Ports Sacco

UPLIFTING PEOPLE

Ports DT Savings and Credit Co-operative Society Ltd

ANNUAL REPORT & Financial Statements 2024

Registration No: CS/1726

Ports Sacco
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Our Commitment to SASRA Corporate Governance Reporting Frameworks and Intergrated Reporting

Ports DT SACCO has implemented dual reporting frameworks: **SASRA Corporate Governance Framework and Integrated Reporting Principles**, as the basis of our reporting structure. This integrated approach demonstrates our commitment to transparency and accountability to members, stakeholders, and the broader community.Ports DT Sacco is committed to using integrated reporting as a tool to help members and stakeholders better understand the interconnectedness of financial and non-financial elements that influence its performance and drive the creation of sustainable, long-term value of the Sacco.

Our reporting structure evaluates multiple forms of capital, including financial resources from member contributions, human capital through staff expertise, social capital via stakeholder partnerships, and intellectual capital through our technological infrastructure. This holistic assessment enables us to understand how these resources interact and contribute to long-term organizational success.

Additionally, this report seeks to enhance corporate reporting by making it more transparent and meaningful for members and stakeholders. It outlines the Sacco's strategies, opportunities, and challenges in achieving sustainable value creation for the future. The Report also provides an overview of its strategies, operations, products, services, and initiatives aimed at ensuring the ongoing and sustainable success of the business.

Through this framework, we monitor value creation across operations, maintain regulatory compliance, and adapt to market dynamics. Our reporting structure provides clear insights into operational performance while highlighting the interconnected nature of our various capital forms and their collective impact on sustainable growth.

The subsequent sections detail our strategic initiatives, service offerings, and value creation mechanisms, demonstrating our unwavering commitment to sustainable growth and governance excellence. This comprehensive approach ensures we deliver meaningful value to our members and stakeholders while building a resilient foundation for future success.

Sacco Information

Board of Directors

Ben Juma Chepkichir	Chairman
Eric Ogolla Odongo	Vice Chairman
Isabella K. Mshilla	Hon. Secretary
Gervas M. Mwole	Treasurer
Alfred Konde Jaka	Board Member
Emily D. Chamba	Board Member
Rael Munyoki	Board Member
Philip O. Omwalo	Board Member
Silvanus Imbuusi	Board Member
Boaz N. Omwansa	Chief Executive Officer

Supervisory Committee

Esha J. Khamis	Chairperson
George Ondigo	Secretary
Jacqueline Omayio	Member

Registered Office

Ports Sacco Plaza, Mwakilingo Road, off Moi Avenue, Mombasa
P. O. Box 95372-80104 Nairobi, Kenya
Email:info@portsacco.co.ke

Principal Bankers

Co-operative Bank of Kenya Limited
Mombasa Branch
P.O. Box 48231 - 00100 Nairobi, Kenya

Family Bank Limited
Mombasa Branch
P.O BOX 74145-00200 Nairobi, Kenya

Citibank N.A.
Citibank House, Nkurumah Road, Mombasa
P.O. Box 83615 - 80100 Mombasa, Kenya

Lawyers

Mogaka Omwenga & Mabeya Associates
P.O. Box 40418-80100
Mombasa, Kenya

Independent Auditor

Ambale Ogot and Company LLP
Certified Public Accountants
P.o. Box 41953-80100
Mombasa, Kenya

OUR FOOTPRINT

Nairobi

KCS HOUSE, 7TH FLOOR,
MAMA NGINA STREET

KPA-ICD ROAD, OFF
MOMBASA ROAD

Mombasa

HEAD OFFICE
MWAKILINGO ROAD, OFF MOI AVENUE

Kisumu

SWAN CENTRE,
GROUND FLOOR,
OGINGA ODINGA ROAD

Voi

GROUND FLOOR
KPLC ROAD

CALL US
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info@portsacco.co.ke

TO KNOW MORE
www.portsacco.co.ke

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Awards & Accolades
for the Year Ended 31st December, 2024

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Ports DT Sacco continues to excel in delivering outstanding services and setting industry benchmarks, as evidenced by numerous awards received across various prestigious platforms in 2024.

National Level Accolades (ICD National 2024)

1.Best Managed Sacco Countrywide – **3rd Place**
2.Best Managed Sacco, Tier 2 – **2nd Place**
3.Best in Capitalization, Tier 2 – **1st Place**
4.Best in Technology Optimization, Tier 2 – **1st Place**
5.Most Improved, Tier 2 – **3rd Place**
6.Best in Deposits Management, Tier 2 – **3rd Place**
7.Best in Risk Management, Tier 2 – **3rd Place**

Mombasa International Show 2024

1.Branch Chairman's Commendation Trophy – **1st Place**
2.Best Micro-Financial Institution – **1st Place**
3.Best Cooperative Movement/Sacco Stand – **2nd Place**
4.Best Financial Institution (Other than Bank) – **2nd Place**
5.Stand That Best Interprets Current Show Theme (Financial Industry) – **3rd Place**
6.Best Small Trade Stand (Commercial & Industrial) – **3rd Place**

Mombasa County Accolades (ICD Mombasa County 2024)

1.Best Cooperative Sacco – **1st Place**
2.Best Capitalized Cooperative Sacco – **1st Place**
3.Best in Education and Training – **1st Place**
4.Highest Returns on Assets – **1st Place**
5.First to Present Audited Accounts – **1st Place**

CIC 2024

1.Best Insured Co-operative Sacco, Coast Region – **Runners-Up**

Pwani Golden Awards 2024

1.Best Sacco 2024

Our Vision

To be a formidable financial institution by providing competitive financial solutions to a happy, healthy and prosperous people.

Our Mission

To strengthen social economic well-being of our customers through prudent management and innovative products and services.

Our Purpose

Uplifting People.
Inspiring happiness, optimism and hope.

Our Core Values

Caring
We are truthful, we listen and go extra mile-above and beyond.

Equity
We are committed to inclusivity, equality, fairness, public good and social justice.

Consistency
We are predictable, dependable, and reliable.

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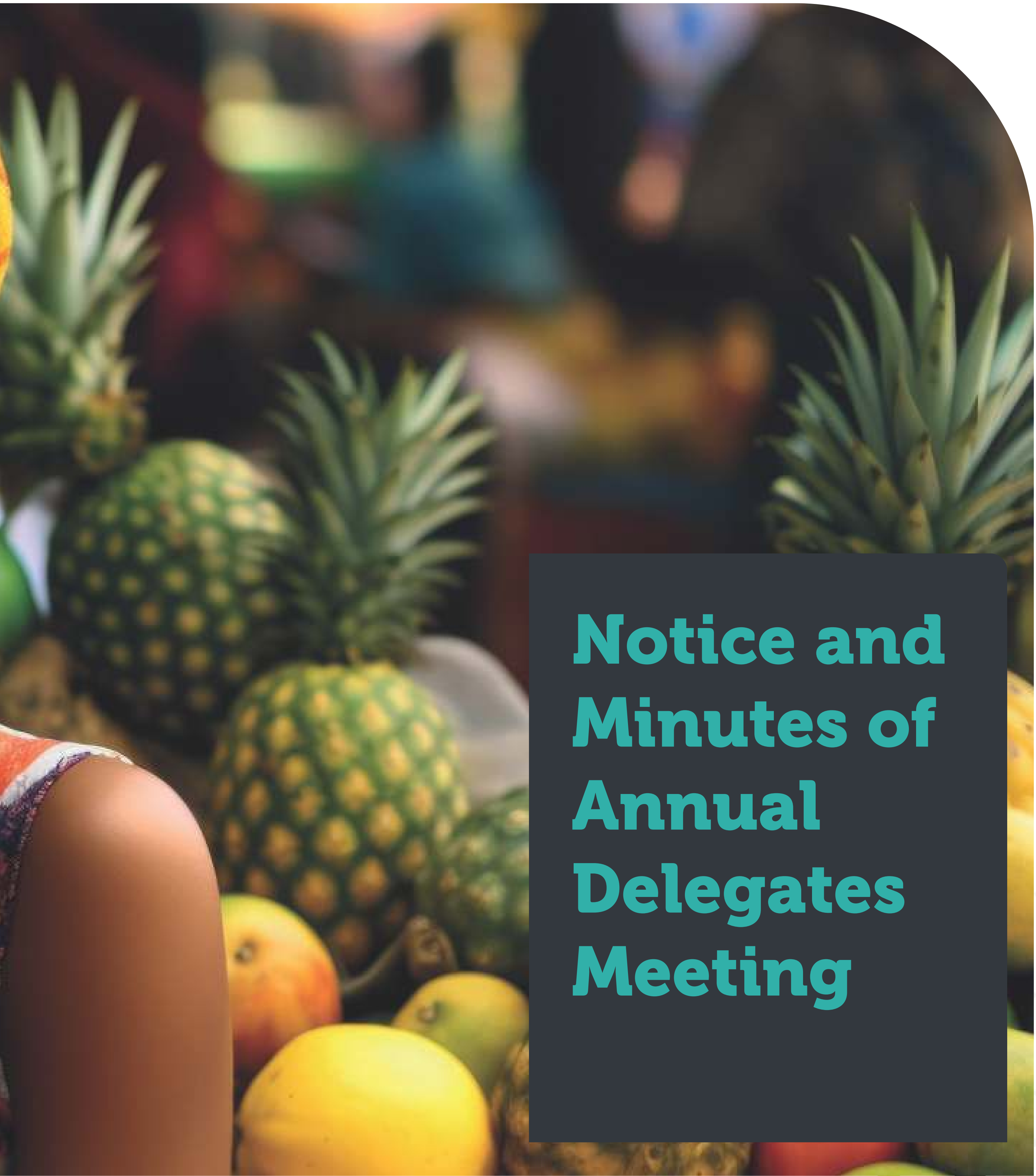


Notice and Minutes of Annual Delegates Meeting

Notice of Annual Delegates Meeting

Ports Sacco
UPLIFTING PEOPLE

DATE:______________

TO: MR/MRS/MISS...

RE: NOTICE OF ANNUAL DELEGATES MEETING FOR YEAR 2025.

Dear Delegates,

Notice is hereby given that the Annual Delegates Meeting of Ports (DT) Sacco Ltd will be held on .... 2025 at Ports (DT) Sacco Hall (New Building) 4th floor at **9.30 a.m.** to transact the following business.

1. Reading of the Notice convening the meeting.
2. Confirmation of the previous meeting and matter arising.
3. Presentation of Directors Report.
4. Presentation of Supervisory Committee Report.
5. Presentation of year 2024 Audited Financial Statements.
6. Approval of Borrowing Powers.
7. Approval of Appointments of Auditors for year 2025.
8. Resolutions.
9. Elections of Retiring Board/Supervisory Committee Members.
10. Receive guest speeches.
11. A.O.B – Presented on time.

ISABELLA MUSHIRA

HON. SECRETARY

BY ORDER OF MANAGEMENT BOARD.

Minutes of the Annual Delegates Meeting

Held on Friday 26th January 2024 at Mombasa Port Sacco Plaza

Attendance

1.Mr. Alfred K Jaka - **Chairman**
2.Mr. Ben Juma - **Vice/Chairman**
3.Mr. Gervas Mwole - **Treasurer**
4.Mrs. Isabella Mshilla - **Hon. Secretary**
5.Mr. Silvanus Imbuusi - **Board Member**
6.Mr. Philip Ouma - **Board Member**
7.Mr. Joel Gekone - **Board Member**
8.Mrs. Emily Chamba - **Board Member**
9.Mrs. Rael Munyoki - **Board Member**
10.Ms. Esha Khamis - **Chairperson-Supervisory**
11.Ms. Jackline Omayio - **Member Supervisory**
12.Mr. George Ondigo - **Member Supervisory**
13.118 delegates as per attached list.

In Attendance

1.Mr. Dedan Ondieki - **Chief Executive Officer**
2.Hon. Kibibi Abdalla - **Department of Blue Economy, Agriculture and Livestock, Mombasa County**
3.Mr. Nelson Nyoro - **Director, County Co-operative**
4.Ms. Linah Nafuodo - **Sub-County Co-Operative Officer**
5.Mr. Isedorius Agolla - **KAFOSA**
6.Ms. Janet Mutua - **CIC Insurance**
7.Ms. Agnes Wanja - **Branch Manager, Family Bank**
8.Mr. Edward Mutuaruhiu - **Head Sacco Banking- Co-operative Bank**
9.Mr. Philip Kai - **Relationship Manager, Co-Op Bank**
10.Mr. Eric Nyutu - **Regional Manager, KUSCCO Ltd**
11.Mr. Edward Mwazighe - **NCBA Bank- Changamwe Branch**
12.CPA Fredrick Ambale - **Ambale Ogot Company**
13.CPA Thomas Ongalo - **Ambale Ogot Company**

Agenda

1.Reading and Confirmation of the notice convening the meeting and Agenda
2.Reading and Confirmation of previous minutes and matters arising
3.Presentation of Directors' Report
4.Presentation of Supervisory Committee Report
5.Presentation of the 2023 Financial Statements
6.Approval of Borrowing Powers
7.Approval of Appointment of External Auditors
8.Resolutions
9.Confirmation of Election of Retiring Board/ Supervisory Committee Members
10.Speeches from invited guests
11.Prayer and closure of the meeting

Opening of the Meeting

The meeting opened with a word of prayer from Mr. Juma Aula at 10.15 am.

ADM 01/01/2024
Reading and Confirmation of the Notice Convening the Meeting and Agenda
The notice convening the meeting was read by the Hon. Secretary. It was adopted by the Delegates through the proposal by Mr. Johnstone Ogeno and seconded by Mr. Ali Salim.

ADM 02/01/2024
Reading and Confirmation of the Previous Minutes and Matters Arising
The minutes of the previous meeting were read by the Hon. Secretary and confirmed as a true record of the proceedings. They were proposed by Mr. Robinson Ngoka and seconded by Mr. James Wekesa.

Reaction from the Previous Minutes
No reaction from previous minutes.

ADM 03/01/2024 – Director's Report
In his introduction, the Chairman read from the book of proverbs 4:1-17. He said that as leaders we need to be wise if we are to lead well. And the fear of God was the beginning of wisdom, so we need wisdom to be at peace, live well and we are able to overcome when faced with challenges. Lets all strive to do more. In everything we do we should be wise in all our undertakings.

The Directors Report addressed the following areas:

1. ACCOUNTS

The Society's Financial Statements for the year 2023 were audited and registered with the SACCO Societies Regulatory Authority (SASRA) on 12th January 2024. The core business of the Society recorded an increase of 9% in performance despite the huge challenges in our economy. The total turnover increased from KShs.1.05 Billion in 2022 to KShs. 1.20 Billion in the year 2023 recording an increase of 14% though our target for the year was 1.30 Billion. The FOSA and BOSA operations recorded an increase of 24% and 17.5% respectively.

2. INTEREST ON MEMBERS DEPOSITS

The proposed interest on members' deposits for 2023 amounted to KShs 558,441,204.00 which is 12.5% of the total members' deposits compared to KShs. 496,001,372.00 (12.5%) for 2022 and increase of KShs. 62,439,832.00. FOSA shares and savings balances will earn a 6% interest.
The Board therefore recommended a payout to members of the above amount subject to Delegates' approval.

3. DIVIDEND ON MEMBERS' SHARES

The Board proposed to pay dividends on share capital amounting to KShs. 90,804,973.00 which is 20% of the total members' share capital. The Board would in accordance with strategic plan implement specific measures to increase share capital to the maximum of KShs. 200,000.00. The share capital stood at KShs. 454,024,864.00 as at 2023 with a target of KShs. 500,000,000 by close of the year.

4. GROWTH IN LOAN PORTFOLIO

The Society growth in loans was 21.5% to KShs. 5,996,939,583.00 in 2023 from KShs. 4,934,455,952.00 in 2022 .
Deposits and Savings in the same period grew to KShs. 5,277,151,475.00 from KShs. 4,585,731,431.00 translating to 7% growth.
The total asset base grew to KShs. 9,170,693,621.00 from KShs. 8,143,656,410.00 an increase of 12.6%.

5. DEFAULT

The SACCO's provision for loan loss for the year 2023 reduced to KShs. 229.60 million compared to KShs. 265.28 million in the year 2022 which is 3% of our portfolio. The ratio is within SASRA standards of not more than 5%. The SACCO debt Collection unit and Debt Collector did a tremendous job in bringing down the figures and will be enhanced in future.

6. MEMBERSHIP

The Society's active membership increased to 10,583 in 2023 from 9,039 in the 2022. The Board, Management and delegates have a responsibility in the member recruitment.

7. EDUCATION TO MEMBERS / DELEGATES

The Board organized delegates / members training last year and was very successful. The impact of the training on our members was and has been one that does not change lives. In accordance with our Strategic Plan year 2024-2028 a follow-up on the personal development of our members will be initiated.

8. CORPORATE SOCIAL RESPONSIBILITY

The Board reviewed children sponsorship from two to four. The Sacco will endeavour to monitor the progress of the sponsored pupils.

The Sacco on request conducted CSR activities and paid a total of KShs. 350,000.00

The Board may in the future register a foundation to cater for the needy in our area of operation and across the country.

9. MINIMUM DELEGATES DEPOSITS

Following the SDM held on 18th April 2023 resolution to increase minimum deposits for delegates to KShs. 1,000,000 effective 1st July 2024, delegates were reminded to comply by 31st June 2024.

10. ICT REPORT

Digital transformation remains a potent strategy for organizations seeking enhanced competitiveness, agility and improved customer experiences in the dynamic digital landscape.
Looking ahead to 2024 our strategy roadmap includes the installation of Biometric access control, integration of a state-of-the-art call center, leveraging on member interactions on our website, transitioning all loan processes to mobile access and achieving a paperless operational environment among other initiatives.

11. MOMBASA INTERNATIONAL SHOW AWARD

The Mombasa International Show was held on 6th to 10th September 2023, we were awarded:
i)Best Sacco Movement StandPosition 1
ii)Best Stand in Theme InterpretationPosition 2
iii)Best Stand Embracing ICT SystemPosition 2
iv)Best Financial Institution other than Bank Position 3

12. STRATEGIC PLAN-2024-2028

The Sacco five year strategic plan 2024-2028 was finalized in December 2023 and was being implemented. The following were the key targets for 2024:

i)Membership -3,000
ii)Assets-10.23 billion
iii)Revenue-1.40 billioniv)Members' Deposits-6.0 billion
v)Loans Portfolio-7.0 billion
vi)Share Capital-0.61 million

The Board, recommended that all delegates recruit ten(10) members each in 2024.

13. REBRANDING

Our new brand was launched in May 2023 and had greatly increased visibility both locally and internationally. Plans to open a Liaison Office in Nairobi CBD was in progress.

14. ROTATIONAL ELECTIONS

In accordance with the reviewed Society By-laws and SASRA regulations, one third (1/3) of the Board and Supervisory Committee members retired and elections were conducted. The following Board members retired and re-elected on 23rd January 2024:
i)Mr. Gervas Mwole-Pension / External-Board member
ii)Mrs. Emily Chamba- Zone “A”- Board Member
iii)Mr. Eric Ogolla- MD's Zone- Board Member (New)

The Chairman welcomed on board the newly elected delegates.

The Chairman informed the meeting that the elections of Supervisory Committee Member would be conducted on the floor.

15. CONCLUSION

The Chairman thanked the delegates for their continued support in the Society governance. He also appreciated all the stakeholders who have continuously ensured timely remittance of funds thus enabling the Sacco to meet its financial obligations.He equally appreciated the support from the Regulator (SASRA), County Co-operative Office, Bankers and other apex bodies which have always been excellent and hoped the same will be extended in future.

The Director's Report was adopted through the proposal by Mr. Ruwa Mpate and seconded by Ms. Martha Mwaka.

REACTIONS FROM THE DIRECTOR'S REPORT

Mr. Gideon Matiku sought to know the criteria used to award the school scholarships. The CEO explained that the difference in amounts was because some students were from private and public schools and the Board would decide on the ceiling amount in future.

Mr. Micah Ndiwa added to say that the Share Capital for all delegates had been set at KShs. 100,000.00 by June 2024 during the SDM.

Ms. Redempta noted that SCR activities be balanced in religions and to include Muslims. The CEO responded that the Sacco does not discriminate any religion.

ADM 04/01/2024
PRESENTATION OF THE SUPERVISORY COMMITTEE REPORT

The report was presented by the Chairperson, Ms. Esha Khamis and addressed the following issues:

1. MEMBERSHIP

a)Active membership increased from 9,039 to 10,583, an increase of 17%
b)Dormant members decreased from 2,942 to 2,702 a decrease of 0.8%
c)Members' deposits increased from 4,585,731,341 to 5,277,151,475 an increase of 15%

The Board and Management to enhance recruitment through marketing staff as per 2024-2028 Strategic Plan.

2. STRATEGIC PLAN 2024-2028

The Saccos key drivers were as follows:

i)Member Centric Financial Innovation
ii)Operational Efficiency and Service Excellence
iii)Diversification and Risk Management
iv)Strategic Expansion and Market Positioning
v)Governance and regulatory Compliance

The above key pillars would be achieved if all of us worked as a team and the Board would endeavor to attain these objectives.

3. PERFORMANCE

The Sacco performed well in its operations as highlighted below:
i)Total revenue was KShs. 1,208,516,618 compared to our budget of KShs 1,384,865,000 meeting our target by 88%
ii)Increased turnover of 14.98% from KShs. 1,050,988,866 to KShs. 1,208,516,618.

4. VETTING PROCESS

The committee noted that the vetting process was very short and does not give enough time for members with grievances to address them before the elections. The committee proposed that in future elections vetting process be conducted early enough to give room for proper scrutiny and fair process.

5. DELEGATES AND MEMBERS EDUCATION

The committee emphasized that for the Sacco to get value for money spent in the training, we needed to apply whatever skills had been acquired in the trainings.

The delegates were requested to identify areas that they felt there was need. These included:
a)Training Sacco Members on best practices on borrowing for personal and economic growth
b)Training Board members on best practices on governance
c)Training staff on the modern methods and procedures to handle the credit business.

6. TEAMWORK

The committee emphasized on the importance of teamwork in enabling the Sacco to achieve its objectives. The committee challenged the delegates that it was upon them to decide if Sacco succeeds or fails. The committee also reminded the delegates to spread the gospel and live up to our purpose,

"Ports Sacco Uplifting People"

The report was adopted through proposal by Mr. Naeel Hashil and seconded by Ms. Nana Mohamed.

REACTIONS FROM THE SUPERVISORY REPORT

Mr. Joseph Odero commended the good work by the Supervisory Committee. He added to say that the Supervisory was an independent and had indicated on unachieved targets to give recommendations for example the period for vetting process.

Mr. Peter Odera that the challenges be highlighted in a report so that they can be monitored for action. The CEO responded that the report was in summary but details were with the Board.

Ms. Martha proposed that we should have banner displayed showing our purpose.

ADM 05/01/2024
PRESENTATION OF FINANCIAL STATEMENTS

The Financial Statements for the year 2023 were presented by CPA Fredrick Ambale of Ambale Ogot and Company.

The following were the key highlights from the Financial Statement:
-The Sacco posted KShs. 1.21 billion in total revenue compared to KShs. 1.05 Billion in 2022 representing 15.0% growth.
-Interest expense increased from Kshs 508.9 million to KShs. 571.4 million owing to increased rebates due to growth in member deposits.
-Loans and advances grew by KShs 1.063 billion from KShs. 4.934 billion to Khs. 5.997 billion
-Members' deposits increased from KShs 4.585 billion in 2022 to KShs 5.277 billion in 2023 representing a 15.1% growth.
-The amount of cash held in savings and fixed deposits decreased from KShs. 2.2 billion in 2022 to KShs 1.1 billion in 2023

The Board of Directors proposed to pay dividends and rebates at the rates of 20% and 12.5% respectively.

The report was adopted through proposal by Mr. Mohamed Juma and seconded by Mr. Fred Wasari.

ADM 06/01/2024
RE-APPOINTMENT OF AUDITORS FOR THE YEAR 2024

Pursuant to Sacco Societies (Deposit – Taking Sacco Business) Regulations 2010 Section 57 (3)(f), the Board Audit and Risk Committee recommended reappointment of Ambale Ogot & Company LLP as external auditors for the financial year 2024. The following were highlighted:
1. The firm had demonstrated high standards of professionalism, ethical and timely delivery of their audit results for the past two years.

2. The firm had continued to display their ability to clearly, candidly and effectively communicate issues and concerns to the Committee and the board during meetings.

