

**Nendeni Regulated Non-WDT Sacco Society Limited
Annual Report and Financial Statements
For The Year Ended 31st December 2025**

THE SACCO SOCIETY REGULATORY AUTHORITY
RECEIVED
08 APR 2026
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P. O. Box 25089-00100, NAIROBI

APPROVED
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to AGM or ADM subject to observations Issued*
08 APR 2026
SIGN: *CA*
THE SACCO SOCIETIES REGULATORY
AUTHORITY



D.K Wambua & Associates
Certified Public Accountants.

P.O Box 5957-00100
NAIROBI -KENYA

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SOCIETY INFORMATION

BOARD AND SUPERVISORY COMMITTEE MEMBERS

BOARD OF DIRECTORS

STEPHEN WAWERU	Chairperson
LEAH WANGARI MBATARU	Vice Chairman
CATHERINE KARUGU	Secretary
LLOYD WAHOME	Treasurer as from 1/08/2025
ANTONY WAMBUGU	Director
JOSEPH MBURU WANGO	Director
LYDIA NEWTON	Director
JOHN CHEGE	Director
PETER MWANGI	Director
RACHEL KARURU	Director
ESTHER MATHENYA	Director
JAMES WAHOME	Director

SUPERVISORY COMMITTEE

ESTHER MATHENYA	Chairperson
RACHEL KARURU	Secretary
PETER MWANGI	Member

KEY MANAGEMENT STAFF

LELGO K JOSPHAT	Chief Executive Officer
TITUS NTABATHIA	Finance Manager

EDUCATION AND BUSINESS DEVELOPMENT COMMITTEE

LEAH MBATARU	Chairperson
JOSEPH MBURU	Secretary
ANTONY WAMBUGU	Member

CREDIT AND RISK MANAGEMENT COMMITTEE

JAMES WAHOME	Chairperson
LYDIA NEWTON	Secretary
JOHN CHEGE	Member

REGISTERED OFFICE

PCEA Kitengela Township Church
P.O Box 228-00242
Kitengela - Kenya

INDEPENDENT AUDITOR

D K Wambua & Associates
Certified Public Accountants
Danny's Court Suite A3 First Floor
Mombasa Rd opposite Nextgen Mall
P.O. Box 5957-00100
Nairobi - Kenya

PRINCIPAL BANKERS AND FINANCIERS

Cooperative Bank of Kenya Ltd
Kitengela Branch
Kitengela- Kenya

Bank of Africa
Kitengela Branch
Kitengela - Kenya

Equity bank
Kitengela Branch
Kitengela- Kenya

STATEMENT OF CORPORATE GOVERNANCE

Corporate governance is the process and structure used to 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 are responsible for the corporate governance practices of the society. This statement sets out the main practices in operation during the period under review, unless otherwise indicated. The society is committed to business integrity and professionalism in all its activities.

Management Board

The Board has (12) twelve members ,and a Chief Executive Officer (CEO) as an Ex-Official. The separate roles of Chairman and the CEO are practised and are clearly defined in the by laws that are regularly revised to be in line with legislation and statutes. The Board meets to deliberate on the Society's financial performance and discuss reports from each sub-committee and deal with any strategic issues and opportunities for the Sacco.

Board Sub- Committees

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

- | | | |
|--|--------------|---|
| 1. Finance & Administration Committee | Chaired by - | Lloyd Wahome (as from 1/08/2025)
Peter Mulandi Mutuku (retired 31/07/2025) |
| 2. Credit & Risk management Committee | Chaired by - | James Wahome Gitari |
| 3. Education and Business Development Commit | Chaired by - | Leah Mbataru |

Supervisory Committee

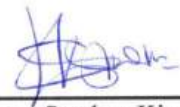
The SACCO has (3) three supervisory members
Supervisory Committee

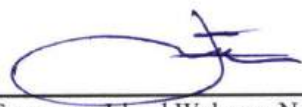
Chaired by - Esther Mathenya

Internal Controls

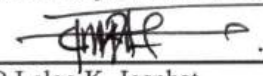
The Society has systems and processes to ensure that requisite controls, physical security of assets and reporting of accurate and up-to date information with a comprehensive accounting system is in place. Further the Sacco's supervisory committee plays oversight role. The Sacco has contracted an independent external auditor.


By order of Board of Directors


Chairman: Stephen Kinyanjui Waweru


Treasurer: Lloyd Wahome Nderitu


Hon Secretary: Catherine Wambui Karugu


C.E.O Lelgo K. Josphat


Accountant: Titus Ntabathia

REPORT OF THE DIRECTORS

The Board of Directors submit their report and the audited financial statements for the Period ended 31st December 2025, which disclose the state of affairs of the society.

INCORPORATION

The society is incorporated in Kenya under the Cooperative Society Act, Cap 490 and Licensed under the Sacco Societies Act No. 14 of 2008, and is domiciled in Kenya.

PRINCIPAL ACTIVITIES

The Principal activities of the society are receiving shares, savings and issuing of loans to its members.

RESULTS


	2025 Kshs	2024 Kshs
Surplus/(deficit) before tax	3,460,153	2,827,105
Tax (charge)/credit for the year	(692,374)	(549,282)
Transfer to Statutory reserves	553,556	455,565
Surplus/(deficit) after tax & provisions	962,029	502,118
Interest on members deposits	9,299,073	6,800,000

INVESTMENT SHARES

The issued and paid up share capital of the society was increased during the year from Kshs. 13,251,781 year 2024 to Kshs. 14,401,844 in year 2025

DIVIDENDS AND INTEREST

The directors have recommended payment of 10.5 % (2024: 8%) as dividend on investment shares and paid 6.8% (2024: 5%) interest on Sacco deposits


Chairman: Stephen Kinyanjui Waweru


Treasurer: Lloyd Wahome Nderitu


Hon Secretary: Catherine Wambui Karugu

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 2 in accordance with the society's By Laws,.

INDEPENDENT AUDITOR

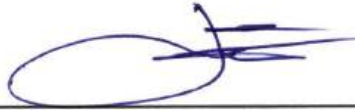
D.K Wambua & Associates, Certified Public Accountants, were appointed for the year during the last SGM and express willingness to continue in office in accordance with Sacco Societies Act No. 14 of 2008.

