APPROVED
for publication and presentation
to AGM or ADM subject to observations Issued

20 FEB 2024

SIGN:......................................

THE SACCO SOCIETIES REGULATORY AUTHORITY

MAISHA BORA SAVINGS & CREDIT

CO-OPERATIVE SOCIETY LTD

CS/NO: 2248

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

THE SACCO SOCIETY REGULATORY AUTHORITY
RECEIVED
20 FEB 2024
(SASRA)
P. O. Box 25089-00100, NAIROBI

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SOCIETY INFORMATION

BOARD MEMBERS

The following members of the Board served during the period:-

Michael Muhanda	Chairman	Appointed on 28.02.2023
Janet Gathere	Vice Chairperson	Appointed on 28.02.2023
Simon Arunga	Hon. Secretary	
George Wafula	Treasurer	
Vitalis Oduor	Director	
Joseph Kiando	Director	
Felix Maingi	Director	
Maryanne Disii	Director	
Peter Sigada	Director	Appointed on 26.02.2023
Peter Ogola	Chairman	Retired on 26.02.2023

SUPERVISORY COMMITTEE

Geoffrey Ng'eno	Chairman
Anne Ireri	Secretary
Kenneth Muriuki	Member

AUDIT & RISK COMMITTEE

Maryanne Disii	Chairperson
Simon Arunga	Secretary
Felix Maingi	Member

MANAGEMENT STAFF

Gregory Siro	Chief Executive Officer
Ronald kigen	Finance Manager
Victor Oyengo	ICT Manager
Stanley Kahure	Credit Manager
Claire Nasila	Operations Manager
Stephen Njoroge	Internal Auditor
Mary Muthoni	Human Resource Manager

REGISTERED OFFICE:

Maisha Bora Sacco Limited
L.R No. 209/20026
Commercial street
P.O. Box 72713-00200
Nairobi

PRINCIPAL BANKER

Co-operative Bank of Kenya Limited
Enterprise Road Branch
P.O. Box 17928-00200
Nairobi
E-mail: enterprise Rd@co-opbank.co.ke

INDEPENDENT AUDITOR

Grant Thornton LLP
Certified Public Accountants (Kenya)
5th Floor Avacado Towers, Muthithi Road
P.O. Box 46986-00100
Nairobi

STATISTICAL INFORMATION

		2023	2022
	Membership		
1	Active	9,148	9,262
2	Dormant	2,872	2,395
3	**Total**	**12,020**	**11,657**
4	**Employees**	**47**	**45**
	Male	25	26
	Female	22	19
5	Total assets	5,725,837,941	5,180,584,815
6	Members' deposits	4,116,958,504	3,782,018,285
7	Loans and advances to members	3,708,019,905	3,182,534,075
8	Investments	46,426,554	47,214,769
9	Share capital	454,550,068	372,259,407
10	Statutory reserve	207,426,032	180,076,358
11	Capital reserve	-	132,509,831
12	Appropriation account	409,052,581	262,362,856
13	Institutional capital	616,478,613	574,949,045
14	Less Investment in Associate/subsidiary	68,675,708	65,780,520
15	Adjusted institutional capital	547,802,905	509,168,526
16	Adjusted core capital	1,002,352,973	881,427,933
17	Total revenue	697,281,736	607,914,455
18	Total interest income	667,187,352	583,996,557
19	Interest on members deposits	392,249,921	309,005,806
20	Ordinary expenses	134,368,374	97,564,802
21	IFRS 9 impairment	23,778,566	30,783,493
23	**Capital adequacy ratio**		
24	Core capital/Total assets (statutory 10%)	17.5%	17.0%
25	Core capital/Total deposits (statutory 8%)	24.3%	23.3%
26	Institutional capital/Total assets (statutory 8%)	9.6%	9.8%
27	**Liquidity ratio**		
28	Liquid assets/total deposits & long term liabilities	40%	43%
29	**Operating efficiency/loan quality ratios**		
30	Ordinary expenses/Total revenue	19%	16%
31	Interest on member deposits /Total revenue	56%	51%
32	Non performing Loans/Gross loans	5%	5%
33	Interest on member deposits	10.0%	7.5%
34	Dividends rate on share capital	15%	12%

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors has pleasure to present their annual report together with the audited financial statements for the period ended 31 December 2023.

1 Incorporation

Maisha Bora Savings and Credit Co-operative Society Limited, herein referred as Society and/or Sacco is registered in Kenya under the Cooperative Societies Act, Cap 490 and is licenced under the Sacco Societies Act No. 14 of 2008, and is domiciled in Kenya.

2 Principal activity

The Sacco continues with its principal activity of receiving shares and deposits and giving out loans to its members.

3 Results

	2023 Ksh	2022 Ksh
Surplus before tax	159,860,061	185,317,267
Income tax expense	(23,111,690)	(15,742,533)
Net surplus after tax	**136,748,371**	**169,574,734**
Retained surplus for the year	**136,748,371**	**169,574,734**
Interest on members' deposits (BOSA)	**10.0%**	**7.5%**
Proposed Dividends	**15.0%**	**12.5%**
Proposed Honoraria	**3,500,000**	**2,000,000**
Retained Surplus	**409,052,580**	**262,362,857**

4 Dividends and interest on members deposits

The Board of directors is pleased to recommend to the members for approval a payment based on weighted average deposits of 10.0% (2022:7.50%) in interest and final dividend of 15% (2022:12.5%) on the paid up share capital.

5 The board of directors

The following directors who served during the year and to the date of this report will retire on rotational basis and offer themselves for re-election: (1) Simon Arunga, (2) Michael Muhanda, and (3) Maryanne Disii.Equally Ann Ireri of supervisory commitee retires on rotation and being eligible offers herself for re-election.

6 Employees

The Directors are pleased to record their appreciation for the untiring efforts of all employees of the Sacco who contributed to its success during the year under review.

7 Independent Auditor

Grant Thorton LLP, Certified Public Accountants (K) have not expressed their willingness to continue in office due to a statutory rotation.

Approval of financial statements

The Financial Statements were approved at a meeting of the Board of Directors held on 14th February 2024.

By order of the Board

Mr. Simon Arunga
Hon. Secretary.

CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process and structure used to manage business affairs of the Sacco towards enhancing prosperity and corporate accounting with the ultimate objective of realizing members' long term values while taking into account the interest of other stakeholders.

The Board of Directors is responsible for the corporate governance practices of the Sacco. This statement sets out the main practices in operation during the year under review, unless otherwise indicated.The Sacco is committed to business integrity and professionalism in all its activities.

Board of directors

The Board has Nine members and a C.E.O as ex-official. The separate roles of the chairman and the C.E.O are practised and are clearly defined in the by-laws that are regularly revised to be in line with legislation and statutes.

The Board meets monthly to deliberate on the Sacco's financial performance and to discuss reports from each sub-committee and deal with any strategic issues and opportunities for the Sacco.

Board sub-committees

The Sacco had the following sub-committees in place during the year with terms of reference clearly defined in the by laws to facilitate decision making of the Board in the execution of its powers, duties and authorities.