3. The firm had maintained their annual fee at KShs. 1,344,672 Only (Kenya One Million, Three Hundred Forty-Four Thousand Six Hundred Seventy-Two Only).

The Board therefore recommended that
REACTIONS FROM THE FINANCIAL STATEMENTS REPORT

No reaction from Financial Statements Report. Ambale Ogot and Company LLP be re-appointed as External Auditors for the year 2024 as their third and final year in accordance to Sacco Societies (Deposit – Taking Sacco Business) Regulations 2010 Section 54 (6).

The report was adopted through proposal by Mr. Ali Mazuri and seconded by Ms. Eunice Kavulu.

ADM 07/01/2024
ELECTION OF THE SUPERVISORY COMMITTEE

Ms. Linah Nafuodo from the County Co-operative Office presided over the elections.

Ms. Esha Khamis was due to retire on rotational basis as required by one third rule on retirement of the Board and Supervisory Committee.

Ms. Esha Khamis was elected unopposed as proposed by Ms. Beatrice Wanzala and Seconded by Martin Kagweru.

ADM 08/01/2024
RESOLUTIONS

The following resolutions were passed by the delegates:

1.That dividends on member share capital be paid at the rate of 20%
Proposer: Mr. Peter Kahiu
Seconder: Ms. Asha Dzillah

2.That interest on members deposits be paid at the rate of 12.5% on pro-rata basis
Proposer: Mr. Rama Mwasilaha
Seconder: Mr. Donald Tawa

3.That the Board be paid honorarium
Proposer: Mr. Ali Mwacheo
Seconder: Ms. Christine Cherotich

4.Borrow upto a limit of KShs. 500 million
Proposer: Mr. James Otieno
Seconder: Ms. Fabia Mohamed**ADM 09/01/2024**
SPEECHES FROM INVITED GUESTS

The Chairman welcomed the following invited guests to give their speeches:

MS. KIBIBI ABDALLA
MINISTER BLUE ECONOMY, AGRICULTURE AND LIVESTOCK

Mr. Nelson Nyoro started by thanking Madam Abdalla for finding time to be with us despite her busy schedule.
Madam Abdalla started by thanking all present observing all protocol. She continued to say that she was happy to be there. She gave her remarks as follows:
i)That the Board and delegates had done a good work . She added to say that the sacco was stable and well structured and that was evident in the asset base increase witnessed, and shows unity. She commended the sacco on its exemplary performance and that she recognized the sacco efforts.
ii)She emphasized the importance of saccos and how saccos played a very vital role in economy building. She said that Saccos had better rates and had helped families in their lives through credit facilities. He requested that Sacco continue holding families inorder to raise standards of living.

iii)She encouraged members not to save what is left after spending but save before spending. Therefore joining the sacco should be a deliberate move to save and earn dividends.
iv)She challenged the Sacco to look into village chamas, guide these groups as they had no consistence in their savings, capacity build these people.
v)Under Blue Economy she said we look into what we can do. She explained that they were many small fish co-operatives that need financial institutions like saccos to finance them. The Board should look into how they can get finances to build their small co-operatives.
vi)She informed the meeting that there were many maritime job opportunities but many people were not aware about these. She challenged people to embrace these opportunities.

MR. NELSON NYORO
COUNTY CO-OPERATIVE OFFICE

Mr. Nyoro clarified that the oversite role for Supervisory Committee was ongoing, they give recommendations to the Board and the Board do what the Committee recommends. If not they table the same to the delegates. This is done for improvement and value addition to the Sacco. He added to say that any bylaws passed should be complied with.

MR. OGOLLA
KAFOSA

Mr. Ogolla congratulated the Board, Delegates and the Staff for their hard work. He added to say that the Sacco's achievements were amazing and sacco should pick positive contributions for growth during these forums. He emphasized that ICT was very crucial and was pleased to see how the sacco had embraced ICT.

MS. JANET MUTUA
CIC INSURANCE

Ms. Mutua started by thanking the Sacco for their support and congratulated the sacco for a job well done. She added that CIC were committed in supporting the sacco. She said that they had products that were tailored for saccos, for example Co-op care, pensioners medical cover, money markets funds and many more.

MS. AGNES WANJA
FAMILY BANK

Ms. Agnes Wanja said she was happy to be in the meeting. He mentioned that Family Bank had just opened a branch in Nyali. She explained that saccos and banks do not compete but complement each other.

MR. EDWARD MWAZIGHE
NCBA BANK

Mr. Edward Mwazighe started by saying that he was happy and proud to be a member of the sacco and to be associated with the sacco. He added to say that so much was happening both globally and locally in the financial markets and the sacco should be able to take advantage of such. He promised that NCBA will continue to partner with the sacco and wished the sacco well.

MR. EDWARD MUTUARUHIU
CO-OPERATIVE BANK

Mr. Mutuaruhiu brought greetings from the MD Mr. Gideon Muiruki.
He thanked the sacco for the partnership they had with Co-Operative Bank. He congratulated the sacco for being in top 15 out of over 300 saccos. He commended the external auditors for books that had been well done quoting the relevant laws. He challenged the sacco to strive to remain at the top.
He also appreciated the Supervisory Committee report and emphasized focus on member centric where he suggested that all dormant members be brought back. On operation efficiency , he said that our members should be able to get all our services when needed.
He mentioned that the bank was offering bank guarantees and therefore the sacco should consider partnering with the bank to offer such services to our members.

MR. NEWTON NYUTU
KUSCCO

Mr. Nyutu thanked the sacco for the invitation and brough greetings from Mr. Anold Njeru the Managing Director for KUSCCO.
He commended the sacco for the significant growth. He advised that members be educated on the need to save, 20% of share capital was a good amount and members should not be

excited to take it home but invest back. Members should try to invest more in the sacco thus creating more resources.

MR. JOEL GEKONE

Mr. Gekone noted that the default rate had dropped from 7.6% to 3% and commended the sacco for the good work. He appreciated the work being done by the collection unit and debt collectors.

MR. ERICK OGOLLA

Mr. Ogolla promised to work together with the Board and all parties to push the agenda of the sacco forward.

MS. DOLOREES MAIKAH

Ms. Maikah thanked God for the far he had brought us. She continued to say that a lot had been learnt in the sacco and it had helped many grow.She informed the meeting that she was pension trustee, and thanked all the delegates for voting for her. She said that she was no longer a delegate but will continue to support the ICT department when needed.

ADM 10/01/2024
CLOSING REMARKS, VOTE OF THANKS AND PRAYER

Mr. Joseph Odero thanked all the stakeholders present. He continued to say that we were honoured by their presence. He appreciated the fruitful discussions and that there was nothing personal, all was aimed at improving the sacco.

There being no other business the meeting ended at 1.13 pm with a word of prayer from Ms. Bether Akuno.

Confirmed by:

Minutes taken by:

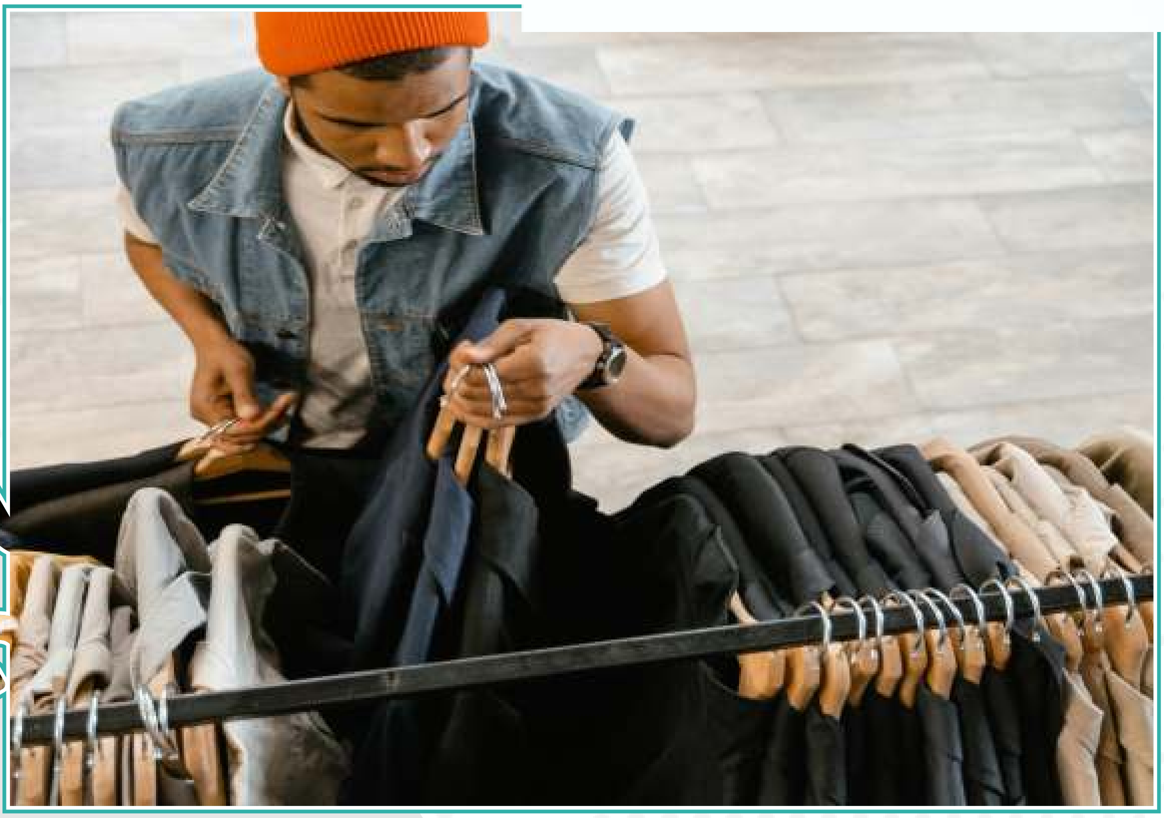
Minutes taken by:

AFRED KONDE JAKA
CHAIRMAN

ISABELLA MSHILLA
HON. SECRETARY

DATED: 08/1/2025

DATED: 8/01/2025



Statement from the Chairman

Despite navigating a particularly challenging business environment, the Sacco's performance in 2024 reflects the resilience gained from our diverse membership base and our unwavering commitment to supporting our members during both prosperous and trying times as they strive to achieve their goals. Throughout the year, Ports DT Sacco demonstrated the resilience in its operations through expanded reach, a robust and growing deposit portfolio, sound liquidity management, and a diversified revenue base spanning various sectors and regions within Kenya and the diaspora.

Board Chairman's Statement

Dear Delegates,
We Thank you for your continued trust, support, and investment in Ports DT Sacco.

On behalf of the Board, it is my privilege to present the Ports DT Sacco Annual Report and Financial Statements for the fiscal year ending December 31, 2024.

Despite navigating a particularly challenging business environment, the Sacco's performance in 2024 reflects the resilience gained from our diverse membership base and our unwavering commitment to supporting our members during both prosperous and trying times as they strive to achieve their goals. Throughout the year, Ports DT Sacco demonstrated the resilience in its operations through expanded reach, a robust and growing deposit portfolio, sound liquidity management, and a diversified revenue base spanning various sectors and regions within Kenya and the diaspora.

In 2024, the Board implemented several strategic initiatives and dedicated significant effort to enhance our market presence and elevate the quality of services provided to our valued members.

I am pleased to report that the Sacco delivered a strong financial performance in 2024, with our total revenue growing by 30% from the previous year 1,208,516,617 to 1,565,728,786 against 1,380,000,000 in our strategic plan.

This achievement is a testament to the unwavering loyalty of our members, who increased their engagement with the Sacco despite a challenging economic environment compounded by heightened taxation and prevailing economic uncertainty. I would now like to highlight some of our key achievements.

SACCO FINANCIAL PERFORMANCE IN 2024

The Sacco's Financial Statements for the year 2024 were audited and registered with the Societies Regulatory Authority (SASRA) as required by law. The Sacco being among the first to do early registration of the financial statements was a testament of early preparations, Board, Staff commitments and External Auditors.

Our total turnover grew by 30% %, from Kshs. 1,208,516,617 billion in 2023 to Kshs. 1,565,728,786 billion in 2024, surpassing the set target of Kshs. 1,380,000,000 billion. This significant growth highlights the effectiveness of the Board's strategic direction and the dedication of our leadership team to ensuring financial stability and growth.

Additionally, Interest on FOSA loans achieved an outstanding 23% (Kshs.82,614,209) growth to Kshs. 434,975,969 from Kshs. 352,361,261 in 2023, while BOSA loans experienced a commendable 13% (Kshs. 72,045,287), increase to Kshs. 614,325,373 from Kshs. 542,280,087 in 2023. These achievements illustrate the resilience of Ports DT Sacco and our focus on sustainable development, even during economic challenges.

INTEREST ON MEMBERS DEPOSITS

The proposed interest on members' deposits for 2024 is Ksh. 652,110,532, representing 12.5% of total member deposits. This compares to Ksh. 558,441,204 (12.5%) for 2023, an increase of Ksh. 93,669,328.

This is the Sacco's largest single expense. The Board aims to attract more deposits and retain more earnings to accelerate growth, and this will affect the interest rate declared in the future.

FOSA shares and savings balances will earn 6% interest.

The Board recommends a payout to members of the aforementioned amount, subject to your approval. The Board encourages members to reinvest a portion of their interest earnings to their share deposits.

DIVIDEND ON MEMBERS' SHARE CAPITAL

The proposed dividend on members' shares for the year 2024 amounts to Ksh. 90,804,973 which is 20% of the total members share capital (2023: 90,804,973 at 20%). The Board will in accordance with the Strategic Plan implement specific measures to increase share capital to the maximum of Kshs. 200,000/-. The share capital currently stands at Ksh. 535,448,416_as at 2024 being an increase of Ksh 14,868,814.82 from 2023

MEMBERSHIP

The Sacco's active membership increased to 12,265 in the year 2024 from 10,583 in the year 2023 representing a 15.8% growth.

This year (2025) our new members' target is 4,000 being increase of 1,000 from 2024 targets of 3,000 new members. Thus, all of us (the Board, Delegates and Management) have a responsibility to recruit more members because only then can we achieve our growth trajectory as laid down in our strategic plan.

The Board, therefore, recommends that each delegate recruit ten (10) new members this year. I urge you to pass this as a resolution during this meeting.

GROWTH IN SACCO'S KEY PERFORMANCE INDICATORS (KPIs).

I am pleased to report that Ports Sacco has experienced robust growth across all key parameters. This positive performance is a testament to the sound financial management and strategic vision of our Sacco, as well as the loyalty and trust of our members. Our total asset base grew by 15% (Kshs. 1,372,074,631) to Ksh. 10,542,767,252 billion from 9,170,692,621 in the year 2023 supported by the strong growth in net loans (15.8% Kshs. 945,389,715) increase to Ksh. 6,942,329,299 billion) from Kshs. 5,996,939,583 in the year 2023 and deposits and savings (15.3% - Kshs. 807,388,282 growth to Kshs. 6,084,539,756 from 5,277,151,475 billion). This tremendous growth demonstrates the strength and resilience of our Sacco.

CREDIT RISK MANAGEMENT AND COMPLIANCE

Despite the ongoing economic challenges, our credit risk remains well below the industry average. Although we faced a slight increase in loan loss provisions, our proactive interventions have contributed to positive outcomes.

Our continued emphasis on ensuring members meet their loan obligations, coupled with our strict adherence to regulatory requirements, has earned us national recognition, including second runners-up for the best-managed Sacco, best in risk management, and best-insured Sacco.

CORPORATE GOVERNANCE

The past year marked a significant milestone in our governance journey with the successful leadership transitions for both the Board and the Chief Executive Officer. This smooth process ensured uninterrupted strategic direction and sustained organizational momentum.

I extend my heartfelt appreciation to the outgoing leaders for their invaluable contributions and warmly welcome the incoming leadership as we embrace this new phase of growth and development.

At the Special Annual Delegates Meeting (ADM) held on April 18, 2023,we resolved to increase the minimum deposit requirement for delegates to Kshs. 1,000,000 and the minimum share capital to Kshs. 100,000, effective July 1, 2024. Delegates who are yet to fulfil these requirements are kindly reminded to do so promptly to ensure seamless compliance and continued engagement in our shared vision.

As a Sacco we maintain a strong commitment to effective and facilitative corporate governance as a central element of our strategy.

Awards & Accolades

Ports DT Sacco has once again demonstrated its exceptional performance by securing multiple awards at prestigious industry events in 2024.

At the national level, during the ICD National Awards 2024, Ports Sacco earned multiple honors, including:

1.Best Managed Sacco Countrywide - 3rd Place
2.Best Managed Sacco, Tier 2 - 2nd Place
3.Best in Capitalization, Tier 2 - 1st Place
4.Best in Technology Optimization, Tier 2 - 1st Place
5.Most Improved, Tier 2 - 3rd Place
6.Best in Deposits Management, Tier 2 - 3rd Place
7.Best in Risk Management, Tier 2 - 3rd Place

Board Chairman's Statement

On the County front, Ports Sacco achieved remarkable success at the ICD Mombasa County Awards, where we were honored with:

1.Best Cooperative Sacco - 1st Place
2.Best Capitalized Cooperative Sacco - 1st Place
3.Best in Education and Training - 1st Place
4.Highest Returns on Assets - 1st Place
5.First to Present Audited Accounts - 1st Place

At the Mombasa International Show 2024, we were awarded:

1.Branch Chairmans' Commendation Trophy - 1st Place
2.Best Micro-Financial Institution - 1st Place
3.Best Cooperative Movement/Sacco Stand - 2nd Place
4.The Best Financial Institution Other than Bank - 2nd Place
5.Stand that Best Interprets Current Show Theme (Financial Industry) - 3rd Place
6.The Best Small Trade Stand (Commercial & Industrial) - 3rd Place

Further Accolades included:

CIC 2024

1.Best Insured Co-operative Sacco, Coast Region – runners up

Pwani Golden Awards 2024

1.Best Sacco 2024

These accolades represent a collective effort to improve, innovate, and provide unmatched value to our members. I take this opportunity to thank everyone who played a role in achieving these milestones.

STRATEGIC PLAN 2024 – 2028

We have made significant strides in implementing our Strategic Plan for 2024-2028, which serves as a clear roadmap for our growth and long-term development. This plan is designed to ensure we remain focused on delivering sustained value to our members and positioning Ports Sacco as a leader in the sector.

Central to this plan is member-centric financial innovation, offering personalized products and services to enhance the member experience.

We are focused on operational efficiency and service excellence, streamlining processes and leveraging technology to improve service and reduce costs. Our diversification and risk management strategies will expand our offerings and protect against risks.

Strategic expansion and improved market positioning will help us grow our reach, while a strong commitment to governance and regulatory compliance ensures transparency and accountability. These pillars will drive our continued success in the years ahead.

EXPANDING OUR REACH AND MARKET SHARE

A key achievement this year was the opening of our new marketing office in Nairobi's Central Business District (CBD). This strategic expansion enhances our ability to serve existing members in the region and attract new members, broadening our reach and impact.

EDUCATION TO MEMBERS/DELEGATES

We remain committed to empowering our members and delegates through continuous training and development opportunities.

This past year, we conducted various training programs covering financial literacy, mental health awareness, retirement planning and savings culture, thus equipping our members with valuable knowledge and skills.

This year, we intend to reach even more members through training as we remain true to both our strategic plan 2024-2028, and the co-operative principle of education and training.

CORPORATE SOCIAL RESPONSIBILITY

Aligned with our commitment to ESG principles, the Sacco actively engaged in strategic CSR activities throughout 2024. Our focus was on empowering vulnerable groups, supporting youth development through sports, promoting education, and contributing to key community events. Notable contributions included support for Little Sisters of the Poor, Port Reitz School for Physically Challenged, training at Shimo Borstal, the KECOSO Games, Admiral F.C, Star of the Sea High School, the Kenya Navy Golf Captain's Prize, the Mombasa International Show, and the Global Women Impact Foundation. We also planted 1,000 trees at the Timbwani Secondary and Primary Schools in Likoni, where we also donated sanitary pads and 4 balls to the same schools.

Looking ahead, we are in the process of establishing a Sacco foundation, which will allow us to expand our reach and address even greater community needs.

ELECTIONS

In accordance with the Sacco By-Laws and SASRA Regulations, One-third of the Board and Supervisory Committee members retired this year, and elections were held. I would like to congratulate the re-elected and newly elected delegates.

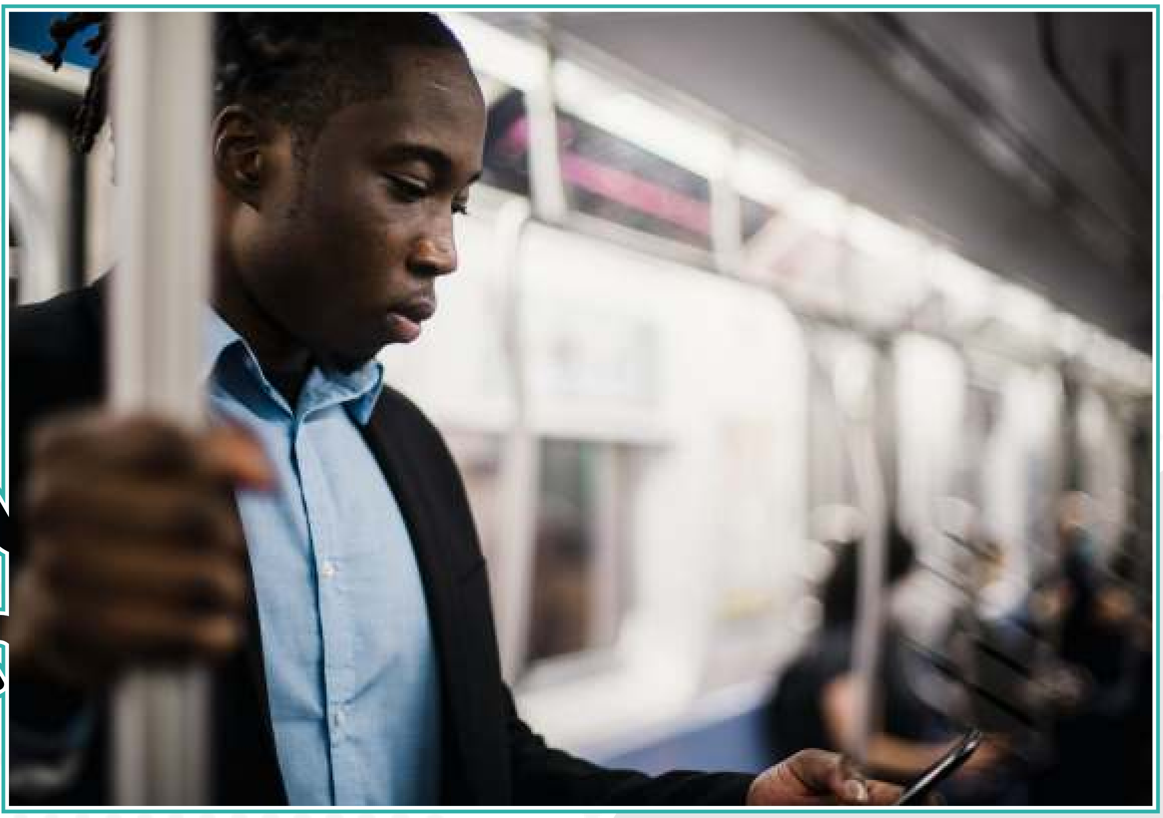
CONCLUSION

2024 was a year of significant progress for Ports DT Sacco, achieved despite economic challenges. We expanded our reach, strengthened operations, and enhanced member services through prudent management, strategic decisions, and dedicated teamwork.

Our commitment to sound governance remains unwavering. We also acknowledge the valuable contributions of our stakeholders, including SASRA, the County Co-operative Office, our banking partners, and other apex bodies. Finally, we express our appreciation to Delegates and our members for their continued patronage, and all those who believe in our mission. I encourage a productive discussion on the Sacco's future direction, ensuring that strong governance remains a cornerstone of our continued success.

