-pesa A/c	1,807,703	2,723,480
Prepaid Expenses	25,820,080	21,312,190
Members Uncleared Cheques	-	1,144,422
PRD Receivables	145,301,963	14,493,880
	<b><u>203,021,320</u></b>	<b><u>84,335,862</u></b>

In the opinion of the board of directors, the carrying value of trade and other receivables approximates their fair value.

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	<b>2020</b>	<b>2019</b>
	<b>KSHS</b>	<b>KSHS</b>
7) <b>Loans and Advances to members</b>		
Balance b/f	4,645,139,293	4,151,523,900
Granted during the year	<u>2,836,432,012</u>	<u>2,593,681,996</u>
	7,481,571,305	6,745,205,896
Repaid during the year	<u>(2,139,579,529)</u>	<u>(2,100,066,603)</u>
Gross loans outstanding	5,341,991,777	4,645,139,293
Provision for bad & doubtful debts	<u>(200,797,482)</u>	<u>(150,367,754)</u>
Net loans	<u><u>5,141,194,295</u></u>	<u><u>4,494,771,539</u></u>
Provision for bad and doubtful debts		
Balance b/f	150,367,754	152,712,956
Less Balance written off	<u>-</u>	<u>-</u>
	150,367,754	152,712,956
Provision for the year	<u>50,429,728</u>	<u>(2,345,202)</u>
Balance c/d	<u><u>200,797,482</u></u>	<u><u>150,367,754</u></u>

**Risk classification of loans and provisioning**

CLASSIFICATION	NO. OF ACCOUNTS	Rate	Outstanding loan portfolio	Provision
Performing	16676	1%	4,880,892,631	48,808,926.31
Watch	517	5%	180,765,991	9,038,299.56
Substandard	419	25%	112,794,613	28,198,653.26
Doubtful	442	50%	105,448,541	52,724,270.49
Loss	<u>653</u>	100%	<u>62,027,332</u>	<u>62,027,331.99</u>
	<u>18707</u>		<u><u>5,341,929,109</u></u>	<u><u>200,797,482</u></u>

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8) PROPERTY, PLANT & EQUIPMENT	<u>PARTITIONS &amp; IMPROVEMENTS</u>	<u>MOTOR VEHICLES</u>	<u>FURNITURE &amp; FITTINGS</u>	<u>COMPUTER EQUIPMENT</u>	<u>COMPUTER SOFTWARE</u>	<u>TOTAL</u>
	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>
Cost or valuation						
At 1st Jan 2019	6,455,456	6,021,580	5,973,905	13,602,945	15,532,720	41,565,026
Additions	-	6,021,580	938,696	1,436,660	2,694,495	11,091,431
Disposals	-	-	-	-	-	-
<b>Balance as at 1st Jan 2020</b>	<b>6,455,456</b>	<b>6,021,580</b>	<b>6,912,601</b>	<b>15,039,605</b>	<b>18,227,215</b>	<b>52,656,457</b>
Additions	1,118,734	65,022	1,099,152	3,988,423	92,862	6,364,193
Disposals	-	-	-	-	-	-
<b>Balance as at 31st Dec 2020</b>	<b>7,574,190</b>	<b>6,086,602</b>	<b>8,011,753</b>	<b>19,028,028</b>	<b>18,320,077</b>	<b>59,020,650</b>
<b>Accumulated depreciation &amp; amortisation</b>						
At 1st Jan 2019	3,199,986	-	3,454,325	5,991,375	8,244,646	20,890,332
Depreciation charge	806,932	-	1,194,781	2,720,589	3,106,544	7,828,846
<b>Balance as at 1st Jan 2020</b>	<b>4,006,918</b>	<b>-</b>	<b>4,649,106</b>	<b>8,711,964</b>	<b>11,351,190</b>	<b>28,719,178</b>
Eliminated at disposal	-	-	-	-	-	-
Depreciation charge	806,932	752,698	1,382,520	3,007,921	3,645,443	9,595,514
<b>Balance as at 31st Dec 2020</b>	<b>4,813,850</b>	<b>752,698</b>	<b>6,031,626</b>	<b>11,719,885</b>	<b>14,996,633</b>	<b>38,314,692</b>
<b>Carrying amount</b>						
As at 31st December 2019	2,448,538	6,021,580	2,263,495	6,327,641	6,876,025	23,937,279
As at 31st December 2020	2,760,340	5,333,904	1,980,127	7,308,143	3,323,444	20,705,958