Standing Committees

1.Finance and administration committee	Chaired by	George Wafula
2.Credit committee	Chaired by	Janet Gathere
3.Audit & risk committee	Chaired by	Maryanne Disii
4. Education committee	Chaired by	Peter Sigada

Internal controls

The Sacco has systems and processes to ensure that requisite controls, physical security of assets and reporting of accurate and up-to date information with a comprehensive accounting system put in place.

STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

The Sacco Societies Act No. 14 of 2008 requires the board of 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 Accounting 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 preparation of financial statements that are free from material misstatement.
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 these financial statements give a true and fair view of the financial position of the society as at 31 December 2023 and of the society's financial performance and cash flows for the year then ended in accordance with Accounting 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 on 14th February 2024 and signed on its behalf by:

Michael Muhanda (Chairman) Signed ……………………………………………..

George Wafula (Treasurer) Signed ……………………………………………..

Simon Arunga (Hon.Secretary) Signed ……………………………………………..

Grant Thornton

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

Opinion

We have audited the financial statements of Maisha Bora Savings And Credit Co-operative Society Limited ('the society') set out on pages 10 to 45, which comprise the statement of financial position as at 31 December 2023, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the annual financial statements,including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the society's financialposition as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Kenya Sacco Societies Act of 2008 and the Kenyan Co-operative Societies Act Cap 490.

Basis for opinion

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

Key audit matters

This section of the audit report is intended to describe the matters communicated with those charged with governance that we have determined, in our professional judgment, were of most significance in the audit of the 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.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the society's financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the society's financial statements.

GrantThornton

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

(CONTINUED)

Key audit matters (continued)

Key audit matter	How the matter was addressed in the audit
Allowance for expected credit losses on financial assets	
The expected credit losses on financial assets are determined under application of IFRS 9: Financial Instruments. We considered this to be a key audit matter because significant judgement was involved in determining the expected credit losses on loans and advances, investments in government securities and deposits with financial institutions as disclosed in note 4 Credit risk. Key areas of judgement included: • the interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Company's expected credit loss model; • the identification of exposures with a significant deterioration in credit quality; • assumptions used in the expected credit loss model such as financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors; and • the need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the model.	• We assessed and tested the design and operating effectiveness of the controls over the: • Data used to determine the expected credit losses on the financial assets carried at amortised cost. • Expected credit loss model, including model build and approval, ongoing monitoring/validation, model governance and mathematical accuracy. We assessed the modelling techniques/methodology against the requirements of IFRS 9: Financial Instruments We assessed and tested the material modelling assumptions as well as overlays with a focus on the: • Key modelling assumptions adopted by the Company • Basis for and data used to determine the overlays; and • Sensitivity for the collective provisions to changes in the modelling assumptions We assessed the adequacy of disclosures in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the report of the statement of directors' responsibilities and the life insurance business revenue account 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.

Responsibilities of Directors and Those Charged With Governance for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs and the requirements of the Kenyan Sacco Societies Act, 2008, 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 Societies Act, 2008 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the society's financial reporting process.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the society 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.

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

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

GrantThornton

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

Report on other matters prescribed by the Kenya Sacco Societies Act No. 14 of 2008.

As required by the Sacco Societies Act No. 14 of 2008, we report to you based on our audit that:

(i) We have obtained reasonable assurance that the Society is solvent and have not identified any significant concerns with respect to the financial condition of the Society;
(ii) We are not aware of any violation of prudential standards or conditions of the licence;
(iii) We are not aware of any contravention of the Sacco Societies Act No. 14 of 2008; and
(iv) In our opinion, the Society's management practices and procedures are sufficient to safeguard members' assets.

As required by the Co-operative Society's Act No.12 of 1997, we report to you based our audit that, in our opinion, the Society's business has been conducted:

(i) in accordance with the provisions of this Act and, the books of accounts kept by the Society are in agreement therewith and give a true and fair view of the state of the affairs of the Society; and
(ii) In accordance with the Society's objectives and by-laws.

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Alfred Siele, Practicing Certificate No. 1690.

Grant Thornton LLP
Certified Public Accountants

For and on behalf of Grant Thornton LLP
Certified Public Accountants (Kenya)
Nairobi

20TH FEBRUARY 2024

M/689/1223/AUD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	2023 Ksh	2022 Ksh
Revenue;			
Interest on loans and advances	6(a)	461,980,560	421,554,085
Other interest income	6(b)	205,206,792	162,442,472
Total interest income		**667,187,352**	**583,996,557**
Interest expenses	7	(392,249,921)	(309,005,806)
Net interest income		**274,937,431**	**274,990,750**
Other operating income	8	30,094,384	23,917,898
Fair value gain on investment property	14	900,000	800,000
Total income		**305,931,815**	**299,708,648**
Expenses;			
Administration expenses	9(b)	51,510,547	35,452,478
Personnel expenses	9c	52,853,293	40,119,315
Governance expenses	9(d)	15,205,767	15,805,066
Movement in expected credit loss allowance	9e	23,778,566	30,783,493
Marketing expenses	9(f)	7,760,929	6,187,943
Underprovision of prior year taxes	9g	7,037,839	-
Total expenses		**158,146,940**	**128,348,294**
Share of associate profit	13d	12,075,188	13,956,912
Surplus before income tax		**159,860,062**	**185,317,266**
Income tax expense	9(h)	(23,111,690)	(15,742,533)
Net operating surplus after income tax		**136,748,373**	**169,574,733**
Other comprehensive income /(loss)			
Loss on revaluation of property and equipment	16	(5,000,000)	7,000,000
Fair value loss on equity investments carried at FVTOCI	13a	(788,215)	(391,810)
Total comprehensive income		**130,960,158**	**176,182,923**

STATEMENT OF FINANCIAL POSITION

	NOTES	2023 Ksh	2022 Ksh
ASSETS			
Cash and bank balances	10	293,729,203	449,871,323
Prepayments and receivables	11	23,898,931	38,630,601
Loans and advances to members	12	3,708,019,905	3,182,534,076
Equity investments measured at FVTOCI	13(a)	46,426,554	47,214,769
Government securities measured at amortised cost	13(b)	1,458,997,736	1,278,519,027
Investment in associate	13(d)	68,675,708	65,780,520
Investment property	14	16,300,000	15,400,000
Intangible assets	15	7,040,220	1,259,825
Property and equipment	16	102,749,684	101,374,674
Total Assets		**5,725,837,941**	**5,180,584,815**
LIABILITIES;			
Trade and other payables	19	34,570,655	24,946,522
Due to members,board and supervisory committee	18	331,240,994	297,350,726
Taxation	9(h)	1,807,296	3,588,478
Members' deposits	17	4,116,958,504	3,782,018,285
Total liabilities		**4,484,577,449**	**4,107,904,011**
EQUITY			
Share capital	21	454,550,068	372,259,407
Reserves	22	786,710,426	700,421,398
Total Equity		**1,241,260,493**	**1,072,680,805**
Total liabilities and equity		**5,725,837,941**	**5,180,584,815**

APPROVED
for publication and presentation to AGM or ADM subject to observations Issued
20 FEB 2024
SIGN:
THE SACCO SOCIETIES REGULATORY AUTHORITY

The financial statements were approved for issue by the board of directors on 14th February 2024 and were signed on their behalf by:

