

THE SACCO SOCIETY REGULATORY AUTHORITY
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P. O. Box 25089-00100, NAIROBI

BLUE EAGLE REGULATED NWD T SACCO SOCIETY LIMITED

C/S 18418

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

APPROVED
*for publication and presentation
to AGM or ADM subject to observations issued*
30 MAR 2023
SIGN: 
THE SACCO SOCIETIES REGULATORY AUTHORITY

**BLUE EAGLE REGULATED NWDI SACCO SOCIETY LIMITED C/S 18418
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**BLUE EAGLE REGULATED NWDI SACCO SOCIETY LIMITED C/S 18418
REPORT OF MANAGEMENT COMMITTEE (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

The Committee members who held office during the year were:

Board Members

Yusuf Omari	Chairman
Beatrice Vulule	Vice Chairperson
Nelson Ofunja	Treasurer
Joyce Lihanda	Secretary
Charles Maina	Member
Maryanne Kagwe	Member
Joseph Wafula	Member
Hartnell Ndungi	Member
Samuel Lasoi	Member

Supervisory Committee

Laban Omangi	Chairperson
Zack Odegih	Secretary
Anita Otete	Member

Registered office

West End Towers
Waiyaki way, Westlands
P.O Box 30120- 00100
Nairobi.

Principal Place of Business

Bishops Gates Building
Fifth Ngong Avenue
P.O Box 30120- 00100
Nairobi.

Independent auditor

UHY Kenya
Certified Public Accountants (K)
Rainbow Tower, Muthithi Road, Westlands
P. O. Box 13550 - 00800
Nairobi.

Principal bankers

Absa Bank Kenya Plc
Westlands Branch
P.O Box 14403 - 00800
Nairobi.

The Manager

Charles Ngamau
P.O Box 14403 - 00800
Nairobi.

BLUE EAGLE REGULATED NWDI SACCO SOCIETY LIMITED C/S 18418
REPORT AND FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2022

STATISTICAL DATA

Membership	2022	2021
Number of members : Active	1165	1014
Number of members : Dormant	29	34
Total	1194	1048

	Kshs	Kshs
Financials		
Total Assets	461,695,076	349,763,015
Members' deposits	363,503,431	287,757,308
Loans and advances to members	353,919,726	263,897,401
Provision for impairment of loans and advances	(7,755,028)	(3,823,065)
Investments	110,000	10,000
Financial assets	31,354,305	46,773,336
Share capital	35,271,999	21,804,999
Total revenue	62,770,228	42,356,543
Total interest income	41,102,454	32,306,155
Total expenses	9,081,671	4,992,060
Revenue reserves	19,064,079	9,287,373
Statutory reserves	4,488,696	2,044,520
Core capital	58,714,774	33,136,892
Institutional capital	23,552,775	11,331,892

Permanent employees of the Sacco	Male	2	2
	Female	-	-
	Total	2	2

Key ratio:

Capital Adequacy Ratio

Core capital/Total assets	13%	9%
Minimum ratio	8%	8%
Core capital/Total deposits	16%	12%
Minimum ratio	5%	5%
Total retained & disclosed reserves/Core capital	40%	34%
Minimum ratio	50%	50%

Liquidity Ratio

Liquid assets/short term liabilities	25%	30%
Minimum ratio	10%	10%

Operating Efficiency/Loan quality ratios

Total expenses/total revenue	14%	12%
Interest on member deposit/total revenue	51%	59%
Interest rate on member's deposits	9%	9%
Dividend rate on members share capital	15%	15%
Total non-performing loans/gross loan portfolio	2%	1%

BLUE EAGLE REGULATED NWDT SACCO SOCIETY LIMITED C/S 18418
STATEMENT OF MANAGEMENT COMMITTEE' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the society as at 31 December 2022 and of the society's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Sacco Societies Act No. 14 of 2008.

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

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

Approved by the board of directors onand signed on its behalf by:-

Chairperson

Dated at this 30 day of 03 2023

Treasurer

Dated at this 30 day of 03 / 2023

Secretary

Dated at this 30 day of 30/3 2023

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF BLUE EAGLE
REGULATED NWD T SACCO SOCIETY LIMITED CS/18418
FOR THE YEAR ENDED 31 DECEMBER 2022**

Opinion

We have audited the accompanying financial statements of Blue Eagle Regulated NWD T Sacco Society Limited, set out on pages 8 to 21 which comprise the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended, and notes, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Sacco as at 31st December 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard and comply with requirements of The Sacco Societies Act No. 14 of 2008.

