

MAGEREZA
DT
SACCO LTD



50th

Annual Delegates Meeting for Magereza DT Sacco
Society To be held on Friday 16th February, 2024 at the
Kenya Institute of Curriculum Development, Nairobi

ANNUAL REPORT

and Financial Statements
for the year ended 31st December 2023

VISION

To be a leading Sacco in provision of Excellent Financial services

MISSION

To offer affordable and customised products and services that economically and socially empower members

SLOGAN

Pamoja Twastawi

TABLE OF CONTENTS	PAGE
NOTICE OF THE 50 TH ANNUAL DELEGATES MEETING	ii
SOCIETY INFORMATION	iii
BOARD OF DIRECTORS	iv
REPORT OF THE BOARD OF DIRECTORS	1
CHAIRMAN'S REPORT	2-8
SUPERVISORY COMMITTEE REPORT	9-12
STATEMENT OF BOARD OF DIRECTORS RESPONSIBILITIES	13
CORPORATE GOVERNANCE STATEMENT	14
STATISTICAL INFORMATION AND OTHER DISCLOSURES	15
REPORT OF THE INDEPENDENT AUDITOR	16-18
STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME	19
STATEMENT OF FINANCIAL POSITION	20
STATEMENT OF CHANGES IN EQUITY	21
STATEMENT OF CASH FLOWS	22
ACCOUNTING POLICIES	23-29
NOTES TO THE FINANCIAL STATEMENTS	30-38
BENEVOLENT FUND REPORT	39
DELEGATES LIST	40-43



MAGEREZA DT SACCO LTD.

Mageso Chambers, Moi Avenue

P.O. Box 53131- 00200, Nairobi, Kenya. Tel:0707 756 489, Mobile: 0797 671 887

Email: magereza@mageresasacco.co.ke

ALL CORRESPONDENCE TO BE ADDRESSED TO THE HON. SECRETARY

24/6/16ADM/VOL.II/22

1ST FEBRUARY, 2024

Ref:No.....

Date.....

TO: ALL COMMITTEE MEMBERS
ALL REGIONAL PRISONS COMMANDERS
ALL PRISONS INSTITUTIONS
ALL MEMBERS OF THE SOCIETY

**RE: NOTICE OF THE 50TH ANNUAL DELEGATES MEETING OF MAGEREZA
DEPOSIT TAKING SACCO SOCIETY LTD TO BE HELD ON FRIDAY 16TH
FEBRUARY, 2024 AT KENYA INSTITUTE OF CURRICULUM
DEVELOPMENT NAIROBI**

Notice is hereby given that the 50th Annual Delegates Meeting of Magereza Deposit Taking Sacco Society Ltd will be held on *Friday 16th February 2024 at Kenya Institute of Curriculum Development Nairobi, from 8.00 a.m.* to deliberate on the following agenda.

1. To read the Notice convening the meeting.
2. To confirm the Minutes of the 49th Annual Delegates Meeting.
3. Matters arising from the previous minutes.
4. Chairman's Speech.
5. Address by the Chief Guest.
6. Consideration and adoption of the Annual Reports and Financial Statements for the year ended 31st December 2023.
 - i. Supervisory Committee Report for the year 2023
 - ii. Auditors Report for the year 2023
7. Reports and comments from the Treasurer
 - i. To consider and if thought appropriate, approve the budget estimate for the year 2025.
 - ii. Reading and Adoption of year 2024 revised budget.
 - iii. To consider and if thought appropriate, approve disposal of surplus by payment of Dividends and Honoraria.
8. To appoint the Auditors/Lawyers for the year 2024
9. 50th ADM Resolutions.
10. To conduct Elections of three (3) vacant positions in the Board of Directors and one (1) in the Supervisory Committee.

BERNARD MAYAKA
HON. SECRETARY

MAGEREZA DEPOSIT TAKING SACCO SOCIETY LTD.
1ST FEBRUARY 2024

SOCIETY INFORMATION

BOARD MEMBERS:

Mr. James Obiero	Chairman
Mr. Raymond Kimani	Vice Chairperson
Mr. Bernard Mayaka	Hon. Secretary
Mr. Henry Juma	Treasurer
Mr. Nuni Kiboi	Director
Mr. Norah Ngusya	Director
Mr. Samuel Thirata	Director
Mr. Nicholas Maswai OGW, MBS	Director
Mr. Evans Madisi	Director

SUPERVISORY COMMITTEE

Mr. Oliver Rapando	Chairman
Nicholas Mombo	Secretary
Hezron Ndaga	Member

CHIEF EXECUTIVE OFFICER

Mr. Augustine Mutisya

REGISTERED OFFICE

Mageso Chambers, Moi Avenue, Nairobi, P.O Box 53131, Nairobi, Kenya

PRINCIPAL BANKER

Co-operative Bank of Kenya Limited, Cooperative House Branch,
P.O BOX 48231-00100, Nairobi, Kenya

LAWYERS

Oraro & Co. Advocates
P.O Box 51236- 00100, Nairobi Kenya

Wambugu Muriuki & Co. Advocates
P.O Box 15470-00400, Nairobi, Kenya.

Mwongela & Co. Advocates,
P.O Box 8841-00200, Nairobi Kenya.

INDEPENDENT AUDITOR

Ongiti & Associates,
Certified Public Accountants,
Duplex Apartments-Suite 48, Lower Hill Rd-Upper Hill.
P.O. BOX 51255-00200, Nairobi, Kenya

BOARD OF DIRECTORS



MR. BENARD MAYAKA
HON. SECRETARY



JAMES OBIERO
CHAIRMAN



HENRY JUMA
TREASURER



NORAH NGUSYA
CHAIR CREDIT COMM



RAYMOND KIMANI
VICE CHAIRMAN



EVANS MADISI
SECRETARY CREDIT COMM



NUNI KIBOI
SECRETARY EDUCATION COMM



NICHOLAS MASWAI
MEMBER CREDIT COMM.



SAMUEL THIRATA
MEMBER EDUCATION COMM



OLIVER RAPANDO
CHAIRMAN SUPERVISORY



HEZRON NDAGA
MEMBER SUPERVISORY



NICHOLAS MOMBO
SECRETARY SUPERVISORY COMMITTEE



MR. AUGUSTINE MUTISYA
C.E.O

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors submit their annual report together with the audited financial statements for the year ended 31 December 2023, which discloses the state of affairs of the Society.

INCORPORATION

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

PRINCIPAL ACTIVITY

In accordance with the Society's by laws, the Society continued with its principal activity of receiving savings from and giving out loans to its members, as well as providing Front Office Services (FOSA) to its members.

RESULT

	2023 Kshs	2022 Kshs
Surplus for the year	150,156,985	102,203,293
Taxation	(20,435,516)	(17,908,840)
Transfer to statutory reserve fund	(25,944,294)	(16,858,891)
Provision for dividends	(66,573,450)	(65,002,199)
Provision for honoraria	(2,000,000)	(2,000,000)
Retained Surplus for the year	35,203,725	433,363
DIVIDENDS AND INTEREST ON MEMBERS' DEPOSITS	315,187,254	258,007,854

The board of Directors do recommend payment of dividends on share capital at 10% (2022-10%) and interest on members' deposits at 6% (2022-5.4%) on pro rata basis during the year.

INDEPENDENT AUDITOR

The Sacco's auditors, Messrs Ongiti & Associates, Certified Public Accountants (K) have expressed their willingness to continue in office in accordance with the terms of section 25(4) of the Co-operative Societies (Amendment) Act No.2 of 2004.

BY ORDER OF THE BOARD OF DIRECTORS



HON. SECRETARY

DATE 12th February 2024

CHAIRMAN'S REPORT

- ✓ Hon. Patrick Kiburi Kilemi
Principal Secretary
State Dept. of Co-operatives and Micro, Small & Medium Enterprises
- ✓ Dr. Salome M. Beacco, CBS
Principal Secretary
State Department for Correctional Services
- ✓ Brigadier (rtd) John Kibaso Warioba, EBS
The Commissioner General of Prisons
- ✓ Mr. David Obonyo
The Commissioner for Co-operative Development
- ✓ Mrs. Dolphine Aremo
Director of Co-operatives- Nairobi County
- ✓ Mr. Godfrey Akumali
Chief Officer of Co-operatives – Nairobi County
- ✓ Ms. Roselyne Mwithiga
Co-operative Officer - Starehe Sub-County
- ✓ Board of Directors and The Supervisory Committee,
- ✓ Delegates,
- ✓ Sacco staff and all stakeholders.



Good morning!

It is with great pleasure that I welcome you to the 50th Magereza D.T. Sacco's Annual Delegates Meeting. Today, as we gather to mark 52 years of our SACCO's existence, we reflect on our journey and the remarkable achievements we have made over the years. From humble beginnings, we have grown into a strong and reputable financial institution, serving the needs of our members and contributing to the socio-economic development of our community. I want to thank all the members – past and present, for patronizing the Sacco services.

Throughout the years, our SACCO has faced numerous challenges and triumphs. We have weathered economic downturns, technological advancements, and changing regulatory landscapes. Through it all, we have remained resilient and adaptable, always putting our members' interests at the forefront of our operations.

As we celebrate this significant milestone, it is important for us to reflect on our achievements and set our sights on the future. The financial landscape is evolving rapidly, and we must adapt and remain innovative to meet the changing needs of our members.

Allow me to take you through the Sacco's performance for the financial year ended 31st December 2023.

1. FINANCIAL PERFORMANCE

The Sacco made significant progress in various areas, reflecting our commitment to providing better financial services to our members. Here are key highlights of our performance;

i. Loans to Members and Portfolio Growth

Through affordable Sacco loans, members have built their asset portfolio over time thus impacting on

their economic and social wellbeing, as well as contributing to the national economy.

This has in turn built the Sacco's core assets in terms of loans. Our loan uptake grew significantly, registering loan disbursement of Kshs. **4,268,563,925.00** in the year under review compared to the year 2022 that stood at **Ksh. 2,345,843,022.00**.

By 31st December 2023 our loan portfolio stood at **Ksh. 4,527,283,517.00** compared to **Kshs. 3,776,557,8425.00** in the year 2022 thus reflecting a growth of **18.7%**.

ii. Profitability

We are pleased to report that the Sacco achieved commendable performance in the year under review. Our gross revenue increased from Ksh. **454,527,890.00** in the year 2022 to **Ksh. 606,425,209.00** in the year 2023, reaching a record high of **Ksh. 151,897,319.00** which translates to **33.42%** growth. This growth was attributed to the diligent efforts of the management team and the unwavering support of our members.

2. MEMBERSHIP

Our active membership stood at **22,225** in the year under review compared to **22,691** in the year 2022. The decline was as a result of voluntary exit, retirement from service and natural attritions. We will continue to focus on expanding our membership base and serving our financial needs to the membership and the community at large.