Michael Muhanda
Chairman

George Wafula
Treasurer

STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Share Capital	Revaluation Reserve	Fair value Reserve	Statutory Reserve	Credit Risk Reserve	Capital Reserve	Retained Earnings	Proposed Dividends	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
2022									
1 January 2022	298,808,382	39,041,252	12,135,004	146,161,411	9,749,127	2,347,607	314,804,074	44,821,257	867,868,114
Profit for the year	-	-	-	-	-	-	169,574,733		169,574,733
Revaluation gain	-	7,000,000	-	-		-	-		7,000,000
Transfer to Statutory Reserve 20%	-	-	-	33,914,947			(33,914,947)		-
Transfer to credit risk reserve (Note 12)	-	-	-		13,267,651		(13,267,651)		-
Transfer to Capital Reserve fund	-	-	-	-		130,162,224	(130,162,224)	-	
Fair value loss on equity carried at FVOCI	-	-	(391,810)	-		-	-	-	(391,810)
Transactions with owners:									-
Share capital contributions during the year	73,451,025	-	-	-		-	-		73,451,025
Dividend for 2021 (paid)	-	-	-	-		-	-	(44,821,257)	(44,821,257)
Proposed Dividends 2022	-	-	-	-		-	(44,671,129)	44,671,129	-
31 December 2022	**372,259,407**	**46,041,252**	**11,743,194**	**180,076,358**	**23,016,778**	**132,509,831**	**262,362,856**	**44,671,129**	**1,072,680,804**
2023									
1 January 2023	372,259,407	46,041,252	11,743,194	180,076,358	23,016,778	132,509,831	262,362,856	44,671,129	1,072,680,805
Profit for the year	-	-	-	-	-	-	136,748,373		136,748,373
Revaluation loss	-	(5,000,000)	-	-		-	-		(5,000,000)
Transfer to Statutory Reserve 20%	-	-	-	27,349,674			(27,349,674)		-
Transfer to credit risk reserve (Note 12)	-	-	-		27,036,295		(27,036,295)		-
Transfer to Capital Reserve fund	-	-	-	-		(132,509,831)	132,509,831	-	-
Fair value loss on equity carried at FVOCI	-	-	(788,215)	-		-	-	-	(788,215)
Transactions with owners:									
Share capital contributions during the year	82,290,661	-	-	-		-	-		82,290,661
Dividend for 2022 (paid)	-	-	-	-		-	-	(44,671,129)	(44,671,129)
Proposed Dividends 2023	-	-	-	-		-	(68,182,510)	68,182,510	-
31 December 2023	**454,550,068**	**41,041,252**	**10,954,979**	**207,426,032**	**50,053,073**	**-**	**409,052,581**	**68,182,510**	**1,241,260,495**

STATEMENT OF CASH FLOWS

	Notes	2023 Ksh	2022 Ksh
Cash flow from operating activities			
Interest Income Received	23	693,611,742	606,122,000
Interest expense paid	24	(392,249,921)	(320,868,443)
Payment to employees and suppliers	9	(144,399,715)	(95,210,759)
		156,962,106	**190,042,798**
Decrease (Increase) in operating assets			
Net loans and advances to members	12	(525,485,829)	(288,017,663)
Prepayments and receivables	11	14,731,670	2,774,364
		(510,754,159)	**(285,243,299)**
Increase in operating liabilities			
Deposits from members	17	334,940,219	240,601,083
Trade and other payables	19	9,624,133	5,028,732
Payments due to members and board and supervisory committee	7,18	33,890,268	(10,287,038)
		378,454,621	**235,342,777**
Net Cash from operating activities before Tax		**24,662,568**	**140,142,277**
Income tax paid	9f	(24,892,872)	(14,794,524)
Net cash generated from operating activities		**(230,304)**	**125,347,753**
Cashflow from Investing Activities			
Purchase of property and equipment	16	(9,801,412)	(9,424,415)
Purchase of intangible assets	15	(6,089,841)	(3,306,864)
Purchase of government securities	13(b)	(166,978,709)	(374,372,037)
Dividends received	8,13(d)	12,849,994	15,749,367
Net cash used in investing activities		**(170,019,967)**	**(371,353,949)**
Cash flow from financing activities			
Share capital contributions	20	82,290,661	73,451,025
Payments of dividends	18	(68,182,510)	(44,821,257)
Net cash generated from (used in) financing activities		**14,108,151**	**28,629,768**
Net Decrease in cash and cash equivalents		**(156,142,120)**	**(217,376,430)**
Cash at the beginning of the year		449,871,323	667,247,753
Cash at the end of the year	10	293,729,203	449,871,323
Net change Outflow cash and cash equivalents		**(156,142,120)**	**(217,376,430)**

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

a. Statement of compliance

The financial statements of the society have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Sacco Societies Act No. 14 of 2008.

For the Cooperative Societies Act No. 14 of 2008 reporting purposes, the balance sheet is represented by statement of financial position and the income and expenditure account by the statement of profit or loss and other comprehensive income, in these financial statements.

The financial statements are prepared on the historical cost basis except where otherwise stated in the accounting policies below and in accordance with the international financial reporting standards (IFRS).

b. Use of estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards 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 reported period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in financial statements.

c. Functional and presentation currency

The financial statements are presented in Kenya shillings, which is also the society's functional currency.

Except as otherwise indicated, financial information presented in Kenya shillings (Ksh) and has been Included in section.

d. Comparatives

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

2. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

2 Significant Accounting Policies (continued)

a. Revenue recognition

Revenue from contracts with customers

The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

This core principle is delivered in a five-step model framework:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

New members to the Sacco are required to pay an entrance fee, commissions, loan processing fees and loan related charges as prescribed in note 8. The fees is recognised in the Statement of Comprehensive Income in accordance with IAS 1.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgement.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

Interest income is calculated using the effective interest rate method. Interest income shall relate to interest from investments in financial instruments for instant government securities and money markets and bank fixed deposit interest this is as prescribed in note 6.

Interest on loans to members is calculated on a reducing balance method at a monthly rates ranging between proportion basis by reference to the principal ouststanding and the effective interest rate applicable.

When a financial asset becomes credit impaired and is, therefore, regarded as 'Stage 3', the society calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit impaired, the company revers to calculating interest income on gross.

2 Significant Accounting Policies (continued)

(b) Other income

(i) Other interest income

Other interest income comprises of interest receivable from deposits with Saccos and investments in securities. It is recognized when it is probable that the economic benefits will flow to the Sacco and the amount of income can be measured reliably and accrued in the statement of comprehensive income, using the effective interest rate method.

(c) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:
• When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item.
• When receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(d) Reserves

Statutory reserve
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.

Fair value reserve
The reserve arises as a result of movement in fair value of financial assets classified as fair value through other comprehensive income. Where a financial asset at FVOCI is sold, the portion of the reserve that relates to that financial asset and is effectively realised, is transfered to retained earnings of ploughed back to 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. Gains and losses transferred from equity into statement of comprehensive income during the period are included in other gains and losses. This reserve is not distributable.