SIGNATURE

Mr. Ben Juma Chepkechir,
CHAIRMAN, BOARD OF DIRECTORS



UPLIFTING PEOPLE

Ports Sacco Board of Directors

Ports Sacco Board of Directors

MR. BEN JUMA CHEPKECHIR
CHAIRMAN

MR. ERIC ODONGO
VICE CHAIRMAN

MS. ISABELLA MUSHIRA
HON SECRETARY

MR. GERVAS MWOLE
TREASURER

MRS. EMILY D. CHAMBA
BOARD MEMBER

MR. SILVANUS IMBUUSI
BOARD MEMBER

MRS. RAEL MUNYOKI
BOARD MEMBER

MR. ALFRED KONDE
BOARD MEMBER

MR. PHILLIP OMWALO
BOARD MEMBER

MR. BOAZ N. OMWANSA
CHIEF EXECUTIVE OFFICER

Supervisory Committee Chairperson's Statement

Dear Delegates,

The Supervisory Committee extend our congratulations to all newly elected and re-elected delegates. Your selection signifies the members' trust in your leadership and provides an important opportunity to serve the Sacco. We are confident that you will diligently execute the responsibilities entrusted to you.
We also commend the Board, Management, and Staff for their commendable performance in 2024, particularly their adherence to regulatory timelines for account registration and the Annual Delegates Meeting.
The following sections details the Supervisory Committee's observations and assessments for the financial year ending 31st December,2024:

Supervisory Committee Chairperson's Statement

1. Membership Growth and Engagement

In 2024, the Sacco achieved a 15.8% increase in active membership, growing from 10,583 to 12,265. While this growth is positive, we also noted an increase in dormant members, rising from 2,942 to 4,168. This trend highlights the need for targeted strategies to re-engage these members, particularly given the prevailing economic challenges faced by non-salaried individuals. Member deposits increased by 15.3%, from Ksh. 5,277,151,475 to Ksh. 6,084,539,756. We encourage the Board and Management to prioritize initiatives aimed at reactivating dormant accounts and promoting greater utilization of the Sacco's products and services, aligning with the 2024–2028 Strategic Plan's target of a 4,000-member increase in 2025.

2. Implementation of the Strategic Plan (2024–2028):

The Sacco's five-year Strategic Plan (2024–2028) is currently in its second year of implementation. We emphasize the importance of consistent implementation and regular review by the Board and Management to effectively address any emerging challenges and ensure the plan remains aligned with the Sacco's objectives. The key strategic drivers of the plan—Member-Centric Financial Innovation, Operational Efficiency and Service Excellence, Diversification and Risk Management, Strategic Expansion and Market Positioning, and Governance and Regulatory Compliance—are critical to the Sacco's success. These pillars reflect Ports DT Sacco's commitment to innovation, sustainable growth, ethical practices, regulatory compliance, and, most importantly, member satisfaction. Achieving these goals requires fostering a culture of continuous improvement, regularly monitoring key performance indicators, and engaging proactively with members and stakeholders.
We encourage the Board and Management to take proactive steps to ensure that these strategic drivers are fully integrated into day-to-day operations and decision-making.

3. Financial Performance

In 2024 , total turnover reached Ksh. 1,565,728,786, achieving 30% (Ksh. 357,212,169) growth from Kshs. 1,208,516,617 in the year 2023. Based on this performance, the Board has proposed maintaining the interest rate on members' deposits at 12.5%, consistent with the rate offered in 2023. We commend the Board and Management on achieving this great performance and hope that this positive growth trajectory witnessed since 2019 will be sustained.

4. Delegates Elections

We observed significant improvements in the 2024 delegate election process. The early issuance of election notices in December 2024 and the subsequent timely vetting process allowed aspirants ample time to meet requirements. The release of vetting results on January 2, 2025, provided an opportunity for appeals before the election on January 15th, 2025. While these improvements are commendable, we recommend that the Board and Management ensure comprehensive communication of all candidacy requirements to members and prospective candidates well in advance. We reiterate that the vetting process is a legal requirement mandated by our bylaws and election policy, designed to ensure compliance, not to restrict participation. Therefore, we encourage all aspiring candidates to prepare adequately well in advance.

5. Governance and Regulatory Compliance

Maintaining adherence to cooperative and Sacco acts, as well as other relevant legal requirements, is paramount, particularly given the evolving regulatory landscape. The Board and Management must remain vigilant in monitoring regulatory changes, including taxation issues, maintain a robust compliance function, and regularly review and update internal policies and procedures. Furthermore, addressing data security concerns in the context of digital transformation remains a critical priority. Additionally, data security concerns in the digital transformation journey remains a global challenge. The Board and management must implement robust cyber security measures including training both staff and members on cyber security best practices.

The Supervisory Committee extends its appreciation to the Board, Management, Staff, and Delegates for their continued support, which has enabled us to effectively fulfill our oversight responsibilities. We look forward to continued collaboration in the pursuit of the Sacco's objectives.

SIGNATURE

Mrs. Esha J. Khamis
CHAIRPERSON, SUPERVISORY COMMITTEE

Supervisory Committee

MRS. ESHA J. KHAMIS
CHAIRPERSON

MR. GEORGE ONDIGO
SECRETARY

MRS. JACQUELINE OMAYIO
MEMBER

Chief Executive Officer's Statement

Dear Delegates,
I am pleased to present our performance report for the year ending December 31, 2024. This year has been one of notable progress for Ports DT Sacco, marked by strategic growth and a firm commitment to our members and the communities we serve.

KEY HIGHLIGHTS 2024

2024 has been a year of significant strides for Ports DT Sacco. We focused on expanding our reach, enhancing our services, and strengthening our internal operations, all while staying true to our core values. Here are some key highlights

STRATEGIC PLAN 2014-2028 IMPLEMENTATION

Building on the remarkable success of our 2019 -2023 Strategic Plan, which was achieved at 99%, we launched our new 2024-2028 Strategic Plan. This plan is centred on becoming even more member-centric and has made strong progress in its first year. Key performance indicators (KPIs) such as loan book growth, total assets, and revenue are on track, signalling a positive start to our new strategy.

EXPANSION & GROWTH

As part of our ongoing expansion efforts, we opened a new marketing office in Nairobi's Central Business District (CBD). This location enhances our visibility, accessibility, and serves as a strategic entry point to other areas within the Nairobi Metropolis.

We also expanded our team, increasing staffing levels to improve operational efficiency and better serve our growing membership. Our goal remains to recruit 38,525 members by 2028, and we are making significant progress in achieving this target.

Additionally, we have successfully entered new markets, welcoming teachers following the approval of a TSC Code. This move diversifies our membership base, which is a crucial element of our risk mitigation strategy in response to a saturated KPA membership.

MEMBER - CENTRIC FOCUS

We remain committed to providing our members with essential tools for financial empowerment. Our ongoing educational programs promote a savings culture, financial discipline, mental health awareness, and drug abuse prevention. These initiatives are crucial in mobilizing more deposits for onward lending and empowering our members to manage their finances effectively.

As a Sacco, we are continuously innovating, developing products and services that are responsive to the evolving needs of our members.

ENVIRONMENTAL SOCIAL ANG GOVERNANCE (ESG) IMPACT

Our commitment to Environmental, Social, and Governance (ESG) principles has deepened in 2024. We will publish our second ESG report this year, showcasing our dedication to sustainability.

In line with this, we have taken significant steps to reduce our environmental impact. These include the installation of solar panels at our head office and a successful tree-planting initiative led by management in August 2024.

ICT UPGRADES AND INTEGRATIONS

As part of our strategic focus on innovation and operational excellence, we have invested substantially in upgrading our ICT infrastructure. These investments are directly aligned with our goals of enhancing member experience, improving efficiency, and strengthening risk management. Key initiatives include:

i.Data Analytics - We have implemented advanced data analytics capabilities to gain a deeper understanding of member needs and market dynamics. This strategic use of data empowers us to develop more targeted products and services, optimize our operations, and enhance our overall competitiveness.

ii.Integrated Population Registration System (IPRS) Integration- The IPRS implementation has significantly improved the efficiency of new member onboarding through faster screening.

iii.Call Centre Enhancement- Recognizing the importance of accessible and responsive member support, we have upgraded our call centre infrastructure. This investment has resulted in improved call handling efficiency, reduced wait times, and enhanced member satisfaction.

iv.CRB Integration - To strengthen our credit risk management practices and promote responsible lending, we have integrated with the CRB. This real-time data sharing enables us to make more informed lending decisions, mitigating potential risks for both the Sacco and its members.

Chief Executive Officer's Statement (Continued)

GROWTH IN SACCO'S KEY PERFORMANCE INDICATORS (KPIs)

The Sacco's net loans grew by 15.7% to Ksh. 6,942,329,299 in 2024 from Ksh. 5,996,939,583 in 2023. Deposits and Savings in the same period grew to Ksh. 6,084,539,756 from Ksh. 5,277,151,475, translating to a 15.3% growth. The total asset base grew to Ksh. 10,542,767,252 from Ksh. 9,170,692,621, an increase of 15%.

CREDIT RISK MANAGEMENT

The Sacco's loan loss provision for 2024 increased to Kshs. 249.60 million, compared to Kshs. 229.60 million in 2023 owing to a growing loan portfolio and harsh economic conditions affecting some borrowers. Despite these challenges, our total non-performing loans stood at 3% of our portfolio which is within SASRA's recommended ratio of not more than 5%.

LOOKING FORWARD

Building on our achievements, we are confident in our ability to surpass the targets outlined in our strategic plan. Our focus remains on delivering relevant, competitive products and services that meet the dynamic needs of our members.
A key initiative for the coming year is the rollout of the fully automated Prestige Loan and FUUZA Loan, which will provide members with greater convenience and accessibility, whether they are at home or at work.

CONCLUSION

In closing, I would like to express my sincere gratitude to our members, whose confidence in us has enabled these successes. I also extend my thanks to the Board, the Supervisory Committee, and all our dedicated employees for their unwavering support and contributions.

With the continued backing of all our stakeholders, we will continue to build a Sacco that delivers strong returns, remains resilient in the face of economic challenges, and ultimately uplifts the lives of our members.

Mr Boaz N. Omwansa
CHIEF EXECUTIVE OFFICER

Senior Management

MR. BOAZ N. OMWANSA
CHIEF EXECUTIVE OFFICER

MR. PAUL MWITA
CHIEF OPERATIONS OFFICER

MR. CHARLES NJERU
AG. CHIEF FINANCIAL OFFICER

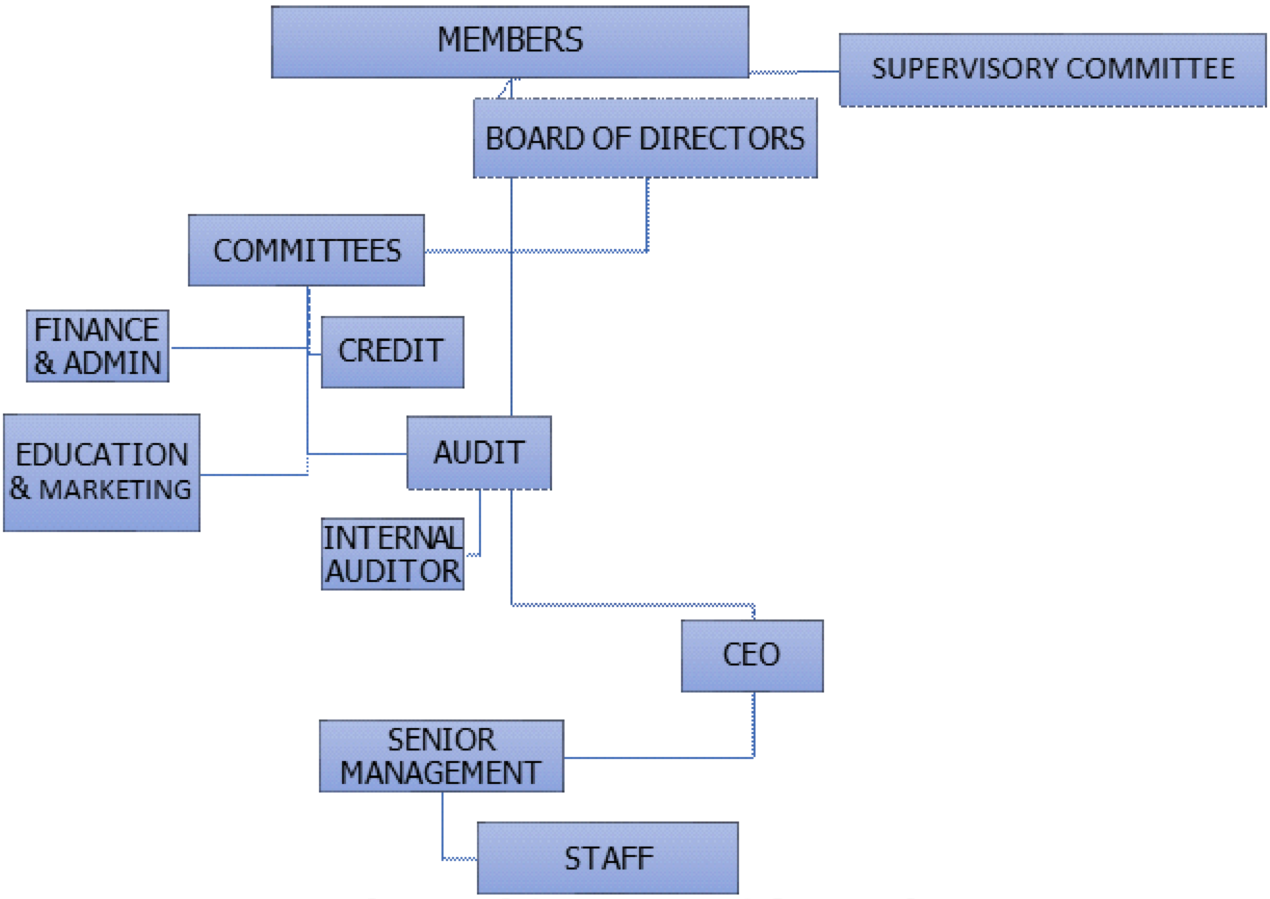
MR. ROBERT KARIOKI
CHIEF INFORMATION OFFICER

MR. SILAS JUMA
INTERNAL AUDIT, RISK & COMPLIANCE MANAGER

Ports Sacco
UPLIFTING PEOPLE

Corporate Governance Statement

BOARD AND GOVERNANCE STRUCTURE



At Ports DT Sacco, we believe that effective corporate governance is paramount for building trust and ensuring accountability to our stakeholders, customers, and employees, with the overarching aim of creating sustainable value. This governance framework provides the processes and structures through which the Sacco is directed and managed, promoting both business prosperity and transparency. The Board is therefore committed to adhering to robust governance practices. The governance structure is established by the Co-operative Societies Act, the Sacco Societies Act, relevant regulations, and the Sacco's By-laws.

The Delegates Meeting comprising elected delegates, holds supreme authority. The delegates elect the Board of Directors and Supervisory Committee, who are responsible to the membership and other stakeholders through the Delegates Meeting. Decisions taken at the Delegates Meeting are binding on all members.

GOVERNANCE GUIDELINES

The Sacco's corporate governance practices are informed by a range of regulatory and best practice frameworks, including:

i.The Sacco Societies Act, 2008, the Sacco Societies (Deposit-Taking Business) Regulations, 2010, and any subsequent prudential guidelines issued by the regulator (SASRA).
ii.The Prudential Guidelines issued by the Central Bank of Kenya on January 13, 2013.

iii. The Corporate Governance Guidelines established by the Capital Markets Authority of Kenya.
iv.The Principles and Sample Code for Corporate Governance in Kenya, published by the Private Sector Corporate Governance Trust (PSCGT) in 1999.
v.The Guidelines on Enhancing Governance of Cooperative Financial Institutions, recommended by the International Credit Union Regulators Network in April 2013.
vi.Established best practice principles of cooperative governance within credit unions.
vii.The 2023 Guidance Notes on Corporate Governance for Regulated Saccos in Kenya.

SACCO GOVERNANCE COMPOSITION
The governance structure of the Sacco includes a Board of Directors (BOD) and a Supervisory Committee. The BOD, responsible for the overall governance of the Sacco, is elected by the delegates and comprises nine (9) non-executive directors alongside the Chief Executive Officer, who holds an ex-officio position. The Directors subsequently elect the Chairman, Vice-Chairman, Honorary Secretary, and Treasurer from among their number.

The three-member Supervisory Committee, also elected by the delegates every three years, oversees the Board's activities and reports directly to the Annual Delegates Meeting. The committee members elect their own Chairpers on and Secretary.

BOARD COMPENSATION

Board Members and Supervisory Committee members were paid a gross allowance of Kenya Shillings 17,031,521 in the year ended December 2024. The Compensation Policy, approved by SASRA and ratified by the Delegates at the Delegates Meeting, governs compensation for Board and Supervisory Committee Members.

BOARD INDUCTION, TRAINING AND PROFESSIONAL DEVELOPMENT

New Directors and Supervisory Committee members participate in an induction program upon appointment. This includes meetings with respective Chairpersons and Senior Management, and briefings on the roles of the

Board (including its committees) or the Supervisory Committee. In 2024, Directors and Supervisory Committee members received further training from external experts to stay abreast of key development.

In 2024, the Sacco invested in the professional development of its Board and Committee members, with a focus on enhancing governance, risk management, and leadership capabilities.

Committee	Members	Training Topics Covered
Board of Directors	Mr. Ben Juma	Data protection, enterprise governance, digital-age corporate governance
Education and Marketing Committee	Mr. Eric Odongo, Mr. Philip Ouma	Board induction, organizational leadership
Finance and Admin Committee	Mr. Eric Odongo, Mr. Gervas Mwole, Mrs. Isabella Mushira	Data protection, financial oversight, organizational leadership, capital adequacy, credit control, transformational leadership
Credit Committee	Mrs. Emily Chamba, Mr. Alfred Jaka, Mrs. Rael Munyoki	Product design, credit administration, credit control, governance competency
Supervisory and Audit Committee	Mr. Silvanus Imbuusi, Mr. Philip Ouma, Mrs. Esha Khamis, Ms. Jacqueline Omayio, Mr. George Ondingo	Board induction, corporate governance, ethics, financial reporting, risk management , transformational leadership, resilient Sacco building, Sacco business leadership

BOARD EVALUATION

The Board conducted an annual evaluation, including the Chief Executive Officer, to assess performance, identify strengths, and address areas for improvement. Guided by an external expert, the evaluation encompassed key thematic areas such as Board structure and composition, Board practices, meeting procedures, accountability and risk management, information and communication, and appropriate boardroom behaviours.

CONFLICT OF INTEREST

The Sacco's Conflict of Interest Policy mandates several key provisions. Prospective Directors must disclose any actual, potential, or perceived conflicts of interest before appointment. Directors are required to abstain from discussions and decisions where a potential or perceived conflict of interest exists. Furthermore, material factors that could give rise to a conflict of interest must be disclosed. The policy applies to all internal stakeholders of the Sacco. To ensure transparency and effective management of conflicts, the Secretary to the Board maintains a comprehensive register of all disclosed conflicts of interest. This matter is also a standing agenda item at all Board and Committee meetings

COMPLIANCE WITH LAWS, REGULATIONS AND STANDARDS

In its commitment to safeguarding member trust and upholding robust governance practices, Management implements a program of regular internal reviews to verify adherence to all applicable legal and regulatory requirements. This proactive approach facilitates the early identification and resolution of any potential compliance deviations.

BOARD OF DIRECTORS

The Board of Directors is the principal governing body of the Sacco, tasked with upholding and strengthening its governance framework as stipulated in the Sacco By-Laws and the Board Charter.

As the Sacco's strategic core, the Board provides guidance and leadership to drive the Sacco's long-term success while maintaining a clear distinction from day-to-day operational matters.

Key Responsibilities of the Board

1.Formulating and approving terms of reference for Board Committees in accordance with the Sacco By-Laws.
2.Ensuring efficient operations by implementing robust internal controls and risk management frameworks.
3.Overseeing the accurate maintenance of financial records that reflect the Sacco's actual financial position.
4.Leading the preparation of business plans and budgets for presentation and approval by Delegates.
5.Recruiting senior management personnel and determining their remuneration in line with the HR policies and procedures.
6.Approving and endorsing loan applications involving Directors and employees to ensure fairness and accountability.
7.Reviewing reports submitted by staff technical teams and Board Committees to ensure alignment with the Sacco's goals.
8.Submitting audited financial reports to SASRA within the statutory three-month period after the financial year ends.

SUPERVISORY COMMITTEE RESPONSIBILITIES

The Supervisory Committee functions as an independent oversight body, ensuring compliance, accountability, and ethical governance within the Sacco's operations.

Key Responsibilities of the Supervisory Committee

1.Evaluating the effectiveness of the Sacco's internal financial controls, including the implementation of standardized accounting systems.
2.Monitoring adherence to the Sacco's credit policy, reviewing loan applications, identifying policy exceptions, and tracking delinquent loans.
3.Supporting the interpretation of loan policies, regulations, and Delegates' resolutions to promote understanding and collaboration between members and the Board.

4.Overseeing the ethical conduct of the Sacco and contributing to the development and enforcement of ethical standards.
5.Preparing detailed reports for presentation to the Board and Delegates during scheduled meetings.
6.Submitting comprehensive reports to the Commissioner and relevant regulatory bodies in accordance with statutory requirements.

BOARD COMMITTEES

To streamline decision-making and improve governance efficiency, the Board operates through the following Committees:
i.Finance and Administration Committee
ii.Credit Committee
iii.Education and Marketing Committee
iv.Audit and Risk Management Committee

Each committee operates within clearly defined terms of reference outlined in the Board Charter. These mandates are reviewed periodically to ensure they align with the Sacco's evolving objectives and regulatory requirements.

Committee membership is based on the specific expertise and experience of the Directors, allowing the Board to leverage diverse skill sets. The committees serve as a crucial interface between the Board and Senior Management. Their respective Chairpersons provide regular updates to the Board, highlighting key discussions, decisions, and progress on delegated responsibilities.