The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

BY ORDER OF THE BOARD



Chairman: Stephen Kinyanjui Waweru



Treasurer: Lloyd Wahome Nderitu



Hon Secretary: Catherine Wambui Karugu

Statistical Information

	2025	2024
Membership		
Active	1,522	906
Dormant	1110	1263
Total	2,632	2,169


	2025	2024
Employees of the Sacco		
Male	2	1
Female	2	3
Total	4	4


	2025 Kshs	2024 Kshs
Financial:		
Total Assets	180,409,067	172,496,755
Member Deposits	136,751,070	134,792,835
Total Deposits	136,751,070	134,792,835
Loans and Advances to Members	156,610,828	166,962,478
Provision for Loan Loss	12,658,868	10,222,839
Investments	11,194,459	-
Core Capital	29,089,302	27,083,655
Share Capital	14,401,844	13,251,782
Institutional Capital	14,687,458	13,831,873
Retained Earnings	9,776,961	9,474,932
Total Revenue	23,390,202	19,194,434
Total Interest Income	20,357,716	15,744,968
Interest on Members Deposits	9,299,073	6,800,000
Dividends on Share Capital	1,512,194	1,060,140
Total Expenses	10,630,976	9,567,329
Liquid Assets	24,891,966	1,616,328

Key Ratios	SASRA Standards		
Capital Adequacy Ratio			
Core Capital/ Total Assets	≥8%	16.12%	15.70%
Core Capital/ Total Deposits	≥5%	21.27%	20.09%
Retained Earnings and Reserves/Core Capital	≥50%	50.49%	51.07%

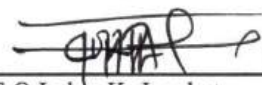
Liquidity Ratios			
Liquid Assets/Short Term Liabilities	≥10%	16.66%	40%
Liquid assets/Non withdrawable deposits+ short term liabilities	≥10%	17%	1%

Operating Efficiency/Loan Quality Ratio			
Total Expenses/ Total Revenue		45.45%	49.84%
Interest on Member Deposits/ Total Revenue		39.76%	35.43%
Interest Rate on Member Deposits		6.8%	5.0%
Dividend Rate on Member Share Capital		10.5%	8.0%
Total Delinquency Loan/Gross Loan Portfolio	≤ 5%	4.78%	4.16%


Chairman: Stephen Kinyanjui Waweru


Treasurer: Lloyd Wahome Nderitu


Hon Secretary: Catherine Wambui Karugu


C.E.O Lelgo K. Josphat


Accountant: Titus Ntabathia

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The SACCO's Act No.14 of 2008 requires that the Board members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Sacco as at the end of the financial period and of the operating results of the Sacco for that period. It also requires the board members to ensure that the Sacco keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Sacco. They are also responsible for safeguarding the assets of the sacco.

The Board Members accept responsibility for the preparation and fair presentation of the 'financial statements in accordance with the appropriate accounting policies supported by' reasonable prudent judgements and estimates, in conformity with the International Financial 'Reporting Standards and in the manner required by co-operative Societies 'Act.

They also accept responsibility for:

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

The Board Members are of the opinion that the financial statements give a true and fair view of the financial position of the Sacco and of its financial performance and cash flows for the period then ending in accordance with International Financial Reporting Standard and the requirements of the Saccos Act.

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

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

So far as each of the Board member is aware, there is no relevant audit information which the auditor is unaware of, and each of the board member has taken all the steps that ought to have been taken in order to become aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the board of directors on 19.03. 2026 signed on its behalf by:



Chairman: Stephen Kinyanjui Waweru



Treasurer: Lloyd Wahome Nderitu



Hon Secretary: Catherine Wambui Karugu

Opinion

We have audited the accompanying financial statements of Nendeni Regulated Non-WDT Sacco Society Limited set out on pages 12 to 33 which comprise the Society's statement of financial position as at 31 December 2025 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Sacco as at 31 December 2025 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Sacco Societies Act.

Basis for Opinion

We conducted our audit in accordance with International standards on Auditing [ISAs]. Our responsibilities under those standards are further described in the Auditors responsibilities for the audit of financial statements section of our report. We are independent of the Society in accordance with the IESBA code together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters during the year

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current 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 do not provide a separate opinion.

i.	Implementation of SASRA and IFRS 9 Provisioning among other key issues	How our Audit Addressed Matter
	The Sacco's has not fully followed implementation of SASRA requirement and IFRS 9 as regards loans provisioning, impairment and risk classifications. The management applies significant judgement in classification of loans and advances to customers in to various categories different from the system classification.	We evaluated all the process of all the loan reclassification report. We confirmed that the Sacco has not fully provisioned the loans as per both SASRA and IFRS 9 models owing to the fact that the Sacco members are business people experiences seasons of low and high pick sales in this case, they management and those charged with governance have an assurance that the risk of loss is low as the same will be recovered. The management have plans in place to gradually grow the provision anually until they fully comply with Sasra regulation.
ii.	Monthly deposit contribution	How our Audit Addressed Matter
	We observed that Members were not making monthly deposit payment as per the sacco credit policy. We noted that 1,298 members did not make any deposit contribution during the year.	We reviewed the deposit ledger. We took note of deposit movement and the number of members who paid their deposits during the year. We advised the management that, the Sacco credit policy should be followed and member education to be carried out. We informed management that in the absence of deposits the sacco may result to external borrowing, which is expensive, to get funds to fund member loan demands.
iii.	Loan Management	How our Audit Addressed Matter
	We observed increase in the number of members offsetting loans arreas against their deposits. The activity was not consistent to the sacco's own credit policy.	We reviewed the loan book to establish loan repayment and arreas recovery. We looked at the provisions of the sacco credit policy on the matter. We brought the matter to the attention of the board and management. The management plans to review the specific clause and put more controls on loan ofset.



Report of the Independent Auditors conti...

Other information

The directors are responsible for other information. Other information comprises the information included in the annual report, but does not include the financial statements and our auditors report there on.

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

Directors responsibility for the Financial statements

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

Auditor's responsibility for the audit of 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 company's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the society to cease to continue as a going concern. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's responsibility for the audit of financial statements conti...