2 Significant Accounting Policies (continued)

(d) Reserves (continued)

Revaluation reserve

The revaluation reserve represents the surplus on the revaluation of property and equipment. Movements in the revaluation surplus are shown on the statement of changes in equity. The revaluation surplus is non-

Dividends

Dividend is recognized as a liability by transferring funds from retained earnings to dividend account upon approval at the annual general meeting. Proposed dividends are disclosed as a separate component of equity once the applicable rate is approved by the director. This reserve is distributable to members.

Credit Risk reserve

Where impairment losses required by legislation or regulation exceed those calculated under International Financial Reporting Standards, the excess is recognized as a regulatory credit risk and accounted for as an appropriation of retained profits. This reserve is not distributable.

(e) Fair value measurement

The Society measures financial instruments such as investment properties and unquoted equity investment at fair value through other comprehensive income and ensure values are determined as per reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Society.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Society uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the society determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2 Significant Accounting Policies (continued)

For the purpose of fair value disclosures, the Society has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(f) Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement

Financial assets are recognised when, and only when, the SACCO becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the SACCO commits itself to the purchase or sale. The instruments are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

Classification
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Society's business model for managing them. The Society initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Society's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Society commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

2 Significant Accounting Policies (continued)

(f) Financial instruments (continued)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Society. The Society measures financial assets at amortised cost if both of the following conditions are met:
i. The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
ii.The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost is the amount at whcich the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity and, for financial assets, adjusted for any loss allowance. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.
The Society's financial assets at amortised cost include loans and advances to members, cash and cash equivalents, other assets, restricted cash, amounts due from related parties and government securities.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the society can elect to classify irrevocably its equity investments as equity investments designated at fair value through OCI when they meet the definition of equity.- Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity investments designated at fair value through PL are not subject to impairment assessment.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a society of similar financial assets) is primarily derecognised (i.e., removed from the Society's statement of financial position) when:
i. The rights to receive cash flows from the asset have expired Or
ii.The Society has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Society has transferred substantially all the risks and rewards of the asset, or (b) the Society has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

2 Significant Accounting Policies (continued)

(f) Financial instruments (continued)

Derecognition (continued)

When the Society has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Society continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Society also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Society has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Society could be required to repay.

Impairment of financial assets

The Society recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Society expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Society applies a simplified approach in calculating ECLs. Therefore, the Society does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Society has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Society considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Society may also consider a financial asset to be in default when internal or external information indicates that the Society is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Society. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2 Significant Accounting Policies

(f) Financial instruments

Initial recognition and measurement

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Society's financial liabilities include members' deposits, withdrawable members' deposits, other payables and due to related party.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

i. Financial liabilities at amortised cost (member deposits and trade payables)

Financial liabilities at amortised cost (member deposits and trade payables)

This is the category most relevant to the Society. After initial recognition, interest-bearing deposits are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Write/Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(g) Impairment of non-financial assets

The Society assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Society estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or societys of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2 Significant Accounting Policies (continued)

(f) Financial instruments (continued)

Impairment losses of continuing operations are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Society estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

(h) Translation of foreign currencies

The Society's consolidated financial statements are presented in Kenya Shillings (Ksh), which is also the parent company's functional currency. For each entity, the Society determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Society's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Difference arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2 Significant Accounting Policies (continued)

(i) Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Society accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(j) Property and equipment

(i) Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

(ii) Depreciation

Depreciation is recognised on a reducing balance to write down the cost of property and equipment to their residual values over the estimated useful lives of the assets. The rates of depreciation used are based on the following estimated useful lives applicable to the current and prior year:

Asset Class	Rate of depreciation
Land	Nil
Computers and Accessories	25%
Office equipment	10%
Fixtures and fittings	10%
Buildings	10%

Depreciation methods, useful lives and residual values of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2 Significant Accounting Policies (continued)

(i) Subsequent costs

The cost of replacing a component of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Society and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(ii) Derecognition of property and equipment

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

(k) Intangible assets

Intangible assets (computer software and software licences) are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The cost incurred to acquire and bring to use specific intangible asset is capitalised, while the costs associated with maintaining the intangible asset is recognised as an expense as incurred.

Intangible assets are amortised on a straight line basis over the expected useful lives, for a period not exceeding five years. The amortisation expense is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

2 Significant Accounting Policies (continued)

(l) Employee benefits

(i) Defined contribution plan

The majority of the Society's employees are eligible for retirement benefits under a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Contributions to the defined contribution plan are recognised in profit or loss as incurred. Any difference between the amount recognised in profit or loss and the contributions payable is recognised in the statement of financial position under other receivables or other payables. The Society also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to Ksh 200 per employee per month.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Society is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Society has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iii) Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Society has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(m) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.
Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(n) New and revised financial reporting standards

(i) New standards, amendments and interpretations effective and adopted during the year

During the year ended 31 December 2023, the Society has not adopted any new standards and amendments.Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgement.

2 Significant Accounting Policies (continued)

(n)New and revised financial reporting standards (continued)

New standard or amendments	*Effective for annual periods beginning on or after*
Deffered tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	01-Jan-23
Initial application of IFRS 17 and IFRS 9 - Comparative information	01-Jan-23
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	01-Jan-23
Classification of liabilities as current or non-current (Amendments to IAS 1)	01-Jan-23
Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2	01-Jan-23
Definition of Accounting Estimate (Amendments to IAS 8)	01-Jan-23

(ii) New standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2023.

New standard or amendments	Effective for annual periods beginning on or after
International tax reforms -Pillar two model rules (Amendments to IAS 12)	01-Jan-24
Sale and Contribution of Asset between an Investorand its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	01-Jan-24
Lack of exchangeability (Amendment to IAS 21)	01-Jan-25
Supplier Finance arrangements (Amendments to IAS 7 and IFRS 7)	01-Jan-24
Non-current liability with covenants (Amendments to IAS 1)	01-Jan-24
Lease liability in a sale and leaseback	01-Jan-24

The Society expects to adopt these new standards and interpretations when they become effective.
The Society has not earlier adopted any of these standards.
However,these amendments are unlikely to have material impact on the Society's financial statements.

3 Financial risk management

The Society's operations are exposed to financial risks. These risks include credit risk and liquidity risk. The Society's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Society's financial performance.

This note presents information about the Society's exposure to each of the above risks, the Society's objectives, policies and processes for measuring and managing risk, and the Society's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Society's risk management framework. The Board has established the Board Audit and Risk Committee and management Credit committee, which are responsible for developing and monitoring the Society's risk management policies in their specified areas. Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Society's risk management policies are established to identify and analyse the risks faced by the Society, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Board's Audit and Risk Committee is responsible for monitoring compliance with the Society's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Society. The Board's Audit and Risk Committee is assisted in these functions by Internal Audit.

Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit and Risk Committee.

Although the society is exposed to various risks, the major risks exposures arise due to use of financial instruments and can be categorized as follows:

(a) Credit risk
(b) Liquidity risk

(a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Society is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with financial institutions, foreign exchange transactions and other financial instruments.

4. Financial Risk Management (continued)

(a) Credit risk (continued)

Credit risk Management

The society's credit committee is responsible for managing the society's credit risk by;

Ensuring that the society has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the society's stated policies and procedures, IFRSs and relevant supervisory guidance.