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9) FINANCIAL INVESTMENTS	2020 Kshs	2019 KSHS
<b>Non Quoted</b>		
Shares in KETSA	206,000	200,000
Shares in PLOT (NATEC)	22,633,946	22,137,946
Shares in KUSCCO	22,350,000	15,002,000
<b>Quoted</b>		
Shares in SAFARICOM - 42,500@ Kshs 5( Market value @ Kshs 34.25)	1,455,625	1,338,750
Shares in CIC - 2,127,624@ Kshs 1 (Market value @ Kshs 2.13)	4,531,839	5,702,032
Shares in CO-OP BANK - 9,433,032 @ Kshs 1( Market value @ Kshs 12.50)	117,912,900	154,230,073
Shares in KENGEN - 6,431 @ Kshs 11.9 ( Market Value @ Kshs 4.71)	30,290	36,785
	<u>169,120,600</u>	<u>198,647,587</u>

*The unquoted shares are equity investments classified as available for sale. They are carried at cost due to lack of comparable quoted investment which could have been used as a basis for the determination of fair value. In the opinion of the directors, the above investments would, if sold, realize not less than the amounts at which they are stated.*

**10) MEMBERS DEPOSITS**

<b>Non withdrawable deposits</b>		
Balance b/f	3,827,490,351	3,473,981,636
Net Contributions during the year	<u>415,886,235</u>	<u>353,508,715</u>
Balance at the end of the year	4,243,376,586	3,827,490,351
<b>Withdrawable deposits</b>		
Balance b/f	1,026,747,784	-
Net deposits during the year	<u>288,142,664</u>	<u>1,026,747,784</u>
Balance at the end of the year	1,314,890,448	1,026,747,784
Total deposits	<u>5,558,267,034</u>	<u>4,854,238,135</u>

**11) TAXATION**

Balance b/f	5,094,379	(880,972)
Tax Balance payment	(5,094,379)	-
Less Tax paid during the year	<u>(18,119,376)</u>	<u>(13,458,342)</u>
	(18,119,376)	(14,339,314)
Add: Provision for the year	<u>17,717,079</u>	<u>19,433,693</u>
Balance c/d	<u>(402,297)</u>	<u>5,094,379</u>

*The charge to the Sacco's income is computed at 30% of 50% Investment income except for income from KUSCCO investments which is exempt from tax. Interest on members' loans and income from members is tax exempt for the sacco and 30% on other operating income after providing allowable expenses on proportionate basis to the total income.*

**CS/2675**  
**COSMOPOLITAN SACCO SOCIETY LIMITED.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>KSHS</b>
<b>12) DIVIDENDS AND INTEREST (REBATES) PAYABLE</b>		
Rebates to members	475,039,903	428,678,919
Dividends	40,960,097	27,321,081
Staff Bonus and Directors Honorarium	4,000,000	4,000,000
Total	<u><b>520,000,000</b></u>	<u><b>460,000,000</b></u>
<b>13) SUNDRY CREDITORS &amp; ACCRUED EXPENSES</b>		
Audit fee	638,000	500,000
Excise Duty	1,026,680	877,490
P.A.Y.E	478,776	609,015
Members (Dairy Control A/C)	-	92,036
Pryethrum control	-	94,444
Tax Payable on interest	0	-
Dependants Control Account	445,347	-
CRB Payable	50,274	-
Stamp duty Control	12,604	14,244
Withholding tax payable	331,873	445,422
TSC Cash payments	-	28,790
NSSF	-	200
Other Creditors	723,796	77,703
	<u><b>3,707,351</b></u>	<u><b>2,739,344</b></u>
<b>14) Share capital</b>		
Bal b/f	261,047,349	242,183,263
Increase during the year	12,019,965	18,864,086
Balance c/d	<u><b>273,067,314</b></u>	<u><b>261,047,349</b></u>
<b>15) General Reserves</b>		
Bal b/f	1,346,267	1,346,267
Increase during the year	-	-
Balance c/d	<u><b>1,346,267</b></u>	<u><b>1,346,267</b></u>
<b>16) Statutory Reserves</b>		
Bal b/f	135,782,472	102,607,138
Increase during the year	12,773,619	33,175,334
Balance c/d	<u><b>148,556,091</b></u>	<u><b>135,782,472</b></u>

CS/2675

COSMOPOLITAN SACCO SOCIETY LIMITED.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2020