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal requirements

As required by the Sacco Societies Act, we report to you based on our audit that:

- i) We have obtained information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - ii) The Sacco has complied with various regulatory and standard ratios required by the Sacco Societies Act.
 - iii) The Society's statement of financial position and the statement of comprehensive income are in agreement with the books of accounts; and,
 - iv) The Society's business was conducted in accordance with the provisions of the Sacco Societies Act and the Society's by-laws and any other resolutions made by the Society at a general meeting, as far as our audit confirmed.
- Our audit review of the Society's going concern confirms, that management's use of the going concern basis of accounting and, that based on the audit evidence obtained, there is no material uncertainty that exists related to events or conditions that may cast significant doubt on the society's ability to continue as a going concern as is reported by the directors.
- v)

*The engagement partner responsible for the audit resulting in this independent auditors report was CPA
Dennis Wambua Kimanzi, Practicing Certificate number P/1675*

D K Wambua & Associates
Certified Public Accountants
Nairobi, Kenya



UNIQUE CODE: 46249260408

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D.K. Wambua & Associates


08/04/2026

D. K. WAMBUA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
P. O. Box 5957 - 00100
NAIROBI

Statement of Comprehensive Income

	Notes	2025 Kshs	2024 Kshs
Revenue			
Interest on Loans and Advances	2{a}	19,570,760	15,744,968
Other Interest Income	2{b}	786,956	-
Interest Expenses	4{i}	(9,299,073)	(6,800,000)
Net Interest Income		11,058,643	8,944,968
Other Operating Income			
Other income	{3}	3,032,486	3,449,466
		14,091,129	12,394,434
Expenditure			
Administration Expenses	5{a}	(1,293,153)	(1,885,492)
Impairment of receivables	5a{i}	(1,000,000)	(500,000)
Depreciation and Amortization	5{b}	(561,648)	(410,995)
Governance Expenses	5{c}	(2,218,115)	(2,149,681)
Personnel Expenses	5{d}	(2,908,906)	(2,236,984)
Financial Expenses	4{ii & iii}	(2,486,274)	(2,290,637)
Marketing Expenses	5{e}	(162,880)	(93,540)
Profit before Income and Tax		3,460,153	2,827,105
Tax Provision	18	(692,374)	(549,282)
Net Surplus		2,767,778	2,277,823
Transfer to statutory reserves-20%		(553,556)	(455,565)
Net Comprehensive Income for the Year		2,214,223	1,822,258

The notes on pages 16 to 33 form an integral part of these financial statements.
Report of the independent auditor - pages 9 - 11.


Chairman: Stephen Kinyanjui Waweru


Hon Secretary: Catherine Wambui Karugu


Accountant: Titus Ntabathia


Treasurer: Lloyd Wahome Nderitu


C.E.O Lelgo K. Josphat

Statement of Financial Position

	Notes	2025 Kshs	2024 Kshs
Assets			
Cash and Cash Equivalents	6	13,697,507	1,616,328
Receivables and Prepayments	8	7,387,756	9,883,954
Loans and Advances to Members	11	143,951,959	156,739,639
Investments	7	11,194,459	-
Intangible assets	12(b)	500,773	805,273
Property and Equipment	12(a)	3,676,613	3,451,561
Total Assets		180,409,067	172,496,755
Liabilities			
Members Deposits	13{a}	136,751,070	134,792,835
Accruals and Other Payables	9	2,933,255	2,176,728
Interest on Members Deposits	14	9,298,203	6,800,000
Tax Payable	18	425,044	323,398
Total Liabilities		149,407,572	144,092,961
Equity			
Share Capital	16	14,401,844	13,251,781
Statutory Reserve	17{a}	2,700,334	2,146,777
Proposed dividends	15{a}	1,512,194	1,060,140
Proposed Honoraria	15{b}	300,000	200,000
Proposed Staff bonus	15{c}	100,000	60,000
Other Reserves	17{b}	2,210,163	2,210,163
Retained Earnings	17{c}	9,776,961	9,474,932
Total Equity		31,001,495	28,403,793
Total Equity and Liabilities		180,409,067	172,496,755



The financial statements on pages 12 to 14 were approved and authorised for issue by the Board of Directors on 19. 03 2026 and were signed on its behalf by:

The notes on pages 15 to 33 form an integral part of these financial statements.

Report of the independent auditor - pages 9 - 11

Chairman: Stephen Kinyanjui Waweru

Treasurer: Lloyd Wahome Nderitu

Hon Secretary: Catherine Wambui Karugu

C.E.O Lelgo K. Josphat

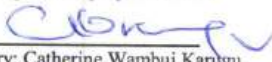
Accountant: Titus Ntabathia

Statement of Changes in Equity

	Share Capital Kshs	Statutory Reserve Kshs	Other Reserve Kshs	Retained Earnings Kshs	Proposed Dividend Kshs	Proposed honoraria Kshs	Proposed staff bonus Kshs	Total Equity Kshs
As at 1st January 2025	13,251,782	2,146,778	2,210,163	9,474,932				-
Prior Year Adjustments	-	-	-	-				-
Restated Balances	13,251,782	2,146,778	2,210,163	9,474,932				27,083,655
Surplus for the Year after tax	-	-	-	2,767,778				2,767,778
Shares Contribution for the Year	1,150,062	-	-	-				1,150,062
Proposed Honoraria	-	-	-	(300,000)		300,000		-
Proposed Dividends	-	-	-	(1,512,194)	1,512,194			-
Transfer to Statutory Reserve	-	553,556	-	(553,556)				-
Proposed Staff Bonus provision for tax payable	-	-	-	(100,000)			100,000	-
As at 31st October 2025	14,401,844	2,700,334	2,210,163	9,776,961	1,512,194	300,000	100,000	31,001,495
As at 1st January 2024	12,202,054	1,691,213	2,210,163	8,888,262				24,991,692
Surplus for the Year	-	-	-	2,277,823				2,277,823
Shares Contribution for the Year	1,049,728	-	-	-				1,049,728
Provision for Honoraria	-	-	-	(200,000)		200,000		-
Proposed Dividends	-	-	-	(1,060,140)	1,060,140			-
Transfer to Statutory Reserve	-	455,565	-	(455,565)				-
Proposed Staff Bonus	-	-	-	(60,000)			60,000	-
Tax provision	-	-	-	84,553				84,553
As at 31st December 2024	13,251,782	2,146,778	2,210,163	9,474,932	1,060,140	200,000	60,000	28,403,795



Chairman: Stephen Kinyanjui Waweru



Hon Secretary: Catherine Wambui Karugu



Accountant: Titus Ntabathia



Treasurer: Lloyd Wahome Nderitu



C.E.O Lelgo K. Josphat

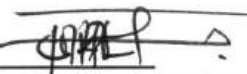
Member Regulated Non WFT Sales Society Limited
Annual Report and Financial Statements
Statement of Cash Flows
For the year ended 31st december 2025