As we appreciate the growth of the Sacco, we acknowledge the contribution made by each individual member. Allow me to applaud the following members for their outstanding input to the Sacco;

a) Highest Savers

- (i) Mr. Mwailengo L. T Eldady OGW
- (ii) Mr. Kaigi Stephen

b) Highest Deposit Contributors

- (i) Mrs. Fidelis R. Macharia
- (ii) Mr. Kagochi K. Mwangi

c) Longest serving members

- (i) Mrs. Rose Njiriri
- (ii) Mr. Ernest C. O Muga

As at the end of year 2023, the total members' deposits stood at **Kshs. 5,510,174,724.00** compared to **Kshs. 5,153,655,889.00** in the year 2022, a remarkable growth of **6.9%**, while Share Capital grew from **Kshs. 650,021,994.46** in 2022 to **Kshs. 743,033,723.00** in the year 2023.

3. COMPLIANCE TO THE REGULATORY FRAMEWORK

The Sacco continued to comply with the regulatory framework set out in the Sacco Societies Act 2010. We are committed in making prudent business decisions that will ensure we operate our business within the framework.

The Sacco fairly complied to the prudential ratios of capital and liquidity. Our revenue reserves increased through retention of part of the surplus. This has impacted to the growth of the Society's Institutional Capital.

4. SOCIETY'S INVESTMENTS

Other than investment in loans, the Society held other investments during the year as below;

	INVESTMENT	VALUE
a.	Mageso Chambers/Courts	219,471,068.00
b.	Co-operative Bank shares	19,807,603.00
c.	Coop Holding shares	295,049,790.00
d.	Kuscco Ltd. shares	66,162,009.00
e.	Isinya land	228,986,585.00
f.	CIC	19,478,172.00
g.	Safaricom	590,750.00

The management will endeavor to make prudent financial investment decisions to maximize on returns.

5. EDUCATION TO MEMBERS

We believe in empowering our members with financial knowledge and skills. In the year under review, we conducted several marketing and educational programs in Nairobi region and its environs. This initiative aimed to enhance our members understanding of personal financial management, awareness and understanding of the various products and services offered, investment opportunities and the benefits of utilizing Sacco products and services. We will continue to prioritize member education by extending the same to other regions in the year 2024 to ensure their financial well-being.

6. LEGAL MATTERS

In the year under review, the Society faced legal matters, for the Sacco to safeguard its interest and those of the members, we engaged the prequalified law firms to defend the matters before the Court.

Below are the current litigations before the Court / Co-operative Tribunal;

- (i) HCCOMM Case No. E434 of 2022: David Rotich & 2 others –vs- Magereza Sacco
Subject matter: withholding of FOSA salaries to recover fraudulent amounts from the members' accounts
Law firm: Wambugu & Muriuki Advocates
- (ii) Nairobi CTC NO.180 of 2017: Magereza Sacco Society Ltd. –vs- Hussein T. Dabasso
Subject matter: loan in default.
Law firm: C.B. Mwangela & Company Advocates
- (iii) Nairobi CTC No.440 of 2013: Magereza Sacco Society Ltd. –vs- Ambrose O. Ngare
Subject matter: loan in default.
Law firm: C.B. Mwangela & Company Advocates
- (iv) Nairobi CTC No.556 of 2011: Magereza Sacco Society Ltd –vs- Johnstone K. Wainoti
Subject matter: Loan in default.
Law firm: C.B. Mwangela & Company Advocates
- (v) Nairobi CTC No.557 of 2011; Magereza Sacco Society Ltd. –vs- Paul K. Kones
Subject matter: Loan in default.
Law firm: C.B. Mwangela & Company Advocates

(vi) Samuel Gachini Wahu & others –vs- Magereza Sacco
Subject Matter; ownership of Mageso Chambers/Mageso Court
Law firm: Oraro & Co. Advocates

(vii) ELRC Cause No.641 of 2019: Jane Wangari Ombongi –vs- Magereza Sacco
Subject matter: compensation for alleged unfair constructive dismissal from service.
Law firm: Oraro & Company Advocates

We always encourage members to seek alternative dispute resolution mechanisms as opposed to entering legal suits which are expensive and time consuming for the Sacco.

7. CORPORATE SOCIAL RESPONSIBILITY

Our Sacco greatly values the Society within which it operates. Over the years, our Sacco has impacted many lives through giving back to the Society. Below are some of the corporate social activities that the Sacco supported during the year under review;

(i) Kenya Prisons Service

Sponsorship towards the following sporting activities;

- a) Kenya Prisons Inter-Regional Championship
- b) Green Berets FC (football kits/soccer balls/tracksuits)
- c) RC Nairobi (dart Equipments)
- d) Maranjau Prison (soccer balls)
- e) Eldoret Main Prison (North Rift track and field events)
- f) Nakuru Main Prison (dart Equipments)
- g) The Correctional service week.

(ii) Kenya Prisons Retired Officers Association

Donations towards the Kenya Prisons Retired Officers Association Annual Meeting.

(iii) National Police/Prison Service

Support in the 5th Annual Commemorative Service in honor of departed Police/Prison Officers who met their demise in the line of duty

We will endeavor to continue with the noble cause of touching the livelihood of the needy in the Society and actively participate in activities that conserve our environment.

8. ACHIEVEMENTS

In the year under review, our Sacco achieved several milestones. Some notable achievements include;

(i) Member web portal

One of our notable achievements in the year 2023 was the successful implementation of member web portal. Through provision of convenient access to personal information and other Sacco services, this online platform will revolutionize the way members interact with the Sacco. It will enhance transparency, efficiency and convenience for our members, making their financial management easier and more accessible.

(ii) Loan processing

Recognizing the importance of timely financial assistance, we have made substantial improvements in our loan processing system. Through implementation of streamlined processes and the utilization of technology, we have significantly reduced the lead time on loan processing to a maximum of two days. This has allowed our members to access funds more efficiently, empowering them to seize opportunities and meet their financial needs promptly.

(iii) **Loan recovery**

Ensuring the sustainability of our loan portfolio is crucial for the long-term success of our Sacco. I am pleased to report that our efforts in improving loan recovery have yielded positive results. We have implemented proactive measures, including strengthened credit risk assessment, enhanced follow-up mechanisms, continuous loan reconciliation and the building of a good rapport with the mother department. As a result, our loan recovery rate improved leading to a reduction in loan delinquency rate from 8.37% to 4.72%.

(iv) **Governance**

Sound governance is the cornerstone of any successful organization. We have made significant strides in strengthening governance practices. This has been done through enhanced transparency, accountability, and compliance with regulatory requirements. The Board of Directors has actively engaged in strategic decision-making, ensuring that our Sacco Society operates in the best interest of our members. These governance improvements have fostered trust and confidence among our members, reinforcing their belief in our commitment to their financial well-being.

(v) **Branch Construction:**

As our membership grows, it is necessary for us to evaluate the effectiveness and accessibility of our current branch network. The Kisumu branch was constructed successfully and relocation plans are underway. This will ensure that our services are easily accessible to our members and aligned with their needs.

9. CHALLENGES

While we celebrate our successes, it is important to acknowledge the challenges we faced during the year under review as they shape our journey and provide opportunities for growth and improvement. Despite the following challenges, we have remained resilient and proactive in finding solutions to mitigate their impact.

(i) **Poor saving culture:**

Most of our members do not fully comprehend the long-term benefits and financial security that saving provide. In addition, many members are currently facing financial constraints due to overburden from other financial providers' loans and have limited income, making it challenging to save.

We acknowledge that addressing the poor saving culture within the Sacco requires a collective effort. We will continue to prioritize member education, raise awareness, and provide incentives to encourage saving.

(ii) **Technological Advancements:**

While technology presents opportunities for growth and efficiency, it also poses challenges. Adapting to new technologies and integrating them into our operations can be complex and costly. However, we recognize the importance of embracing technological advancements to enhance member experience, improve operational efficiency, and remain competitive in the market. We have made significant progress in this area, including the launch of our Member Web Portal, but there is still more work to be done.

(iii) **Member Education and Awareness:**

Despite our efforts to provide financial education and raise awareness among our members, there is still a need for increased participation and understanding. Some members may not fully grasp the benefits and opportunities available to them through our Sacco. We are committed to addressing this challenge by expanding our educational programs, conducting targeted outreach initiatives, and leveraging various communication channels to ensure our members are well-informed.

10. FUTURE PLANS

As we look towards the future, we are aware of the challenges and opportunities that lie ahead. The financial landscape is constantly evolving, and it is crucial for us to adapt and innovate to meet the changing needs of our members. With this in mind, I am pleased to share with you some of our key plans for the coming years.

(i) **Establishing a Call Centre:**

We recognize the importance of providing efficient and reliable customer service to our members. To enhance our communication channels, we plan to launch a dedicated call centre. This will enable our members to reach out to us easily, seek assistance, and receive prompt responses to their queries and concerns.

(ii) **Digitalization:**

We live in an increasingly digital world, and it is essential for us to keep pace with technological advancements. We intend to invest in digital solutions that will streamline our operations and improve our service delivery.

As our Sacco grows, it is crucial for us to have effective record management systems in place. We plan to invest in digital record management solutions that will ensure the security, integrity, and accessibility of our members' information. This will enable us to provide efficient and reliable services while complying with data protection regulations.

(iii) **Empowerment and Financial Education:**

We strongly believe in the importance of empowering our members with financial knowledge and skills. We will continue to organize training programs on personal finance management.

(iv) **Strengthening Governance and Risk Management:**

It is imperative that we maintain robust governance and risk management practices. We will continue to enhance our internal control systems, compliance frameworks, and risk assessment processes. This will ensure that the Sacco is mitigated against risk exposure and losses.

11. ELECTION OF OFFICE BEARERS ON ROTATION

In accordance with the 1/3rd rotational rule of the office bearers, the following three (3) board of directors and one (1) member of the supervisory committee will be retiring.

- | | | | |
|-------|-----------------|---|----------------------------|
| (i) | Raymond Kimani | - | Vice Chairman |
| (ii) | Henry Juma | - | Treasurer |
| (iii) | Nicholas Maswai | - | Secretary Credit Committee |
| (iv) | Hezron Ndaga | - | Secretary Supervisory |

The retiring members are eligible to seek re-election. On behalf of the management, I wish to thank them for their selfless service rendered to the Sacco.

I therefore call upon delegates to exercise their right to vote and elect candidates who will lead the Sacco to realize its goals.

CONCLUSION

Chief Guest Sir, Ladies and Gentlemen, to maintain steady progress of this society, our commitment as the board of directors to ensure achievement on all fronts cannot be overemphasized. I encourage each and every one of us to play their roles effectively, to ensure we place Magereza DT Sacco in the financial limelight.

In the coming years, we will continue to focus on our core values of integrity, teamwork, and professionalism. We will strive to provide innovative financial solutions that empower our members and contribute to their financial well-being.

Finally, I wish to recognize the contribution from the various stakeholders' key among them State Department of Co-operatives and Micro Small & Medium Enterprises; Ministry of Interior and Co-ordination of National Government; SASRA; Co-operative Bank of Kenya; Kuscco Ltd and CIC for their support and guidance.

Guest of Honour Sir, I wish to appreciate the great support accorded by the mother department through our able Patron – the Commissioner General of Prisons. As a Sacco, we are indeed indebted to him for ensuring the Sacco achieves a high success rate in recruiting new members to the Sacco. I am equally grateful to you for having dedicated your valuable time from your busy schedule to grace this auspicious occasion in our calendar. We appreciate your encouragement and lessons about hard work and prudent financial management.