Basis of our 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 matter

Key audit matters are those matters that in our professional judgement, were of most significance in our audit of the financial statements of the current year. 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 company opinion on these matters.

Audit matter

Accuracy of interest income

The accuracy and completeness of interest income is an inherent risk in the sector due to processing large volumes of data with a combination of several loan products and complete IT systems.

How our audit addressed the key audit matter

We evaluated the relevant IT system (Navision) and the design of controls, and tested the operating effectiveness of controls over the:

- i) Capture and recording of loan transactions and rates.
- ii) Approvals or authorisation of rates and interest running system.
- iii) Using the data extracted from the Society's accounting system, we verified the completeness and accuracy of a sample of interest charges.
- iv) We also received management confirmation the accumulated accrued interest receivable properly disclosed and supported and recorded from members gradually.

Based on our work done, we noted no significant issues in the accuracy of interest recorded in the year.

Provision for bad debts

The Society has provisions relating to bad and doubtful loans.

Provisions are based on judgements and estimates made by the management and as calculated and provided for by the system loan aging report.

We examined loans repayment and those that are falling in arrears and require provisioning. We held discussion with management to understand the risk associated with the performing loan portfolio with no provisions.

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF BLUE EAGLE
REGULATED NWDI SACCO SOCIETY LIMITED CS/18418
FOR THE YEAR ENDED 31 DECEMBER 2022**

Audit matter

Provision for bad debts (Continued)

The total non performing loans between 30 and over 360 days amount to Kshs 7,755,028.

However, this has come up from Kshs 3,823,065, previous year, the defaulting is still high.

How our audit addressed the key audit matter

For all provisions, we tested the calculation of the provisions based on the system, assessed the assumptions against available pronouncements and historical trends.

The management should consider providing for more bad debts so as to be secure in the long run in as far as the loans recovery management is concerned.

Full realization of IFRS 9 is yet to be achieved.

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 audit or 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.

Management committee responsibility for the financial statements

The board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standard (IFRS) and the requirements of the Sacco Societies Act No. 14 of 2008., and for such internal control as the board may 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 board are responsible for assessing the Sacco's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Sacco 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.

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF BLUE EAGLE
REGULATED NWDI SACCO SOCIETY LIMITED CS/18418
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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

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

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

As required by the Kenyan Co-operative Societies Act we report to you, based on our audit, that:

- (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 (Sec 20(1) of Kenya 2008 Sacco Act), and
- (iii) The Society's statement of financial position and statement of comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Daniel Kagunda Kabiru - P/No 1904.

X
For and on behalf of UHY Kenya
Certified Public Accountants of Kenya
Nairobi, Kenya

Date.....2023

BLUE EAGLE REGULATED NWDI SACCO SOCIETY LIMITED C/S 18418
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2022 Kshs	2021 Kshs
Revenue			
- Interest on loans and advances	2	41,102,454	32,306,155
- Other interest income	3	8,487,715	7,971,488
Total interest income		49,590,169	40,277,642
Interest expenses	5	(40,194,517)	(31,130,150)
Gross surplus		9,395,652	9,147,493
Other operating income			
Other members income	4	3,180,059	2,078,900
Dividend income	6	10,000,000	-
		13,180,059	2,078,900
Expenses			
Staff expenses	7	(2,031,601)	(1,723,675)
Administration expenses	8	(5,871,994)	(1,135,404)
Operating expenses			
-Financial expenses	10	(19,447)	(18,686)
-Governance expenses	9	(955,400)	(1,635,450)
-Depreciation and amortization expenses	11	(203,229)	(478,844)
Total expenses		(9,081,671)	(4,992,060)
Net operating surplus before income tax		13,494,040	6,234,334
Income tax expense	12	(1,273,157)	-
Net surplus for the year after tax		12,220,883	6,234,334
20% transfer to statutory reserve		(2,444,177)	(1,246,867)
Net surplus for the year		9,776,706	4,987,467

BLUE EAGLE REGULATED NWDI SACCO SOCIETY LIMITED C/S 18418
REPORT AND FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2022