	Note	<u>2025</u> Kshs	<u>2024</u> Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest income	2{a,b}	20,357,716	15,759,140
Interest payments and dividends paid	14 & 15{a}	(7,861,010)	(7,000,000)
Other operating income	{3}	3,032,486	3,435,294
Payment to employees & suppliers	5{a,c,d,e},4{ii}	(6,633,299)	(6,934,273)
Prio year adjustments	[18]	(252,020)	(84,553)
Tax paid	[18]	(338,708)	(549,282)
Honoraria & Bonus	[15b&c]	(260,000)	(260,000)
Net change before working capital		<u>8,045,165</u>	<u>4,535,432</u>
Increase /(decrease) in operating assets			
Decrease/Increase in loan to members	11{a ii}	10,351,650	(22,153,165)
Increase in trade and other receivables	[8], & 5a{i}	1,496,198	76,791
		<u>11,847,848</u>	<u>(22,076,374)</u>
Increase /(decrease) in operating liabilities			
Increase in members deposits	13{a}	1,958,235	13,893,917
Decrease in trade and accrued expenses	9	756,527	791,548
		<u>2,714,762</u>	<u>14,685,465</u>
Net cash flows generated from / (used in) operating activities		<u>22,607,775</u>	<u>(2,855,464)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Bond investment	7	(11,194,459)	-
Acquisition of Property, Plant and Equipment	12(a)	(482,200)	(71,500)
Net cash flows used in investing activities		<u>(11,676,659)</u>	<u>(71,500)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in members share capital	16	1,150,062	1,049,728
Net cash flows (used in) / generated from financing activities		<u>1,150,062</u>	<u>1,049,728</u>
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		12,081,178	(1,877,236)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		<u>1,616,328</u>	<u>3,493,563</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	6	13,697,507	1,616,328


 Chairman: Stephen Kinyanjui Waweru


 Treasurer: Lloyd Wahome Nderitu


 Hon Secretary: Catherine Wambui Karugu


 C.E.O Lelgo K. Josphat


 Accountant: Titus Ntabathia

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a) Basis of preparation

The financial statement have been prepared in accordance with International Financial Reporting Standard (IFRS) and IFRS Interpretations Committee applicable to societies reporting under IFRS.

Going concern

The financial performance of the society is set out in the Management Board's report and in the statement of profit or loss and the other comprehensive income. The financial position of the society is set out in the statement of financial position. Disclosures in respect of risk management are set out in note 19.

Based on the financial performance and position of the society and its risk management policies, the management are of the opinion that the society is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

These financial statements comply with the requirements of the Sacco Societies Act No. 14 of 2008. The statement of profit or loss and statement of comprehensive income represent the profit and loss 'account referred to in the Act. The statement of financial position represents the balance sheet 'referred to in the Act.

Basis of measurement

The financial statements have been prepared under the historical cost basis, except where otherwise 'stated in the accounting policies below


For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the society uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Society using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account


Fair values are categorised into three levels of fair value hierarchy based on the degree to which the inputs to the measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

Level 1 – fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.


Level 2 – fair value measurements are derived from inputs other than quoted prices used in Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – fair values measurements are derived from valuation techniques that include inputs for assets or liabilities that are not based on observable market data (unobservable inputs).


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1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical estimates and judgement

The Management have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

- **Impairment losses on loans and advance**

The society reviews its loan portfolios to assess impairment at least on a regular basis. In determining whether an impairment loss should be recorded in profit or loss, the society makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a society, or national or local economic conditions that correlate with defaults on assets in the society. The management use estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences.

- **Fair value of financial instruments**

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

Useful lives of property and equipment - Management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the financial period, the management determined no significant changes in the useful lives and residual values.

- **Retirement benefit obligation**

Actuarial assumptions are made in valuing future defined benefit obligations and are updated periodically. The principal assumption relates to the discount rate. The discount rate is equal to the yield on government securities which have a term to maturity approximating that of the related liability, and is potentially subject to significant variation. As a result, there is uncertainty that this assumption will continue in the future.

b) Revenue recognition

Interest income and expense


The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the society estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fee and commission income

Fees and commission income are generally recognised on an accrual basis when the service has been provided.

Other income

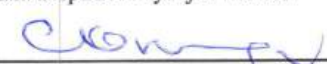
Dividend is recognised when the right to receive income is established. Dividend are reflected as a component of other operating income based on the underlying classification of the equity instrument.



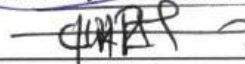
Chairman: Stephen Kinyanjui Waweru



Treasurer: Lloyd Wahome Nderitu



Hon Secretary: Catherine Wambui Karugu



C.E.O: Lelgo K. Josphat



Accountant: Titus Ntabathia

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments (continued)

- Financial assets (continued)

Held-to-maturity: financial assets with fixed or determinable payments and fixed maturity where the management have the positive intent and ability to hold to maturity. Subsequent to initial recognition, such assets are carried at amortized cost using the effective interest method. Changes in the carrying amount are recognized in profit or loss.

Available-for-sale: financial assets that are held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate. Such assets are classified as non-current assets except where the management intends to dispose the assets within 12 months of the reporting date. Subsequent to initial recognition, they are carried at fair value with gains or losses are recognised in other comprehensive income, net of deferred tax *(where applicable).


Loans and receivables: financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the reporting date. All assets with maturities greater than 12 months after the reporting date are classified as non-current assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method. Changes in the carrying amount are recognised in profit or loss.

Financial assets at fair value through profit or loss: financial assets that are acquired or incurred principally for the purpose of generating a profit from short term fluctuation in price or dealer's margin. Such assets are carried at fair value and the fair value gains or losses are recognised in profit or loss. This category has two sub-categories: financial assets held-for-trading and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern evidence of a recent actual pattern of short-term profit-taking.


Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the society commits to purchase or sell the asset.

Financial assets are de-recognized when the rights to receive cash flows from the assets have expired or have been transferred and the society has transferred substantially all risks and rewards of ownership.


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NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Property and equipment

All property and equipment are initially recorded at cost and thereafter stated at historical cost less depreciation.

Freehold and leasehold land and buildings are subsequently shown at market value, based on periodic valuations less subsequent depreciation.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. Decreases that offset previous increases of the same asset are charged to other comprehensive income; all other decreases are charged to profit or loss. Each period the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the retained earnings to revaluation reserve.

Depreciation on software is calculated on the straight line basis method

Depreciation on all other assets is calculated on the reducing balance basis method to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates:


	<u>Rate %</u>
Furniture & Fittings	12.5%
Computers	30.0%
Office equipment	12.5%
Software	25.0%


The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.


An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings in the statement of changes in equity.


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1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments (continued)

- *Financial liabilities (continued)*

Fees associated with the acquisition of borrowing facilities are recognized as transaction costs of the borrowing to the extent that it is probable that some or all of the facilities will be acquired. In this case the fees are deferred until the drawn down occurs. If it is not probable that some or all of the facilities will be acquired the fees are accounted for as prepayments under trade and other receivables and amortized over the period of the facility.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

All financial liabilities are classified as current liabilities unless the society has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.


