

**KHASAKH COOPERATIVE SOCIETY LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**



18 Mar 24

**MEMBERS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**COOPERATIVE INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2023****Executive Committee**

John Wilson Tereraho	-	Chairperson
Godfrey Kalibbala	-	Vice Chairperson
John Twesigye Kamwaka	-	Secretary
Lucky Atim	-	Treasurer
Jascinta Nuwomugizi	-	Member
Simpson Biryabaho	-	Member
Judith Nakamanya	-	Member
Robert Muhiire	-	Member
Obed Byamugisha	-	Member

**Supervisory Committee**

Martin Othieno Radooli	-	Chairperson
John Bosco Mugagga	-	Secretary
Evalyn Nuwamanya	-	Member

**Cooperative Management team**

Josephine Naiga Musisi	-	Manager
Evelyne Rebecca Baluka	-	Accountant
Julius Mutabazi	-	Accounts assistant
Brenda Alumu	-	Member engagement officer
Moses Fred Ajuna	-	Credit and marketing officer

**Bankers**

Centenary Rural Development Bank Ltd P.O Box 1892 Kampala, Uganda	Standard Chartered Bank Uganda Limited P.O Box 7111 Kampala, Uganda
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dfcu Bank Limited  
P.O Box 70  
Kampala, Uganda

**Registered office**

P.O Box 5319  
Plot 15B Nakasero Road  
Kampala, Uganda

**Legal advisors**

Moriah Advocates  
P.O Box 16265  
Kampala, Uganda

**Independent auditors**

J. Samuel Richards & Associates, Certified Public Accountants  
2nd Floor, Regency Plaza  
Plot 30 Lugogo By-Pass, Naguru  
P.O Box 22934 Kampala, Uganda

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

The directors of the Khasakh Cooperative Society Limited "the Cooperative" present their annual report together with the Cooperative's audited financial statements for the year ended 31 December 2023, which disclose the state of affairs of the Cooperative. Khasakh Cooperative Society Limited is licensed by the Registrar of Cooperative Societies in Uganda. The Cooperative is incorporated and regulated under the Cooperative Societies Act Cap 112 of the Laws of Uganda and it was registered on 12 November 2020. The financial statements are prepared in conformity with the International Financial Reporting Standard for Small and Medium Entities (IFRS for SMEs) and the Cooperative Societies Act Cap 112.

**Principal Business**

The principal business of Khasakh Cooperative Society Limited is the provision of savings and credit services to its members. The results for the year ended 31 December 2023 are set out on page 7 of the financial statements.

**Membership**

The following are eligible for membership in Khasakh Cooperative:

All individuals who meet the members' profile as determined by the committee, persons of a member's immediate family and employees of the society.

The number of members were as follows in last two years:

	<u>2023</u>	<u>2022</u>
As at beginning of the year	890	1032
New joiners during the year	105	69
Less: Exits during the year	(58)	(211)
As at end of the year	937	890

**Dividends**

The Board of Directors declared dividends of UGX 178,525,000 to be awarded to the 66,395 fully paid up shares as at 31 March 2023 in accordance with the cooperative's dividend policy. This will result in a 10.75% dividend per share.

**Independent auditor**

The independent auditor J. Samuel Richards & Associates, were appointed on 12 June 2023. Being eligible, they have indicated their willingness to continue in office.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES  
FOR THE YEAR ENDED 31 DECEMBER 2023**

The Cooperative Societies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Cooperative's as at end of the financial year and of its incomes, expenses, liabilities, assets and that savings are in accordance with the Rules of the Cooperative. It also requires the directors to ensure that the Cooperative keeps proper accounting records that are sufficient to show and explain the financial transactions; and that disclose, with reasonable accuracy, the position of the Cooperative and that enables them to prepare financial statements that comply with the requirements of the Cooperative Societies Act. The directors are responsible for safeguarding the assets of the Cooperative and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept the responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates in conformity with International Financial Reporting Standard for Small and Medium Entities (IFRS for SMEs) and the Cooperative Societies Act.

The directors also accept responsibility for the following:

- (i) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements;
- (ii) selecting and applying appropriate accounting policies; and
- (iii) making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the state of the net assets of the Cooperative as at 31 December 2023 in accordance with the International Financial Reporting Standard for Small and Medium Entities (IFRS for SMEs) and the Cooperative Societies Act.

In preparing these financial statements, the directors have assessed the Cooperative's ability to continue as a going concern. Nothing has come to their attention to indicate that the Cooperative will not remain a going concern for at least the next 12 months from the date of this statement. The directors acknowledges that the independent audit of the financial statements does not relieve them of their responsibilities. So far as each of the directors is aware, there is no relevant audit information which the auditor is unaware of, and each of the directors 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.