Fellow board members, supervisory committee, delegates and the Sacco staff, I commend you for your unwavering guidance, leadership and dedication to this great society.

As we embark on the next chapter of our SACCO's journey, I am confident that together, we will achieve even greater heights. This is not just a celebration of our past, but a testament to our commitment to serving our members and our community for many more years to come.

May the Almighty God Bless you all.
God Bless the Co-operative Movement
Long live Magereza Deposit Taking Sacco
Pamoja Twastawi



JAMES O. OBIERO
CHAIRMAN
MAGEREZA DEPOSIT TAKING SACCO SOCIETY LTD.

SUPERVISORY COMMITTEE

- Hon. Patrick Kiburi Kilemi
Principal Secretary
State Dept. of Co-operatives and Micro, Small & Medium Enterprises
- Dr. Salome M. Beacco, CBS
Principal Secretary
State Department for Correctional Services
- Brigadier (rtd) John Kibaso Warioba, EBS
The Commissioner General of Prisons
- Mr. David Obonyo
The Commissioner for Co-operative Development
- Mrs. Dolphine Aremo
Director of Co-operatives- Nairobi County
- Mr. Godfrey Akumali
Chief Officer of Co-operatives – Nairobi County
- Ms. Roselyne Mwithiga
Co-operative Officer - Starehe Sub-County
- Board of Directors and The Supervisory Committee,
- Delegates,
- Sacco staff and all stakeholders.

Good Morning!

On behalf of the Supervisory Committee, I welcome you all to this year's annual delegates meeting. Thank you for giving us the opportunity to serve you. Allow us to share our report for the year ended 31st December 2023.

1. SOCIETY'S PERFORMANCE

The table below shows the Society's performance in different aspects as at 31st December 2023.

		Year 2022	Year 2023
1	Active membership	22,691	22,225
2	Share capital	650,021,994	743,033,723
3	Deposits	5,153,655,889	5,510,174,724
4	Loan portfolio	3,776,557,842	4,527,283,517

It was noted that active membership dropped from 22,691 in 2022 to 22,225 in 2023 due to voluntary withdrawals, retirement, death among other reasons as illustrated in the table below;

	Withdrawal type	Amount	No. of members
1	Normal withdrawals	95,107,809	469
2	Retirement	83,690,840	177
3	Deceased	12,501,810	57
	Total	191,300,259	703

The Supervisory Committee noted that despite the reduction in membership, all other aspects increased, an indication of increased members' confidence.

2. SOCIETY'S LIQUIDITY

During the year under review, the Society experienced liquidity challenges hampering smooth running of Sacco operations. To address the liquidity challenge, the Board of Directors opted for external loan borrowing which is not a sustainable solution as interest rates are higher than the Sacco's lending rates.

We noted that the liquidity ratio stood at 6.87% down from 10.59% in the previous year against the required threshold of 15%.

The Committee noted that the capital share and members deposits in comparison with the members loan portfolio stands at Kshs.1,725,924,930/- as compared to Kshs.1,545,618,192/- in the year 2022. This is an indication that loan uptake by members is low hence negatively affecting revenue generation of the institution.

During the year under review, this Committee noted that only 5,892 members out of 22,225 patronized Fosa products. We urge the membership to consider processing their salaries through Fosa which will increase Sacco's income thereby boosting liquidity.

This Committee advised the Board of Directors to mobilize the membership to increase their monthly contributions and further ensure member retention. Loss of membership during the year under review adversely affected the Society's liquidity by Kshs.191,300,259.00

3. CAPITAL ADEQUACY RATIOS

Below is a table showing minimum threshold requirements set by SASRA against what our institution has achieved;

		Minimum requirement	yr 2023	yr 2022
1	Core capital / Total assets	10%	13.65%	12.97%
2	Core capital / Total deposits	8%	19.69%	17.74%
3	Institutional capital / total assets	8%	4.18%	3.75%
4	Investment / Deposits	5%	7.28%	8.21%

This Committee advised the Board of Directors to improve on institutional capital that will work towards attaining the required threshold of 8%.

4. LEGAL MATTERS

The following are pending cases;

- (i) HCCOMM Case No. E434 of 2022: David Rotich & 2 others vs Magereza Sacco
Subject matter : withholding of Fosa salaries to recover fraudulent amounts from the members accounts
Law handling the matter: Wambugu & Muriuki Advocates
- (ii) Nairobi CTC No.180 of 2017: Magereza Sacco Society Ltd. vs Hussein T. Dabasso
Subject matter: loan in default
Law handling the matter: C.B. Mwangela & Co. Advocates
- (iii) Nairobi CTC No.440 of 2013: Magereza Sacco Society Ltd. vs. Ambrose O. Ngare
Subject matter: loan in default
Law handling the matter: C.B. Mwangela & Co. Advocates
- (iv) Nairobi CTC No.556 of 2011: Magereza Sacco Society Ltd. vs. Johnstone K. Wainoti
Subject matter: loan in default
Law handling the matter: C.B. Mwangela & Co. Advocates

- (v) Nairobi CTC No.557 of 2011: Magereza Sacco Society Ltd. vs. Paul K. Kones
Subject matter: loan in default
Law handling the matter: C.B. Mwongela & Co. Advocates
- (vi) ELRC Cause No.641 of 2019: Jane Wangari Ombongi vs. Magereza Sacco
Subject matter: compensation for alleged unfair constructive dismissal from service
Law handling the matter: Oraro & Co. Advocates
- (vii) Samuel Gachini Wahu & others vs. Magereza Sacco
Subject matter: ownership of society properties (Mageso Court/Mageso Chambers)
Law handling the matter: Oraro & Co. Advocates

This Committee continues to advise the Board of Directors to embrace alternative dispute resolution mechanisms to minimize court cases where possible and also set aside contingent liability to cater for costs in case of any eventuality.

5. FORENSIC AUDIT

The Special Delegates Meeting was held on 16th June 2023 at Kenya Institute of Curriculum Development. The report was presented by the firm of Crowe Cor LLP.

This Committee analyzed the report and noted several gaps including presentation of penetration test report carried out on our system by the vendor.

This Committee also noted that the report has challenges regarding its implementation since it did not provide specific action to be taken in order to dispose the unreconciled receivables, control account balances, bank reconciliations and tax liabilities and compliance.

The Committee recommended to the Board of Directors to task the relevant staff to identify gaps in the report and make amendments where necessary. We also urged the Board of Directors to ensure full implementation of the forensic audit report recommendations.

6. SOCIETY ASSETS

During the year under review, the Society investments and assets were as follows;

(a) Current Assets:

	Investments	Value	Income
1	Shares in Co-operative bank	21,752,993	2,520,163
2	Shares in Co-op Holdings	314,719,776	57,515,099
3	Shares in Safaricom PLC	1,026,375	777,714
4	Shares in CIC	19,478,172	nil
5	Shares in Kuscoco	66,162,009	nil
6	Fixed deposit (Co-op bank)	310,000,000	6,234,247
	Total	733,139,325	67,047,163

(b) Fixed Assets 2023:

During the year under review, the Society owned the following assets;

(i) Mageso Court

The building is situated in Westlands and comprises of fourteen (14) residential units and eight (8) servant quarters. The rent realized during the year under review was Kshs.4,580,500.00 as compared to Kshs.9,514,000.00 in 2022. The drop in revenue was occasioned by vacation of tenants from the premises in anticipation for development. Equally, the buildings are dilapidated and in a state of disrepair.

This Committee advised the Board of Directors to engage with the Regulator with a view to finding a solution to the aspects cited by the regulator and allow the proposed development to be undertaken since it would improve revenue generation to the Society.

(ii) Mageso Chambers

The building is situated in the central business district of Nairobi along Moi Avenue and houses the society's head offices from 3rd to 6th floor while the rest are rented.

Rent realized during the year under review was Kshs.14,073,324.00 as compared to Kshs.13,945,000.00 in 2022.

(iii) Society's Vehicle

The Society owned one (1) vehicle registration number KBF 489H which remains in good working condition.

(iv) Isinya Plots

The above parcel of land is located at Isinya sub county and totals to 145 acres. The parcels are two i.e. LR.NO.KJD/Kaputiei North/5931 and LR.NO.KJD/Kaputiei North/4767.

LR.NO.KJD/Kaputiei North/5931 measures 45 acres and has been subdivided into 241 plots measuring 1/8th and so far, 98 plots have been fully paid and title deeds processed while 39 plots had been partially paid for during the year under review.

As at 31st December 2023, the Society had so far received Kshs.32,890,000.00 being sales of the plots on Isinya land as compared to Kshs.215,952,000.00 being the purchase price of the parcels.

This Committee advised the Board of Directors to fast track the process of disposing off the remaining parcel of land. This will enable the Society to attain liquidity adequacy to ease the operations of the institution.

CHALLENGES

This Committee in its oversight role during the year under review noted that our institution like any other financial institution faced a number of challenges which include but not limited to;

- (i) Poor saving culture by the membership.
- (ii) Lack of proper education to the membership.
- (iii) Erroneous deductions.
- (iv) Delay in loan and MBF recoveries.
- (v) Defaulted loans.

This Committee has continued to address these challenges internally and external risks and advised the Board of Directors appropriately.

CONCLUSION

On behalf of the Supervisory Committee, I wish to register our appreciation to all stakeholders for their immense efforts in their critical role and expertise to the entire organization.

Long Live Magereza Sacco.

Thank you all and God Bless you.


OLIVER RAPANDO
CHAIRMAN


NICHOLAS MOMBO
SECRETARY


HEZRON NDAGA
MEMBER

STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

The Sacco Society Act, No.14 of 2008 requires the Board of Directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the society as at the end of the financial year and its operating results for that year in accordance with International Financial Reporting Standards (IFRS). It also requires the Board of Directors to ensure that the society keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the society. They are also responsible for safeguarding the assets of the society and ensuring that the business of the society has been conducted in accordance with its objectives, by-laws and any other resolutions made at society's general meeting.

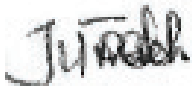
The Board of Directors accepts responsibility for the annual financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Co-operatives Societies Act, Cap 490. The Board of Directors is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the society and of its operating results in accordance with the International Financial Reporting Standards (IFRS). The Board of Directors further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Board of Directors to indicate that the society will not remain a going concern for at least twelve months from the date of this statement.

Approved by the Board of Directors on **12th February 2024** and signed on its behalf by:



CHAIRMAN



TREASURER



HON. SECRETARY

CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process and structure used to direct and manage business affairs of the society towards enhancing prosperity and corporate accounting with the ultimate objective of realizing members' long-term value while taking into account the interest of other stakeholders. The Board Of Directors is responsible for the corporate governance practices of the Society. This statement sets out the main practices in operations during the year under review, unless otherwise indicated. The Society is committed to business integrity and professionalism in all its activities.