	<b>2020</b> <b>Kshs</b>	<b>2019</b> <b>KSHS</b>
<b>17) Retained earnings</b>		
Bal b/f	422,223,481	309,935,327
Increase during the year	63,868,097	165,876,671
Adjustments	16,072,690	10,907,898
Statutory reserves	(12,773,619)	(33,175,334)
Proposed dividends	(40,960,097)	(27,321,081)
Proposed Honoraria and bonus	(4,000,000)	(4,000,000)
<b>Balance c/d</b>	<b><u>444,430,551</u></b>	<b><u>422,223,481</u></b>
<b>18) Insider Lending</b>		
b) Directors	29,203,005	26,517,282
Employees	<u>151,583,790</u>	<u>137,383,033</u>
Total insider loans	<b><u>180,786,795</u></b>	<b><u>163,900,315</u></b>

*Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Placings are made in the sacco by directors and the staff. Loans to members as at 31st December 2020 include to directors and staff. All transactions with related parties are at arm's length in the normal course of business, and on terms and conditions similar to those applicable to other customers.*

**19) EVENTS AFTER THE REPORTING DATE**

No material events or circumstances have arisen between the accounting date and the date of this reporting.

**20) CURRENCY**

These financial statements are presented in Kenya shillings (Kshs)

**21) CONTINGENT LIABILITY**

The society has no Legal suit or any other contingent which would threaten the normal sacco operations and so no provision have being created for contingent liability

CS/2675  
**COSMOPOLITAN SACCO SOCIETY LIMITED.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

<b>TAX COMPUTATION</b>			
A)	<b>Year</b>		<b>2020</b>
	Interest on Financial Investments		17,786,541
	50% of Taxable Interest Income		8,893,271
	Taxable income on fixed deposit		<b>8,893,271</b>
B)	<b>Taxable Income</b>		
	Total income		885,371,434
	Less: exempt Income		
	-Interest on loan		(726,966,008)
	-KUSSCO Investment income		(61,533,791)
	-Dividend Income		(9,636,386)
	- Entrance Fee		(1,127,800)
	Taxable Income		<b>86,107,450</b>
	Less: Taxable Income excluded from expense apportionment		<b>(17,786,541)</b>
		a	<b>68,320,909</b>
	Interest income	b	726,966,008
	Total income for Expenses apportionment	c=(a+b)	<b>795,286,916</b>
	Taxable Income ratio	d=a/c	<b>8.59%</b>
	<b>Determination of Allowable Expenses</b>		
	Total Expenses	e	290,347,279
	<b>Disallowable Expenses</b>		
	Provision for asset impairment		60,025,242
	Bosa/Fosa Control Account Written Off		24,292,955
	Donations		1,604,804
		f	<b>85,923,001</b>
	Add; Wear and tear allowance		6,934,469
		g	<b>6,934,469</b>
		h=(e-f+g)	<b>211,358,747</b>
	Expenses Attributable to Taxable Income	i	<b>18,157,248</b>
	Taxable Income	a	<b>68,320,909</b>
	Less: Expenses Attributable to Taxable Income	i	<b>18,157,248</b>
	Net Taxble Income	j=(a-i)	50,163,661
	Add taxable ivestment income	k	8,893,271
	total taxable income	l	<b>59,056,931</b>
	TAX CHARGE	(30% of l)	<b>17,717,079</b>
	Less withholding tax		(119,376)
	<b>Total TAX CHARGE</b>		<b>17,597,703</b>
	<b>TOTAL TAX CHARGE</b>		
	<b>Total Income Tax</b>		
	TOTAL TAX CHARGE		17,597,703
	Less instalment paid		(18,000,000)
	<b>TOTAL TAX PAYABLE</b>		<b>(402,297)</b>