The financial statements were approved by the Board of directors on 19/03/2024 and signed on its behalf by:



Board Chairperson

Date: 19/03/2024



Director

Date: 19/03/2024

**INDEPENDENT AUDITOR'S REPORT**

**TO THE MEMBERS OF  
 KHASAKH COOPERATIVE SOCIETY LIMITED**

**Opinion**

We audited the financial statements of the Khasakh Cooperative Society Limited (the Cooperative) which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, set out on page 11-22.

In our opinion, the financial statements give a true and fair view of the financial position of Khasakh Cooperative Society Limited as of 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium Entities (IFRS for SMEs) and comply with the requirements of the Cooperative Societies Act, Cap 112.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and guidelines issued by the Institute of Certified Public Accountants of Uganda (ICPAU). 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 Cooperative 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 Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

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.

<b>Impairment of loans and advances to members</b>	<b>How the matter was addressed in the audit</b>
<p>Assessment of possible impairment of loans and advances because of the significant proportion of loans to total assets and the likely impact on the financial statements.</p> <p>As disclosed in the note 12, gross loans amounted to UGX 5.1 billion (2022:UGX 5.1billion) compared to total assets of UGX 6.5 billion (2022: UGX 6.4 billion).</p>	<p>We performed the following procedures on the credit loss allowance in assessing possible impairment on loans and advances</p> <ul style="list-style-type: none"> <li>- We assessed the accounting policies relating to the determination of the impairment of loans and advances</li> <li>- Evaluated the reliability of data sources, including collateral valuation, used in the impairment calculations. This included auditing a sample of loan files to check, where appropriate, if the inputs agreed to the supporting documentation;</li> </ul>

**INDEPENDENT AUDITOR'S REPORT (continued)**

**TO THE MEMBERS OF  
KHASAKH COOPERATIVE SOCIETY LIMITED**

**Other information**

The directors are responsible for the other information which comprises their Report, but does not include the financial statements and auditor's report therein. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusions thereon. Our responsibility is to read the other information and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears materially misstated. If 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 management and those charged with governance for the financial statements**

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with IFRS for SMEs and for such internal controls determined as 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 Cooperative's ability to continue as a going concern disclosing (as applicable) matters related to going concern and using the going concern basis of accounting unless it either intends to liquidate the Cooperative or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Cooperative's financial reporting process. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with ISAs. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

**Auditor's responsibility for the audit of the financial statements**

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, 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 internal controls of the Cooperative;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

**INDEPENDENT AUDITOR'S REPORT (continued)**

**TO THE MEMBERS OF  
KHASAKH COOPERATIVE SOCIETY LIMITED**

**Auditor's responsibility for the audit of the financial statements (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 Cooperative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Cooperative to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

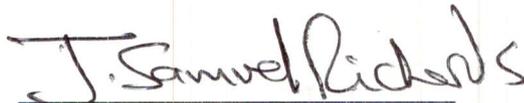
**Report on other legal and regulatory requirements**

As required by the Cooperative Societies Act Cap 112, we report to you based on our audit, that:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- in our opinion proper books of account have been kept by the Cooperative, so far as appears from our examination of those books; and
- the Cooperative's statement of financial position and income statement are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is as shown below:

**CPA Robert Anthony Katuntu (Practice No. P0006)**



**J. Samuel Richards & Associates**  
**Certified Public Accountants**  
2nd Floor, Regency Plaza  
30 Lugogo By-Pass, Naguru  
P.O. Box 22934, Kampala, Uganda



CPA Robert Anthony Katuntu

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**STATEMENT OF COMPREHENSIVE INCOME**

	<u>Notes</u>	<b>31 Dec 23</b> <u>UGX'000</u>	31 Dec 22 <u>UGX'000</u>
<b>Revenue</b>			
Interest income	3	<b>755,532</b>	685,920
Interest expense	4	<b>(187,847)</b>	(177,953)
Net interest income		<b>567,685</b>	507,967
Investment income	5	<b>86,965</b>	122,241
Fees and commission income	6	<b>83,953</b>	73,674
Decrease/(Increase) in credit losses	12b	<b>60,872</b>	(99,486)
Profit on disposal of land	15b	<b>113,166</b>	-
Other income	7	<b>950</b>	428
<b>Total income</b>		<b>913,590</b>	604,824
<b>Expenses</b>			
Employment costs	9	<b>169,953</b>	145,783
Governance expenses	8	<b>78,669</b>	113,478
Administrative expenses	10	<b>53,492</b>	46,573
Depreciation	23	<b>1,991</b>	391
<b>Total expenses</b>		<b>304,105</b>	306,225
Profit before tax		<b>609,485</b>	298,599
Income tax expense	11	<b>-</b>	-
Profit after tax		<b>609,485</b>	298,599
<b>Appropriation:</b>			
Statutory reserve (10% of surplus after tax)		<b>60,948</b>	29,860
Share transfer (5% of surplus after tax)		<b>30,474</b>	14,930
Member education fund (5% of net surplus)		<b>30,474</b>	44,113
Development fund (10% of surplus after tax and 20% Cooperative provision)		<b>182,845</b>	29,860
Proposed dividends		<b>178,525</b>	157,658
Retained earnings		<b>126,218</b>	22,178
		<b>609,485</b>	298,599

The statement of comprehensive income is to be read in conjunction with relevant notes to the financial statements set out on pages 11-22.