STATEMENT OF FINANCIAL POSITION


	Notes	2022 Kshs	2021 Kshs
Assets			
Cash and cash equivalents	13	43,714,438	36,716,372
Short term investments	14	31,354,305	46,773,336
Trade and other receivables	15	16,856,413	2,275,547
Loans to members	16	353,919,726	263,897,401
Loans to related party	17	15,401,585	-
Investments	18	110,000	10,000
Computers	19	338,609	-
Intangible asset	20	-	90,359
Total Assets		461,695,076	349,763,015
Liabilities			
Members deposit	21	363,503,431	287,757,308
Interest payable on deposits	22	32,000,000	25,000,000
Risk Management Fund	23	5,250,778	3,572,268
Trade payables and other payables	24	842,936	296,547
Income tax	25	1,273,157	-
Total Liabilities		402,870,302	316,626,123
Equity			
Share capital	26	35,271,999	21,804,999
Revenue reserves	27	19,064,079	9,287,373
Statutory reserves	28	4,488,696	2,044,520
Total Equity		58,824,774	33,136,892
Total Liabilities & Equity		461,695,076	349,763,015

APPROVED
for publication and presentation
to AGM or ADM subject to observations issued
30 MAR 2023
SIGN: 
THE SACCO SOCIETIES REGULATORY AUTHORITY

x The financial statements set out on pages 8 to 21 were approved for issue by the board on.....2023 and signed on its behalf by:


.....
CHAIRMAN


.....
TREASURER


.....
HON. SECRETARY

BLUE EAGLE REGULATED NWDI SACCO SOCIETY LIMITED C/S 18418
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF CHANGES IN EQUITY

	Share Capital Kshs	Revenue Reserves Kshs	Statutory Reserves Kshs	Total Kshs
2022				
As at 1 January 2022	21,804,999	9,287,373	2,044,520	33,136,892
Additions	13,467,000	-	-	13,467,000
Surplus for the year	-	12,220,883	-	12,220,883
Transfer (to)/from statutory reserve	-	(2,444,177)	2,444,177	-
At 31 December 2022	35,271,999	19,064,079	4,488,696	58,824,774
2021				
As at 1 January 2021	11,118,499	3,225,393	797,653	15,141,545
Additions	10,686,500	-	-	10,686,500
Surplus for the year	-	6,234,334	-	6,234,334
Transfer to statutory reserve	-	(1,246,867)	1,246,867	-
Excess withholding tax	-	1,074,513	-	1,074,513
At 31 December 2021	21,804,999	9,287,373	2,044,520	33,136,892

BLUE EAGLE REGULATED NWDT SACCO SOCIETY LIMITED C/S 18418

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF CASH FLOWS

		2022	2021
	Notes	Kshs	Kshs
Cash generated from operations			
Interest receipts on loans	2	41,102,454	32,306,155
Other operating income	4	3,180,059	2,078,900
Payment to employees and suppliers	7 & 8	(4,306,772)	(4,701,903)
Interest payments	5	(33,194,517)	(26,091,932)
Cash used in operations		<u>6,781,224</u>	<u>3,591,220</u>
<i>(Decrease)/increase in operating assets</i>			
Loans to members	16	(93,954,288)	(66,077,831)
Loan to related parties	17	(15,401,585)	-
Trade and other receivables	15	(14,580,867)	(1,022,435)
Increase /(decrease) in operating assets		<u>(123,936,739)</u>	<u>(67,100,265)</u>
<i>(Decrease)/increase in operating liabilities</i>			
Deposits from members	21(a)	70,150,810	62,771,266
Withdrawable savings	21(b)	5,595,313	(5,767,633)
Risk management fund	23	938,802	1,395,416
Increase in trade and accrued expenses	24	546,389	(20,000)
Increase in operating liabilities		<u>77,231,314</u>	<u>58,379,049</u>
Net cash used in operating activities before income taxes		(39,924,201)	(5,129,996)
Income tax paid	25	-	-
Net cash used in operating activities		<u>(39,924,201)</u>	<u>(5,129,996)</u>
Investing activities			
Purchase of computers	19	(451,479)	-
Interest from saving and other investments	4	8,487,715	7,971,488
Dividend income	6	10,000,000	-
Placements with short term investments	14	15,419,031	(14,158,726)
Net cash generated form/(used) in investing activities		<u>33,455,267</u>	<u>(6,187,238)</u>
Financing activities			
Increase in share capital	26	13,467,000	10,686,500
Net cash from financing activities		<u>13,467,000</u>	<u>10,686,500</u>
Net increase in cash and cash equivalents		<u>6,998,066</u>	<u>(630,734)</u>
Cash and cash equivalent at the beginning of the year	13	36,716,372	37,347,106
		<u>43,714,438</u>	<u>36,716,372</u>
Cash and cash equivalents at the end of the year	13	<u>43,714,438</u>	<u>36,716,372</u>