**COSMOPOLITAN DEPOSIT TAKING SACCO  
PROPOSED BUDGET YEAR 2022**

<b>INCOME</b>	<b>1ST QUARTER</b>	<b>2ND QUARTER</b>	<b>3RD QUARTER</b>	<b>4TH QUARTER</b>	<b>COMPARISON 2021</b>
Non-Operating income	1,973,750.00	3,947,500.00	5,921,250.00	7,895,000.00	19,000,000.00
Operating income	24,150,770.00	48,301,540.00	72,452,310.00	96,603,080.00	71,873,300.00
Income from investments	22,257,000.00	44,514,000.00	66,771,000.00	89,028,000.00	60,441,000.00
Total fees and commission on loan portfolio	8,104,000.00	16,208,000.00	24,312,000.00	32,416,000.00	32,365,000.00
Total interest on loan portfolio	251,060,000.00	502,120,000.00	753,180,000.00	1,004,240,000.00	821,240,000.00
<b>TOTAL INCOME</b>	<b>307,545,520.00</b>	<b>615,091,040.00</b>	<b>922,636,560.00</b>	<b>1,230,182,080.00</b>	<b>1,004,919,300.00</b>
<b>EXPENSES</b>					
Allowance for loan losses	12,500,000.00	25,000,000.00	37,500,000.00	50,000,000.00	10,000,000.00
Administrative expenses	30,439,687.50	60,879,375.00	91,319,062.50	121,758,750.00	81,858,000.00
Depreciation and amortization expenses	3,000,000.00	6,000,000.00	9,000,000.00	12,000,000.00	9,000,000.00
Marketing expense	1,375,000.00	2,750,000.00	4,125,000.00	30,000,000.00	15,000,000.00
Governance expenses	14,106,650.50	28,213,301.00	42,319,951.50	56,426,602.00	33,751,897.00
Personnel expenses	23,696,262.07	47,392,524.15	71,088,786.22	104,968,957.73	76,309,914.72
Financial expense	1,300,000.00	2,600,000.00	3,900,000.00	5,200,000.00	5,200,000.00
Fees & commission expense	1,000,000.00	2,000,000.00	3,000,000.00	4,700,000.00	4,000,000.00
Other financial expense	163,550,000.00	327,100,000.00	490,650,000.00	654,200,000.00	535,200,000.00
<b>TOTAL EXPENSE</b>	<b>250,967,600.07</b>	<b>501,935,200.15</b>	<b>752,902,800.22</b>	<b>1,039,254,309.73</b>	<b>770,319,811.72</b>
<b>RETAINED EARNINGS FOR THE YEAR</b>	<b>56,577,919.93</b>	<b>113,155,839.86</b>	<b>169,733,759.78</b>	<b>190,927,770.27</b>	<b>234,599,488.28</b>

PREPARED BY BUDGET COMMITTEE  
 CHAIRMAN.....  
 MEMBER.....

*Signed*

**COSMOPOLITAN DEPOSIT TAKING SACCO**  
**SUPPLEMENTARY BUDGET 2021**

	<b>QTY</b>	<b>AMOUNT</b>
1. Salaries & allowances		10,000,000
2. Computers	15	1,035,000
3. Printers	7	735,000
4. Money counting machines	5	900,000
5. Furniture & fittings		500,000
6. Rent for and satellite		1,080,000
7. Marketing		10,000,000

**CAPITAL BUDGET**

Motorbike	2	208,000
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**PREPARED BY BUDGET COMMITTEE**

**SIGNED BY:** *Chairman*.....

*Member*.....

**Signed**

**COSMOPOLITAN COOPERATIVE SAVINGS & CREDIT  
SOCIETY LTD.**

**BANKERS**

**COOPERATIVE BANK OF KENYA LTD**

**P.O BOX 1931**

**TEL. 0722388616**

**E-MAIL [info@cosmopolitansacco.co.ke](mailto:info@cosmopolitansacco.co.ke)**

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**MINUTES OF 40TH A.G.M HELD ON 29TH FEBRUARY 2020  
AT NAKURU SHOW GROUND ARENA**

TIME: 9.30 a.m.

**PRESENT – BOARD OF DIRECTORS**

1.MR JOHN MUIGAI	-	CHAIRMAN
2.MR JOHN RUKWARO	-	V/CHAIRMAN
3.MR GEOFFREY MACHOKA	-	TREASURER
4.MR GEORGE MUNGAI	-	MEMBER
5.MR JOHN KAHUGU	-	MEMBER
6.MR JOHN TOWETT	-	MEMBER
7.MR LAWRENCE NGANGA	-	MEMBER
8.MR JAMES MAINGI	-	MEMBER
9.MR FRANCIS WAIGERIA	-	MEMBER
10.MR JOHN WARUTUMO	-	MEMBER
11.MR BOB MUKALO	-	MEMBER