COMMITTEE MEMBERSHIP

Membership to Board Committees and number of meetings attended are as follows:
Finance and Administration Committee

Name	Position
Mr. Gervas Musya Mwole	Chairman
Ms. Isabella Khasindi Mushira	Secretary
Mr. Eric Ogolla Odongo	Member

Credit committee

Name	Position
Mr. Alfred Konde Jaka	Chairman
Ms. Rael Kathini Munyoki	Secretary
Ms. Emily Dora Chamba	Member

Education and Marketing Committee

Name	Position
Mr. Eric Ogolla Odongo	Chairman
Ms. Rael Kathani Munyoki	Secretary
Mr. Philip Omwalo	Member

Audit and Risk Management Committee

Name	Position
Mr. Philip Omwalo	Chairman
Mr. Silvanus Imbuusi Chulu	Secretary

BOARD ATTENDANCE

The Board of Directors and Supervisory Committee held meetings during the year ended 31st December, 2024. The meetings were held on the dates set out below:

Board of Directors Meeting Attendance 2024

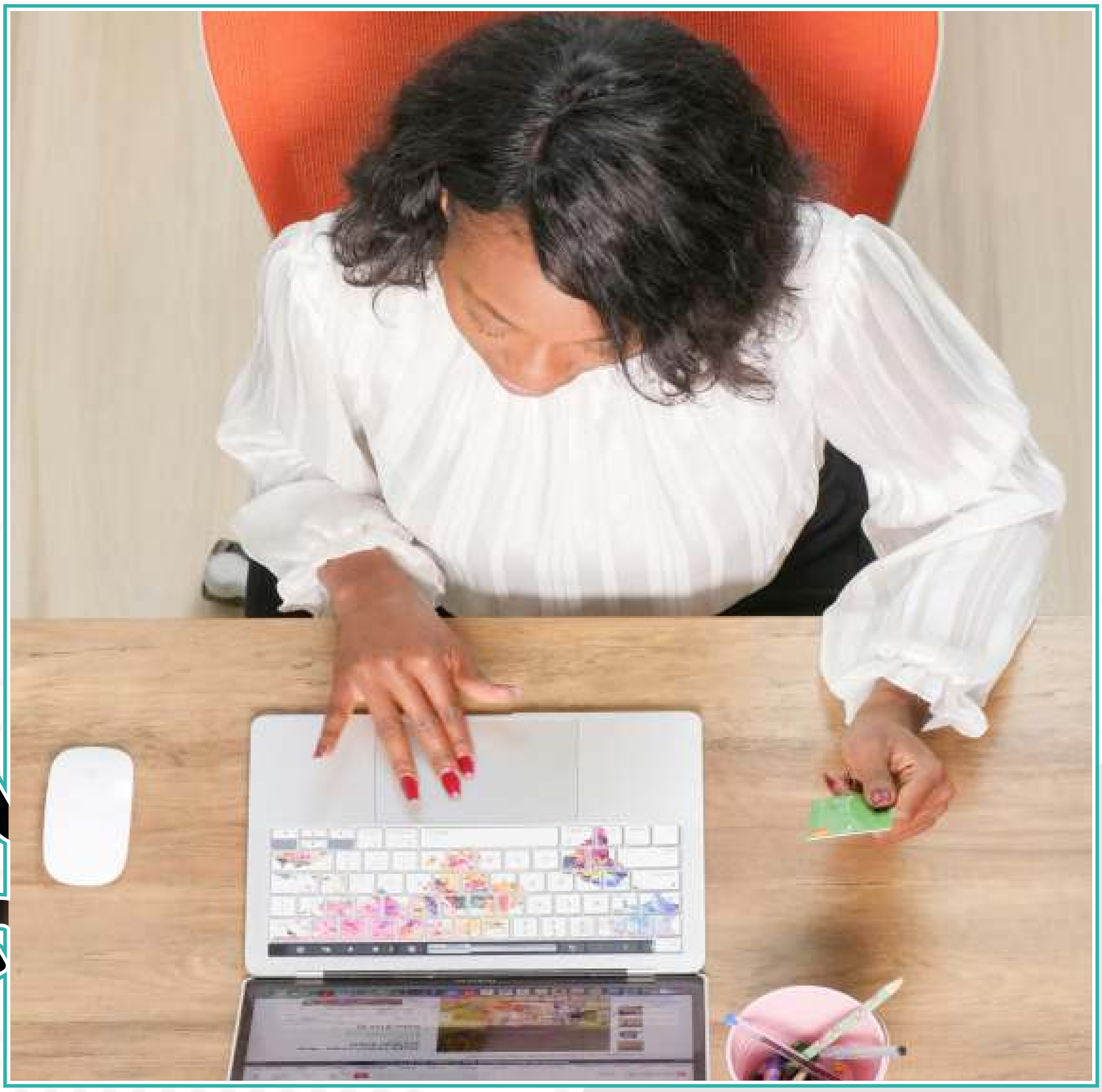
Name	Jan	Feb	Feb	March	April	April	May	June	July	Aug	Sep	Oct	Oct	Nov	Nov	Dec
	16th	2nd	15th	15th	4th	15th	15th	14th	15th	14th	16th	15th	25th	15th	26th	11th
Mr. Ben J. Chepkechir	✓	✓	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Erick O. Odongo	×	✓	✓	✓	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Alfred Jaka	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms. Isabella Mushira	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	✓
Mr. Gervas Mwole	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Obonyo Joel Gekone	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ms. Emily Chamba	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Philip Ouma Omwalo	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	✓
Ms. Rael Munyoki	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	✓
Mr. Silvanus Imbusi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

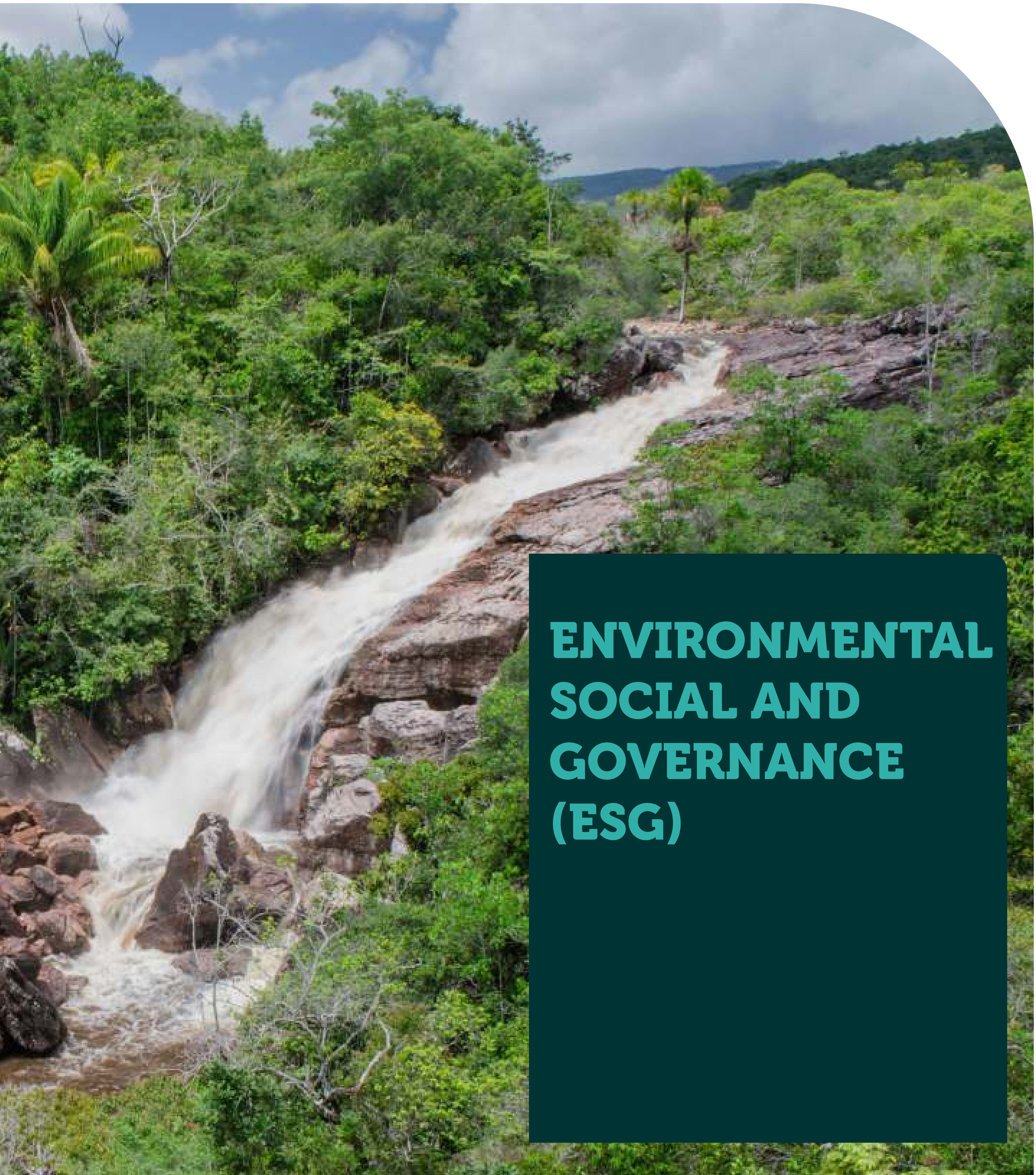
Joint Board of Directors and Supervisory Committee Meeting Attendance 2024

Name	Feb	Sept	Oct	Oct	Dec	Dec 16th
	6th	25th	2nd	28th	2nd	25th
Mr. Ben Juma Chepkechir	✓	✓	✓	✓	✓	✓
Mr. Erick O. Odongo	✓	✓	✓	✓	✓	✓
Ms. Isabella Mushira	✓	✓	✓	✓	✓	✓
Mr. Alfred Jaka	✓	✓	✓	×	×	✓
Mr. Gervas Mwole	✓	✓	✓	✓	✓	✓
Ms. Emily Chamba	✓	✓	✓	✓	✓	✓
Mr. Philip Ouma Omwalo	✓	✓	✓	✓	✓	✓
Ms. Rael Munyoki	✓	✓	✓	✓	✓	✓
Mr. Silvanus Imbusi Chulu	✓	✓	✓	✓	✓	✓
Ms. Esha Juma Khamis	✓	✓	×	✓	✓	✓
Mr. George Odingo	✓	✓	✓	✓	×	✓
Ms. Jacqueline Omayio	✓	✓	✓	✓	✓	✓

SUPERVISORY COMMITTTEE MEETING ATTENDANCE

Name	Jan	Jan	Feb	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
	22nd & 23rd	23rd	5th	13th &14th	12th & 13th	16th&17th	14th &15th	24th/25th/	10th & 11th	7th ,9th & 8th	18th , 19th	23rd ,24th, 25th	11th , 12th	3rd , 4th
Ms. Esha Juma Khamis	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. George Odingo	✓	✓	×	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms. Jacqueline Omayio	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓





ENVIRONMENTAL SOCIAL AND GOVERNANCE (ESG)

Environmental Social and Governance (ESG)

Ports Sacco

UPLIFTING PEOPLE

Ports DT Sacco recognizes its responsibility to contribute positively to the environment and Sacco. We are committed to integrating Environmental, Social, and Governance (ESG) considerations into all aspects of our operations.

The 2030 Agenda for Sustainable Development, adopted by the United Nations, outlines 17 Sustainable Development Goals (SDGs) designed to achieve a better and more sustainable future for all. These goals address global challenges related to poverty, inequality, climate change, environmental degradation, prosperity, and peace and justice. Ports DT Sacco recognizes the interconnectedness of these goals and is committed to contributing to their achievement by integrating Environmental, Social, and Governance (ESG) considerations into all aspects of our operations. We believe that by aligning our business practices with the SDGs, we can create long-term value for our members and contribute to a more sustainable and equitable world.

OUR ESG GUIDING TOOL

Our Commitments	Details	Aligned UN SDG Goals
Environmental Stewardship	**Reducing Environmental Footprint:** I.Embrace renewable energy. ii.Promote resource conservation. iii.Implement effective waste management. iv.Participate in tree-planting initiatives. **Addressing Climate Change Risks:** i.Support climate-resilient housing. ii.Conduct environmental risk assessments.	**Goal 7: Affordable and Clean Energy** **Goal 13: Climate Action** **Goal 15: Life on Land**

Our Commitments	Details	Aligned UN SDG Goals
Social Responsibility	**Building Positive Relationships:** i.With employees: Provide a safe, inclusive, and equitable workplace. ii.With members: Prioritize satisfaction and offer financial inclusion opportunities. iii.With suppliers: Ensure fair business practices and responsible sourcing. iv.With communities: Engage in development initiatives and promote social and economic empowerment. **Promoting Equality and Human Rights:** i.Uphold human rights and promote diversity and inclusion. ii.Community Support Initiatives: - Provide scholarships and donations.	**Goal 1: No Poverty** **Goal 4: Quality Education** **Goal 5: Gender Equality** **Goal 8: Decent Work and Economic Growth** **Goal 10: Reduced Inequalities**
Governance and Ethical Conduct	**Strengthening Governance:** I.Ensure a diverse and skilled Board. ii.Conduct fair and transparent elections. iii.Implement fair compensation policies. iv.Utilize sound decision-making processes. v.Maintain financial integrity and reporting transparency. vi.Comply with laws and regulations. vii. Implement effective risk management. **Promoting Ethics and Accountability:** i.Foster ethical behavior. ii.Engage with stakeholders and respect shareholder rights. iii.Enforce anti-bribery and corruption policies. iv.Conduct Annual Board evaluations. v.Adhere to responsible tax strategies. vi.Monitor and report compliance status.	**Goal 16: Peace, Justice, and Strong Institutions**

This commitment to ESG principles, aligned with the UN Sustainable Development Goals, reflects our belief that sustainable business practices are not only beneficial for the environment and Sacco but also contribute to the long-term success and sustainability of our Sacco. We will continue to explore and implement new initiatives that further strengthen our ESG performance and create a positive impact on the communities we serve.

ENVIRONMENTAL SUSTAINABILITY

As part of our Environmental, Social, and Governance (ESG) initiatives, the Sacco demonstrated its commitment to sustainability and environmental conservation through a successful tree-planting exercise. This initiative not only contributes to combating climate change but also promotes biodiversity and improves the ecological balance in the communities the Sacco serves. By integrating such practices into its operations, the Sacco reinforces its role as a responsible corporate citizen, fostering long-term environmental and social impact.


PASSPORT
PASSPORT

CORPORATE CITIZENSHIP STATEMENT

Corporate Citizenship Statement

At Ports DT Sacco, we recognize the importance of our role in enhancing the well-being of the communities we serve. Our corporate social responsibility (CSR) initiatives are aligned with our core values of integrity, sustainability, and accountability. Throughout the year, we have focused on supporting projects and programs that empower individuals, improve education, promote social equity, and foster environmental responsibility. Our continued efforts aim to create meaningful and long-lasting positive changes in the lives of those in need.

SCHOLARSHIP PROGRAM

As part of our commitment to supporting education, we proudly provided full tuition scholarships for six outstanding students who sat for the 2023 Kenya Certificate of Primary Education (KCPE). These scholarships are designed to help deserving students pursue their academic dreams. The recipients of 2024 scholarships are:

1.Male – Ryan Mumba Kalume
2.Male – Wayne Larren Ngicho
3.Female – Phanice Makena Odinga
4.Female – Ludindi Pauline Malemba
5.Female – Biasha Iddi Zani
6.Female – Juni Pearl Mumo

Through this initiative, we hope to contribute to the educational journey of these students, providing them with the tools they need to succeed and build a brighter future.

EMPOWERING THE VULNERABLE

Our commitment to social responsibility extends to the most vulnerable members of our community. We have partnered with organizations that support individuals in need, including:

1.Little Sisters of the Poor – Kshs. 60,000 to provide care and support to elderly and marginalized members of Sacco. This donation helps enhance the quality of life for the elderly and ensures they receive the necessary care and attention they deserve.

2.Port Reitz School for Physically Challenged – Kshs. 100,000 to support the education and provision of essential resources to children with physical disabilities. This contribution enables the school to offer specialized education and equipment, ensuring a more inclusive learning environment for all students.

These donations reflect our ongoing commitment to improving the lives of the most vulnerable and ensuring they have access to the services and support needed to thrive.

DONATIONS & SPONSORSHIPS

We are proud to sponsor and contribute to various causes that promote education, sports, and community development. Our support for these initiatives highlights our ongoing efforts to enhance the lives of those in our community and beyond. Sponsorships and donations in 2024 focused on the following key areas:

i.Kenya Prisons Service – KSH 100,000 to fund training for social workers and psychologists at Shimo Borstal, Mombasa. This initiative aims to enhance the capacity of prison staff in providing better psychological and social support to inmates.

ii.KECOSO Games 2024 – Kshs. 200,000 to sponsor the KECOSO Games, promoting sports and fostering a spirit of camaraderie and healthy competition among participants from various organizations.

iii.Admiral F.C Mombasa – Kshs. 40,000 to provide uniforms for the football team. This sponsorship supports local sports talent and encourages teamwork and discipline among the youth.

iv.Star of the Sea High School, Mombasa – Kshs. 80,000 to donate classroom desks, enhancing the learning environment for students at the school and contributing to a more comfortable and effective educational experience.

v.Kenya Navy Golf Captain's Prize – Kshs. 200,000 to sponsor the annual golf tournament, supporting a prestigious event that brings together golfing enthusiasts while promoting local community engagement.

vi.Mombasa International Show – Kshs. 100,000 to sponsor the show launch, helping to promote the event and contribute to the growth of cultural and economic activities in the region.

vii.Global Women Impact Foundation – Kshs. 150,000 to support the Foundation's initiatives focused on empowering women and promoting gender equality through education, entrepreneurship, and advocacy.

Through these donations and sponsorships, we continue to support initiatives that create lasting value for our communities, empowering individuals and promoting growth and opportunity across various sectors.

Member and Delegate Training/Education (2024)

Ports DT Sacco recognizes that informed and engaged members and delegates are crucial to our continued success. Therefore, we are deeply committed to empowering them with the knowledge and skills necessary for active participation and effective decision-making.

In 2024, we reinforced this commitment by implementing a comprehensive training and education program designed to reach members across all our operational zones. Recognizing the distinct roles of delegates and members, we tailored our training approach accordingly. Delegates, who play a vital role in representing the membership and shaping Sacco policy, benefited from focused training sessions in Mombasa (held in both April and June) and Malindi (in June). These sessions provided in-depth coverage of governance, financial management, and strategic planning.

To ensure broad accessibility for all members, we conducted a series of educational sessions in diverse locations, including Voi, multiple convenient locations within Mombasa, the coastal region of Lamu, the inland Container Depot (ICD) of Naivasha, and the capital city of Nairobi. These geographically diverse approach underscored our commitment to ensuring that every member, regardless of their location, has access to valuable information and resources that empower them to fully participate in the Sacco.


MARKETING PLAN

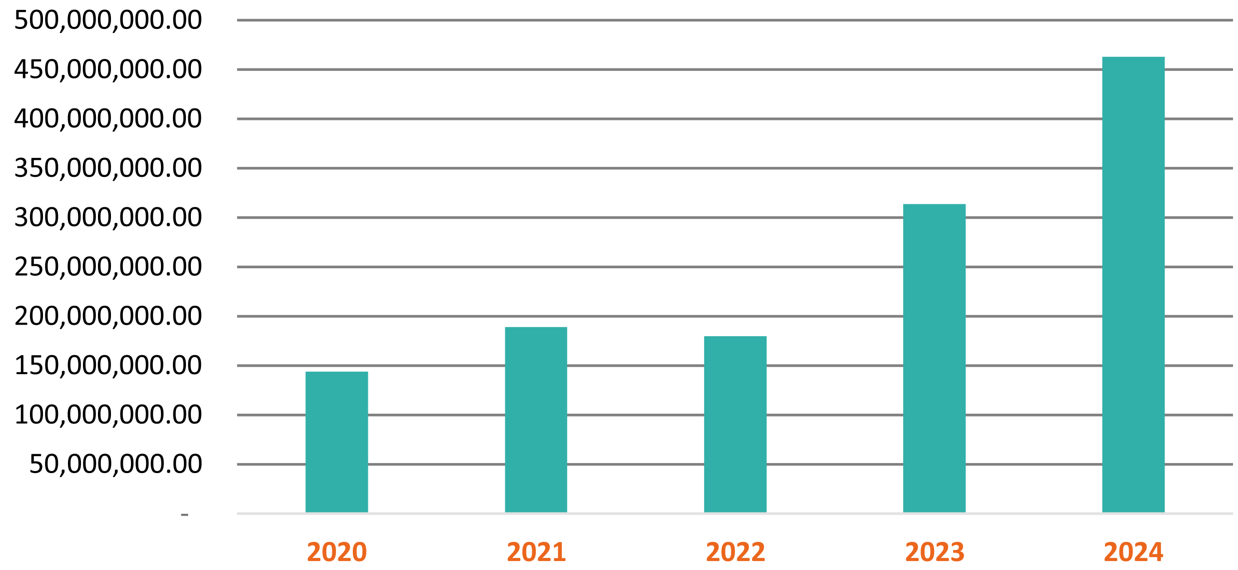
Our Strategy Delivers Results

Our Strategy Continues to Deliver Results

RESULTS		2024	2023	2022	2021	2020	
		2024	**2023**	**2022**	**2021**	**2020**	**2019**
Surplus		462,797,455.00	313,774,692	179,892,914.00	188,956,793.00	144,051,865.00	247,629,269.00
Income tax expense		18,565,676.00	16,877,887.13	15,343,535.00	16,738,392.00	15,216,717.00	12,156,616.00
net surplus		481,363,131.00	330,652,579.13	195,236,449.00	205,695,185.00	159,268,582.00	259,785,885.00
Interest on members' deposits		652,110,531.00	558,441,203.68	496,001,372.00	464,672,662.00	390,802,194.00	346,829,735.00
STATISTICAL INFORMATION							
		2024	**2023**	**2022**	**2021**	**2020**	**2019**
Number of active members		12,265.00	10,583	9,039	7,559	7,056	5,277
Non active members		4,168.00	2,942	2,702	2,358	2,036	3,055
Total members		16,433.00	13,525	11,741	9,917	9,092	8,332
No. of location		2.00	2.00	1.00	1.00	1.00	1.00
Number of employees		52.00	43.00	43.00	36.00	39.00	35.00
Financial Summary							
		2024	**2023**	**2022**	**2021**	**2020**	**2019**
Total assets		10,542,767,252.00	9,170,692,621.00	8,143,656,410.00	7,354,950,405.00	6,571,758,469.00	6,060,417,733.00
Members' deposits		6,084,539,756.00	5,277,151,474.54	4,585,731,341.00	4,069,286,461.00	3,515,235,904.00	3,092,455,082.00
Share Capital		535,497,416.00	454,024,864.11	379,657,679.00	283,605,983.00	262,499,554.00	183,287,280.00
Loans and advances to members		6,942,329,299.00	5,996,939,583.44	4,934,455,952.00	4,315,072,467.00	4,126,970,221.00	3,885,225,220.00
Provisioning for loan loss		249,586,939.00	229,608,084.71	265,281,827.00	223,910,165.00	200,042,839.00	120,460,225.00
Investment in Government securities							
Investments		540,181,610.00	471,997,977.02	476,939,920.00	448,914,740.00	423,463,552.00	534,823,056.00
Total revenue		1,176,312,075.00	1,011,916,300.50	925,300,289.00	857,877,639.00	747,734,650.00	736,537,242.00
Total Interest Income		1,077,924,882.00	917,379,582.34	794,124,723.00	735,346,664.00	668,713,181.00	699,813,764.00
Total expenses		437,313,787.00	273,640,734.00	320,795,551.00	270,197,763.00	233,365,661.00	213,142,364.00
Statutory reserve		610,371,336.00	516,243,304.00	456,863,943.00	262,499,554.00	386,162,708.00	360,395,678.00
Appropriation account		1,920,351,136.00	1,645,635,664.00	1,511,920,082.00	1,478,660,891.00	1,392,490,124.00	1,316,595,504.00
Core capital		3,192,501,610.00	2,753,534,535.00	2,476,811,232.00	2,296,513,321.00	2,151,444,766.00	1,997,224,293.00
Institutioal capital		2,657,004,195.00	2,299,509,671.00	2,097,153,553.00	2,012,907,338.00	1,888,945,212.00	1,813,937,013.00
Loan loss reserve		15,989,343.00	27,338,322.72	18,077,148.00			
Key ratios		**2024**	**2023**	**2022**	**2021**	**2020**	**2019**
Capital adequacy ratios	**statutory requirement %**						
Core capital/total assets	10*	30.00	30.00	30.00	31.00	33.00	33.00
Core capital/member deposits	8*	52.00	52.00	54.00	56.00	61.00	65.00
Institutional capital /total assets	8*	25.00	25.00	26.00	27.00	29.00	30.00
Liquidity ratios							
Liquid assets / total deposit and short term liabilities	15*	36.00	36.00	43.00	46.00	39.00	35.00
Operational efficiency ratios							
Total expenses /total revenue		37.00	27.00	25.00	31.00	31.00	29.00
Interest on member deposit/total revenue		60.00	61.00	54.00	54.00	52.00	47.00
Interest rate on member deposit		12.5	12.50	12.50	12.50	12.50	13.00
Dividend rate on members share capital		20.00	20.00	20.00	20.00	20.00	20.00
Total deliquency loans /gross loan portfolio		3.00	3.00	3.00	3.00	3.00	3.00
Governance expense / revenue		0.05	0.06	0.05	0.07	0.05	0.05
Staff expenses / revenue		0.12	0.15	0.13	0.11	0.10	0.07
Investment ratios							
Land and building /total assets	5**	3.00	4.00	5.00	5.00	6.00	6.00
Financial investment /core capital	40**	17	17.00	19.00	20.00	20.00	27.00
Financial investments/total deposit liabilities		0.09	0.09	0.10	0.11	0.12	0.17
Non earning assets /total assets		0.04	0.05	0.05	0.05	0.06	0.06
* Recommended statutory minimum							
** recommended statutory maximum							