Board of Directors

The Board of Directors has nine members with the CEO as an ex-officio. The separate roles of the Chairman and the CEO are practiced. The Chairman is responsible for providing leadership to the Central Board Of Directors in policy formulation and defining strategic direction of the Society as well as ensuring that the Board Of Directors is supplied in a timely manner with sufficient information to enable it to discharge its duties. The CEO is responsible for recommending business plans and the budget to the society, implementing approved corporate strategies and the day-to-day administration of the society.

The primary responsibilities of the Board of Directors include;

- Establishment of short and long-term goals of the society and strategic plans to achieve those goals;
- Ensuring preparation of the annual and monthly financial statements;
- Review and recommendation for AGM, approval of the financial performance of the society,
- Managing risks by ensuring that the Society has implemented adequate systems of internal controls
- Working with management to realize members' value.

Agreed procedures are in place for all Board of Directors members to receive professional advice if necessary. New Board of Directors members are also well inducted by provision of necessary information pertinent to the Society business, meetings with management and training. The Board of Directors meets at least once a month or more often with requirements of the business.

Internal controls

The Society has systems and processes to ensure requisite controls, physical security of assets and reporting of accurate and up-to-date information. A comprehensive accounting system is also in place. The Supervisory committee is in place to oversee the Society and its membership during the year was as follows:

Mr Oliver Rapondo - Chairman
Mr. Nicholas Mombo - Secretary
Mr Hezron Ndaga - Member

For the Board of Directors,



Chairman
Mr. James Obiero



Hon. Secretary
Bernard Mayaka

STATISTICAL INFORMATION AND OTHER DISCLOSURES

		2023 Kshs	2022 Kshs
Number of members	Active	22,225	22,691
	Dormant	3,784	3,699
		26,009	26,390
Employees of the Sacco	Opening -Male	20	20
	-Female	41	41
		61	61
	Exits -Male	(3)	(1)
	-Female	(3)	(2)
	Entrants-Male	-	-
	-Female	3	3
	Active -Male	17	20
	-Female	38	41
	Active	55	61
Total assets		7,947,204,737	7,049,229,872
Total Member deposits		5,510,174,724	5,153,655,889
Loans and advances to members		4,527,283,517	3,776,557,842
Investments		401,088,324	423,139,325
Core capital		1,074,841,167	914,066,118
Share capital		743,033,723	650,021,994
Institutional capital		331,807,444	264,044,124
Revenue Reserve		6,982,558	(28,220,167)
Statutory reserve fund		155,204,073	129,259,779
Total revenue		921,612,463	712,535,574
Total interest income		750,368,242	580,761,538
Total expenditure		446,268,224	352,324,597
Current Liabilities		461,100,522	289,331,252
Net surplus		150,156,985	102,203,293
Capital Adequacy Ratio	STDs		
Core capital/ Total assets	>10%	13.52%	12.97%
Core capital/Total deposit	>8%	19.51%	17.74%
Institutional capital/ Total assets	>8%	4.18%	3.75%
Investment/Deposits	<5%	7.28%	8.21%
Liquidity ratio			
Liquid assets/deposits & short-term liabilities	>15%	6.87%	10.59%
Loans & advances/savings & deposits		82.16%	73.28%
Operating efficiency ratios			
Total expenses/ total revenue		48.42%	49.44%
Total delinquency loan /Gross loan portfolio	<5%	4.72%	8.37%
Savings / Total Assets	70% - 80%	69.12%	73.11%
Net Loans / Total Assets	70% - 80%	56.94%	53.57%
Dividend rate on members shares		10.00%	10.0%
Interest rate on members deposits-prorated		6.00%	5.4%

REPORT OF THE INDEPENDENT AUDITORS

Opinion

We have audited the financial statements of Magereza Savings and Credit Co-operative Society Limited (the Sacco), set out on pages 9 to 30 which comprises the Statement of financial position as at 31 December 2023, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the period then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the sacco's financial position as at 31 December 2023, and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards and the Sacco Societies Act No.14 of 2008.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there was no key audit matter to be communicated in our report.

We have fulfilled the responsibility described in the Auditor's Responsibilities for the audit of 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 to the risk of material misstatement of the financial statements. The result of our audit procedures, including the procedures performed to address the Key Audit Matters below, provide the basis for audit opinion on the accompanying Financial Statements.

Key Audit Matter	How the matter should be addressed
Receivables reconciliation and reconciliation account Included in the Sacco financial statements for the year 2023 are the receivables reconciliation account of Kshs. 419,395,658 and reconciliation account of Kshs. 766,500,000. The Sacco engaged a consultant to assist reconcile the reconciliation differences whose report was submitted on 1 February 2023. We noted that the report has challenges regarding its implementation because it did not give specific adjustments, actions or activities to be taken in order to dispose of the unreconciled receivables, account balances and tax liabilities	Management to come up with ways to deal with unreconciled receivables/ control accounts and to remove/minimize tax liabilities

REPORT OF THE INDEPENDENT AUDITORS (*Continued*)

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' report and statement of director' responsibilities 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, 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 the directors and management for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Sacco Societies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Sacco's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

The directors are responsible for overseeing the Sacco's financial reporting process.

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 judgement 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 Sacco's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

REPORT OF THE INDEPENDENT AUDITORS (*Continued*)

- Conclude on the appropriateness of the directors' 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 directors' 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 directors 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Sacco to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 identified during the 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 reasonably be thought to bear

Report on Other Legal Requirements

The Kenyan SACCO Societies Act of 2008 requires that we report the following matters to the SACCO Societies Regulatory Authority (SASRA).

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were considered necessary for the purpose of our audit;
- ii) There were cases of fraudulent acts that have been committed by some employees as reported in the key audit matter of this report.
- iii) We have no grounds to believe that the SACCO Society is insolvent or that there is a significant risk that it may become insolvent

The engagement partner responsible for the audit resulting in this report of the independent auditor is CPA Edward Ongiti - P/No.649



ONGITI AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS OF KENYA
P.O. Box 51255, NAIROBI

Ongiti and Associates
Certified Public Accountants
Nairobi.

31st January 2024

STATEMENT OF COMPREHENSIVE INCOME

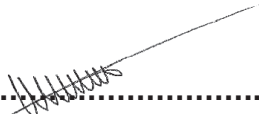
Income revenue	Notes	2023 Kshs	2022 Kshs
Interest on members loans and advances	2	750,368,242	580,761,538
Interest expense	3	(315,187,254)	(258,007,684)
		435,180,988	322,753,854
Other operating income	4	171,244,221	131,774,036
Net Income revenue		606,425,209	454,527,890
Expenditure			
Administrative expenses	5	(62,632,110)	(59,399,298)
Personnel expenses	6	(165,178,186)	(137,994,298)
Governance expenses	7	(59,832,020)	(66,558,805)
Financial expenses	8	(121,948,091)	(51,539,848)
Professional fees	9	(29,653,378)	(16,924,100)
Other operating expenses	10	(17,024,439)	(19,908,248)
Total expenditure		(456,268,224)	(352,324,597)
Surplus before tax		150,156,985	102,203,293
Tax for the year	26	(20,435,516)	(17,908,840)
Net surplus for the year after tax		129,721,469	84,294,453
Other Comprehensive Income			
Gain/(Loss) on fair value of financial assets		(15,435,700)	(6,529,459)
Deferred tax gain/(loss) on fair value of financial assets		(6,615,300)	(2,798,615)
Total Comprehensive Income		107,670,469	74,966,379

STATEMENT OF FINANCIAL POSITION

		31.02.2023	31.12.2022
ASSETS	Notes	Kshs	Kshs
Cash and cash equivalents	11	421,184,297	576,228,117
Receivables, deposits and prepayments	12	2,028,654,607	1,700,774,185
Loans and advances to members	13	4,527,283,517	3,776,557,842
Intangible assets	14	8,480,132	11,611,492
Property and equipment	15	250,177,824	241,918,784
Financial Investments	16	401,088,324	423,139,325
Deposits & Inventory	18	60,831,192	60,151,223
Asset held for Sale	19	228,986,585	235,015,345
Deferred tax	20	3,368,259	9,983,559
Bank Lien	21	17,150,000	13,850,000
		7,947,204,737	7,049,229,872
LIABILITIES			
Members' deposits	22	5,510,174,724	5,153,655,889
Borrowings	23	500,000,000	200,000,000
Payables and accruals	24	55,172,500	26,387,350
Interest rebates payable	25	287,216,637	241,606,685
Tax payable	26	36,104,846	23,268,815
Dividends and Honoraria payable	29	82,606,539	67,105,689
		6,471,275,246	5,712,024,428
EQUITY			
Share capital	27	743,033,723	650,021,994
Reserves	28	732,895,768	687,183,450
MEMBERS' FUNDS		1,475,929,491	1,337,205,444
TOTAL LIABILITIES AND EQUITY		7,947,204,737	7,049,229,872



The financial statements were approved and authorized for issue by the Board of Directors on....**12th February 2024**....and signed on its behalf by:

.....

CHAIRMAN

.....

TREASURER

.....

HON. SECRETARY

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL Kshs	REVENUE RESERVES Kshs	STATUTORY RESERVE Kshs	REVALUATION RESERVE Kshs	CAPITAL RESERVE Kshs	GENERAL RESERVE Kshs	TOTAL Kshs	PROPOSED DIVIDEND Kshs
As at 01.01 2022	440,474,635	111,899,621	112,400,888	586,738,856	1,434,640	4,500,000	1,257,448,640	50,528,123
Contributions during the year	209,547,359	-	-	-	-	-	209,547,359	-
Surplus for the year	-	84,294,453	-	-	-	-	84,294,453	-
Transfer to statutory reserve fund	-	(16,858,891)	16,858,891	-	-	-	-	-
Provision for dividends	-	(65,002,199)	-	-	-	-	-	(65,002,199)
Proposed dividends paid	-	-	-	-	-	-	-	50,424,633)
Provision for honoraria	-	(2,000,000)	-	-	-	-	-	(2,000,000)
Prior year end adjustment	-	(140,553,151)	-	-	-	-	(140,553,151)	-
Revaluation of investments	-	-	-	6,529,659)	-	-	6,529,659)	-
Balance as at 31.12.2022	650,021,994	(28,220,167)	129,259,779	580,209,197	1,434,640	4,500,000	1,337,205,443	67,105,689
As at 01.01.2023	650,021,994	(28,220,167)	129,259,779	580,209,197	1,434,640	4,500,000	1,337,205,443	67,105,689
Contributions during the period	93,011,729	-	-	-	-	-	93,011,729	-
Surplus for the period	-	129,721,469	-	-	-	-	129,721,469	-
Prior year end adjustment	-	-	-	-	-	-	-	-
Revaluation of investments	-	-	-	(15,435,700)	-	-	(15,435,700)	-
Transfer to statutory reserve fund	-	(25,944,294)	(25,944,294)	-	-	-	-	-
Dividends and honoraria paid	-	-	-	-	-	-	-	(53,072,600)
Provision for honoraria	-	(2,000,000)	-	-	-	-	(2,000,000)	(2,000,000)
Provision for dividends	-	(66,573,450)	-	-	-	-	(66,573,450)	(66,573,450)
Balance as at 31.12.23	743,033,723	6,983,558	155,204,073	564,773,497	1,434,640	4,500,000	1,475,929,491	82,606,539