Financial liabilities are de-recognized when, and only when, the society's obligations, are discharged cancelled or expired.

- **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.


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NOTES (CONTINUED)**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****j) Provisions**

Provisions for restructuring costs and legal claims are recognized when the society 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 the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions for future operating losses are not recognized.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

The amount recognised as a provision is the best estimate of the present value of expenditures expected to be incurred to settle the obligation using a pre-tax rate that reflects the current market assessments of time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense in profit or loss under finance costs.

k) Employee entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.


l) Retirement benefit obligations


Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date.


m) Comparatives

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


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NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and financial assets with maturities of less than 3 months, net of bank overdrafts and money market lines.

Restricted cash balances are those balances that the society cannot use for working capital purposes and are reduced from cash and cash equivalent.

In the statement of financial position, bank overdrafts are included within borrowings in current liabilities

f) Investment shares

Member interest are classified as equity where; the entity has an unconditional right to refuse redemption of the members' shares and provisions in the Act, regulations or the Sacco by-laws impose unconditional prohibitions on the redemption of members' shares.

g) Reserves

Statutory reserve

Transfers are made to the statutory reserve fund at a rate of 20% and General reserve at a rate of 5% of net operating surplus after tax in compliance with the provision of section 47 (1& 2) of the Co-operative Societies Act, CAP 490.

h) Dividends

Proposed dividends are disclosed as a separate component of equity until declared. Dividends are recognised as a liabilities in the period in which they are approved by the society's shareholders.

i) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in the comprehensive income or in equity. In this case, the tax is also recognised in other comprehensive income and equity.


Current tax

Current tax is provided on the results for the period, adjusted in accordance with tax legislation.

Deferred tax


Deferred tax is provided using the liability method for all temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilised.

For the purposes of measuring deferred tax liabilities and deferred tax asset for investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recoverable entirely through sale unless presumption is rebutted. The presumption is rebutted when the investment property is depreciable and held within a business model whose objective is to consume substantially all its economic benefits embodied in it over time rather than through sale.


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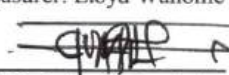
Notes to the financial statements

	2025 Kshs	2024 Kshs
2{a} Interest Income		
Interest on Loans and Advances	19,570,760	15,744,968
	19,570,760	15,744,968
2{b} Other Interest Income		
Bond plus interest	694,229	-
Interest from other Financial Institutions	92,727	14,172
	786,956	14,172
3 Other Operating Income		
Registration fee	53,500	47,000
Insurance fee	1,489,893	1,697,372
Re-activation fee	10,000	98,329
Loan processing fee	1,204,025	1,592,593
Penalty income	243,408	-
Other income	9,260	-
CRB fee	22,400	-
	3,032,486	3,435,294
4{i} Finance Costs		
Interest on Members Deposits	9,299,073	6,800,000
	9,299,073	6,800,000
4{ii} Finance Expenses		
Bank Charges	41,901	68,576
Mobile loan disbursement charges	8,344	-
	50,245	68,576
4{iii} Provision for Loan Loss		
Increase in provision for Loan Loss	2,436,029	2,222,061
Decrease in provision for Loan Loss	-	-
	2,436,029	2,222,061
5 Expenses		
5{a} Administration expenses		
Printing and stationery	47,985	43,375
Telephone	68,605	129,935
Donation	30,000	-
CRB expense	46,400	-
Debt collection	19,945	-
Insurance	46,801	703,057
Audit fees	151,250	129,000
Licenses	315,130	154,949
Hospitality	66,516	14,775
General office expense	54,225	56,221
Computer maintenance	134,960	127,678
Interest and penalties expense	11,918	14,612
Rent	-	167,000
Vat on audit fees	22,000	20,640
Special audit fees	-	37,700
General repairs & maintenance	11,970	6,890
Internet charges	230,530	249,130
Travelling exp	34,918	30,530
	1,293,153	1,885,492
5 a (i) Impairment of receivables		
Impairment of Sundry Debtors	1,000,000	500,000
	2,293,153	2,385,492


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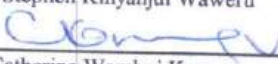

Accountant: Titus Ntabathia


Notes to the financial statements

	2025 Kshs	2024 Kshs
5{b} Depreciation and Amortisation		
Depreciation	257,148	161,833
Amortization	304,500	249,162
	<u>561,648</u>	<u>410,995</u>
5{c} Governance Expenses		
Committee sitting allowance	986,332	676,716
Other committee expenses	78,500	113,796
Committee education	101,800	632,062
AGM expenses	440,300	242,350
Committee airtime allowances	72,000	126,000
PAYE on allowances	539,183	358,757
	<u>2,218,115</u>	<u>2,149,681</u>
5{d} Personnel Expenses		
Staff training and seminars	19,500	5,000
staff salaries	2,573,900	2,072,903
wages and overtime	76,518	23,511
other staff costs	238,988	135,570
	<u>2,908,906</u>	<u>2,236,984</u>
5{e} Marketing expenses		
Marketing expense	127,980	93,540
Advertisement	34,900	-
	<u>162,880</u>	<u>93,540</u>
6 Cash and Cash Equivalents		
Co-op bank - current account	1,224,360	764,110
Bank of Africa current account	9,254,857	114,827
Mpesa float	792,161	252,345
Equity bank- current account	2,104,761	475,520
Petty cash	4,823	5,000
Mobile banking app	264,606	-
Paybill 4018019	51,940	4,526
	<u>13,697,507</u>	<u>1,616,328</u>
7 Investments		
Bond plus investment	11,194,459	-
	<u>11,194,459</u>	<u>-</u>

For the purposes of cash and cash equivalents, this is composed of cash in hand and banks and shoert financial instruments


Chairman: Stephen Kinyanjui Waweru


Hon Sec: Catherine Wambui Karugu


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C.E.O: Leigo K. Josphat


Accountant: Titus Ntabathia

Notes to the financial statements

	2025 Kshs	2024 Kshs
8 Receivables and prepayments		
Trade and Other Receivables		
Normal loan interest receivable	3,004,431	4,142,693
Normal loan -1 interest receivable	27,962	28,911
Shamba loan debtors	659,000	820,001
Emergency loan interest receivable	34,460	130,230
Sundry debtors*	3,380,896	4,380,896
Development loan interest receivable	254,876	374,230
School fees loan interest receivable	21,043	6,993
Salary advance	5,089	-
	<u>7,387,756</u>	<u>9,883,954</u>