**SUPERVISORY**

1.MR JAMES GICHOHI	-	CHAIRMAN
2.MR BONIFACE MUGO	-	SECRETARY
3.MRS ESTHER NDIRANGU	-	MEMBER

**In attendance** 1. Loise Methu – C.E.O  
2. All SACCO staff members

**THE CHIEF GUEST** – Managing Director KUSCCO – Mr George Ototo

## **OTHER GUESTS**

- Ukombozi SACCO directors
- Noble SACCO
- C.A.K
- New Fortis SACCO
- Solutions SACCO
- Kitui SACCO
- External Auditor
- Sub – County Officers – Mr Onyango Daniel  
Mr Muchemi alex
- Society's Lawyer
- C.I.C Directors
- I.G. Sacco – Directors
- Imarisha SACCO
- KNUT Officials

1560 Members attended.

## **MIN 1/2/2020 OPENING**

The chairman called the meeting to order at 10.00 a.m. He then called Mr Jacob Lelei P.No. 205920 to open the meeting with a word of prayer.

The chairman then asked the secretary to read the notice of the meeting which was sent to the members in form of SMS and circulars.

## **MIN 2/2/2020 INTRODUCTION**

The chairman asked Mr Rukwaro to introduce the board of directors and invited guests. Other guests were introduced as they arrived.

## **MIN 3/2/2020 CHAIRMAN'S OPENING REMARKS**

The chairman read the opening remarks. The remarks touched on:-

- Society's Performance
- Strategic Plan
- Conclusion

## **MIN 4/2/2020 BOARD OF DIRECTORS REPORT TO THE 40TH AGM**

The chairman presented the board of director's report to the AGM.

The report covered on:-

- Performance
- SASA
- Members loans
- Our Motto, logo and website
- Dividends
- SACCO's overall performance
- Deposits
- Society's by-law
- Demise of members
- Education/Elections to members
- Elections
- Corporate Social Responsibility
- Achievements
- Borrowing power
- External auditors
- ATM cards
- M-COSMO \*882#
- X-Mobi
- Sinking Fund
- Queue Management System
- Sectoral Lending
- Marketing
- Conclusion

## **MIN 5/2/2020 DISCUSSION AND RESOLUTIONS**

The report was proposed by David Maina Tsc 302773 and seconded by Wilfred Gichuki P.No. 218242 .

## **MOTTO, LOGO AND WEBSITE**

Mr Murage P.No.181176 wanted to know the implications of the same. The Chairman explained the benefits of the same.

## **DIVIDENDS/INTEREST**

The members felt that dividends should be increased. The members were of the opinion that we grow to at least 11.5%.

The Chairman asked for a proposer and a seconder for dividends to be paid at 10.01% and interest at 11.20%. They were proposed by Lilian Koskei M/No.9246 and seconded by George Mwangi M/No. 4814.

## **PAYMENT OF HONORARIA/BONUS**

After a lengthy discussion on the issue the members agreed to pay the same at 4 million.

The proposal was by Robert Mwangi Tsc 515604 and seconded by Mr Michael Gatimu Tsc 452662.

## **MIN 6/2/2020 ELECTIONS/EDUCATION DAYS**

The following were confirmed as having been elected:-

### **DIRECTORS**

John Muigai	-	Naivasha
John Rukwaro	-	MCN
John Warutumo	-	Solai/Rongai
Francis Waigeria	-	Njoro

### **SUPERVISORY**

Madam Esther Ndirangu was elected supervisory seat for the following divisions:-  
Naivasha, Gilgil, Bahati and Subukia.

The DCO Mr Muchemi requested for a proposer and seconder for confirmation.

David Maina M/No. 6943B proposed and was seconded by Jacob Lelei M/No. 4010/P.No. 205929. They were therefore confirmed.

Areas that had not held education would do so afterwards.

## **DEMISE OF MEMBERS**

- The chairman lamented on the many cases of our members who have left us due to the sudden and cruel hand of death.
- He requested the members to observe a minute of silence to our departed members.

## **ATM CARDS**

Mr Murage P.NO. 181176 wanted to know the issue of ATM cards. He was informed that ATMs are replaced and members are called upon to collect once they receive S.M.S.

## **SINKING FUND**

The board proposed to increase the payment of sinking fund from Kshs. 200/= to Kshs. 500/= due to escalating costs of burial. The benefits are that upon death of a member the fund will pay Kshs. 100,000/= and Kshs. 50,000/= for the spouse. The loan will be written off and BOSA deposits will be multiplied by two.

The same was proposed for groups to increase from Kshs. 50/= to Kshs. 100/= per month. The fund upon death will pay principal member Kshs. 50,000/= and spouse Kshs. 30,000/=. The loan will be written off for that part of member and BOSA deposits will be multiplied by two.