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**STATEMENT OF FINANCIAL POSITION**

	<u>Notes</u>	<b>31 Dec 23</b> <u>UGX'000</u>	31 Dec 22 <u>UGX'000</u>
<b>ASSETS</b>			
Cash and cash equivalents	14	1,357,281	1,748,435
Net loans and advances to members	12a	4,951,585	4,720,338
Other receivables	13	11,952	15,187
Inventories (land held for resale)	15a	200,784	-
Property and equipment	23	13,487	5,499
<b>Total assets</b>		<b>6,535,090</b>	<b>6,489,459</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Members' savings	16	3,012,543	3,528,136
Dividends payable	18	233,917	235,917
Other liabilities	17	102,427	112,160
<b>Total liabilities</b>		<b>3,348,887</b>	<b>3,876,213</b>
<b>Equity</b>			
Members' shares	20	1,841,675	1,682,375
Retained earnings	Page 9	669,172	551,909
Statutory reserve fund	19a	213,559	152,610
Share premium	20b	23,030	23,030
Development fund	19d	273,413	90,567
Share transfer fund	19b	82,073	57,043
Education fund	19c	83,281	55,712
<b>Total equity</b>		<b>3,186,202</b>	<b>2,613,246</b>
<b>Total equity and liabilities</b>		<b>6,535,090</b>	<b>6,489,459</b>

The financial statements set out on pages 7-22 were approved by the directors on 19/03/2024 and were signed on their behalf by:

  
Board Chairperson

  
Director

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**STATEMENT OF CHANGES IN EQUITY**

	Note	Members' shares UGX'000	Retained earnings UGX'000	Statutory reserve fund UGX'000	Share transfer fund UGX'000	Education fund UGX'000	Share premium UGX'000	Development fund UGX'000	Total UGX'000
<b>2023</b>									
At 1 January		1,682,375	551,909	152,610	57,043	55,712	23,030	90,567	2,613,246
Profit after tax	SCI	-	609,485	-	-	-	-	-	609,485
Issue of share capital	20	159,300	-	-	-	-	-	-	159,300
Other adjustments	25	-	(8,955)	-	-	-	-	-	(8,955)
Utilisation of education fund	19c	-	-	-	-	(2,906)	-	-	(2,906)
Utilisation of share transfer fund	19b	-	-	-	(5,445)	-	-	-	(5,445)
Dividends declared	18	-	(178,525)	-	-	-	-	-	(178,525)
Equity appropriations	19	-	(304,742)	60,949	30,475	30,474	-	182,846	-
<b>At 31 December</b>		<b>1,841,675</b>	<b>669,172</b>	<b>213,559</b>	<b>82,073</b>	<b>83,281</b>	<b>23,030</b>	<b>273,413</b>	<b>3,186,202</b>
<b>2022</b>									
At 1 January		1,435,075	546,037	122,750	42,113	15,040	23,030	60,707	2,244,752
Issue of share capital	20	247,300	-	-	-	-	-	-	247,300
Other adjustments		-	(16,306)	-	-	-	-	-	(16,306)
Utilisation of education fund	19c	-	-	-	-	(3,441)	-	-	(3,441)
Profit after tax	SCI	-	298,599	-	-	-	-	-	298,599
Dividends payable	18	-	(157,658)	-	-	-	-	-	(157,658)
Equity appropriations	19	-	(118,763)	29,860	14,930	44,113	-	29,860	-
<b>At 31 December</b>		<b>1,682,375</b>	<b>551,909</b>	<b>152,610</b>	<b>57,043</b>	<b>55,712</b>	<b>23,030</b>	<b>90,567</b>	<b>2,613,246</b>

The notes set out on pages 11-22 form an integral part of the financial statements.