*Sundry debtors relate to system migration balances in year 2023. Changes in the carrying amount relate to Impairment of the sundry debtors balance to write it off from the books of account captured under note 5{ ai}

Aging Analysis of Receivables	30 Days	60 Days	90 Days	120 Days	180 Days	Over 365 Days	Total Employer receivable
Name							
Normal Loan Interest Receivable	546,231	791,351	256,958	546,812	691,895	171,184	3,004,431
Normal Loan 1- Interest receivable	2,351	4,057	1,498	7,619	3,477	8,960	27,962
Shamba loan debtors	659,000	-	-	-	-	-	659,000
Emergency loan interest receivable	6,293	9,846	3,379	5,974	4,581	4,387	34,460
Sundry debtors	-	-	-	-	-	3,380,896	3,380,896
Development loan interest receivable	26,688	32,155	37,312	40,290	57,182	61,249	254,876
School fees loan interest receivable	5,770	2,334	3,292	4,197	1,655	3,795	21,043
Salary advance	-	-	-	-	-	5,089	5,089
Total Receivables	1,246,333	839,742	302,439	604,892	758,791	3,635,560	7,387,757

9 Accruals and Other Payables

Unidentified deposits	122,705	60,677
Tax expenses payable	1,440,647	1,274,538
Committee airtime allowance	31,000	24,000
Debt collection fee payable	-	31,272
Audit fees payable	87,392	76,805
Paye payable	20,114	52,768
SHIF payable	-	5,647
NSSF payable	-	17,280
CRB fee payable	22,600	22,600
Plot investment a/c	1,207,849	200,000
Insurance payable	-	403,057
Housing levy payable	-	8,084
Unpaid withholding tax	948	-
	<u>2,933,255</u>	<u>2,176,728</u>

*Loan Prepayment was added back to loans to comply with reporting standards.

Aging analysis of Payables	30 Days	60 Days	90 Days	120 Days	180 Days	Over 365 Days	Total
Unidentified Deposits	50,000	-	-	-	27,028	45,677	122,705
Tax expenses payable	1,440,647	-	-	-	-	-	1,440,647
Committee airtime allowance	-	-	-	-	31,000	-	31,000
Audit fees payable	87,392	-	-	-	-	-	87,392
Paye payable	20,114	-	-	-	-	-	20,114
CRB fee payable	22,600	-	-	-	-	-	22,600
Plot investment a/c	200,000	280,749	270,542	349,908	-	106,650	1,207,849
Unpaid withholding tax	948	-	-	-	-	-	948
Total Employer Payables	1,821,701	280,749	270,542	349,908	58,028	152,327	2,933,255

Chairman: Stephen Kinyanjui Waweru

Treasurer: Lloyd Wahome Nderitu

Hon Sec: Catherine Wambui Karugu

C.E.O: Lelgo K. Joshat

Accountant: Titus Ntabathia

Notes to the financial statements

10 Loans and Advances Breakdown**Loans and Advances to Members standing**

Development Loan	27,555,208	32,187,773
Emergency Loan	1,230,141	950,699
Bima Loan	24,818	-
School Fees Loan	2,337,056	1,621,778
Normal loan	121,683,844	130,525,795
Normal loan-I	3,269,720	1,209,753
Mobile loan	510,041	435,855
	<u>156,610,828</u>	<u>166,931,653</u>

11 Loans and Advances- Members Listing**{a}i Loans and Advances to Members**

	2025	2024
	Kshs	Kshs
Development loan	27,555,208	32,187,773
Emergency loan	1,230,141	950,699
Bima loan	24,818	-
School fees loan	2,337,056	1,621,778
Normal loan	121,683,844	130,525,795
Normal loan-I	3,269,720	1,209,753
Mobile loan	510,041	435,855
	<u>156,610,828</u>	<u>166,931,653</u>

Loans movement

	Outstanding	Outstanding
At the start of the year	166,962,478	151,575,822
prior year adjustment	-	138,924
Issued during the year	89,338,160	117,826,344
Paid during the year	(106,181,497)	(102,578,613)
At the end of the year	<u>150,119,141</u>	<u>166,962,478</u>

11a{ii} Total Loans as per Ledger

Less Provision for Loan Losses	(12,658,868)	(10,222,839)
Total Loans and Advances after Provision	<u>143,951,959</u>	<u>156,739,639</u>

Total Loans as per Ledger

Total Loans as per Provision Listing	<u>156,610,828</u>	<u>160,165,143</u>
	<u>156,891,646</u>	<u>160,390,948</u>
	<u>(280,818)</u>	<u>(225,805)</u>

{b} Loan Classifications

{i} Classification	Rate	No. of loans	2025		2024	
			Outstanding Loan (Kshs.)	2025 Kshs	2024 Kshs	2024 Kshs
Performing (0 Days)	1%	494	135,900,308	1,359,003	143,021,166	1,430,212
Watch (1-30 days)	5%	16	3,451,909	172,595	5,363,194	268,160
Substandard (31-180 Days)	25%	19	4,569,777	1,142,444	9,603,833	2,400,958
Doubtful (181-360 Days)	50%	17	5,969,652	2,984,826	5,701,549	2,850,775
Loss (Over 360 Days)	100%	51	7,000,000	7,000,000	3,272,736	3,272,736
			<u>156,891,646</u>	<u>12,658,869</u>	<u>166,962,478</u>	<u>10,222,840</u>

Provision Balance as at 1st January 2025

Increase/Decrease in Provision	10,222,839	8,000,778
	2,436,029	2,222,061

Provision Balance as at 31st December 2025

	<u>12,658,868</u>	<u>10,222,839</u>
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Calculated provision

Under provision	48,896,519	2,222,061
	<u>(36,237,651)</u>	<u>8,000,778</u>

{ii} Insider Loans

Loan to Directors & Supervisory Committee	23,783,711	18,644,620
Loans to Sacco Employees	64,500	22,500
	<u>23,848,211</u>	<u>18,667,120</u>

{iii} Deposits

Directors & Supervisory Committee	12,631,277	11,931,277
Sacco Employees	22,500	22,500
	<u>12,653,777</u>	<u>11,953,777</u>