BLUE EAGLE REGULATED NWDI SACCO SOCIETY LIMITED C/S 18418
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies(continued...)

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Sacco and the revenue can be reliably measured. Revenue is recognised at fair value of consideration received or receivable taking into account contractually defined terms of payment (mostly monthly) and recognised net of taxes. The following specific criteria must be met before revenue is recognised:-

i) Interest income on member loans and advances

Interest on loans to members is calculated on a reducing balance method at monthly rates ranging between 1% to 10% per month. Interest income is recognised on a time proportion basis by reference to the principal outstanding and the effective interest rate applicable.

ii) Other interest income

New members to the society are required to pay an entrance fee. The fees is recognised in the income statement in accordance with ISA 1.

ii) Other member dealing income

Other members income, including account entrance fees and loan application fees are generally recognised on an accrual basis when the service has been provided.

c) Investments

All purchases and sales of investments are recognized on the trade date, which is the date the society commits to purchase or sell the asset. The cost of purchase includes transaction costs. Investments that have a fixed redemption value and have been acquired to match the obligations of the fund, or specific parts thereof, are carried at amounts based on their ultimate redemption value assuming a constant rate of return to maturity. All other investments are carried at fair value. In the case of marketable securities fair value is Fair value gains/(losses) arising on investments as shown in note 17 are credited/ (debited) to the comprehensive income.

d) Investment income

i) Interest income is recognized for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount and premium on treasury bills and other discounted instruments.

ii) Dividends are recognized as income in the period in which the right to receive payment is established.

e) Property and equipment

All property and equipment are initially recorded at cost and subsequently stated at historical cost less depreciation. Depreciation is calculated on a reducing balance basis to write down the cost of each asset annually to their residual values over their estimated useful life as follows:-

Computers & accessories	25%
-------------------------	-----

A full year's depreciation is charged in the year of acquisition. No depreciation is charged in the year of disposal. Gains or losses arising from disposal of property, plant and equipment are computed by reference to the sales proceeds and the net carrying amounts at the date of disposal. The gains or losses are dealt with through the income statement.

Intangible assets

The expenditure on acquisition of computer software is capitalized and amortized over its useful life on a straight line basis at a rate of 20%.

f) Taxation

Current taxation is provided for on the basis of the results for the year as shown in the financial statements adjusted in accordance with the tax legislation. The current tax rate is 30% of 50% non-mutual income.

BLUE EAGLE REGULATED NWDT SACCO SOCIETY LIMITED C/S 18418
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies (continued...)

g) Employee entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for estimated liability for annual leave as a result of services rendered by the employees up to the balance sheet date.

h) Translation of foreign currencies

Monetary assets and monetary liabilities expressed in foreign currencies are translated into Kenya shillings at the rate of exchange ruling at the statement of financial position date. Transactions during the year are translated at the rates ruling at the dates of the transactions. Gains and losses arising from the translation are dealt with in the income statement.

i) Financial instruments

Financial assets and liabilities are recognized on the society's balance sheet when the society has become a party to the contractual provisions of the instruments.

(i) Financial assets

The society classifies its financial assets into the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the appropriate classification of its investments at initial recognition.

Financial assets at fair value through income statement

This category has two sub-categories: Financial assets held for trading and those designated at fair value through income statement at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Gains and losses arising from changes in fair value are recognized in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the society provides money, goods or services directly to a debtor with no intention of trading the receivable.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity where the bank has the positive intent and ability to hold to maturity other than loans and receivables originated by the bank are measured at amortized cost.

Available-for-sale financial assets

Financial assets that are not (a) loans and receivables originated by the society, (b) held-to-maturity investments, or (c) financial assets held for trading are measured at fair values. Gains and losses arising from changes in fair values are recognized in equity.