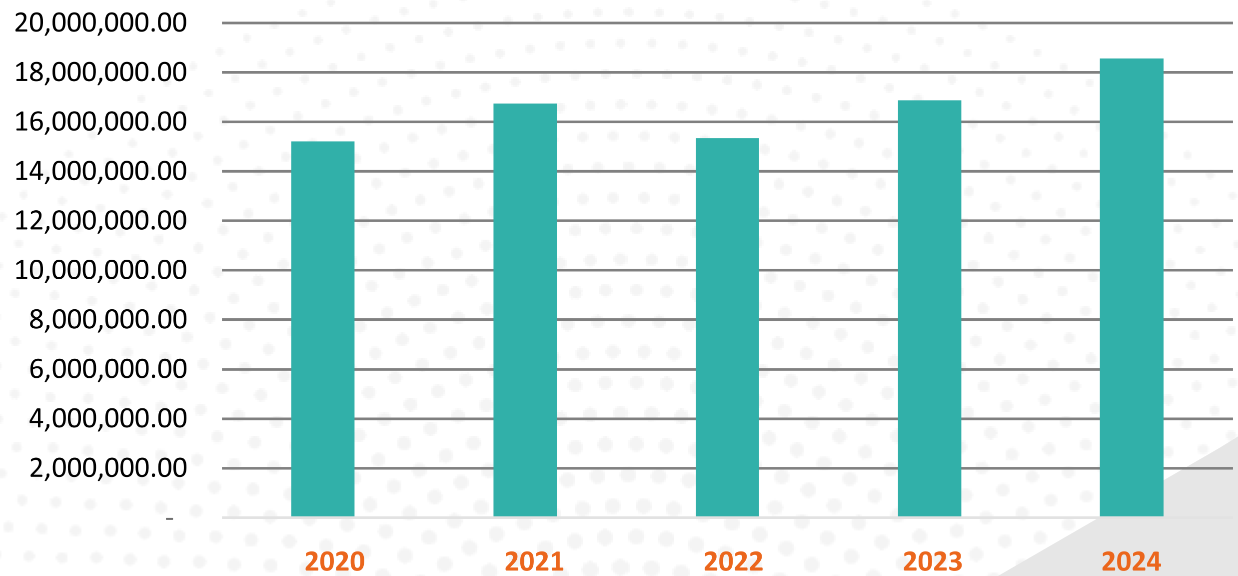
5 Years Performance Analysis

SURPLUS

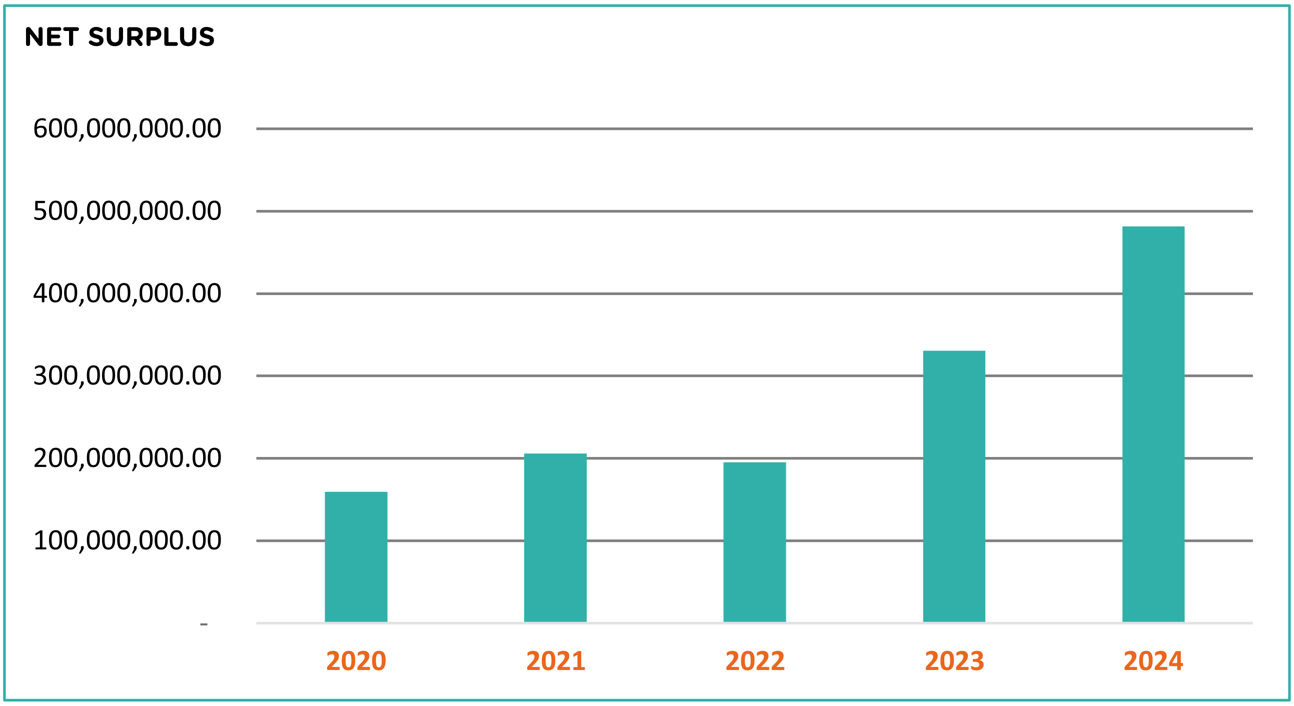


The Sacco posted an increase in profit before tax of Kshs. 149,022,763 (47%) in the year under review from Kshs 313,774,692 reported in 2023. The growth is attributable to both prudent management of Sacco assets and an increase in core activities of the Sacco (loans granted to members).

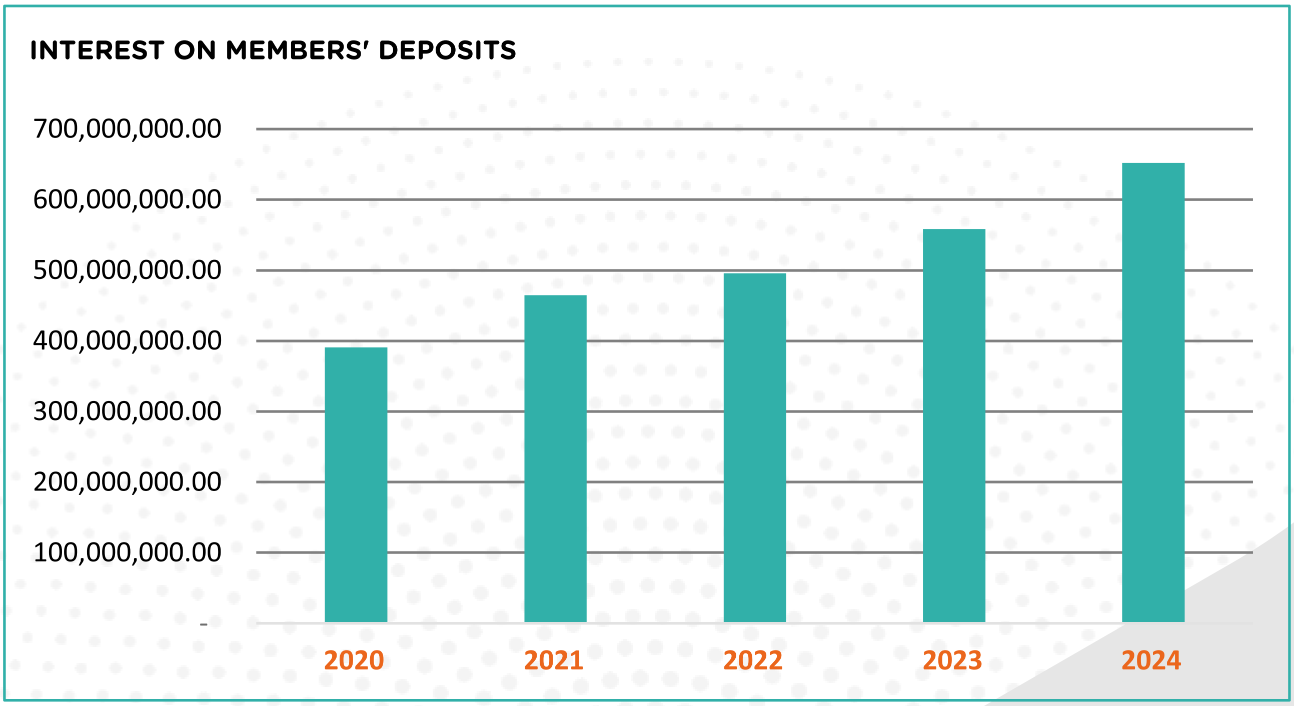
INCOME TAX EXPENSE



The Sacco posted a 10% increase in income tax of Kshs. 1,687,788 in the year under review. This is an increase from Kshs 16,877,887 in the year 2023 to 18,565,676 in the year 2024.

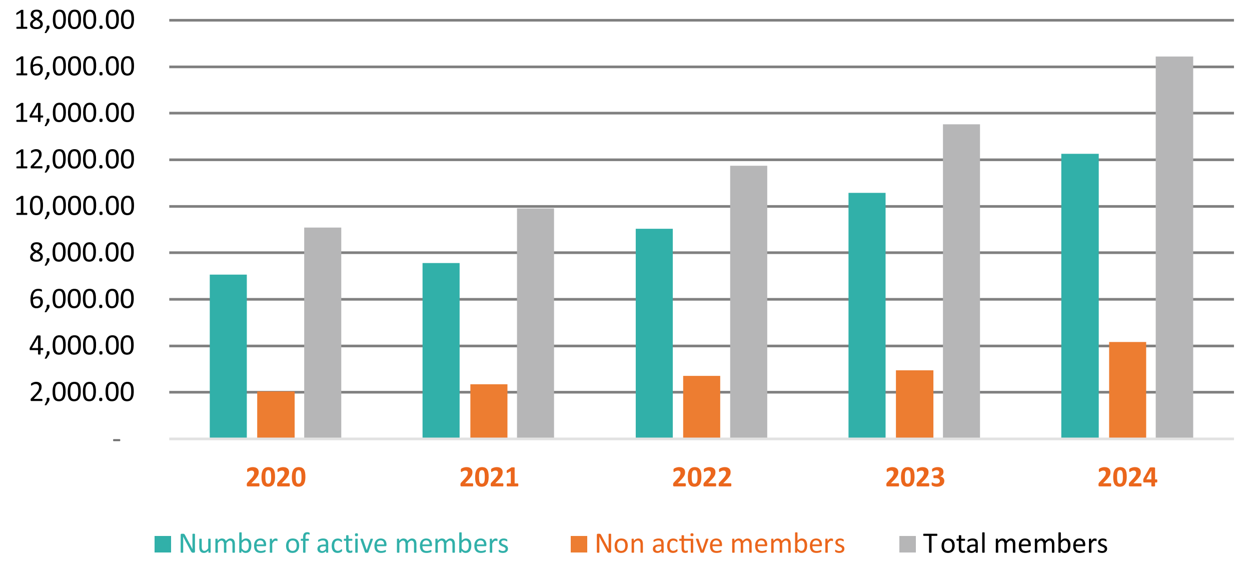


The Sacco posted an increase in net surplus of Kshs. 147,334,974 (49.6%)in the year under review. This is an increase from Kshs 296,896,804 in the year 2023 to 444,231,779 in the year 2024



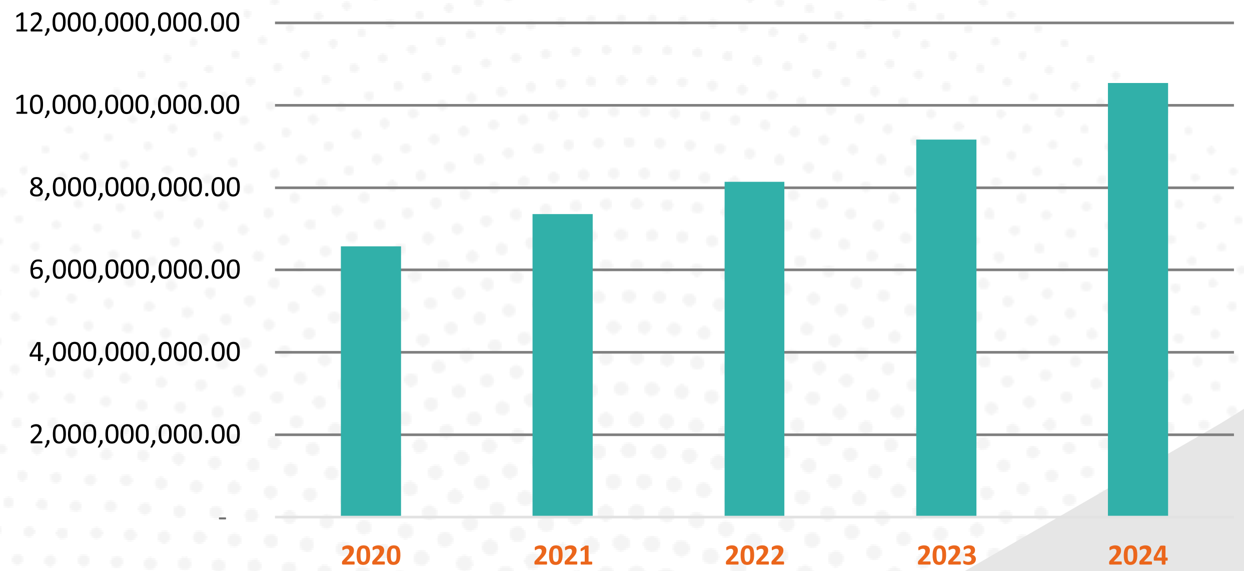
The Sacco posted an increase in interest on member deposit of Kshs. 93,669,327 (16.7%) in the year under review. This is an increase from Kshs 558,441,203 in the year 2023 to 652,110,531. Over the last 15 years, the sacco has maintained a rebates rate of not less than 12.5% paid through Sacco's own generated funds.

MEMBERSHIP GROWTH

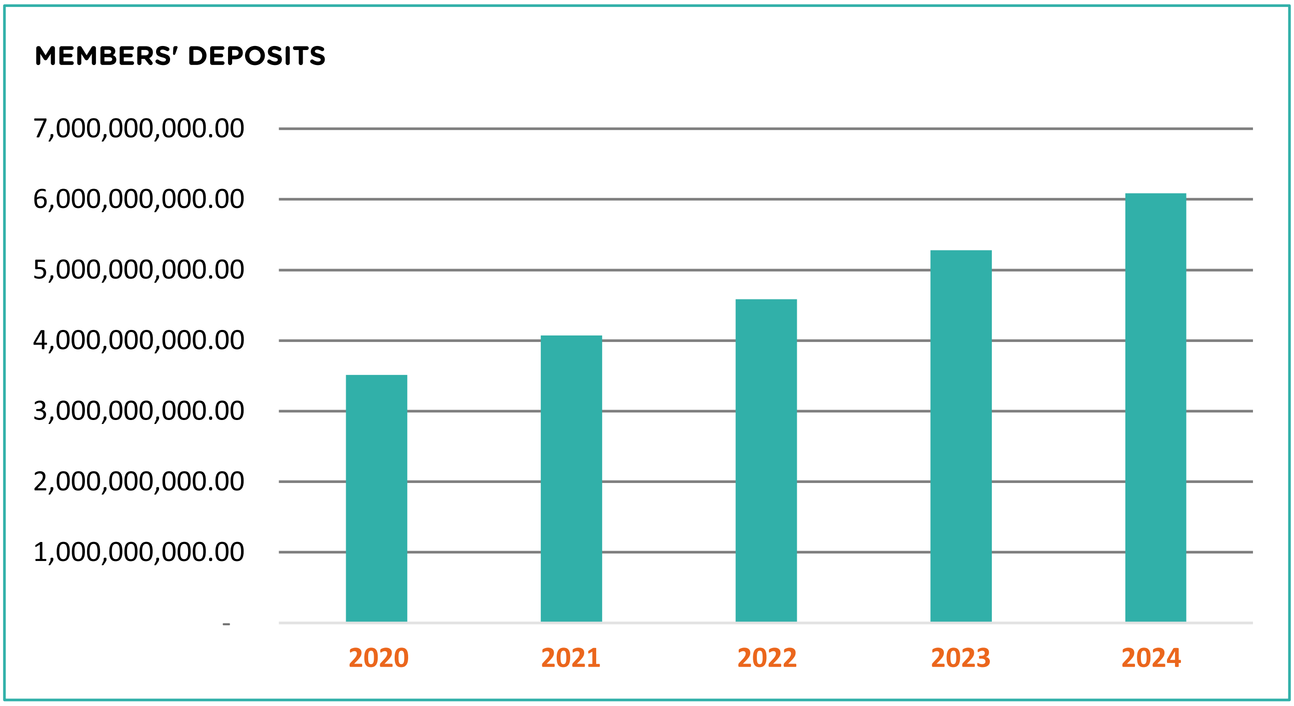


In the year under review there was an increase of membership by 2,908 (21.5%) from the previous year 13,525 to 16,433. The increase is due to aggressive marketing activities and retention initiated undertaken by the Sacco.

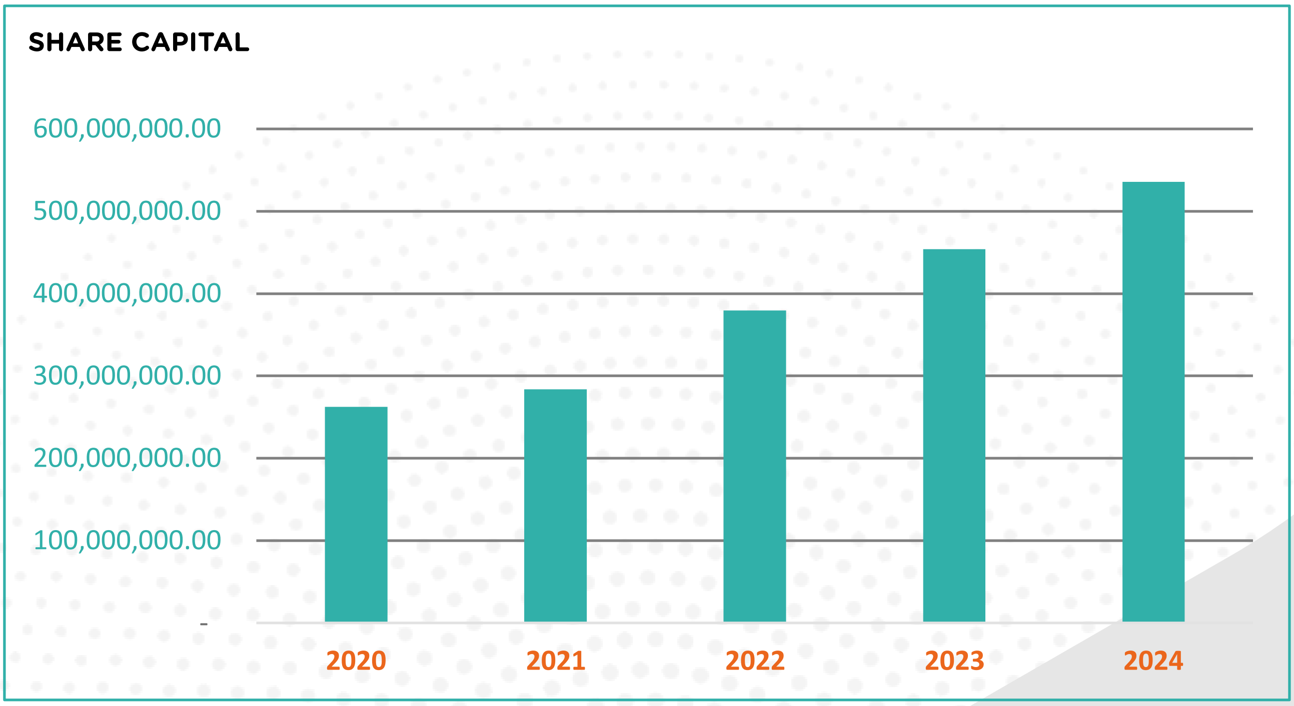
TOTAL ASSETS



In the year under review, there was an increase in total assets by Kshs 1,372,074,631 (15%) from Kshs 9,170,692,621 reported in 2024 to Kshs. 10,542,767,252. This growth was supported by a 16% growth in Society's loan and prudent management of the Sacco assets.



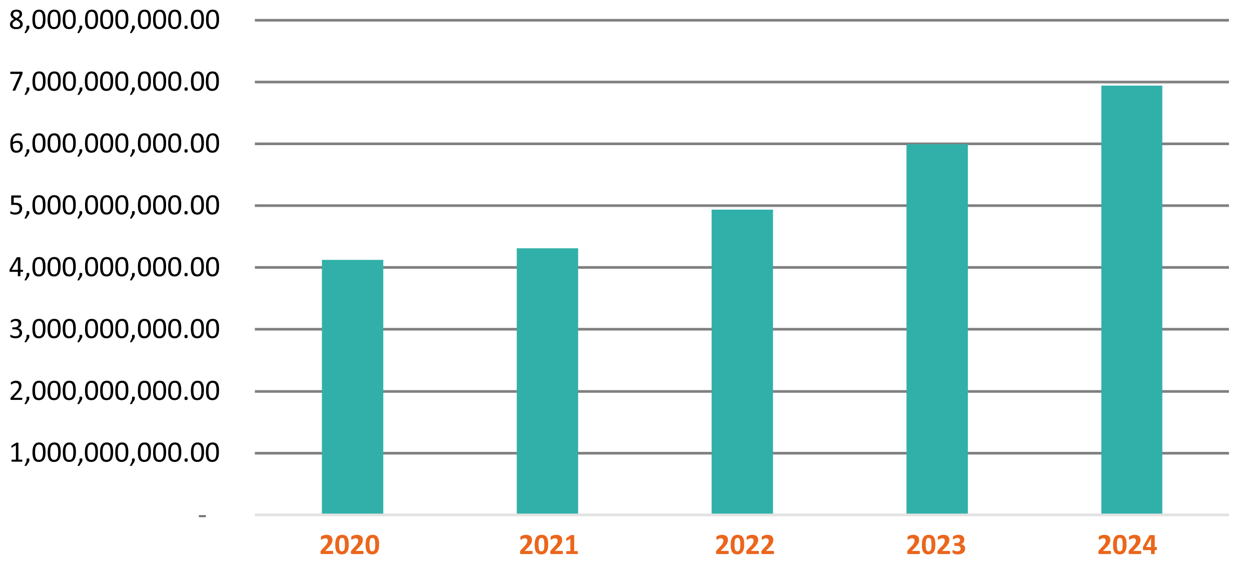
In the year under review there was an increase in total Member deposits by Kshs 807,388,281 (15.3%) from Kshs 5,277,151,474 in 2023 to Kshs. 6,084,539,756. Operational efficiency, retention initiatives and aggressive marketing activities contributed to the growth.



In the year under review, there was an increase in Share capital by Kshs 81,472,551(18%) from Kshs 454,024,864 in 2023 to Kshs. 535,497,416. Consistent good returns (20% dividends rate) and trust from members contributed to the growth in share capital.