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

<b>STATEMENT OF CASH FLOWS</b>	<b>Notes</b>	<b>31 Dec 23 UGX'000</b>	<b>31 Dec 22 UGX'000</b>
<u>Cash flows from operating activities</u>			
Profit before tax	SCI	<b>609,485</b>	298,599
<b>Adjustment for non cash items:</b>			
Depreciation	23	<b>1,991</b>	391
Loan loss provisions and write-off	12b	-	87,996
Other adjustments	25	<b>1,831</b>	(16,306)
<b>Changes in working capital</b>			
Loans and advances	12a	<b>(231,247)</b>	(395,642)
Other receivables	13	<b>3,235</b>	34,954
Member savings	16	<b>(515,593)</b>	19,552
Other liabilities	17	<b>(9,733)</b>	(69,470)
<b>Net cash used in operating activities</b>		<b>(140,031)</b>	<b>(39,926)</b>
<u>Cash flows from investing activities</u>			
Increase in inventories	15a	<b>(200,784)</b>	-
Proceeds from short term deposits	14b	-	1,153,654
Investment in fixed deposits		-	200,000
Purchase of property and equipment	23	<b>(10,000)</b>	(4,803)
<b>Net cash used in investing activities</b>		<b>(210,784)</b>	<b>1,348,851</b>
<u>Cash flows from financing activities</u>			
Proceeds from issue of share capital		<b>124,886</b>	247,300
Utilisation of education fund	19c	<b>(2,906)</b>	(3,441)
Dividends paid	18	<b>(156,874)</b>	-
Utilisation of share transfer fund	19b	<b>(5,445)</b>	-
<b>Net cash from financing activities</b>		<b>(40,339)</b>	<b>243,859</b>
<b>Net change in cash and cash equivalents</b>		<b>(391,154)</b>	<b>1,552,784</b>
<u>Movement in cash and cash equivalents</u>			
At beginning of the year		<b>1,748,435</b>	195,651
Net change in cash and cash equivalents		<b>(391,154)</b>	1,552,784
At end of the year	14	<b>1,357,281</b>	<b>1,748,435</b>

The notes set out on pages 11-22 form an integral part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

**1 General information**

Khasakh Cooperative Society Limited "the Cooperative" is incorporated and domiciled in Uganda. The Cooperative is primarily involved in holding members' savings and offering loans and advances as licensed under the Cooperative Societies Act, Cap 112.

Khasakh commenced business as a registered Cooperative on 12 November 2020 under certificate number 9985 RCS.

**2 Basis of preparation and accounting policies**

The annual financial statements of the Cooperative have been prepared in accordance with International Financial Reporting Standard for Small and Medium Entities (IFRS for SMEs) issued by the International Accounting Standards Board. They are presented in Uganda Shillings.

**(a) Revenue recognition**

**(i) Net interest income**

Interest income and expense are recognized in the statement of comprehensive income on accrual basis using the effective interest method. Interest income and expense include the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

The effective rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or where appropriate, a shorter period), to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and charges paid or received transaction costs, and discounts or premium that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the incurred credit loss provision).

**(ii) Fees and commission**

Fees and commission income are recognised as revenue when received.

**(iii) Other operating income**

Other operating income comprises of fees charged for withdraw of savings, loan commission, bank interest, profit from sale of land is recognised as the related services are performed.

**(iii) Measurement of credit loss allowance for trade receivables**

The Cooperative bases on days past due for balances outstanding progressing through stages of recoverability up to write-off.

The provisioning rates are shown below:

<b>Days past due</b>	<b>Provision (% on outstanding amount)</b>
1-30 days	0%
31-60 days	2%
61-90 days	5%
91-180 days	10%
181-365 days	50%
Above 365 days	100%

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

**(b) Income tax**

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax payable is based on taxable profit for the year. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Uganda Income Tax Act.

**(c) Property, plant and equipment**

Items of property, plant and equipment (PPE) are initially recorded at cost. Cost includes all costs necessary to bring the asset to working condition for intended use. The Cooperative applies the cost model subsequent to initial recognition.

The Cooperative applies the following depreciation rates:

<u>Asset class</u>	<u>Rate</u>
Furniture and fittings	12.5%
Office equipment	20.0%
Computer and accessories	33.3%

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

**(d) Impairment of assets**

At each reporting date, property and equipment and other receivables are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the amount carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

**(e) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the purchase price and other capitalised costs incurred in estate creation. Net realisable value is the estimated selling price in the ordinary course of business less any directly attributable selling expenses.

**(f) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

**(g) Foreign currency translation**

*(i) Functional and presentation currency*

The Uganda Shillings as the currency that most faithfully represents the economic effects of the underlying transactions, events, and conditions. The annual financial statements are presented in Uganda Shillings, which is also the Cooperative's functional currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the balance sheet date. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2023

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**(h) Creditors, payables and accrued expenses**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**(i) Receivables and other assets**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment.

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

**(j) Share capital**

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

**(k) Retirement benefit obligations**

**(i) Pension obligations**

The employer contributes to the National Social Security Fund (NSSF), a statutory defined contribution scheme for its permanent and pensionable employees. These contributions are charged in the statement of profit or loss and other comprehensive income in the year to which they relate.

**(ii) Termination benefits**

The Cooperative provides 10% of the basic salary per month as gratuity payable at the end of the contract period to its contractual staff. The Cooperative's contributions are charged to the income statement in the year they fall due.