STATEMENT OF CASHFLOWS

Cash flow from operating activities	Notes	2023 Kshs	2022 Kshs
Interest receipts	2	750,368,242	580,761,538
Other operating income	5	171,244,221	131,774,036
Interest expense paid	3&24	(269,577,302)	(421,088,060)
Payments to employees and suppliers	5-9	<u>(405,587,263)</u>	<u>(309,982,456)</u>
		246,447,898	(18,534,942)
Increase/ (Decrease) in operating assets			
Loans to members and related party	13&17	(750,725,675)	(300,483,207)
Prepayments and receivables	12	(337,880,422)	(15,814,669)
Other deposits and Inventory	18	(679,969)	(49,989,577)
Bank lien	21	<u>(3,300,000)</u>	<u>(3,600,000)</u>
		(846,138,168)	(369,887,453)
(Decrease)/ Increase in operating liabilities			
Deposits from members	22	356,518,835	199,201,088
Accruals and payables	24	28,785,150	(19,094,264)
Interest on deposits		-	-
Net Cash from/(used in) operating activities before tax		(460,834,183)	180,106,824
Income tax paid	26	<u>(5,967,886)</u>	<u>(8,093,523)</u>
Net cash generated from /(used in)operations		(466,802,069)	(216,409,094)
Cash flow from investing activities			
Purchase of intangible asset and property and equipment	14&15	(22,152,120)	(14,705,063)
Increase/ (Decrease) of financial assets		-	-
Investments- Isinya Land	19	(6,028,760)	1,763,365
Dividends and honoraria paid	29	<u>(53,072,600)</u>	<u>(50,424,633)</u>
Net cash generated from investing activities		(81,253,480)	(63,366,331)
Cash flow from financing activities			
Movement in borrowings	23	300,000,000	(133,333,333)
Share capital contribution movement	27	<u>93,011,729</u>	<u>209,547,359</u>
Net cash generated from(used in) financing activities		393,011,729	38,657,626
Net cash increase/ (decrease) during the year		(155,043,820)	(241,117,799)
Cash and Cash equivalents at the start of the year		<u>576,228,117</u>	<u>817,345,916</u>
Cash and Cash equivalents at the end of the year	11	<u>421,184,297</u>	<u>576,228,117</u>

ACCOUNTING POLICIES

1 Summary of Significant Accounting Policies

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

a) Statement of compliance & basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRSs).

These financial statements are presented in the functional currency, Kenya shillings (KShs) and prepared under the historical cost convention, except as specified below under fair value measurement in accordance with applicable IFRSs.

b) Revenue recognition

Interest income and expense

Interest on member's loans and any other income is recognized on the year it is earned by the Society. Revenue shall be measured at the fair value of the consideration received or receivable. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Other income

- i) Entrance fee of Kshs 500 is recognized when a new member joins the society;
- ii) Dividend is recognized when the right to receive income is established. Dividend are reflected as a component of other operating income based on the underlying classification of the equity instrument;
- iii) Commission income is recognized upon successful completion of the transaction;
- iv) Miscellaneous income is recognized upon performance of the services agreed on.
- v) Interest income is recognized on an accruals basis in the profit or loss for the year using the effective yield on the asset. Interest income includes income from loans and advances. When financial assets become impaired, interest income is thereafter not recognized until such time that recoverability is assured.
- vi) Rent income is charged on accrual basis according to the terms of the lease.

c) Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Certain classes of property, plant and equipment are subsequently shown at revalued amounts, based on periodic valuations by the independent valuers, less subsequent. All other property plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

	Rates
Land & Buildings	2.5%
Computers	25.0%
Motor Vehicles	25.0%
Office Furniture and Fittings	12.5%
Office Equipment	12.5%
Mageso Chambers Equipment	12.5%

ACCOUNTING POLICIES (*Continued*)

Intangible assets

Intangible assets include computer software recognized in the books at cost and amortized over an estimated useful life based on the circumstances at an annual rate at 33.3 % per annum on straight line basis method.

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of a revalued asset, amount in the revaluation reserve relating to that asset is transferred to retained earnings.

De recognition

The carrying amount of an item of property, plant and equipment shall be derecognized:

- (a) on disposal; or
- (b) When no future economic benefits are expected from its use or disposal.

The gain or loss arising from the De recognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognized (unless IAS 17 requires otherwise on a sale and leaseback). Gains shall not be classified as revenue.

(d) Adoption of new Standards and Interpretations

The following standards and interpretations have been adopted as they are mandatory for the year ended 31 December 2023 as they were effective for annual periods beginning on or after 1 January 2016;

i) Disclosure Initiative-Amendments to IAS 1

The amendments clarify the materiality requirements in IAS 1, that specific items in the statements of comprehensive income and financial position may be disaggregated, that entities have flexibility as to the order in presenting notes to the financial statements,; and that the share of other comprehensive income of associates and joint ventures, accounted for using the equity method, must be presented in aggregate as a single line item, and classified between those items that will not be subsequently reclassified to profit or loss. The amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

ii) IFRS 10, IFRS 12 and IAS 20 Investment Entities; Applying the Consolidation Exemption-Amendments to IFRS 10, IFRS 12 and IAS 28

The amendments to IFRS 10 clarify that the exemption in paragraph 4 of IFRS from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, the amendment to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measure at fair value.

The amendment to IAS 28 allow the investor, when applying the equity method to retain the fair value Measurement applied by the investment entity, associate or joint venture to its interest in subsidiaries.

iii) Accounting for Acquisition of interest in joints operations-Amendments to IFRS 11

The amendment requires an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS

3nd other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements.

ACCOUNTING POLICIES (*Continued*)

Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendment also apply to an entity on the formation of a joint operation if, and only if, and only if, an existing business is contributed by one of its parties to the joint operation on its formation. Furthermore, the amendment clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interest in the joint operation must not be remeasured if the joint operator retains joint control.

iv) IAS 16 and IAS 38-Ammendements to IAS 16 and IAS 38: Clarification of Acceptable Methods

of The amendment clarifies the principle in IAS 16; Property, Plant and Equipment and IAS 38; Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to the total revenue expected to be generated cannot be used to depreciated property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

v) IAS 27: Equity Method in Separate Financial Statements-Amendments to IAS 27

The amendment allow an entity to use the equity method as described in IAS 28 to account for its investment in subsidiaries joint ventures and associates in its separate financial statements. Therefore, an entity must account for its investments either (1) at cost; 2) in accordance with IFRS 9; or (3) using the equity method. The entity must apply the same accounting for each category of investment, and the amendment must be applied retrospectively.

vi) IAS 7: Disclosure Initiative-Statement of Cash flows

The amendment are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flow and non-cash changes. The amendments are Intended to provide information to help investors better understand changes in a Society's debt.

e) New Standards and Interpretations not yet adopted

The following new Standards and amendments to standards and interpretation effective 31 December 2016 are not expected to have a significant effect on the financial statements of the Society in future financial periods, or not applicable to the Society based on the existing assets and liabilities;

(i) IFRS 9: Financial instruments

Issued on 24th July 2014 this standard replaces earlier version of IFRS9 and superseded IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS9 impairment model has been changed from an 'incurred loss' model from IAS 39 to an "expected credit loss" model

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption permitted.

The Sacco has not assessed the potential impact on its financial statements resulting from the application of IFRS 9 and this may lead to misstatement of its assets.

The Sacco classifies its financial instruments into the following categories:

- i) Financial assets at fair value**, which comprise of those held at Fair Value through Other Comprehensive Income (FVOCI) which meet the Solely Payments of Principal and Interest(SPPI) test and are held in a business model in which assets are managed both to collect contractual cash flows and for sale and those held at Fair Value through Profit or Loss(FVTPL) which are all other financial assets that do not qualify for measurement at FVOCI

ACCOUNTING POLICIES (*Continued*)

- ii) **Financial assets at amortized cost**, which comprise of financial assets which meet the Solely Payments of Principal and Interest (SPPI) test and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows only.
- iii) **Financial liabilities at fair value through profit or loss**, which comprise of those held for trading and those designated at FVTPL upon initial recognition.
- iv) **Financial liabilities at amortized cost**, which comprises of all other financial liabilities except for those that the fair value option has been elected.

ii) **IFRS 15: Revenue from Contracts**

IFRS 15 was issued on May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structure approach to measuring and recognizing revenue. The Society is assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

iii) **IFRS 16: Leases**

The new standard introduces a single on balance sheet accounting model, similar to the current finance lease accounting. Under the new standard the society will be required to recognize a 'right to use' asset and a lease liability for all identified leased assets in the statement of financial position. The current operating lease (rent) expense will be replaced with a depreciation and finance charge. The standard becomes applicable for the financial year beginning on or after 1 January 2019 and the society intends to adopt IFRS 16 on its effective date. While there is not expected to be a material impact on overall cash flows and net profit or loss, the quantification of such impact cannot be reliably measured.

iv) **IFRS 2: Classification and Measurement of Share Based Payments Transactions-Amendments to IFRS 2**

The amendments to IFRS 2 are intended to eliminate diversity in practice, and addresses three main areas; (1) The effect of vesting conditions on the measurement of a cash -settled share based payment transactions,(2)The classification of a share based payment transaction with net settlement features for the withholding tax obligations (3) The accounting where a modification of the terms and conditions of a share based payment transaction changes its classification from cash settled to equity settled.

(f) **IAS 12: Income Taxes**

According to IAS 12, current tax for current and prior periods shall, to the extent unpaid, be recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset. Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Note that for Saccos, dividend and/or interest expense is deducted before computing/charging tax.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability. Currently enacted tax rates are used to determine deferred income tax.

ACCOUNTING POLICIES (*Continued*)

Deferred income tax assets are recognized only to the extent that it is probable that the future taxable profits will be available against which temporary differences can be utilized.

(g) Financial liabilities and equity instruments issued by the Sacco

Classification as debt or equity

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

Equity instruments

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

Financial guarantee contract liabilities

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

- The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

Financial liabilities

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

All financial liabilities are recognized initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognized at fair value and the transaction costs are expensed in the statement of comprehensive income.

Subsequently, all financial liabilities are carried at amortized cost using the effective interest method except for financial liabilities through profit or loss which are carried at fair value.

All financial liabilities are classified as non-current except financial liabilities at fair value through profit or loss, those expected to be settled in the company's normal operating cycle, those payable or expected to be paid within 12 months of the reporting date and those which the company does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

De recognition of Financial Liabilities

Financial liabilities are derecognized only when the obligation specified in the contract is discharged or cancelled or expires.

Provision for liabilities and charges

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Other financial liabilities

All other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

ACCOUNTING POLICIES (*Continued*)

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(h) Employee entitlements

Employee entitlement to long service awards are recognized when they accrue to employees. Provision is made for the estimated liability of such entitlements as a result of services rendered by employees up to the reporting date. The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognized as an expense accrual.