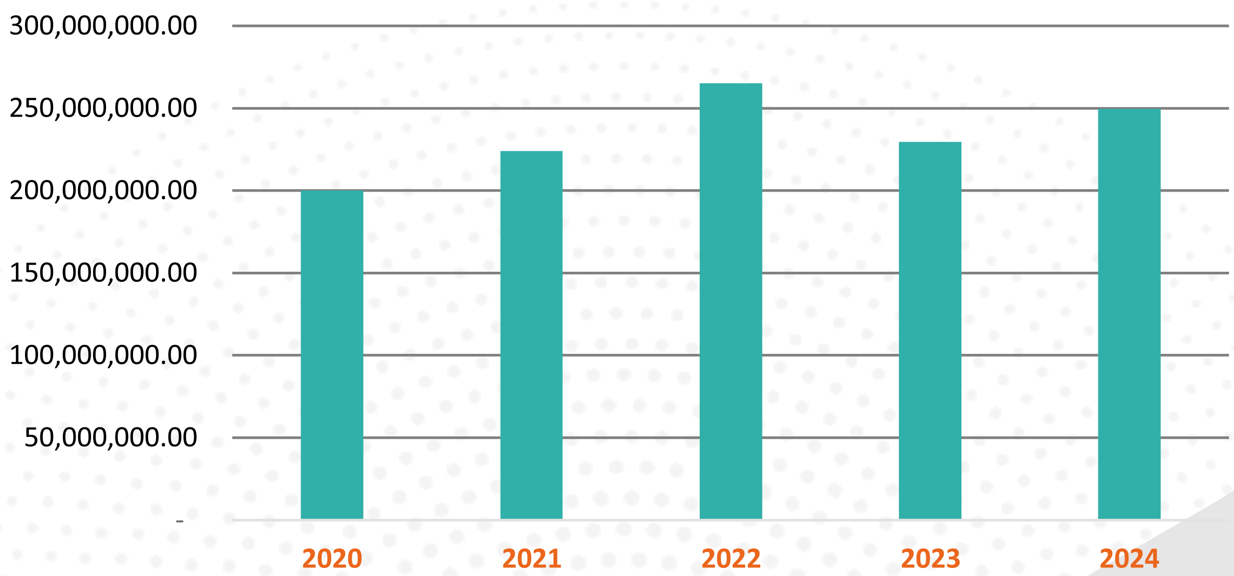
5 Years Performance Analysis (Continued)

LOANS AND ADVANCES TO MEMBERS

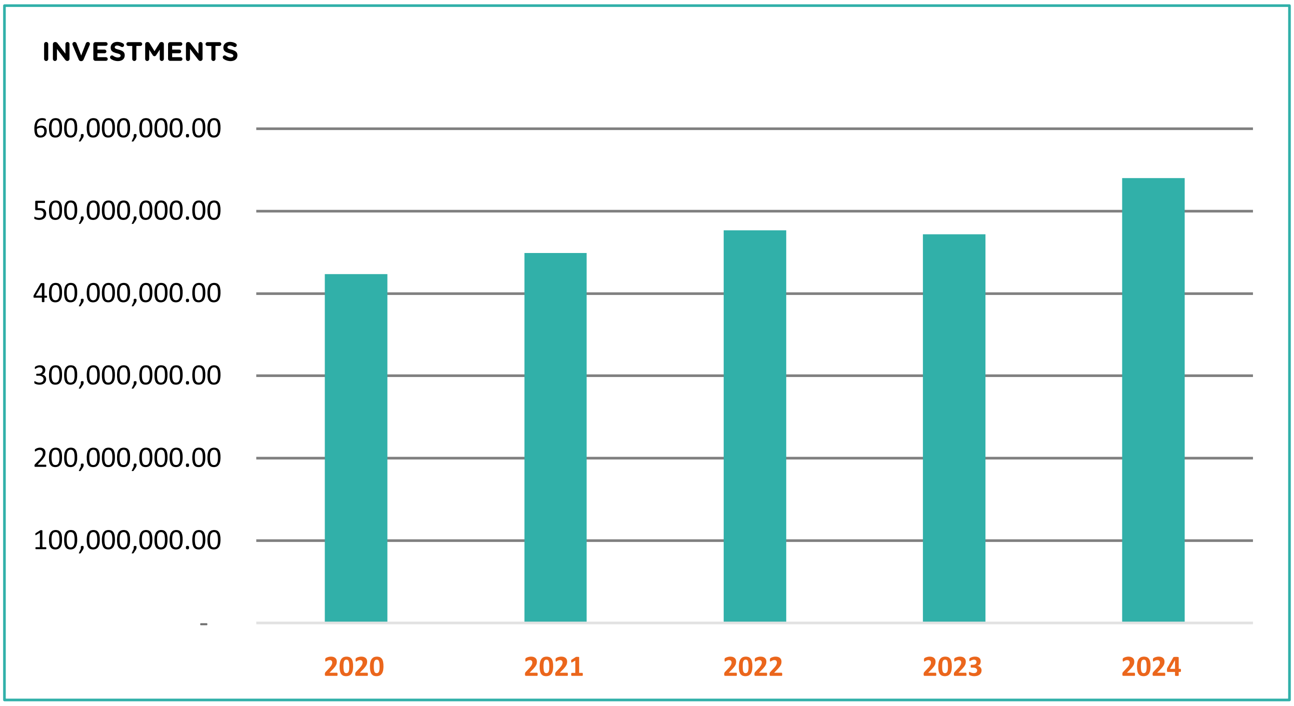


In the year under review, there was an increase in net loans by Kshs 945,389,715(15.8%) from Kshs 5,996,939,583 in 2023 to Kshs. 6,942,329,299. Increased patronage from members, diversified loan products, efficiency in loaning, and aggressive marketing initiatives contributed to the growth.

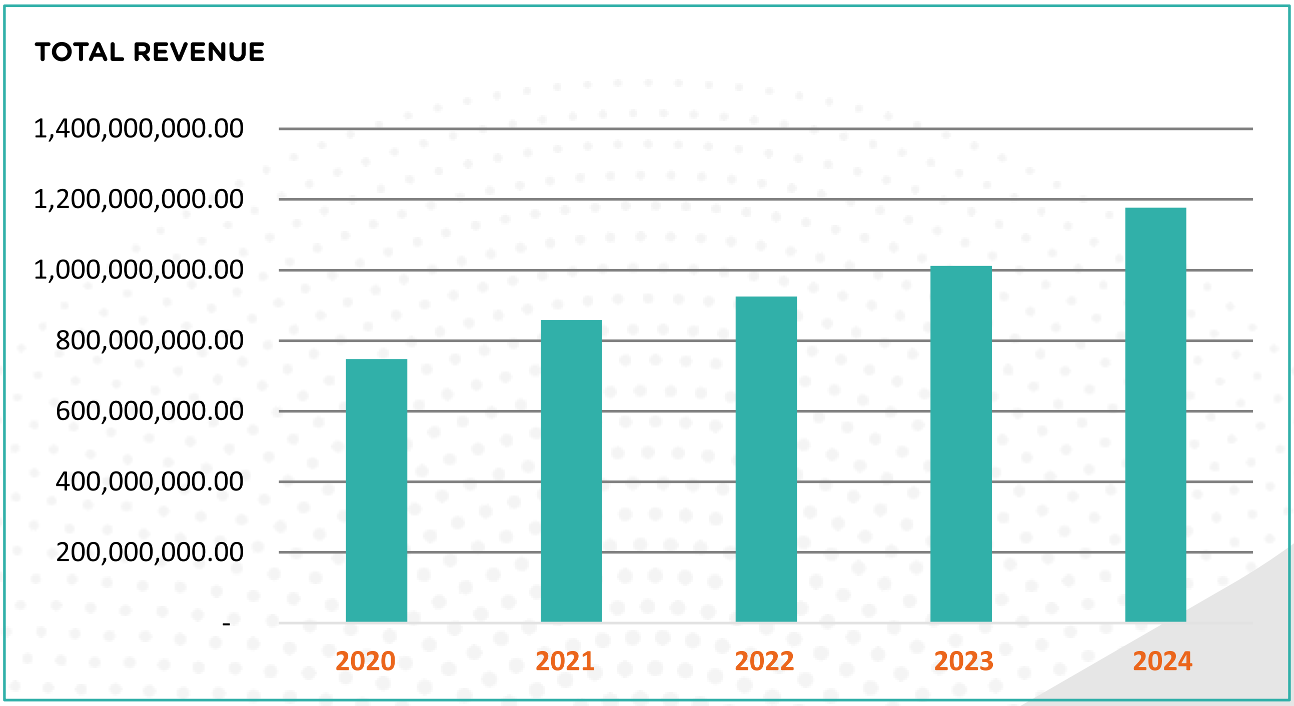
PROVISIONING FOR LOAN LOSS



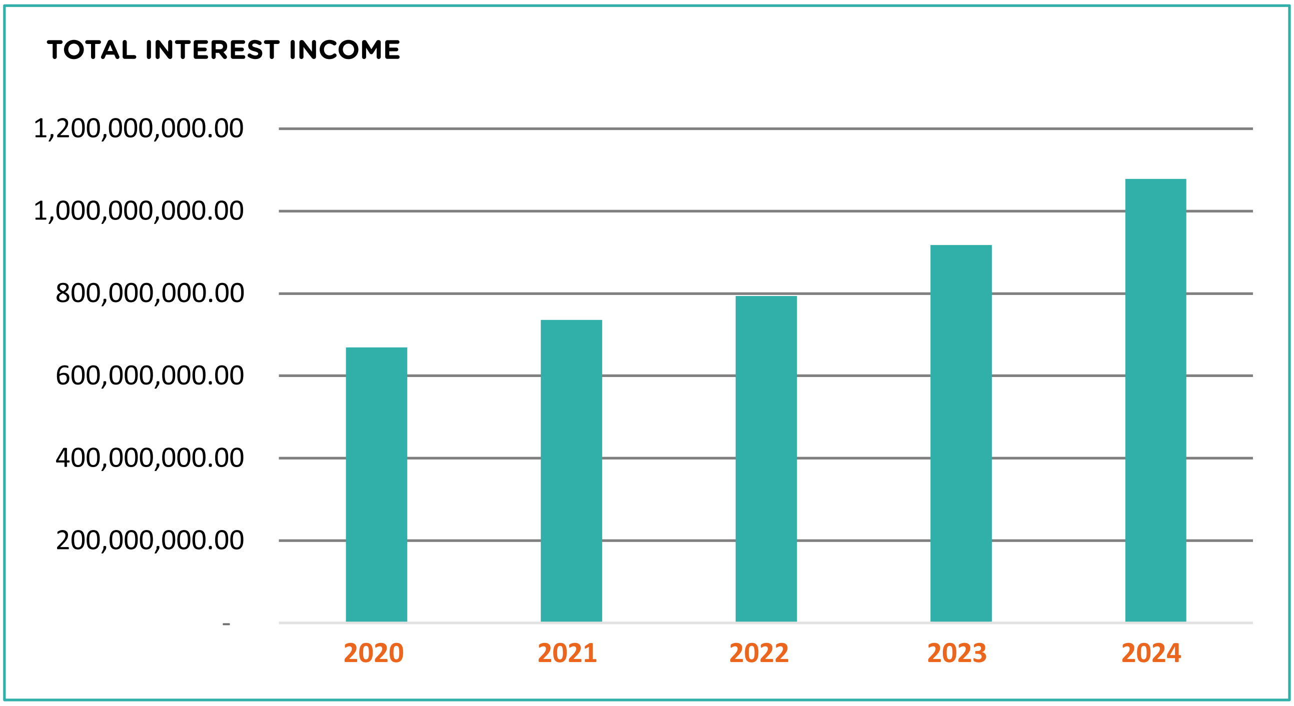
Overall gross loan portfolio growth and tough economic conditions in 2024 led to an increase in provision for loan by Kshs 19,978,854(8.7%) from Kshs 229,608,084 reported in 2023. Overal problem loans stood at 3% which is way below industry prudential requirement of below 5%.



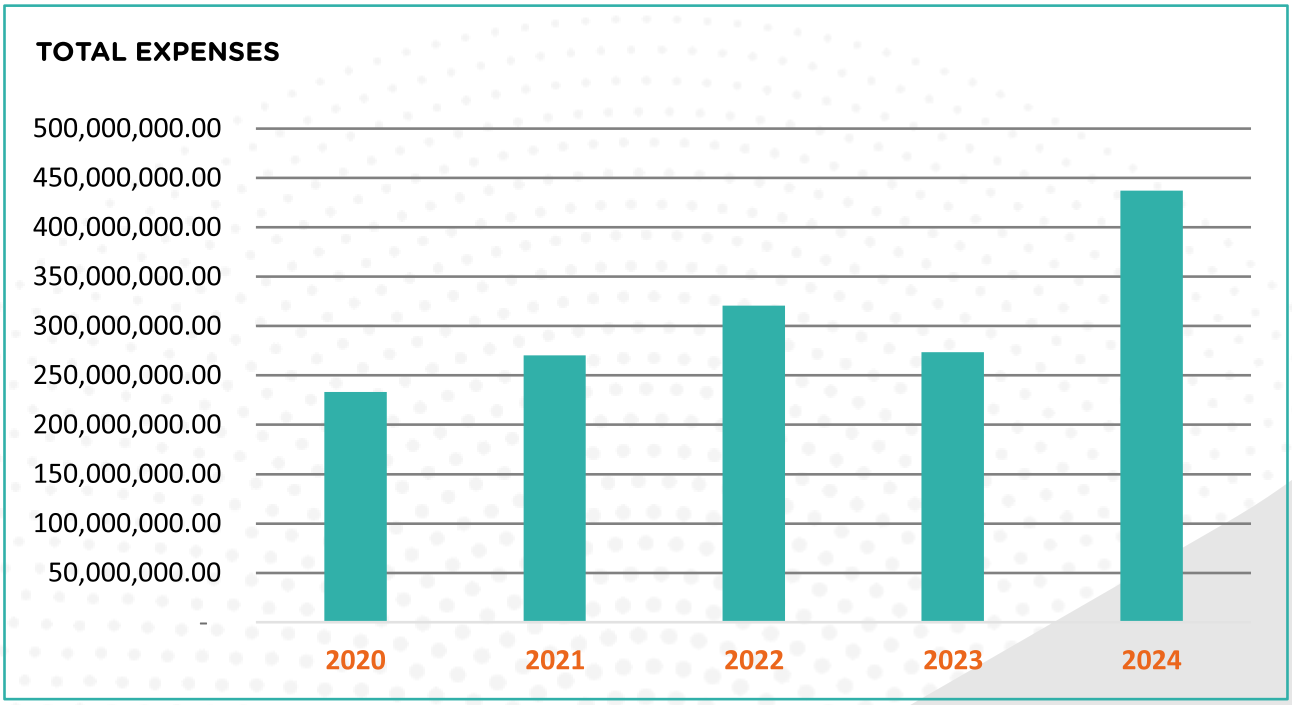
Society's total investments grew by Kshs 68,183,632(14%) from Kshs 471,997,977 in 2023 to Kshs. 540,181,610. Aggressive deposits mobilization and upward revaluation of Co-operative bank shares contributed to the growth.



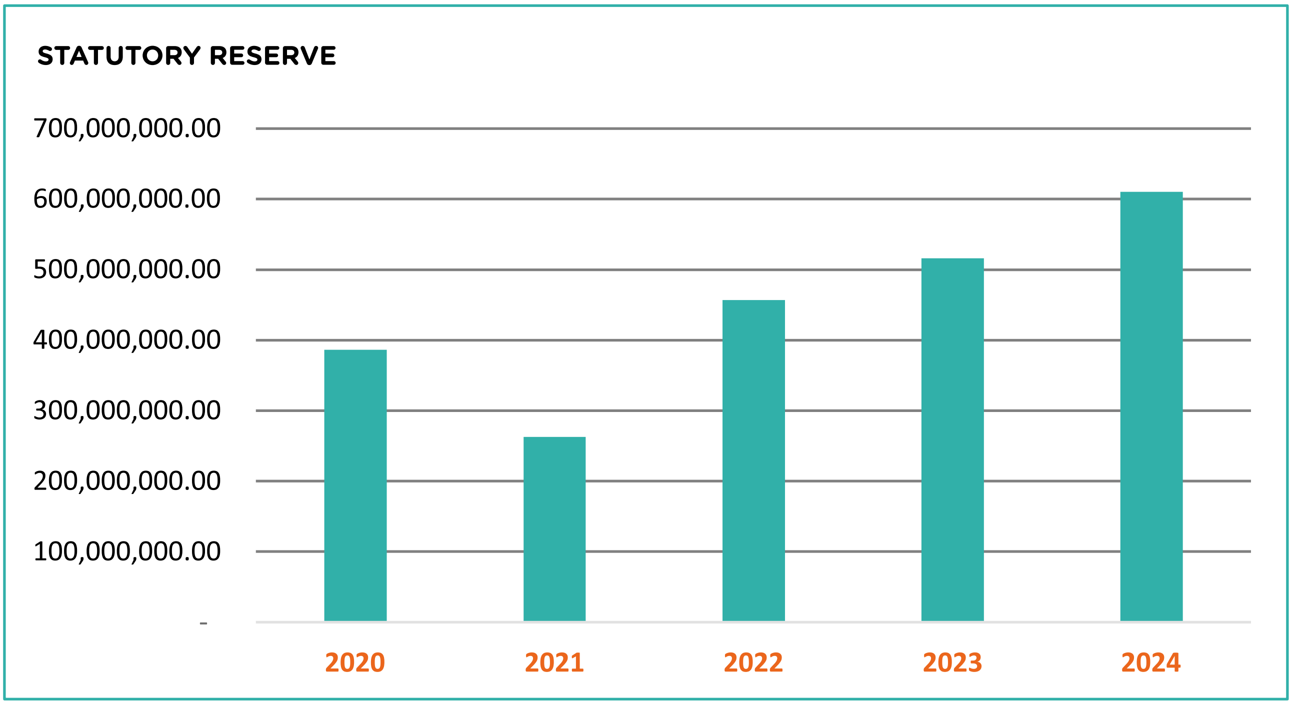
In the year under review, total revenue grew by Kshs 357,212,169 (30%) from Kshs 1,208,516,617 in 2023 to Kshs. 1,565,728,786. Growth in core business of the Society (lending) and earnings from investments contributed to the growth.



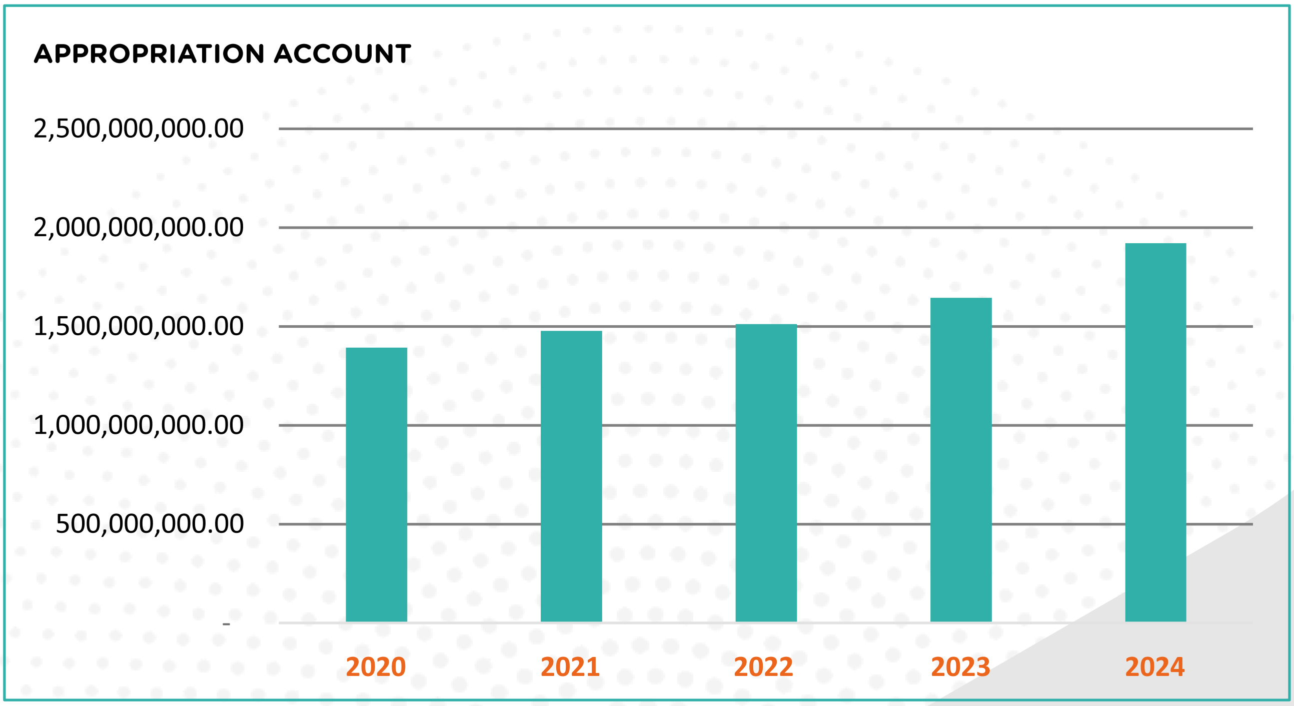
In the year under review, total interest income grew by Kshs 160,545,299(17.5%) from Kshs 917,379,582 reported in 2023 to Kshs. 1,077,924,882.. Both BOSA and FOSA activities grew substantially in 2024 contributing to the overall growth in interest income.



In the year under review, increase in staff costs (additional staff) and operational costs increased total expenses by Kshs 163,673,053(59.8%) from Kshs 273,640,734 reported in 2023 to Kshs. 437,313,787.

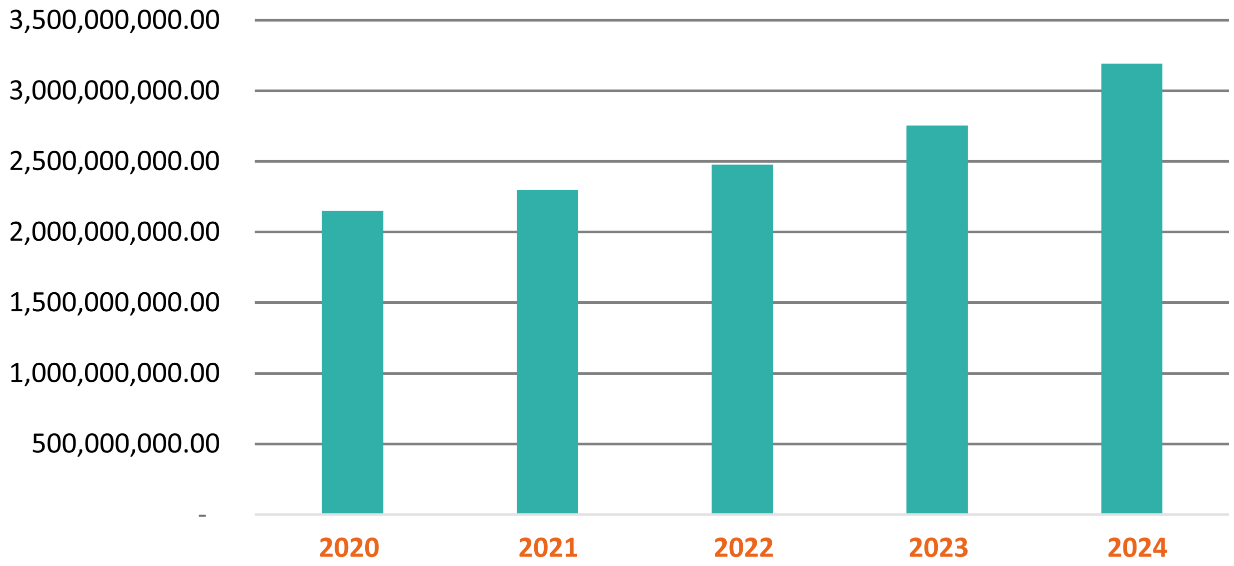


The Society continued its upward trajectory In growing its reserves by an additional Kshs 94,128,032 (18%) from Kshs 516,243,304 in 2023 to Kshs. 610,371,336.



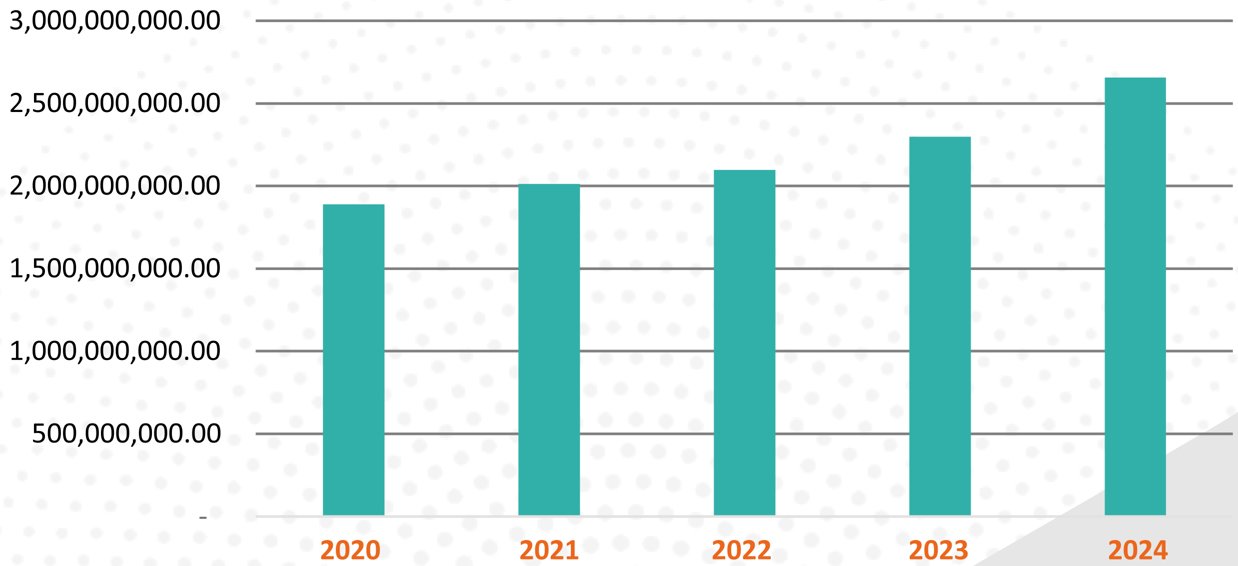
In the year under review, there was an increase in appropriation account by Kshs 274,715,472(16.7%) from Kshs 1,645,635,664 in 2023 to Kshs. 1,920,351,136.