The members resolved the following after a lengthy discussion:-

- To increase sinking fund from Kshs. 200/= to Kshs. 300/= for all members under TSC, County Governments, Ministries and class B individual members.
- Class B group members to increase from Kshs. 50/= to Kshs. 100/=.

## **SOCIETY'S BYLAWS**

- Members agreed to change our by-laws to be in conformity with the Co-operative Society's Act.

## **MIN 7/2/2020 SUPERVISORY COMMITTEE REPORT**

The chairman read the opening remarks and called the secretary to read their report. The report touched on:-

- Preamble

- Monthly turnover
- Defaulters
- Prudential standards
- Demise of members
- SACCO members
- SACCO Branches
- Education branches
- Education to members
- Dividends/interest
- AGM Resolutions
- Conclusion

### **DISCUSSIONS AND RESOLUTIONS**

The report was proposed by Mr Francis Waweru P.No. 3205091 and seconded by Mr Samuel Mwangi P.No. 221406 for discussion, amendments and approval.

#### Education to Members

- Mr Njeru M/No. 5250B called upon the board to strengthen recruitment especially in schools.
- The same was seconded by Mr Munyua M/No. 6728B.
- Mr Murage M/No. 3421 proposed for the purchase of public address for the society to eliminate future embarrassment. This was seconded unanimously.
- Purchase of furniture was also passed.

### **MIN 8/2/2020 TREASURER'S REPORT TO 40TH AGM**

The treasurer read a brief 2019 financial report. The report touched on the performance of the society. He cited the following as returns to members:-

- Interest on members deposits Kshs. 428,678,919/=
- Honoraria/bonus Kshs. 4,000,000/=
- Dividend at 10.01% totalling Kshs. 27,321,081.
- Interest on BOSA deposit @ 11.2%
- Interest on retirement savings @ 5%
- Retained revenue Kshs. 101,380,254/=

He concluded by noting that Cosmopolitan is a steady growing SACCO and a SACCO of choice.

He then invited the auditor to read the 2019 audited accounts.

The auditor touched on the following issues:-

Preamble -On opinion

- Basis for opinion
- Key audit matters

The report was comprehensive touching on the financial status of our society. The audited accounts were proposed by Mr Joseph Kagai Tsc 341308 and seconded by Hellen Njoroge Tsc 358339 for discussion and approval.

## **DISCUSSIONS AND RESOLUTIONS**

### **APPOINTMENT OF EXTERNAL AUDITOR**

The following firms showed interest to be Sacco's external auditor:-

- Mugo Mungai & Company Advocates
- Growth Path Consultants
- Mbiyu and Muhia Auditors

Mr Murage M/No. 3421 proposed Mbiyu Muhia Auditors and seconded by Mr David Maina M/No. 6943B.

### **5% RETIREMENT SAVINGS**

The chairman asked for a proposer and a seconder for the retirement savings to be paid an interest of @ 5%. This was proposed by Mr Harrison Ngwire Tsc 356143 and seconded by Mr John Murage P.No. 181176.

### **BORROWING POWER**

The borrowing power to remain at 60 million. The proposal was by Mr Charles Yogo M/No. 6031B and seconder Mr Maina M/No. 6943B.

**PROPOSED BUDGET 2020**

The CEO presented the proposed budget2020. The budget was adopted as per the report. This was proposed by Mr Thomas Momanyi Tsc 422112 and seconded by Mr Momanyi Nyauma Tsc 449367.

The member's suggestion of the public address system will be looked into also.

**CHIEF GUESTS**

**GUEST OF HONOUR**

- The Reginal Manager KUSCCO called upon Madam Rachel Wafula from KUSCCO Headquarters to read the Chief Guest report.

The guest of honour madam Wafula for Managing Director KUSCCO touched on:-

- Ecclesiastes7:9
- Praised the branding and new logo
- Loan default is a set back
- Alerted members on cyber attacks key among them emails and attachments from unfamiliar sources
- Keep spirit of diversification.
- Practice good corporate governance

**KNUT SECRETARY**

The acting secretary touched on:-

- AGM in April for education fund
- He deluded that KNUT is still active

The meeting ended with a word of prayer by madam Hannah Wangari.

CONFIRMED \_\_\_\_\_ CHAIRMAN

SIGNED \_\_\_\_\_ SECRETARY

DATE \_\_\_\_\_

*Signed*