Trade receivables

Trade receivables are carried at amortized invoice amount less estimate made for bad and doubtful receivables based on the review of all outstanding amounts, on account by account basis, at the year end. Bad debts are written off in the year in which they are identified as irrecoverable.

BLUE EAGLE REGULATED NWDT SACCO SOCIETY LIMITED C/S 18418
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies (continued...)

i) Financial instruments (continued...)

(ii) Financial liabilities

Bank borrowings

Interest bearing bank loans and bank overdrafts are recorded at the proceeds received, net of direct issue cost. Finance charges including premiums payable on settlement or redemption, 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 they arise.

Trade payables

The liabilities for trade and other payables are carried at cost, which is measured at the fair or contractual value to be paid in respect of goods or services supplied to the society, whether billed or not.

j) Provisions

Provisions for liabilities are recognized when there is a present obligation (legal or constructive) resulting from a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation.

k) Related party transactions

Related party transactions are taken as transfer of resources or obligations between related parties, regardless of whether a price is charged. Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

l) Retirement benefit

The society contributes to a defined contribution benefit pension scheme for its employees. It also makes contribution to statutory pension fund, the CIC Pension Fund and National Social Security Fund. The society's contributions are charged against income for the year.

m) Registration

The society is registered under the Co-operatives Societies Act No. 12 of 1997. The registration number is CS/18418.

n) Entrance fees

This is recognized as income as per Co-operative Act.

o) Dormant members

For the purposes of these financial statements, dormant members balances have been merged with members deposits.

p) Cash flow

For the purpose of the cash flow statement, Cash and cash equivalents include short term liquid investments which are readily convertible to known amounts of cash.

q) Interest on members deposits

This is declared at end of the accounting year depending on the performance of the Sacco during the year.

r) Membership

Membership in the Sacco is restricted to individual persons who are employees of Absa Bank Kenya PLC, its Subsidiaries and other financial institutions employees that are recruited by at least two existing members and other organizations vetted by the Committee and approved at the Annual general meeting or is a spouse of any of the members above.

s) Statutory reserve

This is undistributable reserve set aside in accordance with the Co-operative Act. This is currently computed at 20% of surplus after tax but before other distributions.

BLUE EAGLE REGULATED NWDI SACCO SOCIETY LIMITED C/S 18418
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies (continued...)

t) Revenue reserve

This represents accumulated distributable reserves held by the Sacco to finance future growth.

u) Members deposits

This represent money contributed by members over their share contribution.

v) Critical Accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

Income taxes

The Society is subject to income taxes in Kenya. Significant judgment is required in determining the Society's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Society recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Property and equipment

Critical estimates are made by the management committee in determining depreciation rates for property, plant and equipment. The rates used are set out in Note (e) above.

(iii) Fair values of financial instruments

The fair values of financial instruments that are not traded in an active market (for example, investments held for trading is determined by using valuation techniques). The society uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each statement of financial position date.

w) Financial risk management objectives and policies

The Society's activities expose it to a variety of financial risks, including credit risk and the interest rates. The Society's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on its financial performance, but the Society does not hedge against risks.

x) Comparatives

Where necessary, comparatives figures have been adjusted to conform to changes in presentation in the current year.

BLUE EAGLE REGULATED NWDT SACCO SOCIETY LIMITED C/S 18418
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 Kshs	2021 Kshs
2 Interest income		
Normal loans	41,102,454	32,306,155
	<u>41,102,454</u>	<u>32,306,155</u>
3 Interest from saving and other investments		
Absa Money Market	1,319,773	-
CIC Money Market	3,481,784	6,758,726
British-American Asset Managers Limited	3,686,158	1,212,762
	<u>8,487,715</u>	<u>7,971,488</u>
4 Other members income		
Entrance fees	120,000	92,000
Loan application fee	2,724,059	1,686,900
Top up fees	290,000	222,000
Exit fees	46,000	78,000
	<u>3,180,059</u>	<u>2,078,900</u>
5 Interest expense		
Interest payable on member deposits	32,000,000	25,000,000
Interest on Holiday savings	8,194,517	6,130,150
	<u>40,194,517</u>	<u>31,130,150</u>
6 Dividend income		
Blue Eagle Investments Limited	10,000,000	-
Kusco Limited	-	-
	<u>10,000,000</u>	<u>-</u>
7 Staff costs		
Salaries and wages	1,951,830	1,475,849
Staff medical	79,771	247,826
	<u>2,031,601</u>	<u>1,723,675</u>
The number of permanent employees as at end of the year were:	2022	2021
	2	2