CORE CAPITAL



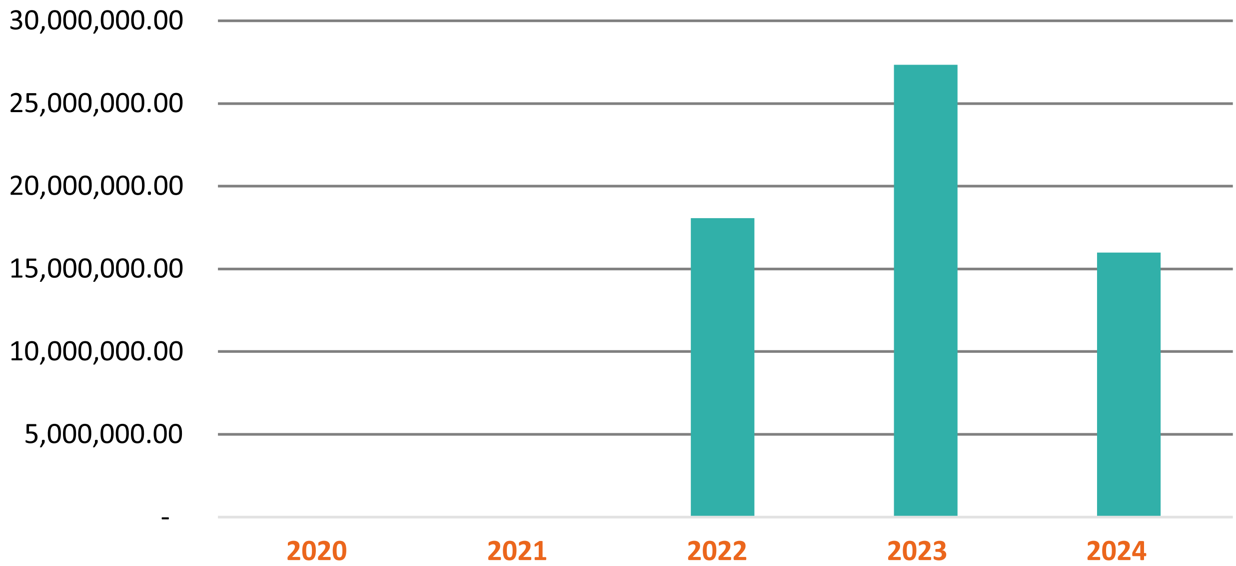
In the year under review there was an increase in core capital by Kshs 438,967,075(15.9%) from the previous year Kshs 2,753,534,535 to Kshs. 3,192,501,610 in the year 2024. the increase is due to annual reserves and retained earnings

INSTITUTIONAL CAPITAL



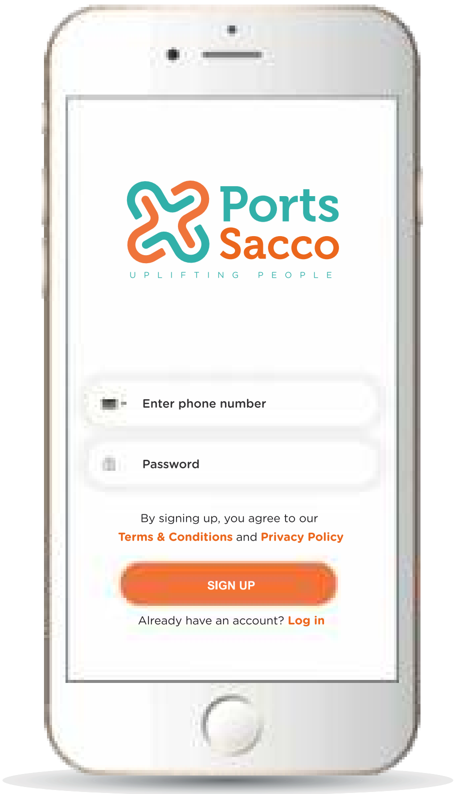
In the year under review there was an increase in core capital by Kshs 357,494,524(15.5%) from the previous year Kshs 2,299,509,671 to Kshs. 2,657,004,195 in the year 2024. the increase is due to annual reserves and retained earnings

LOAN LOSS RESERVE



In the year under review there was an decrease in core loan loss reseve by Kshs 11,348,979(41.5%) from the previous year Kshs 27,338,322 to Kshs. 15,989,343 in the year 2024. the decrease is due prudent credit management

M-Port Services



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Report of the Director's

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The directors submit their annual report together with the audited financial statements for the period ended 31 December 2024 which disclose the society's state of affairs.

PRINCIPAL ACTIVITY

The principal activity of the society continued to be that of receiving deposits from and providing loans to its members.

RESULTS	**2024 Shs**	**2023 Shs**
Profit before tax	462,797,455	313,774,692
Tax charge	(18,565,676)	(16,877,887)
Profit for the year	444,231,778	296,896,805
Interest on members' deposits	652,110,531	558,441,204

BUSINESS REVIEW
During the financial period the society's turnover increased by Shs 164,395,744 due to increase in loans to members.
The profit before tax increased by Shs 149,022,763 primarily due to increased Loans to members and reduced impairment loan loss. The directors will continually assess the interest rates.

INVESTMENT SHARES

The issued and paid up share capital of the society increased during the year to Shs. 535,497,415 from Shs. 454,024,864 in 2023.

DIVIDENDS AND INTEREST

The directors have recommended payment of 20% (2023: 20%) as dividend on investment shares and provided 12.5% (2023: 12.5%) interest on member deposits.

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 1.

INDEPENDENT AUDITOR

Ambale Ogot & Company LLP was appointed during the year and continues in office in accordance with the Societies Act No 14 of 2008. The directors monitor the effectiveness, objectivity and independence of the Board of 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 OF DIRECTORS

SECRETARY

8/01/2025 **2025**

Financial and Statistical Information

			As at 31 December	
			2024 Numbers	2023 Numbers
Membership	Active		12,265	10,583
	Dormant		4,168	2,942
Number of location			2	2
Number of employees	Male		26	22
	Female		26	21
Financial			**2024 Shs**	**2023 Shs**
Total assets			10,542,767,252	9,170,692,621
Members' deposits			6,084,539,756	5,277,151,475
Loans and advance to members			6,942,329,299	5,996,939,583
Provision for loan losses			249,586,939	229,608,085
Investments			540,181,610	471,997,977
Total revenue			1,176,312,075	1,011,916,301
Total interest income			1,077,924,882	917,379,582
Total expenses			437,313,787	273,640,734
Investment shares			535,497,416	454,024,864
Statutory reserve			610,371,336	516,243,304
Appropriation account			1,920,351,136	1,645,635,664
Core capital			3,192,501,610	2,753,534,535
Institutional capital			2,657,004,195	2,299,509,671
Loan loss reserve			15,989,343	27,338,323

Key ratios:	**Statutory requirement %**	**2024 %**	**2023 %**
Capital adequacy ratios			
Core capital/Total assets	10*	30	30
Core capital/Total deposits	8*	52	52
Institutional capital/Total assets	8*	25	25
Liquidity ratio			
Liquid assets/Total deposits and short-term liabilities	15*	36	36
Operating efficiency/loan quality ratios			
Total expenses/Total revenue		37	27
Interest to members deposits/Total revenue		60	61
Interest rate on members' deposits		12.5	12.5
Dividend rate on members share capital		20	20
Total delinquent loans/Gross loan portfolio		3	3
Investment ratios			
Land and buildings/total assets	5**	3	4
Financial investments/core capital	40**	17	17

* Recommended statutory minimum
** Recommended statutory maximum

Statement of Director's Responsibilities

The Sacco Societies Act No. 14 of 2008 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 the society as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the society keeps proper accounting accounting records that are sufficient to show and explain the transactions of the society; that disclose, with reasonable accuracy, the financial position of the society and that enable them to prepare financial statements of the society that comply with the International Financial Reporting Standards and the requirements of the Sacco Societies Act. The directors are also responsible for safeguarding the assets of the society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Sacco 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 directors are of the opinion that the financial statements give a true and fair view of the financial position of the society as at 31 December 2024 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Sacco Societies Act No. 14 of 2008.

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

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

Approved by the board of directors on 8TH JANUARY 2025 and signed on its behalf by:

CHAIRMAN

TREASURER

CHIEF EXECUTIVE OFFICER

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AOC Accountants, Business & Tax consultants
AMBALE OGOT AND COMPANY LLP
Certified Public Accountants

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0722 432 979, 0732 601 437
Ralli House , 4th floor - Nyerere Avenue
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Website: www.ambaleauditors.co.ke

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF PORTS DT SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

Opinion

We have audited the accompanying financial statements of Ports DT Savings and Credit Co-operative Society Limited set out on pages 8 to 51 which comprise the Society's statement of financial position as at 31 December 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Ports DT Savings and Co-operative Credit Society Limited as at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Sacco Societies Act.

Basis for Opinion

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

Key audit matters

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.

Key audit matter	How our audit addressed the key audit matter
Loan Impairment Provisions Expected credit losses on loans to members Loans and advances to customers comprise a significant portion of the Sacco's total assets. The estimation of expected credit losses (ECL) on loans and advances to members requires management judgment in the assumptions that are applied in the models used to calculate ECL. The policies for estimating ECL are explained in notes 1 (b), 3(a), 7 and 9(i) of the financial statements. The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include: • the assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) for the various segments; • the judgments made to determine the staging of facilities in line with IFRS 9. In particular, the identification of Significant Increase in Credit Risk ("SICR") and Default requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used. Specific assumptions have been applied by management in determining the staging, PD and LGD for certain segments of the loan book; and • the relevance of forward-looking information used in the models. As a result of the significant impact of management judgments applied in calculating the ECL, we designated this as a key audit matter in our audit.	Our audit procedures focused on the significant areas of judgement and estimations that could result in material misstatements in the financial statements. These procedures included: • We obtained the Sacco's methodology for determining ECL, including changes in the year, and evaluated this against the requirements of IFRS 9; • We tested how the Sacco extracts 'days past due (DPD)' applied in classifying the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model and agreed these to the DPD as per the Sacco's model and the respective customer files; In addition, we assessed the qualitative information applied by the Sacco in determining the appropriate staging; • We obtained an understanding of the basis used to determine the probabilities of default; • We tested the completeness and accuracy of the historical data used in derivation of PDs and LGDs, and re-calculated the same on a sample basis; • For LGD, we tested the assumptions on the timing of the cash flows based on empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports; • We tested, on a sample basis, the reasonableness of EAD for on balance sheet exposures; • For forward-looking information, we assessed the appropriateness of the model, including assumptions applied; we corroborated the data using publicly available information; and • We assessed whether the disclosures in the financial statements on the key judgements and assumptions were adequate.

.................................continued on page 6

AOC Accountants, Business & Tax consultants
AMBALE OGOT AND COMPANY LLP
Certified Public Accountants

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Website: www.ambaleauditors.co.ke

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF PORTS DT SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

Other information
The directors are responsible for the other information. The other information comprises the directors' report and financial and statistical information on pages 2 and 3, and the schedule of expenditure on page 51 respectively, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements
The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Sacco Societies Act No.14 of 2008, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatement 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

.........................continued on page 7

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF PORTS DT SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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.

The engagement partner on the audit resulting in this independent auditor's report is CPA Fredrick Ambale Mugwang'a, Practising certificate No. P/1956.

Ambale Ogot and Company LLP

For and on behalf of:
AMBALE OGOT AND COMPANY LLP
Certified Public Accountants (K)
Mombasa – Kenya

Date: 9th **January 2025**

AMBALE OGOT AND COMPANY LLP
Certified Public Accountants
P.O. Box 41953 - 80100, MOMBASA

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2024 Shs	2023 Shs
Revenue			
Interest income	2 (a)	1,077,924,882	917,379,582
Other interest income	2 (b)	98,387,193	94,536,718
Total interest income		1,176,312,075	1,011,916,301
Interest expenses	2 (c)	(665,617,544)	(571,353,236)
Net interest income		510,694,531	440,563,065
Other operating income	2 (d)	389,416,711	196,600,317
Impairment charge on loans and advances	9	(19,978,854)	35,673,742
Administrative expenses	3 (a)	(37,496,103)	(31,884,527)
Governance expenses	3 (b)	(82,792,583)	(63,620,927)
Marketing expenses	3 (c)	(34,335,493)	(51,795,264)
Staff costs	4	(194,773,772)	(154,802,508)
Other operating expenses	5	(67,936,982)	(56,959,207)
Profit before tax		462,797,455	313,774,692
Tax charge	6	(18,565,676)	(16,877,887)
Profit for the year		444,231,778	296,896,805
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
- Surplus on revaluation of property and equipment	10	-	-
- Fair value gain(loss) on government bonds	10 (a)	(20,316,600)	-
- Fair value gain(loss) on available for sale financial assets	9	54,970,567	(51,945,349)
- Deferred tax relating to items that will not be subsequently reclassified	16	(8,245,585)	7,791,802
- Effects of change of tax rate	16	-	-
		26,408,382	(44,153,547)
Total comprehensive income		470,640,160	252,743,258
Dividend:			
Proposed final dividend for the year		107,099,483	90,804,973

The notes on pages 13 to 51 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

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STATEMENT OF FINANCIAL POSITION

	Notes	2024 Shs	2023 Shs
Assets			
Cash and cash equivalents	7	1,445,572,288	1,129,978,033
Receivables and prepayments	8	179,531,297	136,590,696
Government securities	10 (a)	1,020,332,421	1,021,837,900
Financial assets	10 (b)	540,181,610	471,997,977
Loans and advances	9	6,942,329,299	5,996,939,583
Property and equipment	11	397,563,772	398,947,788
Intangible assets	12	17,256,567	14,400,644
Total assets		10,542,767,252	9,170,692,621
Liabilities			
Other payables	13	36,309,142	25,973,626
Interest due	14	669,462,961	591,075,943
Members' deposits	15	6,084,539,756	5,277,151,475
Deferred tax	16	43,696,793	51,034,812
Total liabilities		6,834,008,652	5,945,235,856
Equity			
Investment shares	17	535,497,416	454,024,864
Statutory reserve	18 (i)	610,371,336	516,243,304
Loan loss reserve	18 (ii)	15,989,343	27,338,323
Insurance reserve	18 (iii)	106,958,764	106,958,764
Capital reserve	18 (iv)	3,333,616	3,333,616
Appropriation account	18 (v)	1,920,351,136	1,645,635,664
Revaluation reserve	18 (vi)	175,817,422	175,817,422
Fair value reserve	18 (vii)	227,298,553	200,890,171
Proposed dividends and honorarium	18 (viii)	113,141,015	95,214,636
Total equity		3,708,758,600	3,225,456,765
Total liabilities and equity		10,542,767,252	9,170,692,621

APPROVED
for publication and presentation to AGM or ADM subject to observations issued
10 JAN 2025
SIGN.
THE SACCO SOCIETIES REGULATORY AUTHORITY

The financial statements on pages 7 to 51 were approved and authorised for issue by the Board of Directors on 8th February 2025 and were signed on its behalf by:

CHAIRMAN

TREASURER

CHIEF EXECUTIVE OFFICER

The notes on pages 13 to 51 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024	Notes	Investment shares Shs	Statutory reserve Shs	Insurance reserve Shs	Capital reserve Shs	Appropriation account Shs	Fair value reserve Shs	Loan loss reserve Shs	Revaluation reserve Shs	Proposed dividends and honorarium Shs	Total Shs
At start of year											
- as previously stated		454,024,864	516,243,304	106,958,764	3,333,616	1,645,635,665	200,890,171	27,338,323	175,817,422	95,214,636	3,225,456,765
- Prior year adjustment		-	-	-	-	-	-	-	-	-	-
At start of year - as restated		454,024,864	516,243,304	106,958,764	3,333,616	1,645,635,665	200,890,171	27,338,323	175,817,422	95,214,636	3,225,456,765
Total comprehensive income:											
- profit for the year		-	-	-	-	470,640,160	-	-	-	-	470,640,160
- 2024 proposed honorarium		-	-	-	-	(6,046,154)	-	-	-	6,046,154	-
- 2023 paid honorarium	17 (vii)	-	-	-	-	-	-	-	-	(4,414,286)	(4,414,286)
- fair value of gain(loss) on available for sale a	17 (vi)	-	-	-	-	-	54,970,567	-	-	-	54,970,567
- fair value of gain(loss) on government securit	10 (a)	-	-	-	-	-	(20,316,600)	-	-	-	(20,316,600)
- deferred tax on fair value (gain)loss	16	-	-	-	-	-	(8,245,585)	-	-	-	(8,245,585)
- Effects of change in tax rate on deferred tax	16	-	-	-	-	-	-	-	-	-	-
- surplus on revaluation of property	11	-	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	17 (i)	-	94,128,032	-	-	(94,128,032)	-	-	-	-	-
Transfer to loan loss reserve	17 (ii)	-	-	-	-	11,348,980	-	(11,348,980)	-	-	-
Transfer of excess depreciation		-	-	-	-	-	-	-	-	-	-
											-
Transactions with owners:		-	-	-	-	-	-	-	-	-	-
Issue of investment shares	17	81,472,552	-	-	-	-	-	-	-	-	81,472,552
Dividends:											-
- Final for 2023 (paid)		-	-	-	-	-	-	-	-	(90,804,973)	(90,804,973)
- Final for 2024 (proposed)	18 (vii)	-	-	-	-	(107,099,483)	-	-	-	107,099,483	-
At end of year		535,497,416	610,371,336	106,958,764	3,333,616	1,920,351,136	227,298,553	15,989,343	175,817,422	113,141,015	3,708,758,600

The notes on pages 13 to 51 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023	Notes	Investment shares Shs	Statutory reserve Shs	Insurance reserve Shs	Capital reserve Shs	Appropriation account Shs	Fair value reserve Shs	Loan loss reserve Shs	Revaluation reserve Shs	Proposed dividends and honorarium Shs	Total Shs
At start of year											
- as previously stated		379,657,679	456,863,943	106,958,764	3,333,616	1,512,641,511	245,043,718	18,077,148	175,817,422	80,302,965	2,978,696,765
- Prior year adjustment - Proposed Honorarium		-	-	-	-	(42,857)	-	-	-	42,857	-
At start of year - as restated		379,657,679	456,863,943	106,958,764	3,333,616	1,512,598,654	245,043,718	18,077,148	175,817,422	80,345,822	2,978,696,765
Total comprehensive income:											
- profit for the year		-	-	-	-	296,896,805	-	-	-	-	296,896,805
- 2023 proposed honorarium		-	-	-	-	(4,414,286)	-	-	-	4,414,286	-
- 2022 paid honorarium	17 (vii)	-	-	-	-	-	-	-	-	(4,414,286)	(4,414,286)
- 2022 paid staff bonus		-	-	-	-	-	-	-	-	-	-
- fair value of gain(loss) on available for sale a:	17 (vi)	-	-	-	-	-	(51,945,349)	-	-	-	(51,945,349)
- deferred tax on fair value (gain)loss	16	-	-	-	-	-	7,791,802	-	-	-	7,791,802
- Effects of change in tax rate on deferred tax	16	-	-	-	-	-	-	-	-	-	-
- surplus on revaluation of property	11	-	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	17 (i)	-	59,379,361	-	-	(59,379,361)	-	-	-	-	-
Transfer to loan loss reserve	17 (ii)	-	-	-	-	(9,261,175)	-	9,261,175	-	-	-
Transfer of excess depreciation		-	-	-	-	-	-	-	-	-	-
Transactions with owners:		-	-	-	-	-	-	-	-	-	-
Issue of investment shares	17	74,367,185	-	-	-	-	-	-	-	-	74,367,185
Dividends:											-
- Final for 2022 (paid)		-	-	-	-	-	-	-	-	(75,936,158)	(75,936,158)
- Final for 2023 (proposed)	18 (vii)	-	-	-	-	(90,804,973)	-	-	-	90,804,973	-
At end of year		454,024,864	516,243,304	106,958,764	3,333,616	1,645,635,665	200,890,171	27,338,323	175,817,422	95,214,636	3,225,456,765

The notes on pages 13 to 51 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

STATEMENT OF CASH FLOWS

	Notes	2024 Shs	2023 Shs
Cash flows from operating activities			
Interest income	2 (a)	1,077,924,882	917,379,582
Other interest income	2 (b)	98,387,193	94,536,718
Other operating income	2 (d)	393,261,695	196,600,317
Interest payments		(573,723,514)	(486,581,241)
Payment to employees and suppliers		(417,334,933)	(340,284,152)
		578,515,324	381,651,224
Changes in operating assets			
Loans and advances to members		(973,779,032)	(1,043,630,815)
Receivables and prepayment		(42,940,601)	(1,929,477)
Changes in operating liabilities			
Members deposits		807,388,282	691,420,134
Other payables		10,335,516	8,498,218
Net cash from operating activities before income taxes		379,519,489	36,009,283
Income tax paid		(18,565,676)	(16,877,887)
Net cash from operating activities		360,953,812	19,131,396
Investing activities			
Purchase of property and equipment	11	(13,910,840)	(19,686,761)
Purchase of intangible assets	12	(8,556,276)	(4,936,974)
Purchase of government securities	10 (a)	-	(1,021,837,900)
Purchase of financial assets		(13,213,066)	(47,003,405)
Net cash used in investing activities		(35,680,182)	(1,093,465,040)
Financing activities			
Proceeds from issue investment shares	17	81,472,552	74,367,185
Dividend paid		(90,804,973)	(75,936,158)
Net cash from financing activities		(9,332,421)	(1,568,973)
Net cash inflows		315,941,209	(1,075,902,618)
Cash and cash equivalents as at start of year		1,137,906,794	2,213,809,412
Cash and cash equivalents as at end of year	7	1,453,848,003	1,137,906,794

The notes on pages 13 to 51 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

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 statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the society takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

The financial performance of the society is set out in the directors' report and in the statement of profit or loss and other comprehensive income. The financial position of the society is set out in the statement of financial position. Disclosures in respect of risk and capital management are set out in notes 20 and 21.

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

New and amended standards adopted by the society

All new and revised standards and interpretations that have become effective for the first time in the financial year beginning 1 Jaunary 2020 have been adopted by the society. Of those, the following has had an effect on the society's financial statements:

International Financial Reporting Standard 9 (IFRS 9): Financial Instruments

Amendments to IAS 1 and IAS 8 Definition of Material (issued in October 2018) -The amendments, applicable to annual periods beginning on or after 1 January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that previously featured elsewhere in IFRS

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

a) **Basis of preparation (continued)**

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform (issued in September 2019)

The amendments, applicable to annual periods beginning on or after 1 January 2020, provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the society as it does not have any interest rate hedge relationships.

Conceptual Framework for Financial Reporting issued on 29 March 2018 - The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the society.

New standards, amendments and interpretations issued but not effective

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective for the year presented:

- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current (issued in January 2020), effective for annual periods beginning or after 1 January 2023, clarify a criterion for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement for at least 12 months after the reporting date.

- Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to IAS 37 'Onerous Contracts – Costs of Fulfilling a Contract' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022, specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards 'Subsidiary as a first-time adopter' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, permits a subsidiary that elects to apply paragraph D16 (a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of IFRS 1.

- Amendments to IFRS 3 Business Combinations - The amendments added an exception to the the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. The amendments also clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

a) **Basis of preparation (continued)**

New standards, amendments and interpretations issued but not effective (continued)

- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (issued in September 2014) applicable from a date yet to be determined, recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

- IFRS 17 'Insurance Contracts' (issued in May 2017) effective for annual periods beginning on or after 1 January 2023 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The society does not issue insurance contracts.

- Amendment to IFRS 9 Financial Instruments 'Fees in the '10 per cent' test for derecognition of financial liabilities' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Amendment to IAS 41 Agriculture 'Taxation in fair value measurements' (issued in May 2020), effective for annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted, removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

The directors do not expect that adoption of these standards and interpretations will have a material impact the financial statements in future periods. The society plans to apply the changes above from their effective dates.

b) **Critical accounting estimates and judgements**

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The directors 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 year.

- **Measurement of expected credit losses (ECL):**

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour.

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

b) **Critical accounting estimates and judgement (continued)**

- **Measurement of expected credit losses (ECL): (continued)**

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD).

The ECL model applied for financial assets, other than trade receivables, contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.

- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.

- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

Assessment of significant increase in credit risk: The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The society uses these guidelines in determining the staging of its assets unless there is persuasive evidence available to rebut these presumptions

For trade receivables, the group has applied the simplified model under IFRS 9 where lifetime expected credit loss allowance is recognised on the basis of a provisioning matrix.

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

b) **Critical accounting estimates and judgement (continued)**

- **Measurement of Expected Credit Losses (ECL) - Cash and cash equivalents**

  An expected credit loss model for deposits and call balances placed with banks will be based on the default rate assigned by global credit rating bodies S&P and GCR.

  The S&P ranking has assigned a risk/default rate of 0.00% for financial institutions rated AAA, 0.02% for AA rated, 0.07% A rated, 0.29% for BBB rated, 0.76% for BB rated, 2.93% for B rated and 15.79% for CCC/C rated financial institutions (Source 2023 Annual Global Corporate Default Study, Standard & Poor). GCR has carried out a credit rating of Kenyan banks but has not assigned risk/default rates for the various ratings given. On the other hand, S&P has not done a rating specific to Kenyan financial institutions but has risk rates assigned to various ratings as documented above whose description we have reviewed and came up with the risk rates applicable to Kenyan banks.