Creating credit policies to protect the society against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposure against internal risk limit.

Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.

Developing and maintaining the society's risk grading to categories exposure according to the degree of risk of default. Risk grades are subject to regular reviews.

The Sacco is exposed to the risk that some members may not repay loans when due and in full.

Exposure to the credit risk is managed by among others:

(1) No member is granted loans exceeding four times the shares held and/or amounts stipulated in the by-laws
(2) Ensuring that granting of loans is completely vetted by the credit committee
(3) All loans advanced are co-guaranteed by members and other securities where applicable.
(4) A Risk Management Fund is operated to cover against deceased members loans balances.
(5) Members of the sponsoring employee who change employment are promptly followed-up

Significant increase in credit risk

The society monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been an increase in significant risk the society will measure the loss allowance based on the lifetime rather than 12 - months expected credit losses (ECL).

Internal credit risk rating

The society's grading systems is based on the basic principles issued by the regulatory authority SASRA on the basis that the periods are largely consistent with the IFRS presumptions on stages of credit products. In addition to nominal aggregate exposure, expected loss is used in the assessment of individual exposures and for portfolio analysis.

4 Financial Risk Management (continued)

(a) Credit risk (continued)

The credit grades within society are based on a probability of default. The society structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to the nature and type of loans. The society grades its loans into five categories on the basis of the following criteria:

(1) **Performing loans**, being loans which are well documented and performing according to contractual terms. Such loans are considered under stage 1 - no significant increase in credit risk for purposes of the ECL calculation;

(2) **Watch loans**, being loans whose principal or interest have remained un-paid for one day to thirty days or where one instalment is outstanding for less than 30 days. Such loans are also classified as stage 1 for purposes of the ECL calculation;

(3) **Substandard loan,** being loans not adequately protected by the current repayment capacity and the principal or interest have remained un-paid between thirty-one to one eighty days or where two to six instalments have remained outstanding. Under this category, loans past due between 31 - 90 days (or 2-3 pending instalments) are classified within in stage 2 significant increase in credit risk for purposes of the ECL calculation.Loans aged beyond 90 days are classified as stage 3 - credit impaired;

(4) **Doubtful loans**, being loans not adequately protected by the current repayment capacity and the principal or interest have remained un-paid between one hundred and eighty one to three hundred and sixty days or where seven to twelve instalments have remained outstanding. Such loans are classified as stage 3 for purposes of the ECL calculation; and

(5) **Loss loans**, being loans which are considered uncollectible or of such little value that their continued recognition as receivable assets is not warranted, not adequately protected and have remained un-paid for more than three hundred and sixty days or where more than twelve instalments have remained outstanding. Such loans are also classified as stage 3 for purposes if the ECL calculation.

The society analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as GDP growth, unemployment, benchmark interest rates and house prices. The society generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The society then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

4 Financial Risk Management (continued)

(a) Credit risk (continued)

Measurement of ECL

The key inputs used for measuring ECL are:

		2023		
	Stage 1	**Stage 2**	**Stage 3**	**Total (Ksh)**
Probability of default (PD	3%	13.50%	100%	
Loss given default (LGD); and	49%	50.75%	55%	
Exposure at default (EAD) (Ksh)	3,561,711,533	37,694,380	209,476,544	3,808,882,457

		2022		
	Stage 1	**Stage 2**	**Stage 3**	**Total (Ksh)**
Probability of default (PD	3%	5.60%	100%	
Loss given default (LGD); and	34%	76.40%	95%	
Exposure at default (EAD) (Ksh)	3,044,522,093	32,688,619	186,294,887	3,263,505,600

As explained above these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information where it may have a material impact on the ECL.

Probability of default (PD) is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

Loss Given Default (LGD) is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross-collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and the calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The society's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The society uses EAD models that reflect the characteristics of the portfolios.

4 Financial Risk Management (continued)

(a) Credit risk (continued)

Credit quality

The credit quality of the portfolio of loans and advances (excluding commitments and guarantees) that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Sacco based on the guidelines provided by the SASRA as follows:

Loans and advances to customers	**Loan Book**
0 Days (Performing, stage 1)	3,607,994,914
1- 30 Days (Watch, stage 2)	23,111,798
31 - 180 Days (Substandard, stage 3)	46,244,405
181- 360 Days (Doubtful, stage 3)	57,711,601
Over 361 Days (Loss Account, stage 3)	73,819,738
	3,808,882,457

Analysis of the society's credit risk exposure per class of financial assets, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the tables represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the tables represent the amounts committed or guaranteed, respectively.

	Stage 1 12 Months ECL Ksh	**Stage 2 Lifetime ECL Ksh**	**Stage 3 Lifetime ECL Ksh**	**Total Ksh**
Loans and advances to customer at amortised cost				
Loans and advances	3,607,994,914	23,111,798	177,775,744	3,808,882,457
Total gross credit exposure	3,607,994,914	23,111,798	177,775,744	3,808,882,457
Expected Credit Loss Allowence	(32,742,745)	(1,536,775)	(66,583,032)	(100,862,552)
	3,575,252,169	21,575,023	111,192,712	3,708,019,905

4 Financial Risk Management (continued)

(b) Liquidity risk

Liquidity risk is defined as the risk that the society will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the society might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the society on acceptable terms. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The society has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

Management of liquidity risk

The society's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the society's reputation.

The Sacco has an aggressive policy of increasing member's deposits.

The Sacco does not invest members share savings in fixed properties.

The Sacco may use bank loans and overdraft facilities to meet short term liquidity requirements.

Approval of loans is subject to availability of funds as indicated in the cash flow reports.

Exposure to liquidity risk

The key measure used by the Sacco for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from Sacco's, debt securities issued, other borrowings and commitments maturing within the next month.

4. **Financial Risk Management (continued)**

(b) Liquidity risk (continued)

The table below summaries the maturity profile of the society's financial liabilities based on contractual undiscounted cash flows:

Society 31-Dec-23	On demand Ksh'000	Due within 3 months Ksh'000	Due between 3-12 months Ksh'000	Due between 1-5 years Ksh'000	Total Ksh'000
Liabilities					
Member deposits	3,977,659,147	86,722,738	17,984,633	34,591,987	4,116,958,504
Trade and other payables	34,570,655	-	-	-	34,570,655
Total liabilities	4,012,229,802	86,722,738	17,984,633	34,591,987	4,151,529,159
31-Dec-22					
Member deposits	3,629,949,354	79,141,810	16,412,494	31,568,105	3,757,071,763
Trade and other payables	24,946,522	-	-	-	24,946,522
Total liabilities	3,654,895,876	79,141,810	16,412,494	31,568,105	3,782,018,285

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the society's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Society's operations and are faced by The Society's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Society's reputation with overall cost effectiveness and to avoid control procedures that restrict The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

This responsibility is supported by the development of overall Society standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the yearly assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

4. Financial Risk Management (continued)

Operational risk

Compliance with SASRA regulations is supported by a programme of regular reviews undertaken by the Internal Audit department. The results of Internal Audit reviews are discussed with the Board and senior management of the Society.