BLUE EAGLE REGULATED NWDI SACCO SOCIETY LIMITED C/S 18418
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 Kshs	2021 Kshs
8 Administrative expense		
Audit fees	190,000	19,000
VAT on Audit fees and disbursements	50,000	-
Supervision fees	19,200	2,100
Group insurance	-	-
Marketing expenses	140,000	-
License & subscriptions	80,000	-
Computer and software expenses	832,399	293,492
Software license	300,000	300,000
Office expenses	81,158	32,880
Telephone & travel expenses	149,363	56,240
Provision for bad debts	3,931,963	(209,788)
Professional fees	95,200	638,000
Printing and stationery	2,711	3,480
	<u>5,871,994</u>	<u>1,135,404</u>
9 Governance expenses		
Education expenses	75,000	144,900
Committee expenses	510,000	560,000
AGM expenses	12,000	13,500
Governance & Strategic plan expenses	358,400	917,050
	<u>955,400</u>	<u>1,635,450</u>
Board and committee allowances during the year		
Name Position		
YUSUF OMARI Board	50000	
BEATRICE AFWAN Board	50000	
NELSON ODUKE C Board	50000	
CHARLES KAGUO Board	50000	
MARYANNE WAM Board	50000	
SAMUEL KIPSIGEI Board	50000	
JOSEPH WAFULA Board	50000	
JOYCE KADENYI I Board	50000	
HARTNELL KITHU Board	50000	
LABAN MAKIYA C Supervisory	20000	
ZACK ODEGIH Supervisory	20000	
JAMES NJOROGE I Supervisory	5000	
ANITA OTETE Supervisory	15000	
Total	<u>510000</u>	
10 Finance expenses		
Mpesa charges	-	-
Bank charges	19,447	18,686
	<u>19,447</u>	<u>18,686</u>
11 Depreciation and amortization expenses		
Depreciation charge	112,870	-
Amortization	90,359	478,844
	<u>203,229</u>	<u>478,844</u>
12 Taxation		
Corporation tax at a rate of 30% based on 50% of	<u>1,273,157</u>	-
13 Cash and cash equivalents		
Absa Bank Kenya Plc - Current a/c code 35	26,737,217	26,235,895
Absa Bank Kenya Plc - Savings a/c	16,897,721	10,480,477
Safaricom MPESA pay bill account	79,500	-
	<u>43,714,438</u>	<u>36,716,372</u>

BLUE EAGLE REGULATED NWDT SACCO SOCIETY LIMITED C/S 18418
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	Kshs	Kshs
14 Short term investments		
Absa Money Market	10,000,773	-
CIC Money Market	10,255,121	46,773,336
British-American Asset Managers Limited	11,098,411	-
	<u>31,354,305</u>	<u>46,773,336</u>
15 Trade and other receivables		
Interest receivable	2,882,346	2,275,547
Dividend income	10,000,000	-
Other receivable - Insurance prepaid	3,974,067	-
	<u>16,856,413</u>	<u>2,275,547</u>
16 Loan to Members		
As at 1 January	263,897,401	201,642,635
Advances during the year	528,829,142	463,026,955
Repayments during the year	(431,051,789)	(396,949,124)
Provision for bad debts	(7,755,028)	(3,823,065)
As at 31 December	<u>353,919,726</u>	<u>263,897,401</u>
As per MPA	<u>361,674,754</u>	<u>267,720,466</u>
Difference	(7,755,028)	(3,823,065)
	Outstanding	Required
	Loan Portfolio	Provision
No. Classification	No. Of A/C's	(Kshs.)
1 Performing	749	352,701,779
2 Watch	1	80,000
3 Substandard	30	5,070,135
4 Doubtful	10	2,883,541
5 Loss	17	1,514,706
SUB TOTAL	807	<u>362,250,161</u>
		<u>Required</u>
		<u>Provision</u>
		<u>Amount (Kshs)</u>
		0.01
		3,527,018
		0.05
		4,000
		0.25
		1,267,534
		0.50
		1,441,771
		1.00
		1,514,706
		<u>7,755,028</u>
The variance on the listing and outstanding loan portfolio is due to prepaid loans.		
17 Related party balance		
Blue Eagle Investments Limited	15,401,585	-
	<u>15,401,585</u>	<u>-</u>
Related party balance relates to expenses paid for Blue Eagle Investments Limited.		
18 Investments	2022	2021
	Kshs	Kshs
Investment in unquoted companies:		
Blue Eagle Investments Limited	100,000	-
KUSCCO shares - 100 shares of Kshs 100 par value each.	10,000	10,000
	<u>110,000</u>	<u>10,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