(i) Retirement benefit obligations

The Society operates a defined contribution scheme for all employees. A defined contribution plan is a pension plan under which the society pays fixed contributions into a separate entity. The assets of these schemes are held in a separately administered fund that is funded by contribution from the society and employees.

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

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

(j) Statutory reserves

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

(k) Cash and cash equivalents

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

(l) Provisions for liabilities and other charges

Provisions are recognized when the Sacco has a present obligation (legal or constructive) as a result of a past event, it is probable that the Sacco will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

(m) Collateral

The Sacco discloses:

- (a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 37(a) of IAS 39; and
- (b) the terms and conditions relating to its pledge

When the Sacco holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose:

ACCOUNTING POLICIES (*Continued*)

- (a) the fair value of the collateral held;
- (b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and
- (c) the terms and conditions associated with its use of the collateral.

2(a) Key source of estimation uncertainty

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

- (a) In the absence of recently observed market prices, future oriented estimates are necessary to measure the recoverable amounts of classes of property, plant and equipment.
- (b) The effect of technological obsolescence on inventories
- (c) Provisions subject to future outcome of litigation in progress
- (d) In determining the liability for long-service payments, management must make an estimate of salary increases over the following five years, the discount rate for the next five years to use in the present value calculation, and the number of employees expected to leave before they receive the benefits.

2(b) Significant judgment(s) in applying the Society's accounting policies

Disclosure is made of significant judgements (apart from those involving estimations) made in applying the accounting policies that have the most significant effect on the amounts recognized in the financial statements.

Examples of judgments,

- (1) When substantially all the significant risks and rewards of ownership of financial assets are transferred to other entities
- (2) Whether in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue
- (3) Whether the relationship with a special purpose entity indicates control of the Special Entity

NOTES TO THE FINANCIAL STATEMENT

2 Interest on members loans and advances		2023 Kshs	2022 Kshs
Interest on bosa loan		456,439,211	411,168,542
Interest on fosa loans		<u>293,929,031</u>	<u>169,592,996</u>
		<u>750,368,242</u>	<u>580,761,538</u>
3 Interest expense			
Interest on member deposits expense		313,690,332	256,572,849
Interest on fixed deposits		<u>1,496,922</u>	<u>1,434,835</u>
		<u>315,187,254</u>	<u>258,007,684</u>
4 Other operating income			
Rental Income- Mageso chambers		14,073,324	13,943,000
Rental Income- Mageso courts		4,580,500	9,514,000
ATM commissions		4,863,710	4,492,960
Msacco commissions		19,484,334	7,769,242
Benevolent contributions		-	41,178,229
Risk management fees		43,417,080	4,790,692
Entrance fees		-	2,024,000
Miscellaneous Income		17,778,110	5,379,652
Investment Income*		<u>67,047,163</u>	<u>42,682,261</u>
		<u>171,244,221</u>	<u>131,774,036</u>
*Investment Income comprise of	Value	Income-2023	Income-2022
Fixed deposit(Kuscco& CIC)**	-	-	-
Coop Holding shares	314,719,776	57,515,039	1,680,110
Cooperative bank Shares	21,752,993	2,520,163	38,431,874
Kussco shares	66,162,009	-	2,514,156
Safaricom Shares	1,026,375	777,714	56,121
Fixed deposit (Coop bank)	<u>310,000,000</u>	<u>6,234,247</u>	-
	<u>713,661,153</u>	<u>67,047,163</u>	<u>42,682,261</u>
5 Administrative expenses			
Motor vehicle running		583,611	508,441
Office repair and maintenance		441,776	861,460
Office cleaning		1,656,458	1,854,263
Security expense		7,986,340	8,022,676
Business Licence		223,250	220,050
Property and loan Insurance		1,252,622	3,048,359
Computer expense		25,767,746	21,516,823
Printing and Stationery		933,440	870,358
Internet, Telephone and Postage		2,007,356	2,879,565
Ushirika day celebrations		1,403,850	1,805,960
Public relations and advertisement		8,057,058	8,492,086
Subscriptions		543,439	104,582
Water,fire,electricity and Parking		3,060,208	2,661,301
Property management fees		2,552,190	3,139,229

NOTES TO THE FINANCIAL STATEMENT *(Continued)*

	2023 Kshs	2022 Kshs
Rent and rates	309,375	539,403
Repairs and maintenance(Building)	4,902,640	975,945
Branch rent	950,751	1,838,797
	62,632,110	59,339,298
6 Personnel expenses		
Salary and wages	90,275,840	73,637,783
Housing Levy	632,844	-
NSSF contributions	699,080	85,000
Provident fund contributions	6,901,584	6,189,319
Travel and subsistence	6,556,568	7,060,873
Education and welfare	4,563,123	6,003,250
Staff leave allowance	1,291,875	1,008,125
Medical expenses	15,535,044	17,378,795
Office expenses	1,729,019	1,774,040
Group life Insurance	2,197,881	1,514,265
Staff voluntary retirement	19,608,163	9,435,292
Staff end year party	8,616,250	4,623,000
Gratuity expense	<u>6,570,915</u>	<u>9,284,556</u>
	165,178,186	137,994,298
7 Governance expenses		
Travel and Subsistence allowance	23,863,693	24,055,475
Committee/Mmember education	7,132,850	10,633,000
ADM expenses	10,109,600	7,571,833
Delegates allowances	8,947,967	8,709,546
Members education	<u>9,777,910</u>	<u>15,588,951</u>
	59,832,020	66,558,805
8 Financial expenses		
Provision for Loan loss	(8,391,145)	16,836,415
Receivables write off	55,000,000	-
Bank charges	10,076,318	2,045,899
Interest on bank loan	<u>65,262,918</u>	<u>32,657,534</u>
	121,948,091	51,539,848
9 Professional fees		
Strategic plan consultancy	3,480,000	2,114,471
Forensic audit expenses	14,035,700	-
Audit fee expense	1,850,200	1,682,000
Legal fee expense	1,540,104	5,007,518
Sasra Levy and license fees	<u>8,747,374</u>	<u>8,120,111</u>
	29,653,378	16,924,100
10 Other operating expenses		
Depreciation	12,790,731	14,111,206
Amortization	<u>4,233,708</u>	<u>5,797,042</u>
	17,024,439	19,908,248

NOTES TO THE FINANCIAL STATEMENT

	2023 Kshs	2022 Kshs
11 Cash and Cash equivalents		
(a) Bank		
Main current account/Gold fish access account - Cooperative Bank	5,041,513	362,212,814
Savings account	-	(7,220,689)
Magfosa-current account - Cooperative Bank	78,159,912	120,949,252
MBF current account - Cooperative Bank	5,172,969	(4,416,465)
Branch current accounts - Cooperative Bank	2,124,695	2,767,044
Rent Collection account - Cooperative Bank	4,156,923	-
Msacco float	18,335,462	42,750,242
Teller cash	80,784	783
Petty cash	1,512,104	1,907,460
ATM settlement - Cooperative Bank	(14,288,185)	13,952,718
Mpesa float	<u>1,000,000</u>	<u>800,000</u>
	<u>101,296,177</u>	<u>533,703,159</u>
(b) Cash balances		
Fixed Deposits – Cooperative Bank of Kenya	310,000,000	-
Magfosa cash	<u>9,888,120</u>	<u>42,524,958</u>
	<u>319,888,120</u>	<u>42,524,958</u>
Total cash and cash equivalent	<u>421,184,297</u>	<u>576,228,117</u>
12 Receivables, deposits and prepayments		
Collectable Receivables:		
Mageso Chambers tenants	21,225,552	16,373,049
Ministry of interior and other ministries	358,474,626	241,962,979
Insurance claim receivable	5,629,238	6,214,817
Unallocated funds	8,567,436	1,026,130
Interest receivable	<u>107,407,617</u>	<u>91,819,446</u>
	<u>501,304,469</u>	<u>357,396,421</u>
Uncollectable Receivables:		
Opening balance	17,770,286	17,770,286
Receivables (Reconciliation account)	419,395,658	419,395,658
Account receivable -Safaricom	2,077,192	2,077,192
Members salary receivable	47,522,750	47,294,214
Receivable from Ministries	241,962,979	-
Doubtful cash	<u>4,768,929</u>	<u>3,090,667</u>
	<u>733,497,794</u>	<u>489,628,017</u>
Less: Provision	<u>(10,000,000)</u>	-
	<u>723,497,794</u>	<u>489,628,017</u>
	<u>1,224,802,263</u>	<u>847,024,438</u>
Prepayments		
Staff medical insurance	6,436,709	7,449,559
Corporation tax	7,717,793	7,285,894
Mageso Chambers insurance	45,511	45,511

NOTES TO THE FINANCIAL STATEMENT *(Continued)*

	2023 Kshs	2022 Kshs
Retirement benefit expense	9,435,292	18,870,583
Prepaid expenses	521,900	]521,900
Fosa prepaid insurances	11,063	650,489
Motor vehicle insurance	7,450	7,450
Staff accident	1,230,375	1,230,375
Interest receivable Cooperative Bank of Kenya		--
Mageso court insurance	244,756	43,727
Prepaid expenses	<u>5,467,248</u>	<u>6,144,259</u>
	<u>37,352,344</u>	<u>42,249,747</u>

(b) Reconciliation account

Balance b/f	811,500,000	811,500,000
Less: Provision	<u>(45,000,000)</u>	<u>-</u>
Balance c/f	<u>766,500,000</u>	<u>811,500,000</u>

TOTAL RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<u>2,028,654,607</u>	<u>1,700,774,185</u>
--	-----------------------------	-----------------------------

13 Loans to members As at 01 January

Loans issued	3,953,168,485	3,652,685,279
Loans repaid	4,394,196,367	2,380,646,653
	<u>(3,651,861,837)</u>	<u>(2,080,163,447)</u>
	<u>4,695,503,015</u>	<u>3,953,168,485</u>
Allowance for doubtful debts	<u>(168,219,498)</u>	<u>(176,610,643)</u>
	<u>4,527,283,517</u>	<u>3,776,557,842</u>

Allowance for doubtful debts

Classification

	No. of Accounts	Required Rate	Amount Due	Provision for Loan loss
Performing	31,446	1%	4,285,617,827	42,856,178
Watch	1,013	5%	91,961,425	4,598,071
Sub standard	1,115	25%	79,156,227	19,789,057
Doubtful	299	50%	7,435,589	3,717,794
Loss	<u>2,455</u>	100%	<u>97,258,398</u>	<u>97,258,398</u>
Sub total	<u>36,328</u>		<u>4,561,429,466</u>	<u>168,219,498</u>

Differences

Balance as per ledger control account before provision for loan loss	4,695,503,015
--	---------------

Balance as per member listing	4,561,429,466
-------------------------------	---------------

Difference	<u>134,073,549</u>
-------------------	---------------------------

The above difference should be reconciled

14 Intangible assets

Cost

At start of the year	48,668,046	46,343,210
Additions	1,102,348	2,324,836
At the end of the year	<u>49,770,394</u>	<u>48,668,046</u>

Amortization

At start of the year	37,056,554	31,259,512
Charge for the year @ 33.3%	4,233,708	5,797,042
	41,290,262	37,056,554