**(l) Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the statement of profit or loss and other comprehensive income as incurred.

**(m) Critical accounting estimates adjustments**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances. Significant judgment is required in determining the Cooperative's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Cooperative recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

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In the process of applying the Cooperative's accounting policies, management has made judgments in determining:

- whether assets are impaired;
- the useful lives of, or expected pattern of consumption of the future economic benefits embodied depreciable assets;
- provision for bad and doubtful debts
- the fair value of financial liabilities.
- revaluation of property, plant and equipment

**(n) Dividends**

Dividends are recognized as a liability in the period in which the dividends are approved by the Cooperative's members.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

	31 Dec 23 UGX'000	31 Dec 22 UGX'000
<b>3 Interest income</b>		
Interest earned on land loans	367,010	334,868
Interest earned on salary loans	311,944	296,085
Interest earned on short term loans	45,708	38,805
Interest earned on asset loans	9,322	6,646
Interest earned on Kagwilawo express loans	8,878	7,652
Interest earned on real estate loans	5,740	-
Interest earned on business loans	3,854	1,864
Penalty income	3,076	-
	<b>755,532</b>	<b>685,920</b>
<b>4 Interest expense</b>		
Interest incurred on general savings	136,621	155,827
Interest incurred on target medium term savings	20,122	8,034
Interest incurred on pension savings	19,446	7,448
Interest incurred on education medium term savings	6,351	3,046
Interest incurred on target short term savings	2,797	2,090
Interest incurred on child savings	2,446	1,341
Interest incurred on education short term savings	63	167
	<b>187,847</b>	<b>177,953</b>
<b>5 Investment income</b>		
Investment income on short term deposits	86,965	122,241
	<b>86,965</b>	<b>122,241</b>
<b>6 Fee and commission income</b>		
Loan processing fees	38,661	27,567
Ledger fees	12,952	15,502
AGM penalties	12,500	17,100
Members' subscription	8,860	8,970
Civil suits	7,000	150
Transaction charges	3,905	4,050
MCooperative fees	75	34
Loan penalty	-	301
	<b>83,953</b>	<b>73,674</b>
<b>7 Other income</b>		
Interest received on bank balance	950	428
	<b>950</b>	<b>428</b>
<b>8 Governance expenses</b>		
Board meeting expenses	29,169	28,887
AGM expenses	26,400	40,900
Legal fees	15,500	27,780
Audit fees	7,600	7,525
Special general meeting	-	3,666
Other expenses	-	4,720
	<b>78,669</b>	<b>113,478</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

	31 Dec 23 UGX'000	31 Dec 22 UGX'000
<b>9 Employment costs</b>		
Salaries and wages	128,900	106,755
Social security contributions	12,668	11,212
Gratuity	12,668	10,588
Staff welfare	8,565	-
Medical expenses	5,207	10,016
Staff training	1,945	4,420
GPA	-	842
End of year package	-	1,950
	<b>169,953</b>	<b>145,783</b>
<b>10 Administration expenses</b>		
Marketing	15,064	9,510
Stationery	10,461	6,457
Bank charges	9,120	8,124
Licenses	5,151	4,843
Corporate social responsibility	4,669	-
Land expenses	3,484	6,541
Communication	2,127	2,121
Transport and travel	1,791	2,175
Repairs and maintenance	706	1,299
Condolences	611	720
Other expenses	309	2,368
Books and periodicals	-	65
Consultancies	-	1,570
Advertisement	-	780
	<b>53,492</b>	<b>46,573</b>
<b>11 Income tax expense</b>		
Surplus income before tax	609,485	298,599
Tax charge for the year	-	-
<p>As per The Income Tax Act of Uganda Cap 340, the income of a Savings and Credit Cooperative Society is exempt from income tax up to 30 June 2027. Accordingly, no income tax has been charged on profit for the year in these financial statements.</p>		
<b>12 Loans and advances to members</b>		
<b>12a Net loans and advances</b>		
Gross loans and advances (note 12c)	5,121,153	5,132,711
Impairment provision (note 12b)	(169,568)	(412,373)
	<b>4,951,585</b>	<b>4,720,338</b>

The carrying values of loans and advances measured at amortized cost approximate their fair values. All loans and advances are denominated in Uganda Shillings.