5. Capital management

Externally imposed capital requirements

The Sacco Societies Act No. 14 of 2008 has established certain guidelines for the management of capital and working capital for deposit taking societies.

- core capital of not less than ten million shillings;
- core capital of not less than ten percent of total assets;
- institutional capital of not less than eight percent of total assets; and
- core capital of not less than eight percent of total deposits.
- maintain fifteen percent of its savings deposits and short term liabilities in liquid assets.

The ratios at 31 December 2023 and 2022 were as follows:

	2023	2022
Core capital		
As per statement of financial position	1,002,352,973	881,427,933
Core capital of not less than 10% of total assets		
As per statement of financial position	17.51%	17.01%
Core capital of not less than 8% of total deposits		
As per statement of financial position	24.3%	23.3%
Institutional capital of not less than 8% of total assets		
Institutional capital/Total assets (statutory 8%)	9.6%	9.8%

The Society was compliant with all externally imposed ratios as noted above.

Critical Accounting Judgements and Key Sources of Estimation

In the process of applying the Society's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key sources of estimation uncertainty in applying the Society's accounting policies are dealt with below:

Critical Accounting Judgements and Key Sources of Estimation

(a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

i. Determining criteria for significant increase in credit risk;

ii. Choosing appropriate models and assumptions for the measurement of ECL;

iii. Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and

iv. Establishing society's of similar financial assets for the purposes of measuring ECL.

(b) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Society has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Society measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Society uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. Judgments and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

(c) Depreciation on property and equipment

Critical estimates are made by the Directors in determining the useful lives of property and equipment .

(d) Amortization of intangible assets

Critical estimates are made by the Directors in determining the useful lives of intangible assets.

(e) Taxes

The Society is subject to income taxes in Kenya. Significant judgement is required in determining the Society's provision for income taxes that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2023 Ksh	2022 Ksh
	Interest income calcuted using the effective interest rate method		
6(a)	**Loans and advances**		
	Interest on normal loan	262,895,659	252,872,398
	Interest on instant and mobile loans	56,261,485	51,319,968
	Interest on special instant loan	19,541,388	32,754,884
	Interest on boresha makao loans	201,325	134,285
	Interest on dividend loan advance	4,611,630	3,131,140
	Interest from FOSA loans	101,149,892	68,731,712
	Interest on karibu tena and auto loans	17,319,180	12,609,699
	Total	**461,980,560**	**421,554,085**
6(b)	**Other interest income calculated under effective interest method**		
	Government Securities	192,457,172	124,570,686
	Deposits with financial institutions	3,668,080	6,850,543
	Interest from money markets	9,081,540	31,021,242
		205,206,792	**162,442,472**
7	**Interest expense**		
	Interest expense on members savings	382,432,200	299,271,115
	Interest expense - FOSA savings	4,977,897	2,968,555
	Other interest expenses	2,091,803	3,793,205
	Interest expense on fixed deposits	2,748,021	2,972,931
	Total	**392,249,921**	**309,005,806**
8	**Operating income**		
	Mpesa, M-Sacco commissions	2,274,030	2,252,148
	FOSA withdrawal charges	569,206	579,357
	Dividend income	3,669,994	1,792,455
	Loans processing fees	15,670,316	14,154,499
	ATM income	18,041	30,752
	Cheque commissions	1,943,229	1,392,984
	Entrance fees	3,668,888	4,736,925
	Loan refinance charges	2,279,882	2,061,865
	Other business income (Note 9a)	798	(3,083,086)
	Total	**30,094,384**	**23,917,898**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023 Ksh	2022 Ksh
9(a) Income from non-core business		
Income from non-core activities		
Cleaning income	55,925	2,430,634
Agency fees	3,279,823	1,162,490
Total income from non-core business	**3,335,748**	**3,593,124**
Expenses incurred on non-core business		
Administration expenses		
Management personnel expenses	5,872,588	7,079,879
Governance- committee expenses	2,181,990	1,756,118
Administrative expenses	2,711,081	1,865,920
Cleaning expenses	1,500	697,720
Insurance	400,000	400,000
Member Funeral Cover Expense	(7,832,209)	(5,123,427)
	3,334,950	**6,676,210**
Total expenses	**3,334,950**	**6,676,210**
Income from none core operations	**798**	**(3,083,086)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023 Ksh	2022 Ksh
9(b) Administrative expenses		
Office expenses	1,966,638	1,769,887
Security	3,246,530	2,988,700
Insurance premiums	18,487,671	8,230,992
Utilities	531,965	191,145
Printing and stationary	1,213,271	1,575,014
Repair & maintenance	550,087	498,515
Website and internet expenses	2,304,943	2,655,987
Software maintenance	3,276,237	1,820,646
SASRA levy	6,170,621	5,740,765
Telephone and postage	4,291,199	2,442,390
Subscriptions	384,289	630,172
Legal fees	194,594	180,195
Consultancy services	4,467,741	2,957,260
Audit fees	1,860,757	1,683,611
Licenses and permits	129,230	134,083
Lease rentals and land rates	198,972	60,750
Debt collection fees	6,997	205,973
Depreciation on property and equipment	3,426,402	2,008,114
Amortization of intangible assets	309,446	345,929
Bank charges	1,204,041	1,198,272
Apportioned to other business at 5%	(2,711,081)	(1,865,920)
	51,510,547	**35,452,478**

	2023 Ksh	2022 Ksh
9c Personnel expense		
Salaries and wages	43,053,091	35,846,311
Pension and NSSF contribution	2,095,997	1,272,655
Staff medical	4,044,217	3,170,236
Staff training	1,761,081	1,146,416
Staff welfare	2,933,253	2,611,006
Staff travel and transport	2,574,712	1,981,627
Recruitment expenses	1,826,540	229,193
Staff insurance	436,989	941,749
Apportioned to other business at 15%	(5,872,588)	(7,079,879)
	52,853,293	**40,119,315**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2023	2022
9(d)	**Governance expenses**		
	Committee training	386,838	1,106,365
	Committee travelling	6,466,960	5,467,276
	Committee Retirement	865,672	1,865,393
	Honorarium allowance	3,500,000	3,000,000
	Committee insurance	1,068,660	1,061,168
	SGM expenses	2,154,505	1,560,845
	AGM expenses	2,552,496	3,113,056
	Member education	392,626	387,082
	Apportioned to other business at 10%	(2,181,990)	(1,756,118)
		15,205,767	**15,805,066**
9e	**Movement in expected credit loss**		
	Loans and advances (Note 12)	100,862,552	80,971,524
	Cash and cash equivalents(Note 10)	1,023,528	188,671
	Other assets (Note 11)	7,656,188	4,603,506
	Total	**109,542,268**	**85,763,702**
	Movement in expected credit loss allowance during the year	**23,778,566**	**30,783,493**

		2023	2022
9(f)	**Marketing expense**	**Ksh**	**Ksh**
	Ushirika day expenses	1,884,154	1,757,540
	Member recruitment cost	1,953,000	2,197,000
	Advertisement and marketing expenses	3,923,775	2,233,403
		7,760,929	**6,187,943**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2023	2022
		Ksh	Ksh
9(g)	**Underprovision for prior year taxes**		
	Underprovision for prior year taxes	7,037,839	-
		7,037,839	-

This relates to Additional Assesment Taxes for the years 2017 upto 2022.