Chairman: Stephen Kinyanjui Waweru

Hon Sec: Catherine Wambui Karugu

Notes to the financial statements

12(a) Property, Plant and Equipment	Computers Hardware Kshs	Land Kshs	Buildings Kshs	Furniture , Fittings & Equipments Kshs	Total Kshs
Cost/Valuation:					
As at 1st January 2025	686,590.00	1,632,000.00	2,009,076.00	371,414.00	4,699,080
Additions	417,000	-	-	65,200	482,200
Disposals	-	-	-	-	-
As at 31st December 2025	1,103,590	1,632,000	2,009,076	436,614	5,181,280
Depreciation					
At the start of the Year	464,372	-	603,093	180,054	1,247,519
Charge for the year	154,624	-	50,227	52,297	257,148
At the End of the Year	618,996	-	653,320	232,351	1,504,667
Net Book Value As at 31st December 2025 TB	484,594	1,632,000	1,355,756	204,263	3,676,613
Net Book Value As at 31st December 2024	222,218	1,632,000	1,405,983	191,360	3,451,561
Cost/Valuation:					
As at 1st January 2024	686,590	1,632,000	2,009,076	299,914	4,627,580
Additions	-	-	-	71,500	71,500
Disposals	-	-	-	-	-
As at 31st December 2024	686,590	1,632,000	2,009,076	371,414	4,699,080
Depreciation					
At the start of the Year	393,672	-	552,866	139,148	1,085,686
Charge for the year	70,700	-	50,227	40,906	161,833
At the End of the Year	464,372	-	603,093	180,054	1,247,519
Net Book Value As at 31st December 2024	222,218	1,632,000	1,405,983	191,360	3,451,561
Net Book Value As at 31st December 2023	292,919	1,632,000	1,456,210	160,767	3,541,896

12 (b) Intangible assets	2025	2024
COST		
As at january additions	1,245,810	1,245,810
as at 31st Dec	1,245,810	1,245,810
Amotization		
at 1st january	440,537	191,375
amortization charge	304,500	249,162
dec 31st	745,037	440,537
net book value	500,773	805,273

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C.E.O: Jelgo R. Josphat

Accountant: Titus Ntabathia

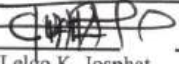
Notes to the financial statements

	2025	2024
	Kshs	Kshs
13{a} Member Deposits		
At the Start of the Year	134,792,836	120,898,918
Deposits During the Year	21,862,786	26,957,103
Withdrawals/Refunds During the Year	(19,904,552)	(13,063,186)
At the End of the Year	136,751,070	134,792,835
Total Savings and Deposits as per ledger	136,751,070	134,792,835
Difference	-	
14 Interest on Members Deposits		
At the start of the Year	6,800,000	6,200,000
Provisions during the year	9,299,073	6,800,000
Paid during the Year	(6,800,870)	(6,200,000)
At the End of the Year	9,298,203	6,800,000
15 Proposed Dividends, Honoraria and Staff Bonus		
{a} Dividends		
At the start of the Year	1,060,140	800,000
Dividends capitalised		
Proposed during the year*	1,512,194	1,060,140
Paid during the Year	(1,060,140)	(800,000)
At the End of the Year	1,512,194	1,060,140
{b} Honoraria		
At the start of the Year	200,000	60,000
Proposed during the year*	300,000	200,000
Paid during the Year	(200,000)	(60,000)
At the End of the Year	300,000	200,000
{c} Staff Bonus		
At the start of the Year	60,000	200,000
Proposed during the year*	100,000	60,000
Paid during the Year	(60,000)	(200,000)
At the End of the Year	100,000	60,000
<i>*Comparative figures have been reclassified to conform with the current year presentation. Proposed dividends previously presented under liabilities have been reclassified to equity, as they do not meet the definition of a liability prior to approval by shareholders. The reclassification has no impact on total equity or profit for the year.</i>		
16 Share Capital		
At the start of the Year	13,251,782	12,202,054
Deposits during the Year	1,150,062	1,049,726
At the End of the Year	14,401,844	13,251,780
17 Reserves		
{a} Statutory Reserves		
At the start of the Year	2,146,777	1,691,212
Transfers during the Year	553,556	455,565
At the End of the Year	2,700,333	2,146,777
{b} Other Reserves		
At the start of the Year	2,210,163	2,210,163
Transfers during the Year	-	-
At the End of the Year	2,210,163	2,210,163
Total Reserves	4,910,496	4,356,940


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NOTES (CONTINUED)

	2025	2024
	Kshs	Kshs
17 (c) Retained earning		
At the start of the Year	9,474,932	8,888,262
Surplus for the Year	2,767,778	2,277,823
Transfer to reserve	(553,556)	(455,565)
Proposed Dividends	(1,512,194)	(1,060,140)
Provision for Honoraria	(300,000)	(200,000)
Proposed Staff Bonus	(100,000)	(60,000)
Tax provision		84,553
As at 31st December 2024	9,776,961	9,474,932
18 Taxation		
Tax payable b/f	323,398.00	304,998
Charge for the year	692,374.28	549,282
Prior year overprovision	(252,020.00)	(84,553)
Annual tax paid	(71,378.00)	-
Instalments Tax paid	(248,742.00)	(446,329)
Withholding tax	(18,588.00)	-
As at 31st December	425,044	323,398

19 Risk management objectives and policies**Financial risk management**

The society's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The society's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the society's financial performance.

The society manages financial risks in close co-operation with various departmental heads. The directors provides written principles for overall risk management, as well as written policies covering specific areas, such as liquidity risk, interest rate risk, credit risk, and investment of excess liquidity.


The sub-committee reports to the directors on all aspects of risks including nature of risks, measures instituted to mitigate risk exposures etc.

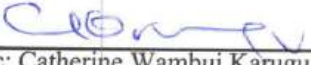
(a) Market risk*- Interest rate risk*

The society's exposure to interest rate risk arises from borrowings/interest bearing creditors and interest bearing debtors/advances/financial assets.

Financial assets and liabilities advanced and obtained at different rates expose the society to interest rate risk. Financial assets and liabilities obtained at fixed rates expose the society to fair value interest rate risk, except where the instruments are carried at amortized costs. The society maintains adequate ratios of borrowings when compared to total borrowings in fixed interest rates.


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Risk

(b) Credit risk

Credit risk is the risk of suffering financial loss, should any of the society's member fail to fulfil their contractual obligations to the society. Credit risk arises mainly from member's loans and advances

The society is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties and reverse repurchase loans.

Credit risk is the single largest risk for the society's business; the directors therefore carefully manage the exposure to credit risk. The credit risk management and control are centralised in a credit risk committee, which reports to the Board of Directors and head of each business unit regularly.

(i) Credit risk measurement

The Society takes on exposure to credit risk which is the risk of financial loss to the Society if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Society's loans and advances to members and other banks and investment securities.


Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral against loans and advances in the form of registered securities over assets and guarantees from members. Credit risk in the society, is also managed through a framework of policies and procedures. Origination and approval roles are segregated.