**12b Impairment of loans and advances**

The Cooperative applies the incurred loss approach to measuring impairment which uses a days past due loss allowance for all loans and advances and accrued income as detailed in note 2(a)(iv) of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

			31 Dec 23 UGX'000	31 Dec 22 UGX'000
<u>Impairment of loans and advances (continued)</u>				
At 1 January			412,373	324,377
(Decrease) / Increase in loss allowance charged to profit or loss			(60,872)	99,486
Written off during the year			(181,933)	(11,490)
At 31 December			169,568	412,373
<b>12c Other disclosures</b>				
Analysis of gross loans by product is below;	<u>Interest rate</u>	<u>Term</u>		
Land loans	16% per annum	Up to 5 years	2,726,476	2,933,503
Salary loans	16% per annum	Up to 5 years	2,045,202	2,024,809
Real estate loans	16% per annum	Up to 5 years	123,500	-
Short term loans	1% to 2.5% per month	6 months	108,859	96,132
Business loan	16% per annum	Up to 5 years	55,475	16,722
Asset loans	16% per annum	Up to 5 years	50,519	56,068
Kagwilawo express loan	10% per month	2 months	8,750	3,105
Long term loans	16% per annum	Up to 5 years	2,372	2,372
			5,121,153	5,132,711
385 borrowers give rise to the gross loans of UGX 5.1billion (363 in 2022: UGX 5.1billion).				
<b>13 Other receivables</b>				
Staff salary advances			-	3,150
Member over drawings			7,303	7,303
Interest receivable on loans and advances			2,858	2,858
Registration and license fees receivable			1,792	1,876
			11,952	15,187
<b>14 Cash and cash equivalents</b>				
Cash and cash equivalents at year end comprise of the following:				
Cash at bank and in hand (note 14a)			472,247	594,781
Short term deposits (note 14b)			885,034	1,153,654
			1,357,281	1,748,435
<b>14a Cash at bank and in hand</b>				
Standard Chartered Bank Uganda Limited			370,637	471,671
Centenary Rural Development Bank Ltd			77,614	115,273
dfcu Bank Limited			21,549	2,177
MTN mobile money			2,020	-
Float balances			428	5,660
			472,247	594,781
<b>14b Short term deposits</b>				
Deposits held in Britam Umbrella Fund			653,934	985,436
Deposits held in ICEA money market fund			231,099	164,227
Deposits held in UAP money market fund			-	3,992
			885,034	1,153,654

The deposits comprise of units trusts held in the respective funds and can be withdrawn on short notice.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

		31 Dec 23 UGX'000	31 Dec 22 UGX'000
<b>15a Inventories (land held for resale)</b>			
At beginning of the year		-	-
Purchases during the year		542,119	-
Sales during the year		(341,334)	-
At end of the year		<b>200,784</b>	<b>-</b>
Inventories comprise of 27 plots of purchased mailo land at UGX 542 million located in Kavule, Wakiso district.			
<b>15b Profit on sale of inventories</b>		<b>113,166</b>	<b>-</b>
Profit from sold plots of land 19 plots were sold during the year at UGX 26million and UGX 28.5million to members and non members of the Cooperative respectively.			
<b>16 Members' savings</b>			
Short term savings (note 16a)		2,536,352	3,197,961
Medium and long term savings (note 16b)		476,190	330,175
		<b>3,012,543</b>	<b>3,528,136</b>
The weighted average effective interest rate on members' savings was 5.9% (2022: 5.6%).			
<b>16a Short term savings</b>	<b>Interest rate (annual)</b>	<b>Term</b>	
General saver	5%		2,444,455
Target saver (short term)	8%	1 to 2 years	90,339
Education saver (short term)	5%		1,559
			<b>2,536,352</b>
<b>16b Medium and long term savings</b>			
Pension saver	12%		196,733
Target saver (medium term)	10%	3 to 5 years	169,659
Education saver (medium term)	10%		71,494
Child saver	12%	Up to 18 years	33,608
Target saver (long term)	12%	6 or more years	4,693
Compulsory savings			4
			<b>476,190</b>
<b>17 Other liabilities</b>			
Unreconciled deposits			19,266
Withholding tax			16,019
Annual general meeting			16,000
IT costs			10,900
Appreciation			10,400
Staff medical			8,038
Audit fees			7,600
Caveat fees			5,255
Pay As You Earn (PAYE)			3,999
Social security contributions			2,245
Insurance			1,645
Registration and licenses			700
Communication costs			360
Gratuity			-
FMS audit			-
			<b>102,427</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	31 Dec 23 UGX'000	31 Dec 22 UGX'000
<b>18 Dividends paid and payable</b>		
At start of the year	212,266	78,257
Declared in the year	178,525	134,009
Dividends paid	(156,874)	-
At end of the year	233,917	212,266

Return to shareholders is capped at 10% of nominal paid up share capital as per section 40 of the Cooperative Societies regulations.

**19 Reserves**

<b>19a Statutory reserve fund</b>		
At beginning of the year	152,610	122,750
Appropriation for the year	60,949	29,860
At end of the year	213,559	152,610

Section 34 of the Cooperative Societies regulations require every registered society to maintain a reserve fund into which shall be paid at the end of each financial year 10% of the net gain or surplus resulting from the operations of the society during that financial year.