		2023	2022
9(h)	**Taxation**		
	At the start of the year	3,588,478	2,640,469
	Income tax expense	23,111,690	15,742,533
	Tax payments during the year	(24,892,872)	(14,794,524)
	At end of the year	**1,807,296**	**3,588,478**
9(i)	**Tax reconciliation**		
	Current tax charge	23,111,690	15,742,533
	Theoretical tax charge	47,958,019	55,595,180
	Expense not deductible	163,573,742	131,206,230
	Prior year underprovision for income tax	3,929,505	-
	Income not subject	(192,349,576)	(171,058,877)
	Tax expense	**23,111,690**	**15,742,533**

		Ksh	Ksh
10	**Cash and Bank balances**		
	Cash in hand	4,256,199	4,405,836
	Bank balances	252,979,543	159,610,391
	Placements with other financial institutions	37,516,989	286,043,767
	Expected Credit Loss allowance	(1,023,528)	(188,671)
	Net cash and cash equivalents	**293,729,203**	**449,871,323**

Fixed deposists are short term and readily available on recall

	Movement in expected credit loss allowance		
	1 January	(188,671)	(246,510)
	Movement in expected credit loss allowance	(834,857)	57,839
	31 December	(1,023,528)	(188,671)
11	**Receivables and prepayements**		
	Amounts receivable from trade debtors	18,261,262	31,181,464
	Amounts receivable from check-off deductions	13,293,858	12,052,644
		31,555,119	43,234,108
	Movement in expected credit loss allowance		
	1 January	(4,603,506)	(5,095,546)
	Movement in expected credit loss allowance	(3,052,682)	492,040
	31 December	(7,656,188)	(4,603,506)
	Balance at the end of the year	**23,898,931**	**38,630,601**
12	**Loans and advances to members**		
	1 January	3,263,505,600	2,975,487,938
	Disbursement during the year	2,550,117,810	2,272,152,543
	Interest charged for the year	461,980,560	421,554,085
	Member Interest Receivable	14,888,343	4,157,291
	Repayments/offsets during the year	(2,481,609,856)	(2,409,846,256)
	31 December	**3,808,882,457**	**3,263,505,600**
	Movement in expected credit loss allowance		
	1 January	**(80,971,524)**	**(49,638,154)**
	Movement in expected credit loss allowance	(19,891,028)	(31,333,370)
	Expected credit loss allowance	**(100,862,552)**	**(80,971,524)**
	Net Loan and advances to members	**3,708,019,905**	**3,182,534,076**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Loans and advances to members (continued)

Loan and advances provision

	2023	2023	2023	2022	2022	2022
Loan aging	Gross exposure	Expected Credit Loss	Net Loans	Gross exposure	Expected Credit Loss	Net Loans
Stage 1	3,561,711,533	32,742,745	3,528,968,788	3,044,522,093	50,380,936	2,994,141,158
Stage 2	37,694,380	1,536,775	36,157,605	32,688,619	2,646,355	30,042,265
Stage 3	209,476,544	66,583,032	142,893,512	186,294,887	27,944,233	158,350,654
Total	**3,808,882,457**	**100,862,552**	**3,708,019,905**	**3,263,505,600**	**80,971,523**	**3,182,534,076**

Reconciliation between regulatory provisions and IFRS provisions

	2023	2022
SASRA	150,915,625	94,239,174
Expected Credit Loss Allowence per IFRS 9 Impairment Assesment	100,862,552	80,971,523
Transfer to credit risk reserves	**50,053,073**	**13,267,651**

The provisions at the end of the 31 December 2023 as per the SASRA regulations are KSh. 150,915,625 (2022: Ksh 94,239,174) whereas the provisions as per IFRS 9 at the end of December, 2022 are Ksh. 100,862,552 (2022: Ksh. 80,971,523). The Sacco's financial statement are prepared based on the International Financial Reporting Standards framework hence the provisions are based as per IFRS 9. However, to comply with the SASRA regulations, the difference between the provision as per IFRS 9 and the SASRA regulations has been transferred from the appropriation reserve to the statutory reserve in the statement of changes in equity.

Regulatory provisions

	No.of loans	Outstanding Portfolio	Provision (%)	Actual Provision 2023	Outstanding Portfolio 2022	Actual Provision 2022
Performing	9,409	3,607,994,914	1%	35,522,833	3,044,522,093	30,100,939
Watch	213	23,111,798	5%	1,155,590	32,688,619	1,567,897
Substandard	372	46,244,405	25%	11,561,664	147,044,716	31,439,194
Doubtful	217	57,711,601	50%	28,855,801	16,238,053	8,119,026
Loss	183	73,819,738	100%	73,819,738	23,012,119	23,012,119
Totals	**10,394**	**3,808,882,457**		**150,915,625**	**3,263,505,600**	**94,239,174**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023 Ksh	2022 Ksh
13(a) Financial assets		
Unquoted shares at fair value		
Cooperative Insurance Society shares (9,248115 shares @ Ksh. 3.5/= each)	32,368,402	32,368,402
Co-op holdings shares (1,959,048 shares @ Ksh. 6.75/= each)	13,223,574	14,105,146
Co-op bank shares (17,640 shares of @ Ksh. 11.2/= each)	197,568	216,972
Total Investments	**45,789,545**	**46,690,521**

The market values as at 31/12/2023 on the basis of 60% of class A shares were - :CIC - Ksh.3.50 , Co-op bank - Ksh.11.20/= and Co-op holdings - Ksh. 6.75/=

	2023 Ksh	2022 Ksh
Unquoted shares at cost		
KUSCCO shares	637,009	524,248
	637,009	**524,248**
	46,426,554	**47,214,769**
Fair value loss on equity investments carried at FVTOCI	**(788,215)**	**(391,810)**
13(b) Government Securities-measured at Armotized cost		
Treasury bonds	1,413,500,000	1,240,000,000
Interest receivable	45,497,736	38,519,027
	1,458,997,736	**1,278,519,027**
	1,458,997,736	**1,278,519,027**
Movement in investment in government securities		
At 1st January	1,278,519,027	904,146,990
Purchase in the year	166,978,709	374,372,037
Reclaim Of Member Bonds	13,500,000	-
31 December	**1,458,997,736**	**1,278,519,027**
13(d) Investment in associate		
Maisha Bora Ventures Limited		
1 January	65,780,520	62,839,608
Share of profit	12,075,188	13,956,912
Dividend received	(9,180,000)	(11,016,000)
31 December	**68,675,708**	**65,780,520**
14 Investment property		
1 January	15,400,000	14,600,000
Fair value gains	900,000	800,000
31 December	**16,300,000**	**15,400,000**

The effective date of the revaluations was December 21, 2023 for Mavoko town block 2/18319-18324 & 18388 and Mavoko municipality block 49/87 located off Githunguri Road. Revaluations were performed by independent valuer, Citiscape Values