To aid Credit managers in portfolio management, regular internal risk management reports contain information on key environmental and economic trends across major portfolios, portfolio delinquency and loan impairment performance as well as information on migration across credit grades and other trends. Expected loss is the long-run average credit loss across a range of typical economic conditions. It is used in the delegation of credit approval authority and must be calculated for every transaction to determine the appropriate level of approval. To assist risk officers in monitoring the portfolio, various internal risk management reports are available on a regular basis, providing individual counterparty, counterparty society and portfolio exposure information, the status of accounts showing signs of weakness or financial deterioration and updates on credit markets.


The society' grading systems is based on the basic principles issued by the regulatory authority SASRA. In addition to nominal aggregate exposure, expected loss is used in the assessment of individual exposures and for portfolio


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

- (1) **Performing loans**, being loans which are well documented and performing according to contractual terms;
- (2) **Watch loans**, being loans whose principal or interest have remained un-paid for one day to thirty days or where one instalment is outstanding;
- (3) **Substandard loan**, being loans not adequately protected by the current repayment capacity and the principal or interest have remained un-paid between thirty-one to one eighty days or where two to six instalments have remained outstanding;
- (4) **Doubtful loans**, being loans not adequately protected by the current repayment capacity and the principal or interest have remained un-paid between one hundred and eighty one to three hundred and sixty days or where seven to twelve instalments have remained outstanding;


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Risk management objectives and policies (continued)

- (b) **Credit risk (continued)**
 - (i) **Credit risk measurement (continued)**

5) Loss loans - being loans which are considered uncollectible or of such little value that their continued recognition as receivable assets is not warranted, not adequately protected and have remained un-paid for more than three hundred and sixty days or where more than twelve instalments have remained outstanding.

Problem credit management and provisioning

Across all its loan portfolios, the Society employs a disciplined approach to impairment allowances evaluation, with prompt identification of problem loans being a key risk management objective. The Society maintains both collective and specific impairment allowances for credit losses, the sum of which is sufficient to reduce the book value of credit assets to their estimated realisable value.

A primary indicator of potential impairment is delinquency. However, not all delinquent loans (particularly those in the early stage of delinquency) will be impaired. An account is considered to be delinquent when payment is not received on the due date. Accounts that are overdue by more than 30 days are considered delinquent. For delinquency reporting purposes, the Society follows industry standards, measuring delinquency as of 1, 30, 180, 360 and above 361 days past due. Accounts that are overdue by more than 30 days are closely monitored and subject to specific collection processes.

Specific impairment allowances reduce the aggregate carrying value of credit assets where there is specific evidence of deterioration in credit quality. In line with regulatory guidelines, a collective allowance is maintained to cover potential impairment in the existing portfolio that cannot be associated with specific credit. These allowances are reviewed and updated on a regularly basis.


The process used for recognizing the impairment provisions is are generally raised at the difference between the outstanding amount of the loan and the present value of the estimated future cash flows which includes the realization of collateral except where the collateral value is typically realized in less than 12 months then the loan impairment is calculated using the forced sale value of the collateral without further discounting. In certain cases involving bankruptcy, fraud and death, the loss recognition process is accelerated.

The Society writes off loans and advances net of any related allowances for impairment losses when it determines that the loans are uncollectable and securities unrealizable. This determination is reached after accessing objective evidence or occurrence of significant changes in the borrower or issuer's financial position such that they are no longer able to repay the obligation, or that proceeds from the sale of collateral will not be sufficient to pay back the entire exposure. This is done after exhausting all other means including litigation.


Loans and advances that are neither past due nor impaired

The Society classifies loans and advances under this category if they are up to date and in line with their contractual agreements such loans would have demonstrated the meeting of their financial and non-financial conditions and the borrowers would have proven capacity to repay the loans. These exposures will normally be maintained largely within approved facility program and with no depiction of impairment or distress signs. These exposures are categorized as normal accounts (category 1) in line with internal guidelines and those issued by regulators where applicable. A collective provision on the total outstanding balances is made and appropriated from revenue reserves to statutory credit risk reserves.


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20 Capital management (continued)**Externally imposed capital requirements**

The Sacco Society's Act has established certain guidelines for the management of capital and working capital for deposit taking Sacco.

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


	2025	2024
	Shs	Shs
The ratios at 31st December 2025 and 31 December 2024 were as follows:		
a) Core capital of not less than Shs 10 million		
As per statement of financial position	29,089,302	27,083,655
b) Core capital of not less than 10% of total assets;		
As per statement of financial position	16%	16%
c) Institutional capital of not less than 8% of total assets		
As per statement of financial position	8%	8%
d) Core capital of not less than 8% of total deposits.		
As per statement of financial position	21%	20%
e) 10% of savings deposits and short term liabilities in liquid assets.		
As per statement of financial position	17%	40%

21 Presentation currency

The financial statements are presented in Kenya Shillings (Kshs.)

22 Prior Year adjustment

There were no prior year adjustments



 Chairman: Stephen Kinyanjui Waweru



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Risk management objectives and policies (continued)

(b) Credit risk (continued)

Past due but not impaired

This category includes exposures that are between 1 – 30 days past due, where losses have been incurred but have not been identified. These exposures are graded as category 2 in line with our internal guidelines and those issued by banking regulators. A collective impairment allowance is made to cover losses which have been incurred but have not yet been identified.

Impaired loans and advances

Impaired loans and advances are those which the Society determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan securities agreement(s). These loans are graded between categories 3 (31-180 days), 4(181 -360 days) and 5 (over 360 days) using the Society's internal credit rating system. These clients, under guidelines issued by the SASRA in the regions we operate in, are termed as non-performing loans. The Society establishes a specific allowance for impairment losses that represents the estimate of losses that will be incurred in its loan portfolio.

(c) Liquidity risk

Cash flow forecasting is performed by the finance department of the group by monitoring the society's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the society does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the society's management maintains flexibility in funding by maintaining availability under committed credit lines.

A disclosure of the undrawn facilities is as per Note 12. This is the society's liquidity reserve.

Notes 13 disclose the maturity analysis of trade and other payables.

23 Capital management


Internally imposed capital requirements

The society manages its capital to ensure that it will be able to continue as a going concern while maximising the return to members through the optimisation of the debt and equity balance.

The capital structure of the society consists of net debt calculated as sum of total borrowings and member's deposit (as shown in the Statement of Financial Position) less cash and cash equivalents and equity (comprising issued capital, reserves and retained earnings). The directors review the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the society may adjust the amounts of dividends paid to members or sell assets to reduce debt.


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