**19b Share transfer fund**

At beginning of the year	57,043	42,113
Utilised in the year	(5,445)	-
Appropriation for the year	30,475	14,930
At end of the year	82,073	57,043

Section 43 of the Cooperative Societies regulations require every registered society to maintain a Share Transfer fund into and shall allocate annually out of its surplus, if any, an amount to be determined by the registrar, from time to time, not exceeding 5% of the registered society's share capital.

The Cooperative has allocated 5% of the surplus for the year to the fund.

**19c Member education fund**

At beginning of the year	55,712	15,040
Utilised in the year	(2,906)	(3,441)
Appropriation for the year	30,475	44,113
At end of the year	83,281	55,712

Section 49 of the Cooperative Societies Act requires that there shall be a National Cooperative Education Fund into which every registered cooperative society shall contribute 5% per year of its net surplus.

**19d Development fund**

At beginning of the year	90,567	60,707
Appropriation for the year	182,846	29,860
At end of the year	273,413	90,567

Section 36 of the Cooperative Societies regulations requires that there shall be a Cooperative Development Revolving Fund into which every registered cooperative society shall contribute 5% of its surplus annually.

**20 Share capital**

	Number of shares	Share capital UGX'000
Authorized, issued and fully paid up share capital as at 31 December 2023	71,410	1,785,250
Authorized, issued and partially paid up share capital as at 31 December 2023	2,257	56,425
	73,667	1,841,675

The nominal value of each share is UGX 25,000.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

<u>Shareholders</u>	Number of <u>shares</u>	Fully paid up <u>UGX'000</u>	Partially paid <u>UGX'000</u>	Total share capital <u>UGX'000</u>	% <u>shareholding</u>
Jonah Tendolyamukama	1,888	47,200	-	47,200	2.6%
Pamela Okot Ebanyat	1,202	30,050	-	30,050	1.6%
Geoffrey Babughirana	939	23,475	-	23,475	1.3%
Miriam Nabirye Tabula	864	21,600	-	21,600	1.2%
Charles Igga	800	20,000	-	20,000	1.1%
Enid Ocaya Kabasinguzi	690	17,250	-	17,250	0.9%
Dennis Bwanika	638	15,950	-	15,950	0.9%
Erasus Tanga	574	14,350	-	14,350	0.8%
Simon Mukula	562	14,050	-	14,050	0.8%
Joan Mugenzi	500	12,500	-	12,500	0.7%
Paul Oyesigye	500	12,500	-	12,500	0.7%
Tonny Odong	500	12,500	-	12,500	0.7%
Zadock Natukunda	485	12,125	-	12,125	0.7%
Wilson Tereraho John	451	11,275	-	11,275	0.6%
Ben Akure	435	10,875	-	10,875	0.6%
Charles Ssekatawa	430	10,750	-	10,750	0.6%
Doreen Mukiza	424	10,600	-	10,600	0.6%
Happy Kenneth Rodricks	414	10,350	-	10,350	0.6%
Francis Wagasami	407	10,175	-	10,175	0.6%
Deborah Katiit Radooli	386	9,650	-	9,650	0.5%
Other 999 shareholders	60,578	1,458,025	56,425	1,514,450	82.2%
	<b>73,667</b>	<b>1,785,250</b>	<b>56,425</b>	<b>1,841,675</b>	<b>100%</b>

	31 Dec 23 <u>UGX'000</u>	31 Dec 22 <u>UGX'000</u>
<b>20a Ordinary shares issued</b>		
At beginning of the year	1,682,375	1,435,075
Issued shares in the year	159,300	247,300
At end of the year	<b>1,841,675</b>	<b>1,682,375</b>
During the year, the authorised share capital was increased by UGX 159,300,000 by the issue of 6,372 ordinary shares of UGX 25,000 each.		

	31 Dec 23 <u>UGX'000</u>	31 Dec 22 <u>UGX'000</u>
<b>20b Share premium</b>		
At beginning of the year	23,030	23,030
Movement in the year	-	-
At end of the year	<b>23,030</b>	<b>23,030</b>

**21 Related party transactions and balances**

The Cooperative's related parties include directors and staff. Transactions and balances of the related parties at the year end were as follows:

Balances due from related parties;

	31 Dec 23 <u>UGX'000</u>	31 Dec 22 <u>UGX'000</u>
Loans due from directors	404,719	482,564
Loans due from staff	14,231	24,057
	<b>418,951</b>	<b>506,620</b>

Interest earned on loans due from related parties

	31 Dec 23 <u>UGX'000</u>	31 Dec 22 <u>UGX'000</u>
Interest income on loans due from directors	61,957	54,349
Interest income on loans due from staff	2,151	3,506
	<b>64,108</b>	<b>57,855</b>

The transactions with related parties are in the normal course of business. The interest rate charged on loans to directors is 1.5% per month for short term loans (other members: 2.5% per month). Other products are offered at commercial rates.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

	31 Dec 23	31 Dec 22
	UGX'000	UGX'000
<u>Sale of land</u>	42,000	
Revenue from plots sold to staff	42,000	-

**22 Risk management framework**

The Board of Directors has overall responsibility for the development and oversight of the Cooperative's risk management framework. This is implemented by the Cooperative's management using the approved operational manuals and policies with supervision of the committees.