	2023 Ksh	2022 Ksh
15 Intangible assets	25%	25%
1 January	8,857,878	8,635,838
Additions	6,089,841	222,040
31 December	14,947,719	8,857,878
Amortization		
At start of year	7,598,053	7,252,124
Amortisation charge	309,446	345,929
As at end of the year	**7,907,499**	**7,598,053**
NBV at end of year	**7,040,220**	**1,259,825**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 PROPERTY, PLANT & EQUIPMENT MOVEMENT SCHEDULE

	Land	Buildings	FOSA partitions & Fixtures	Machinery & Equipment	Motor Vehicle/Bike	Furniture & Fittings	Computers & Accessories	Total
	0.0%	10.0%	10.00%	10.00%	25%	10.00%	25%	
COST OR VALUATION	Ksh		Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
1 January 2022	70,000,000	5,000,000	7,397,471	7,225,879	111,600	5,612,477	11,228,726	106,576,152
Additions		1,557,062	259,492	3,055,870	-	667,975	3,884,016	9,424,415
Revaluation gain	7,000,000	-	-	-	-	-	-	7,000,000
Disposals	-	-	-	-	-	-	-	-
As at 31 December 2022	**77,000,000**	**6,557,062**	**7,656,963**	**10,281,749**	**111,600**	**6,280,452**	**15,112,742**	**123,000,567**
1 January 2023	77,000,000	6,557,062	7,656,963	10,281,749	111,600	6,280,452	15,112,742	123,000,567
Additions	-	4,737,708	592,855	900,651	1,500,000.00	743,380	1,326,818	9,801,412
Revaluation loss	(5,000,000)	-	-	-	-	-	-	(5,000,000)
As at 31 December 2023	**72,000,000**	**11,294,770**	**8,249,818**	**11,182,400**	**1,611,600**	**7,023,832**	**16,439,559**	**127,801,979**
ACCUMULATED DEPRECIATION								
As at 1 January 2022	-	-	5,147,519	3,863,766	52,096	2,874,954	7,679,444	19,617,779
Depreciation charge	-	273,410	224,545	336,499	20,925	273,754	878,982	2,354,043
As at 31st December 2022		**273,410**	**5,372,064**	**4,200,265**	**73,021**	**3,148,707**	**8,558,426**	**21,971,822**
As at 1 January 2023	-	273,410	5,372,064	4,200,265	73,021	3,148,707	8,558,426	21,971,822
Depreciation charge	-	628,365	228,490	608,148	9,645	313,174	1,638,579	3,426,402
As at 31st December 2023	-	**901,775**	**5,600,554**	**4,808,414**	**82,666**	**3,461,882**	**10,197,005**	**25,398,224**
CARRYING AMOUNT								
As at 31 December 2022	**77,000,000**	**6,283,652**	**2,284,899**	**6,081,484**	**38,579**	**3,131,745**	**6,554,316**	**101,374,674**
As at 31 December 2023	**72,000,000**	**10,392,995**	**2,649,265**	**6,373,986**	**1,528,934**	**3,561,950**	**6,242,555**	**102,749,684**

Revaluation details

The effective date of the revaluations was December 31, 2023 for L.R. No. 209/22155 Commercial street industrial area. Revaluations were performed by independent valuer, Citiscape Values & Estate Agents Limited.

NOTES TO THE FINANCIAL STATEMENTS -Continued

	2023 Ksh	2022 Ksh
17 Members' deposits		
Members' non- withdrawable deposits	3,824,322,005	3,626,269,030
Members' withdrawable deposits	274,101,932	133,326,093
Deferred member's deposits	18,534,567	22,423,162
	4,116,958,504	**3,782,018,285**

	2023 Ksh	2022 Ksh
18 Payments due to members and board		
Payments made during the year		
Balance as at start of year - interest on deposits	294,350,726	316,638,128
Balance as at start of year - dividends	68,182,510	44,821,257
Balance as at start of year - honorarium	2,000,000	2,572,000
Interest on deposits paid	(294,350,726)	(316,638,128)
Dividends paid	(68,182,510)	(44,821,257)
Honorarium paid	(2,000,000)	(2,572,000)
	-	-
Payments due to members and board		
Interest on members' deposits	327,740,994	294,350,726
Provision for honorarium to board member and supervisory committee.	3,500,000	3,000,000
Balance as at end of year	**331,240,994**	**297,350,726**

	2023 Ksh	2022 Ksh
19 Trade and other payables		
Member CIC shares	4,811,122	4,811,122
Interest payable on Fosa	2,443,506	1,804,325
Trade payables	14,917,750	15,116,819
Maisha Bora Ventures payable	12,820,616	1,539,287
Accruals	1,023,511	1,674,969
Total	**34,570,655**	**24,946,522**

NOTES TO THE FINANCIAL STATEMENTS -Continued

20 Share capital

	2023 Ksh	2022 Ksh
Authorised		
Shares of Ksh.20/= each (minimum 1750 shares per member)		
Issued		
1 January	372,259,407	298,808,382
Contributions during the year	82,290,661	73,451,025
31 December	**454,550,068**	**372,259,407**

21 Reserves

	2023 Ksh	2022 Ksh
Statutory reserves	207,426,032	180,076,358
Revaluation reserve	41,041,252	46,041,252
Retained earnings	409,052,581	262,362,856
Proposed dividends	68,182,510	44,671,129
Fair value reserve	10,954,979	11,743,194
Credit risk reserve	50,053,073	23,016,778
Capital reserve fund	-	132,509,831
	786,710,427	**700,421,398**

22 Related party transactions disclosures

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 at 31 December 2023 include loans to directors.

	2023 Ksh	2022 Ksh
a) Insider deposits		
Total deposits and savings outstanding at end of year:		
Due to key management	3,346,685	2,249,970
Due to directors	66,985,225	61,110,649
Due to supervisory committee members	3,258,653	2,855,180
Due to other employees	3,138,369	2,092,246
	76,728,932	**68,308,044**
b) Key management personnel and directors' remuneration		
Management salaries	11,345,196	9,454,330
Honorarium	3,500,000	3,000,000
Allowances	6,466,960	5,467,276
	21,312,156	**17,921,606**
c) Loans to the serving directors and supervisory board		
1 January	93,641,725	94,347,653
Disbursement during the year	43,714,502	33,626,540
Interest charged for the year	9,084,932	6,988,410
Repayment during the year	(53,717,141)	(41,320,877)
31 December	**92,724,019**	**93,641,725**

NOTES TO THE FINANCIAL STATEMENTS -Continued

	2023 Ksh	2022 Ksh
23 Interest receipts		
Interest on loans and advances	461,980,560	421,554,085
Other interest income	205,206,792	162,442,472
Other operating income	30,094,384	23,917,898
Dividends Received	(3,669,994)	(1,792,455)
	693,611,741	**606,122,000**

	2023 Ksh	2022 Ksh
24 Interest payments		
Interest on member deposits	382,432,200	311,133,752
Interest on Fosa accounts	4,977,897	2,968,555
Bonus on dividend plough back	2,091,803	3,793,205
Interest on fixed deposit	2,748,021	2,972,931
	392,249,921	**320,868,443**

25 Commitments

There were no capital commitments outstanding as at 31 December 2023

26 Contingencies

There were no contingencies outstanding as at 31 December 2023.

27 Events after the reporting period

No material events or circumstances have arisen between the accounting date and the date of the director's report.