Carrying amount at end of the year

	<u>8,480,132</u>	<u>11,611,492</u>
--	-------------------------	--------------------------

NOTES TO THE FINANCIAL STATEMENT

15 Property and equipment

COST	Land & Buildings 2.5%	Computer & Accessories 25.0%	Furniture & Fittings 12.5%	Office Equipment 12.5%	Motor vehicle 25%	Total
At 01.01.2022	283,831,803	74,299,657	27,012,576	29,533,982	5,153,488	419,831,506
Additions	-	11,077,642	446,970	855,615	-	12,380,227
As at 31.12.2022	283,831,803	85,377,299	27,459,546	30,389,597	5,153,488	432,211,733
At 01.01.2023	283,831,803	85,377,299	27,459,546	30,389,597	5,153,488	432,211,733
Additions	20,125,289	653,999	130,985	139,499	-	21,049,772
As at 31.08.2023	303,957,092	86,031,298	27,590,531	30,529,096	5,153,488	453,261,505
DEPRECIATION						
At 01.01.2022	73,602,837	60,441,329	18,908,625	18,182,326	5,046,628	176,181,745
Charge for the year	5,255,724	6,233,992	1,068,865	1,525,909	26,715	14,111,205
As at 31.12.2022	78,858,561	66,675,321	19,977,490	19,708,235	5,073,343	190,292,950
At 01.01.2023	78,858,561	66,675,321	19,977,490	19,708,235	5,073,343	190,292,950
Charge for the period	5,627,463	4,838,994	951,630	1,352,608	20,036	12,790,731
As at 31.08.2023	84,486,024	71,514,315	20,929,120	21,060,843	5,093,379	203,083,681
NET BOOK VALUE						
As at 31.12.2022	204,973,242	18,701,978	7,482,056	10,681,363	80,145	241,918,784
As at 31.12.2023	219,471,068	14,516,983	6,661,411	9,468,253	60,109	250,177,824

NOTES TO THE FINANCIAL STATEMENT *(Continued)*

16 Financial investment			2023 Kshs	2022 Kshs
Quoted Cost	No. of Shares	Market price		
Safaricom Shares	42,500	13.90	590,750	1,026,375
Cooperative Bank Limited	1,768,536	11.20	19,807,603	21,752,993
			20,398,353	22,779,368
Unquoted Investments				
Cooperative Bank Holdings Limited	43,711,080	6.75	295,049,790	314,719,776
Cooperative Ins. Company Limited	5,565,192	3.5	19,478,172	19,478,172
Kuscco shares	661,620	100	66,162,009	66,162,009
			380,689,971	400,359,957
Total Investments			401,088,324	423,139,325
17 Related Party loans and advances				
Loan and advances (Directors, Supervisory Committee & staff)			94,726,269	59,922,637
Net increase during the year			21,857,347	34,803,631
Total Net Amount			116,583,616	94,726,268
Allowances for doubtful debts				
Classification	No. of accounts	Required rate	Loan amount	Provision for loan loss
Performing	67	1%	116,583,616	1,165,836
18 Inventory & Deposits				
Inventory			2023	2022
Consumable Stock			11,036,097	7,280,527
Bidha Stock			2,223,980	2,223,980
			13,260,077	9,504,507
Work In Progress				
Valuation and Architectural fee			47,096,000	50,301,605
Deposits				
Telephone, Water and Electricity			475,115	345,111
Total Deposits and Inventory			60,831,192	60,151,223
19 Land Held for Sale				
Isinya Plots			228,986,585	235,015,345

This relates to the two parcels of land purchased by the Sacco in the year 2013 in Isinya, Kajiado County for the purpose of selling to its members. One plot of 16.19 Ha is not yet subdivided.

The number of plots subdivided from the other parcel of land of the 42.50Ha, KJD/KAPUTEINORTH/5931 is 241 plots and the number of plots fully sold are 98 and 39 plots are partly sold as at 31.12.2023 leaving a balance of 104 plots unsold

NOTES TO THE FINANCIAL STATEMENT

	2023 Kshs	2022 Kshs
Deferred tax		
As at 01 January	9,983,559	12,781,984
Charge for the year	<u>(6,615,300)</u>	<u>(2,798,425)</u>
20 As at 31 December	<u>3,368,259</u>	<u>9,983,559</u>
21 Bank lien		
Balance brought forward	13,850,000	10,250,000
Transfer during the year	<u>3,300,000</u>	<u>3,600,000</u>
	<u>17,150,000</u>	<u>13,850,000</u>
Bank lien is deposit held by Cooperative Bank as security		
22 Members' Deposits		
Non-withdrawable deposits (BOSA)		
Balance brought forward	5,026,214,141	4,891,356,072
Net movement	<u>371,396,473</u>	<u>134,858,069</u>
Balance carried forward	<u>5,397,610,614</u>	<u>5,026,214,141</u>
Ordinary savings	84,943,827	102,062,910
Other deposits	75,192	-
Fixed deposit	<u>27,545,091</u>	<u>25,378,838</u>
	<u>112,564,110</u>	<u>127,441,748</u>
Total deposits	<u>5,510,174,724</u>	<u>5,153,655,889</u>
23 Borrowings		
Coop bank loan		
As at 01.01.2022	200,000,000	-
Additions during the year	600,000,000	333,333,333
Repayment during the year	<u>(300,000,000)</u>	<u>(133,333,333)</u>
Balance as at 31 December	<u>500,000,000</u>	<u>200,000,000</u>

The Loan was acquired in the month of June 2023 purposely to meet the increased demand of the loan uptake. The amount of loan borrowed is Kshs 600,000,000 and is being charged an interest of 14% per annum and the bank shall impose an annual recovery fee of Kshs 1.28% per annum.

The loan is to be repaid in equal monthly instalments of Kshs 16,666,667 exclusive of interest for a period of 36 months.

NOTES TO THE FINANCIAL STATEMENT *(Continued)*

	2023 Kshs	2022 Kshs
24 Payables & accruals		
Rental deposits	1,074,292	1,179,292
Accounts payable	4,764,246	2,001,012
Excise duty	985,680	2,126,895
Audit fees	975,560	1,682,000
Value Added Tax	1,560,693	(1,575,795)
Staff Advance	126,160	126,160
Vat withholding tax	(2,568,162)	-
Account payable CRB	(71,166)	-
MBF retention Account	6,494,692	6,639,645
Cloudpesa commissions	5,633,415	5,633,415
Fixed deposit interest payable	(2,076,441)	-
Benevolent fund	18,033,331	-
Withholding tax	5,228,172	-
Deposit withdrawal payable	3,854,285	1,280,584
Doubtful savings	7,220,689	-
Accruals payroll liabilities	3,937,054	1,937,186
Magfosa payables and Accruals	-	5,356,956
	<u>55,172,500</u>	<u>26,387,350</u>
25 Interest rebates payable		
Balance brought forward	241,606,685	303,621,909
Prior year adjustment	-	101,065,152
Provision for rebates for the year	313,690,332	256,572,849
Paid during the year	(268,080,380)	(419,653,225)
	<u>287,216,637</u>	<u>241,606,685</u>
26. Taxation		
Balance brought forward	21,337,216	13,453,498
Provision for for the year	20,435,516	17,908,840
Instalment tax	(5,967,886)	(8,093,523)
	<u>36,104,846</u>	<u>23,268,815</u>
27. Share capital and reserves		
Balance brought forward	650,021,994	440,474,635
Additions during the year	93,011,729	209,547,359
Balance carried forward	<u>743,033,723</u>	<u>650,021,994</u>
28 Reserves		
a). Statutory Reserve Fund		
Balance brought forward	129,259,779	112,400,888
Additions during the year	25,944,294	16,858,891
Balance carried forward	<u>155,204,073</u>	<u>129,259,779</u>
b). General reserves		
Balance brought forward	<u>4,500,000</u>	<u>4,500,000</u>

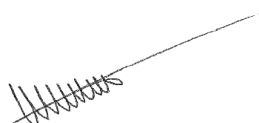
NOTES TO THE FINANCIAL STATEMENT

	2023 Kshs	2022 Kshs
c).Revenue Reserves		
Balance brought forward	(28,220,168)	111,899,621
Net surplus/(Deficit) for the year	129,721,469	84,294,453
Transfer to statutory Reserve Fund	(25,944,294)	(16,858,891)
Provision for Dividends	(66,573,450)	(65,002,199)
Prior year adjustment	-	(140,553,152)
Provision for Honoraria	(2,000,000)	(2,000,000)
	<u>6,983,557</u>	<u>(28,220,168)</u>
d).Revaluation Reserve		
Balance brought forward	580,209,197	586,738,856
Transfer from fair value reserve	(15,435,700)	(6,529,659)
	<u>564,773,497</u>	<u>580,209,197</u>
e) Capital Reserve	<u>1,434,640</u>	<u>1,434,640</u>
Total Reserves	<u>732,895,768</u>	<u>687,183,449</u>
29. Dividends and Honoraria payable		
Balance brought forward	67,105,689	50,528,123
Provision for dividends for 2023	66,573,450	65,002,199
Provision for Honoraria for 2023	2,000,000	2,000,000
Dividends and honoraria paid	(53,072,600)	(50,424,633)
	<u>82,606,539</u>	<u>67,105,689</u>
30 Related party Transactions		
(a) Board & Supervisory – Deposits		
As at 1 January	6,771,907	5,748,107
Net movement	4,007,528	1,023,800
	<u>10,779,435</u>	<u>6,771,907</u>
(b) Staff deposits		
As at 1 January	30,884,521	25,641,679
Net movement	7,472,851	5,242,852
	<u>38,357,372</u>	<u>30,884,531</u>
31 Comparatives		
Some figures in the 2022 financial statements have been restated where necessary.		
32 Currency		
The Financial statements are prepared in Kenyan Shillings		

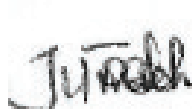
MAGEREZA BENOVELENT FUND NET FUND STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
Contributions for the year	57,789,750.00	46,332,700.00
Claims Receivable	5,629,238.80	5,850,000.00
Claims received	19,353,998.00	30,892,224.00
	82,772,986.80	83,074,924.00
Bank charges	14,627.10	11,046.00
Funeral Token	7,380,000.00	6,070,000.00
Audit fee	165,000.00	165,000.00
Insurance Premium	26,633,186.50	26,255,374.70
	34,192,813.60	32,501,420.70
Net contribution for the year	48,580,173.20	50,573,503.30
Balance brought forward	56,965,824.30	47,570,550.00
Benevolent Income	-	- 41,178,229.00
Magereza sacco Inter current account	- 84,122,243.15	-
Balance carried Forward	21,423,754.35	56,965,824.30

The financial statements were approved by the board of directors on the **12th February 2024** and signed on its behalf by:



Chairman



Treasurer



Secretary

DELEGATES 2024

	CENTRAL REGION		
	NAME	MNO.	STATION
1	LABAN KARIUKI	18457	RUIRU
2	AUTHER OLUOCH	28265	MWEA
3	HASSAN ABDILLE YARROW	32781	NYERI MAXIMUM
4	GEDION MASYA TIMOTHY	33323	NYERI MEDIUM / RC'S OFFICE
5	BEATRICE ACHIENG' ADERO	27586	NYERI WOMEN
6	KENNEDY MUKUNDI	22793	MURANG'A MAIN
7	RUTH IGOKI NJERU	24838	MURANG'A WOMEN
8	ALEXANDER MUGAMBI NJAGI	25191	MARANJAU
9	AGNES GITHUKU	19054	KIAMBU
10	SHELMITH KARIUKI	41166	THIKA WOMEN
11	BERNARD KINARA MAYAKA	31046	THIKA MAIN
12	MERCY KAIME	31053	THIKA MAIN
13	STEPHEN NJUKI	36426	NYANDARUA
	COAST REGION		
	NAME	MNO.	STATION
1	RAMA KUTO MAZERA	29953	RC'S OFF.
2	DONALD MWASIANO	29990	SHIMO MAXIMUM
3	ROBERT PYATICH	36337	SHIMO MAXIMUM
4	ESTHER D. DAWA	26968	KWALE WOMEN
5	WASHINGTON O. OMONDI	34898	MANYANI MAXIMUM
6	THOMAS MONG'ARE	14015	MOMBASA REMAND
7	JOHN GITONGA IKUNGA	32941	HINDI
8	YAKUB ISSACK ABU	29917	SHIMO MEDIUM
9	SALIM PASHUA	26965	SHIMO B.I.
10	EUNICE ZAWADI KENGA	31546	SHIMO WOMEN
11	ESTHER MBUTE	28778	MALINDI WOMEN
12	JOHN RUNYA	33137	MALINDI MAIN
13	ELIZABETH ADHIAMBO OLOO	29379	KALOLENI
14	FLORENCE KATEE	34009	WUNDANYI MAIN / WOMEN
	EASTERN REGION		
	NAME	MNO.	STATION
1	JANE KAHIGA	19647	RC'S OFFICE
2	AUGUSTINE MOTATIRO	15812	MERU MAIN
3	MERCY WANJERI KIRAGU	16734	MERU WOMEN
4	MARGARET W. RUTHI	19085	YATTA
5	FRANCIS NYAGA RUNJI	19995	CHUKA
6	GALGALO ABGUDO HUKA	26201	ISIOLO MAIN / WOMEN
7	BENSON KISWILI	28167	KITUI MAIN / WOMEN
8	MORRIS K. ITABARI	19239	KANGETA

MAGEREZA DEPOSIT TAKING SACCO SOCIETY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

9	LYDIAH AWINO OMOLO	35755	MACHAKOS MAIN
10	JEMIMA MURIUKI	33696	EMBU WOMEN
11	IBRAHIM GICHARU	25680	EMBU MAIN
12	PATRICK CHARO	32820	MAKUENI REMAND / WOMEN
13	SAMUEL MBINDA MUTUNGA	32823	MAKUENI MAIN
14	SAMUEL THIRATA	17567	MARSABIT
15	DENNIS KAMAU	35323	MWINGI MAIN
16	JACINTA MWIKALI	40312	MWINGI WOMEN
17	DAVID MWONGERA KOOME	25677	MARIMANTI
18	JUSTUS GITONGA KITHAMU	32893	MUTOMO
	NAIROBI REGION		
	NAME	MNO.	STATION
1	RICHARD GATUKUI	32075	OTHER MINISTRIES
2	JONAH WACHIRA	24595	TELEPOSTA
3	ROSE MULIRO	24819	RC'S OFFICE
4	JOSEPH OKERIO	28694	MVD & Q/MASTER
5	NANCY MWENDA	30207	C/WORKSHOP & TIMBERYARD
6	NORAH NGUSYA	19051	LANGATA WOMEN
7	ANN OCHARO	35106	LANGATA WOMEN
8	WASIKE CULLEN	31403	LANGATA WOMEN
9	GODWINE MAKOKHA OUMA	29840	LANGATA WOMEN
10	TIMOTHY CHEPKONGA	30530	NAIROBI REM. & ALL.
11	JAMES OTIENO OBIERO	37264	NAIROBI REM. & ALL.
12	NICHOLAS MOMBO	30099	NAIROBI REM. & ALL.
13	EMILY NKIROTE	36061	NAIROBI REM. & ALL.
14	SAMUEL OSORO	29125	NAIROBI WEST
15	MOSES NYAGA	23145	NAIROBI WEST
16	JAMES FREDRICK MURANGIRI	29062	KAMITI MAXIMUM / INDUSTRIES
17	HENRY MUCIRA GICHOVI	28819	KAMITI MAXIMUM / INDUSTRIES
18	JAMES KIRIMI	32163	KAMITI YCTC & B.I.
19	RICHARD OKETCH	24688	KAMITI MEDIUM
20	JUDY RUGURU	33995	KAMITI MEDIUM
21	PHARES KINYUA NJERU	21186	KAMAE GIRLS B.I.
22	FELISTER JEPKOSGEI	32829	PHQ
23	JOHN ONGORI	36072	PHQ
24	NEVILLY MWASHAO	33393	PHQ
25	RICHARD MAGANGA	22795	PHQ
	NORTH EASTERN		
	NAME	MNO.	STATION
1	MOHAMED DAGANE OMAR	32646	RC'S OFF./GARISSA MAIN/WOMEN
2	DAGANE SHABEL	12371	GARISSA MEDIUM

MAGEREZA DEPOSIT TAKING SACCO SOCIETY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

	NYANZA REGION		
	NAME	MNO.	STATION
1	JOSEPHINE AKINYI WALWANGA	28275	RC'S OFFICE
2	MATHEW LEVY JOHN OUMA	32699	KISUMU MAXIMUM
3	DAVIS OLUMUS EKIRAPA	19716	KISUMU MAXIMUM
4	HENRY JUMA TAABU	29816	KISUMU MAXIMUM
5	DOUGLAS GESAKA GESORA	31686	KISUMU MAXIMUM
6	GEORGE MAKANA	25253	KISUMU MEDIUM
7	JOAN TINDI WEKESA	28397	KISUMU WOMEN
8	HEZRON O. NDAGA	24836	KIBOS MAXIMUM
9	JAMIL W. WANGATIA	34820	KIBOS MAXIMUM
10	OKOME MICHAEL OKWIRI	31360	KIBOS MEDIUM
11	OKONGO MARK ALFRED	31019	HOMA BAY MAIN
12	MARIETTAH M. MUTINDA	35737	HOMA BAY WOMEN
13	OLIVER K. RAPANDO	24830	KISII MAIN
14	HARRISON ODHIAMBO	22798	KISII MAIN
15	JAMES MARUCHA	28201	MIGORI MAIN
16	VIOLET AKINYI AMIMO	32469	MIGORI WOMEN
17	LEMEIN PETER PEMBA	30597	NYAMIRA
18	ERICK ONYANGO OUMA	29000	SIAYA MAIN / WOMEN
19	SAMUEL N. ONSINYO	32572	KENDEGE
	PSTC		
	NAME	MNO.	STATION
1	BERNARD ATIKA AKAMA	23610	PSTC
2	RAYMOND KIMANI	35343	PSTC
3	COLLINS OWUOR MIRAMBO	29439	PSTC
4	MIKE TOO KIPKETER	33052	PSTC
	RIFT VALLEY REGION		
	NAME	MNO.	STATION
1	BARNABAS K. SUGUT	28844	KAPSABET MAIN
2	HELLEN KOROS	17232	KAPSABET WOMEN
3	HELLEN C. LONGURADOMO	25601	KAPENGURIA MAIN
4	INNOCENT ABUYA	27221	NAROK MAIN / WOMEN
5	JOHN ACHUMAN EKIRU	26091	LODWAR MAIN
6	GRACE ATABO LOBEE	28318	LODWAR WOMEN
7	JARED MAKABE	30481	NAKURU MAIN
8	RICHARD CHIRCHIR	15773	NAKURU MAIN
9	SALINA JEMUTAI KIYENG	18987	NAKURU WOMEN
10	THOMAS CHEBON	21814	KABARNET
11	RICHARD KOROS	20676	ELDAMA RAVINE
12	ELIAKIM OUCHO LADHA	31710	NAIVASHA MAXIMUM
13	SAMSON MORARA MONDA	23087	NAIVASHA MAXIMUM
14	EMILY MUDEI	27392	NAIVASHA WOMEN

MAGEREZA DEPOSIT TAKING SACCO SOCIETY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

15	JOSHUA OKARI	27175	KERICHO MAIN
16	ALICE KIPTEREI	26344	KERICHO WOMEN
17	EVANS MADISI	23189	ELDORET MAIN
18	LEWIS KORKONG	31416	ELDORET MAIN
19	PRISCILLAH MOROGO	19606	ELDORET MAIN
20	DINAH LIMO	18520	ELDORET WOMEN
21	JAMES KIRWA CHANG'WONY	18616	NGERIA FARM
22	AGGREY WEKESA	25291	KITALE MAIN
23	JAMES OTIENO ACHOKA	26432	KITALE ANNEXE
24	LAWRENCE CHELANGA	25682	KITALE MEDIUM
25	ANN GITAKA	15391	KITALE WOMEN
26	MISHECK MWORIA MUGWIKI	26769	NANYUKI MAIN
27	FAITH KARAMBU MUGAMBI	22373	NANYUKI WOMEN
28	SAMUEL K. SONGOK	24732	MARALAL
29	MAXWEL CHAI KALAMA	32713	KITENGELA
30	CASTRO NAGERI LUCHU	34875	KITENGELA
31	JENIFFER KAKENYA	20145	KAJIADO MAIN/ WOMEN
32	MAMPALU JAMES	32691	BOMET MAIN / WOMEN PRISON
33	REAGAN AWITI	30337	KILGORIS
34	ROBIN NYOKWOYO	14936	SOTIK
35	IBRAHIM BULE DIMA	33563	RUMURUTI
	WESTERN REGION		
	NAME	MNO.	STATION
1	GEOFFREY OTIENO	27244	SHIKUSA FARM
2	EMMANUEL OTIENO	28656	SHIKUSA FARM
3	ELLY MUKUNA MASABA	27880	SHIKUSA B.I.
4	ANDREW OKIYA WEKESA	37457	BUNGOMA MAIN
5	VIOLET CHEBET SIRWO	27178	BUNGOMA WOMEN
6	YUSUF KAITOPOK	21325	KAKAMEGA MAIN
7	NUNI KIBOI	24721	KAKAMEGA MAIN
8	CAMILITA WANYAMA	28603	KAKAMEGA WOMEN / RC'S OFF.
9	BEVAN MUKALAMA KHADULI	30900	BUSIA MAIN
10	ELISA CLAIRE ATONGA	30037	BUSIA WOMEN
11	KENNEDY MADEGWA	16347	VIHIGA

NOTES

Head Office: Mageso Chambers, Moi Avenue,
P.O. Box 53131 - 00200, Nairobi, Kenya

BOSA Customer Care HQ: 0797 571 887

Email: magereza@magerezasacco.co.ke
customercare@magerezasacco.co.ke

Website: www.magerezasacco.co.ke