**22a Credit risk**

This is the uncertainty in the Cooperative's financial performance because of possible losses resulting from counter-party default on loan and interest payment obligations to the Cooperative as provided for by the relevant loan agreements.

The credit risk measures cover the following areas:

(i) Member loan eligibility criteria

Management has a standard computation mechanism across all loan products and all amounts disbursed are subject to the following limits:

- Salary loans eligibility = Savings \* 2 + Shares \* 3 + Net Pay \* 1 less any loan amount outstanding
- Land loans eligibility = Savings \* 2 + Shares \* 3 + Net Pay \* 1 + Forced sale value less any outstanding loan balance
- Short term loans eligibility = Savings \* 2 + Shares \* 3 + Net Pay \* 1 less loan amount outstanding balances

This ensures that loans disbursed are within approved limits and members' ability to pay.

The individual loan limit per member is UGX 200,000,000. This controls the credit appetite of the members and credit risk of the Cooperative. It also safe guards against low liquidity for the Cooperative.

Loan applications that meet the above criteria are presented to the credit committee for further review and approval. The committee is comprised of three members who also form part of the executive committee.

All land loans are fully secured with mailo land titles with the respective caveats and mortgages lodged. These titles are kept in safe custody of the Cooperative until the loans are fully paid off.

Salary and land loans contribute approximately 86% of the loan portfolio and are recovered monthly at source from the World Vision Uganda payroll. Loans given to former World Vision Uganda employees are recovered through cash and standing orders registered to the respective member accounts to the Cooperative's bank accounts.

The cooperative's loan recovery process is structured in five stages from management to credit committee, executive committee, legal personnel and litigation.

**22b Liquidity risk**

This is the potential for loss arising from either inability to meet obligations without incurring unacceptable cost or losses. It arises when the cushion provided by the liquid asset is not sufficient to meet obligations.

- Savings mobilisation; This is done through member engagement via email, phone calls etc. The Cooperative also carries out marketing drives to selected World Vision Offices around the country and conducts member sensitization programs on available savings products and also offer quarterly financial literacy sessions.

- Diversification; The Cooperative has a matrix to guide the maximum amounts to be held in the various financial assets as follows

Asset class	Asset category	% asset class	Actual
Money markets/ cash	Short term	0.4%	20.0%
Fixed deposit	Long term	16.0%	0.0%
Loans	Long term	78.0%	77.0%
Real estate	Long term	5.6%	3.0%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

- Timely loan recoveries; The monthly loan recoveries boost the liquidity of the society.

Access to external funding; The Khasakh risk manual provides guidance on external sources of funding that the society can use when need arises

**22c Interest rate risk**

This arises when there is a mismatch between positions which are subject to interest rate adjustment within a specified period. The Cooperative's funding and investment activities give rise to interest rate risk. Interest rates on Loans are revised after conducting research on the performance of the existing rates, the interest rates in practice by similar Cooperatives in the industry visa vis the prevailing market interest rates for similar products.

Upon conclusion of the research, the proposed rate is presented to the AGM for approval and there after the changes are effected by the Cooperative.

Interest rate changes on savings products are based on market survey of available similar savings products in the industry as well as new products that are developed, and consideration of the prevailing member needs.

**23 Property and equipment**

	Computers & Accessories UGX'000	Furniture & Fittings UGX'000	Office Equipment UGX'000	Total UGX'000
<b>Cost</b>				
At 1 January 2023	23,082	3,125	2,720	28,927
Additions	2,200	-	7,800	10,000
At 31 December 2023	25,282	3,125	10,520	38,927
<b>Accumulated depreciation</b>				
At 1 January 2023	18,299	2,429	2,720	23,448
Charge for the year	1,601	391	-	1,991
At 31 December 2023	19,880	2,820	2,720	25,439
<b>Net book values</b>				
At 31 December 2023	5,402	306	7,800	13,487
At 31 December 2022	4,783	696	-	5,479

**24 Contingent liabilities**

The Cooperative had no contingent liabilities as at 31 December 2023.

**25 Other adjustments**

These relate to the following;

Correction of system errors	(10,786)
Correction of differences in the Cooperatives books of account	1,831
	(8,955)

**26 Contingent assets**

As part of its recovery efforts of outstanding loans, the Cooperative sought legal action against borrowers in the courts. The aggregate amount of the various suits is UGX 200,452,600.

**27 Subsequent events**

There were no events after 31 December 2023 that required adjustment to the financial statements.