19 Computers	2022	2021
Year ended 31 December	Kshs	Kshs
Cost		
As at 1 January	-	-
Additions	451,479	-
As at 31 December	<u>451,479</u>	<u>-</u>
Depreciation		
As at 1 January	-	-
Charge for the year	112,870	-
As at 31 December	<u>112,870</u>	<u>-</u>
Net book value	<u><u>338,609</u></u>	<u><u>-</u></u>
20 Intangible assets		
Computer software		
Year ended 31 December		
Cost		
As at 1 January	2,394,220	2,394,220
As at 31 December	<u>2,394,220</u>	<u>2,394,220</u>
Amortization		
As at 1 January	2,303,861	1,825,017
Charge for the year	90,359	478,844
As at 31 December	<u>2,394,220</u>	<u>2,303,861</u>
Net book value	<u><u>-</u></u>	<u><u>90,359</u></u>
21 Deposits		
a) Members deposits		
As at 1 January	276,938,435	214,167,169
Deposits received during the year	96,118,468	91,223,022
Deposits refunded during the year	(25,967,658)	(28,451,756)
As at 31 December	<u>347,089,245</u>	<u>276,938,435</u>
Listing balance	<u>347,089,245</u>	<u>276,938,435</u>
Variance	<u>-</u>	<u>-</u>
b) Term Withdrawable Savings (Holiday Savings)		
As at 1 January	10,818,873	16,586,505
Deposits received during the year	138,353,559	109,409,259
Deposits refunded during the year	(132,758,246)	(115,176,891)
As at 31 December	<u>16,414,186</u>	<u>10,818,873</u>
Listing balance	<u>16,414,186</u>	<u>10,818,873</u>
Variance	<u>-</u>	<u>-</u>
Total member deposits	<u><u>363,503,431</u></u>	<u><u>287,757,308</u></u>

BLUE EAGLE REGULATED NWDI SACCO SOCIETY LIMITED C/S 18418
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	Kshs	Kshs
22 Interest payable on deposits		
As at 1 January	25,000,000	19,000,000
Paid during the year	(25,000,000)	(19,000,000)
Proposed during the year	32,000,000	25,000,000
As at 31 December	<u>32,000,000</u>	<u>25,000,000</u>
23 Risk Management Fund		
As at 1 January	3,572,268	2,176,852
Contributions in the year	2,654,400	2,323,200
Payments in the year	(975,890)	(927,784)
As at 31 December	<u>5,250,778</u>	<u>3,572,268</u>
24 Trade and other payables		
Audit fees	240,000	19,000
Supervision fees	19,200	2,100
Interest on deposits	394,388	275,447
Other payables	189,348	-
	<u>842,936</u>	<u>296,547</u>
25 Taxation		
Balance at start of the year	-	-
Charge for the year	1,273,157	-
	<u>1,273,157</u>	-
Less: Tax paid	-	-
Balance at end of the year	<u>1,273,157</u>	-
26 Share capital		
Balance brought forward	21,804,999	11,118,499
Additions during the year	13,467,000	10,686,500
Balance carried forward	<u>35,271,999</u>	<u>21,804,999</u>
27 Revenue reserves		
Balance brought forward	9,287,373	3,225,393
Provided during the year	9,776,706	6,061,980
Balance carried forward	<u>19,064,079</u>	<u>9,287,373</u>
28 Statutory reserves		
Balance brought forward	2,044,520	797,653
Additions during the year	2,444,177	1,246,867
Balance carried forward	<u>4,488,696</u>	<u>2,044,520</u>
29 Contingent liabilities		
The society did not have any contingent liabilities in 2022 (2021: Nil).		
30 Currency		
These accounts are stated in Kenya Shillings (Kshs)		