- **Measurement of Expected Credit Losses (ECL) - Cash and cash equivalents (continued)**

  In the GCR rating of Kenyan financial institutions falling into tier one are described as consistently having a stable outlook which is what is similar to the S&P description of financial institutions rated BB. Hence a default rate of 0.76% has been considered for deposits held with Tier one banks. Tier two banks such are described as having a stable or positive outlook in the GCR rating which can be equated to the S&P rating of B with a default rate of 2.93%. Whilst Tier three banks such as stable or positive or watch outlook by GCR which bear similar descriptions as the CCC/C rating by S&P with a risk/default rate of 15.79%.

- **Useful lives, depreciation methods and residual values of property and equipment and intangible assets.**

  Management reviews the useful lives, depreciation methods and residual values of the items of property,and equipment, intangible assets and right-of-use assets on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values. The carrying amounts of property and equipment,and intangible assets are disclosed in notes 10 and 11 respectively.

- **Impairment of non-financial assets**

  Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The carrying amounts of property and equipment and intangible assets are disclosed in notes 10 and 11 respectively.

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

c) **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.

Interest on offset of loans

Interest is charged on members at the rate of 0% on the balance of offset loans.

Fee and commission income

Fees and commission income, including account servicing fees and mobile banking commisions are generally recognised on an accrual basis when the service has been provided.

Other income

i) Entrance fee is recognised when a new member joins the society;
ii) 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;
iii) Rental income is accrued by reference to time on a straight line basis over the lease term.
iv) Insurance charges on members loans is the excess of member's contribution over insurance premium payments.

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

d) **Property and equipment**

All property and equipment is initially recorded at cost and thereafter stated at historical cost less accumulated depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Freehold land and buildings are subsequently measured at open market value.

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 recognised to other comprehensive income income and credited to revaluation reserve in equity except to the extent that the increase 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 against the to other comprehensive income; all other decreases are charged to profit or loss. Each year 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 revaluation reserveto the retained earnings .

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the society and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Freehold land is not depreciated.

Depreciation on other assets is calculated using the reducing balance method to write down the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates in use are:

Asset	Rate (%)
Buildings	2.5
Machinery and equipment	12.5
Furniture and fittings	12.5
Computers, photocopiers and other accessories	30
Motor vehicles	25

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

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.

An item of property,and equipment is derecognised upon disposal or when no future future economic benefits are expected from its use or disposal. 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 amounts in the revaluation reserve relating to the particular assets being disposed of are transferred to retained earnings in the statement of changes in equity.

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

e) **Intangible assets - Software**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a reducing basis over their estimated useful lives of 5 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over its estimated useful life which is estimated to be five years.

f) **Financial instruments**

Financial assets and financial liabilities are recognised when the society becomes a party to the contractual provisions of the instrument. Management determines all classification of financial instruments at initial recognition.

- Financial assets

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss.

The society's financial assets fall into the following categories:

i) **Amortised cost; Financial assets that are held within a business model whose objective is to** hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortised cost; The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

ii) **Fair Value Through Other Comprehensive Income (FVTOCI):** Financial assets that are held for collection of contractual cash flows where these cash flows comprise SPPI and also for liquidating the assets depending on liquidity needs and that are not designated at FVTPL, are classified and measured at value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for recognition of impairment gain or losses, interest revenue and foreign exchange gain and losses. Gains and losses previously recognised in OCI are reclassified from equity to profit or loss on disposal of such instruments. Gains and losses related to equity instruments are not reclassified.

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measure at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement.

For the purpose of SPPI the test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

f) **Financial instruments (continued)**

- ***Financial assets (continued)***

ii) **Fair Value Through Other Comprehensive Income (FVTOCI) (continued)**

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement will not comprise SPPI.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The society determines the business models at a level that reflects how societies financial assets are managed together to achieve a particular business objective. The society's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The society has more than one business model for managing its financial instruments which reflect how the society manages its financial assets in order to generate cash flows. The society's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The society considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the society does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The society takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and

- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the society determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The society reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the society has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Financial instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Impairment

The society recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:
- Cash and cash equivalents
- Loans and advances
- Other financial assets

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

f) **Financial instruments (continued)**

- ***Financial assets (continued)***

Impairment (continued)

No impairment loss is recognised on investments measured at FVTPL.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month expected credit loss (ECL), i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or

- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument. (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the12-month ECL. More details on the determination of a significant increase in credit risk are provided in note 20.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the society under the contract and the cash flows that the society expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the society if the holder of the commitment draws down the loan and the cash flows that the society expects to receive if the loan is drawn down.

For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the society expects to receive from the holder, the debtor or any other party.

The society measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate (EIR), regardless of whether it is measured on an individual basis or a collective basis.

More information on measurement of ECLs is provided in note 20 (b), including details on how instruments are grouped when they are assessed on a collective basis.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- contractual payments that are more than 90 days overdue;
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's
- financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

f) **Financial instruments (continued)**

- ***Financial assets (continued)***

It may not be possible to identify a single discrete event, instead, the combined effect of several events may have caused financial assets to become credit-impaired. The society assesses whether all new and revised standards and interpretations that have become effective for the first time credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the society considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding .

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The society renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The society has an established forbearance policy which applies for corporate and retail lending.

When a financial asset is modified, the society assesses whether this modification results in derecognition. In accordance with the society's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the society considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;

- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

If the difference in present value is greater than 10% the society deems the arrangement is substantially different leading to derecognition.

In the case where the financial asset is derecognised, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated - credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The society monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

f) **Financial instruments (continued)**

- ***Financial assets (continued)***

Modification and derecognition of financial assets (continued)

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the society determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with

- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the society's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the society's ability to collect the modified cash flows taking into account the society's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12 - month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the society calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the society measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The society derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the society neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the society recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the society retains substantially all the risks and rewards of ownership of a transferred financial asset, the society continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the society retains an option to repurchase part of a transferred asset), the society allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

f) **Financial instruments (continued)**

- ***Financial assets (continued)***

Write-off

Loans and debt securities are written off when the society has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the society determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The society may apply enforcement activities to financial assets written off. Recoveries resulting from the society's enforcement activities will result in impairment gains.

Gains and losses on disposal of assets whose changes in fair value were initially recognised in profit or loss are determined by reference to their carrying amount and are taken into account in determining operating profit/(loss). On disposal of assets whose changes in fair value were initially recognised in equity, the gains/losses are recycled to the statement of profit or loss. Any resultant surplus/deficit after the transfer of the gains/losses are transferred to retained earnings.

Management classifies financial assets as follows:

Quoted investments, managed funds, unit trust investments and unquoted shares are classified as FVTOCI financial instruments. The fair values of quoted investments are based on current bid prices at the reporting date. Where fair values cannot be reliably measured (unquoted investments), the society establishes fair value by using valuation techniques.

Cash in hand and balances with financial institutions, loan and advances, other receivables and tax recoverable are classified as amortised cost financial assets.

- ***Financial liabilities***

The society's financial liabilities which include creditors and accrual and borrowing and grants fall into the following categories:

- **Financial liabilities measured at amortised cost** : These include borrowings, other payables member deposits and other creditor and accruals. These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.

  Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in profit or loss under finance costs under the effective interest rate method.

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in profit or loss under finance costs.

Fees associated with the acquisition of borrowing facilities are recognised 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 amortised over the period of the facility.

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

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

f) **Financial instruments (continued)**

- ***Financial liabilities (continued)***

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 derecognised 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.

g) **Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

h) **Taxation**

Current tax is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation applicable to the society.

In particular under section 19A (4) of the Income Tax Act, the society being a designated society that carries on business as a Credit and Savings Co-operative Society, income tax only arises on interest income from non-members and any other income not arising from activities relating to advance or deposit from members.

Deferred tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the carry forward of unused tax credits and tax credits and unused tax losses can be utilised.

For the purposes of measuring deferred tax liabilities and deferred tax assets for property and equipment 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.

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

h) **Taxation (continued)**

Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The Society offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

i) **Cash and cash equivalents**

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

j) **Retirement benefit obligations**

The society and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The society's contributions to the defined contribution scheme are charged to the statement of comprehensive income in the year to which they relate.

k) **Leases**

Operating leases

Leases of assets where a significant proportion of the risks and rewards are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight line basis over the lease period.

l) **Investment shares**

Member interest are classified as equity where the entity has an unconditional right to refuse redemption of the members' shares.

Provisions in the Act, regulations or the Sacco by-laws impose unconditional prohibitions on the redemption of members' shares.

m) **Reserves**

- **Statutory reserve**
  Transfers are made to the statutory reserve fund at a rate of 20% of net operating surplus after tax in compliance with the provision of section 47 (1 and 2) of the Co-operative Societies Act, Cap 490. This reserve is not distributable.

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

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

m) **Reserves (continued)**

- **Fair value reserve**
  The fair value reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in profit or loss.

  Gains and losses transferred from equity into statement of comprehensive income during the period are included in other gains and losses. The amounts in this reserve is not distributable.

- **Appropriation account**
  This comprises retained earnings and is distributable.

- **Insurance reserve**
  This reserve comprises the accumulated excess insurance recharged to members on loans and advances over the annual insurance premiums paid. Beginning 2016, the excess recharge of insurance on loans and advances is recognized in profit or loss as part of other income.

- **Capital reserve**
  This reserve account was created for capital projects.The amounts in this reserve is not distributable.

- **Proposed dividends and honorariums**
  Dividend is recognised as a liability by transferring funds from retained earnings to dividend account. Proposed dividends are disclosed as a separate component of equity until declared. Dividends are recognised as liabilities in the period in which they are approved by the members. Honorariums to the board members are also transferred to this reserve on proposal by the directors. These are transferred to profit or loss on approval by the general members' meeting.

n) **Comparatives**

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

2. Revenue

	2024 Shs	2023 Shs
a) Interest income		
BOSA loans	614,325,373	542,280,087
FOSA loans	434,975,969	352,361,261
FOSA advances	20,816,518	15,806,413
Interest income from loan offsets	7,807,022	6,931,822
Total interest income	1,077,924,882	917,379,582
b) Other interest income		
Bank deposits	98,387,193	94,536,718
c) Interest expenses		
Interest on member deposits	652,110,531	558,441,204
Interest on FOSA shares	11,916,802	11,928,181
Interest on Fixed deposits	1,590,211	983,851
Total interest expense	665,617,544	571,353,236
Net interest income	510,694,531	440,563,065
d) Other operating income		
Insurance charges on members loans	89,991,782	94,712,093
Impairment recovery	-	-
Entrance fee	1,446,800	1,014,251
Net fee and commission income	28,054,251	25,529,255
Dividend income	68,605,900	70,535,217
Interest from Government Securities	196,377,221	-
Net rental income	4,940,758	4,809,500
Total other operating income	389,416,711	196,600,317

3. Profit before tax

The following items have been charged in arriving at profit before tax:

	2024 Shs	2023 Shs
a) Administration expenses		
Travelling and subsistence	9,832,785	6,892,393
Printing and stationery	3,162,878	1,910,909
Office internet	4,516,953	3,675,837
Telephone and postage	1,408,461	2,071,076
Bank charges	1,294,576	1,051,945
Subscriptions	1,291,961	5,464,153
Other office expenses	7,738,224	6,776,434
Advertisement expenses	3,190,707	2,902,393
Auditors' remuneration	1,343,633	1,343,633
Legal fees	3,368,971	8,171,969
Expected credit losses(gain) on cash and cash equivalents	346,955	(8,376,216)
	37,496,103	31,884,527
b) Governance expenses (member related costs)		
Board meetings	9,241,897	4,851,812
Members education	53,700,913	29,997,334
Committee sitting allowance	12,060,149	12,571,646
AGM expenses	7,789,624	16,200,135
	82,792,583	63,620,927

3. **Profit before tax (continued)**

c) **Marketing expenses**

	2024 Shs	2023 Shs
SMS expenses	400,000	1,300,200
ASK Show	8,878,143	8,153,235
ICD Celebrations	3,320,807	4,912,318
Promotions and publicity	21,184,331	11,386,853
Rebranding	552,212	26,042,658
	34,335,493	51,795,264

4. **Staff costs**

	2024 Shs	2023 Shs
Salaries and wages	127,933,650	105,866,965
National Social Security Fund	1,327,086	436,000
Defined benefit obligation	7,469,117	6,952,857
Emplyers housing levy	1,595,881	-
Staff Training	32,440,439	21,485,666
Other staff costs	24,007,599	20,061,019
	194,773,772	154,802,508

5. **Other operating expenses**

	2024 Shs	2023 Shs
Rates and rent	4,420,688	4,305,249
Security	6,773,255	6,237,448
Licences	10,374,569	6,415,605
Insurance	3,805,322	210,045
Repair and maintenance	10,953,777	9,404,241
Water, fuel and electricity	2,970,586	2,940,062
Depreciation on property and equipments (Note 11)	15,294,856	14,952,280
Amortisation of intangible assets (Note 12)	5,245,900	5,283,025
SASRA License	8,098,030	7,211,251
	67,936,982	56,959,207

6. **Tax**

	2024 Shs	2023 Shs
Current tax charge	18,565,676	16,877,887

The tax on the society's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

Reconciliation of the tax charge

	2024 Shs	2023 Shs
Profit before tax	462,797,455	360,096,133
Tax calculated at a tax rate of 30% (2022: 30%)	138,839,236	108,028,840
Tax effects of:		
Expenses not deductible for tax purposes	-	249,120,064
Income not subject to tax	(120,273,560)	(340,271,017)
Tax charge	18,565,676	16,877,887

The tax charge on the results for the year are based on the provisions of Section. 19A (4) of the Income Tax Act.

7. **Cash and cash equivalents**	**2024** **Shs**	**2023** **Shs**
Cash in hand	26,724,074	44,764,245
Cash at bank	993,674,865	458,999,220
Short term bank deposits	433,449,064	634,143,329
Expected credit loss on bank balances	(8,275,716)	(7,928,761)
Total	1,445,572,288	1,129,978,033

For the purposes of the statement of cash flows the year end cash and cash equivalents comprise of the following:

Cash at bank and in hand	1,445,572,288	1,129,978,033
Add: Expected credit loss on bank balances	8,275,716	7,928,761
	1,453,848,003	1,137,906,794

The weighted average effective interest rate on short-term bank deposits at year-end was 10.91% (2023: 9.48%).

The society cash and bank balances are held with major Kenyan financial institutions and, insofar as the directors are able to measure any credit risk to these assets, it is deemed to be limited.

8. **Receivables and prepayments**

	2024 Shs	2023 Shs
Deposits	7,300,292	6,802,292
Insurance claim receivable	55,675,591	46,453,860
Other receivables	116,555,414	83,334,544
	179,531,297	136,590,696

In the opinion of the directors, the carrying amounts of receivables and prepayments approximate to their fair value.

The directors are of the opinion that the society's exposure is limited because the debt is widely held.

9. **Loans and advances**

	2024 Shs	2023 Shs
At start of year	6,226,547,668	5,191,327,316
Net increase during the year	973,779,032	1,043,630,815
Suspended interest	(8,410,463)	(8,410,463)
Total loans and advances before provisions	7,191,916,237	6,226,547,668
Provision for loan losses	(249,586,939)	(229,608,085)
At end of year	6,942,329,299	5,996,939,583

Movement in impairment provisions

	2024 Shs	2023 Shs
At start of year		
- as previously stated	229,608,085	265,281,827
- prior year adjustment	-	-
At start of year	229,608,085	265,281,827
Impairment provisions for the year	19,978,854	(35,673,742)
At end of year	249,586,939	229,608,085

9. **Loans and advances (continued)**

(i) **Loans and advances to customers at amortised cost**

Year ended 31 December 2024	**Gross amount Shs**	**ECL allowance Shs**	**Carrying amount Shs**
Stage 1 - 12-month ECL	6,966,490,718	51,940,485	6,914,550,233
Stage 2 - Lifetime ECL	56,087,013	3,908,143	52,178,870
Stage 3 - Lifetime ECL	177,748,969	177,748,969	-
	7,200,326,700	233,597,597	6,966,729,103

Year ended 31 December 2023	**Shs**	**Shs**	**Shs**
Stage 1 - 12-month ECL	6,032,212,845	44,974,734	5,987,238,111
Stage 2 - Lifetime ECL	48,565,169	3,384,021	45,181,148
Stage 3 - Lifetime ECL	153,911,009	153,911,009	-
	6,234,689,023	202,269,763	6,032,419,259

Year end 31 December 2024	**Provision as per statutory regulations Shs**	**Impairment provision as per IFRS 9 Shs**	**Statutory loan loss reserve Shs**	**Transfer to statutory loan loss reserve Shs**
Loan and advances	249,586,940	233,597,597	15,989,343	(27,338,323)
Year end 31 December 2023				
Loan and advances	229,608,086	202,269,763	27,338,323	(18,077,148)

(ii) **IFRS 9 provisions**

Reconciliation from opening to closing balance of loss allowance for loans and advances to customers at amortised cost for 2024 is shown below; comparative amounts for 2023 represent allowance account for credit losses and reflect measurement basis under IFRS 9.

	Stage 1 12-month ECL Shs	**Stage 2 Lifetime ECL Shs**	**Stage 3 Lifetime ECL Shs**	**Total 2024 Shs**	**Total 2023 Shs**
At start of year	44,974,734	3,384,021	153,911,009	202,269,763	247,204,679
Provision for the year	6,965,752	524,122	23,837,960	31,327,834	(44,934,916)
	51,940,485	3,908,143	177,748,969	233,597,597	202,269,763

Provision as per statutory regulations

No.	Classification	No. of A/C's	Outstanding Loan Portfolio (Kshs.)	Required Provision (%)	Required Provision Amount (Kshs.)
1	Perfoming	16866	6,674,592,047.03	1	66,745,920.47
2	Watch	560	257,418,773.01	5	12,870,938.65
3	Substandard	71	23,306,700.81	25	5,826,675.20
4	Doubtful	56	17,109,819.34	50	8,554,909.67
5	Loss	458	155,588,496.30	100	155,588,496.30
	Sub-Total	**18011**	**7,128,015,836.49**		**249,586,940.29**

9. **Loans and advances (continued)**

Provision as per statutory regulations (continued)	**2024**	**2023**
	Shs	**Shs**
31 - 180 days	5,826,675	11,876,475
181 - 360 days	8,554,910	8,982,781
Over 360 days	155,588,496	140,693,360
	169,970,081	161,552,616

The society has a loan guard policy on all classes of loans issued by The Co-operative Insurance Society Limited in which there is compensation of insured loan balance in the event of death or total permanent disability of a member.

The society's credit risk arises primarily from loan receivables. The directors are of the opinion that the society's exposure is limited because the debt is widely held.

Loans to insiders

Insiders are deemed to be employees, members of supervisory committees and directors of the society. The following loans were granted to insiders:

	2024	**2023**
	Shs	**Shs**
Total loans advanced during the year	84,648,213	86,878,420
Total loans outstanding at the end of the year:		
Loans to employees	62,667,130	55,493,179
Loans to directors	10,349,583	13,668,126
Loans to supervisory committee members	11,631,500	12,150,029
Total loans and advances	84,648,213	81,311,334

10. **Financial assets**

	2024	**2023**
	Shs	**Shs**
(a) **Government Securities**		
At Fair value through other comprehensive income		
At 1st January	1,021,837,900	-
Purchases during the year	-	1,021,837,900
Accrued Interest	18,811,121	-
Fair value gain (loss)	(20,316,600)	-
Total Government securities	1,020,332,421	1,021,837,900

		2024	**2023**
		Shs	**Shs**
(b) **Available-for-sale**	**Par Value**		
Co-operative Bank Limited	16.10	1,352,400	928,200
Co-op Holdings Co-operative Society Limited	9.87	508,573,381	349,051,917
KUSCCO ordinary shares	13.86	17,023,620	109,622,221
Co-operative Insurance Society Limited	2.14	13,012,689	12,222,199
Safaricom Limited	17.15	219,520	173,440
Total financial assets		540,181,610	471,997,977
Income from available-for-sale financial assets (Note 2(d))		68,605,900	70,535,217

The fair values of financial assets are categorised as follows based on the information set out on accounting policy (f).

10 (b). **Financial assets**

	No. of shares	Par value in Shs	2024 Shs	2023 Shs
Available-for-sale				
Co-operative Bank Limited	84,000	16.10	1,352,400	928,200
Co-op Holdings Co-operative Society Limited	51,503,960	9.87	508,573,381	349,051,917
KUSCCO ordinary shares	1,228,353	13.86	17,023,620	109,622,221
Co-operative Insurance Society Limited	6,080,696	2.14	13,012,689	12,222,199
Safaricom Limited	12,800	17.15	219,520	173,440
Total financial assets			540,181,610	471,997,977
Income from available-for-sale financial assets (Note 2(d))			68,605,900	70,535,217

The fair values of financial assets are categorised as follows based on the information set out in accounting policy (f).

Available-for-sale	Opening balance in Shs	Additions Shs	Fair value gain/(loss) Shs	Closing balance Shs
Co-operative Bank Limited	928,200		424,200	1,352,400
Co-op Holdings Co-operative Society Limited	349,051,917		159,521,464	508,573,381
KUSCCO ordinary shares	109,622,221	13,213,066	(105,811,668)	17,023,620
Co-operative Insurance Society Limited	12,222,199		790,490	13,012,689
Safaricom Limited	173,440		46,080	219,520
	471,997,977	13,213,066	54,970,567	540,181,610

The fair value gain for Co-op Holdings Co-operative Society Limited was as a result of general increase in prices at NSE. Co- op holdings during the year this in turn increase the share price from Shs 6.78 per share to Shs 9.87 per share

Year ended 31 December 2024

	Level 1 Shs	Level 3	Carried at cost less impairment Shs	Total Shs
Co-operative Bank Limited	1,352,400	-	-	1,352,400
Co-op Holdings Co-operative Society Limited	-	508,573,381	-	508,573,381
KUSCCO ordinary shares	-	-	17,023,620	17,023,620
Co-operative Insurance Society Limited	13,012,689	-	-	13,012,689
Safaricom Limited	219,520	-	-	219,520
Available-for-sale	14,584,609	508,573,381	17,023,620	540,181,610

Year ended 31 December 2023

	Level 1 Shs	Level 3 Shs	Carried at cost less impairment Shs	Total Shs
Co-operative Bank Limited	928,200	-	-	928,200
Co-op Holdings Co-operative Society Limited	-	349,051,917	-	349,051,917
KUSCCO ordinary shares	-	-	109,622,221	109,622,221
Co-operative Insurance Society Limited	12,222,199	-	-	12,222,199
Safaricom Limited	173,440	-	-	173,440
Available-for-sale	13,323,839	349,051,917	109,622,221	471,997,977

Market risk primarily arises from the changes in the market value and the financial stability of the respective quoted companies.

Management monitors the credit quality of financial assets by:

- discussion at the management and board meetings;
- reference to external historical information available;
- discussions with the society's investment advisors;

None of the financial assets are considered to be impaired.

11. **Property and equipment**

Year ended 31 December 2024

	Freehold land Shs	Buildings Shs	Machinery and equipment Shs	Furniture and fittings Shs	Computers, photocopiers and other accessories Shs	Motor vehicles Shs	Total Shs
Cost or valuation							
At start of year	110,750,001	275,043,696	20,328,180	23,094,224	32,618,835	3,753,133	465,588,069
Additions	-	-	2,998,588	6,214,035	2,148,217	2,550,000	13,910,840
Disposal							-
Surplus on revaluation							-
At end of year	110,750,001	275,043,696	23,326,768	29,308,259	34,767,052	6,303,133	479,498,909
Comprising							
Cost	-	-	23,326,768	29,308,259	34,767,052	6,303,133	93,705,212
Valuation	110,750,001	275,043,696	-	-	-	-	385,793,697
	110,750,001	275,043,696	23,326,768	29,308,259	34,767,052	6,303,133	479,498,909
Accumulated depreciation							
At start of year	-	24,276,869	7,656,969	10,113,210	22,202,997	2,390,236	66,640,281
Charge for the year	-	8,749,386	1,918,179	1,824,060	2,460,613	342,617	15,294,856
Reversal of accumulated depreciation on revaluation							-
							-
At end of year	-	33,026,255	9,575,148	11,937,270	24,663,611	2,732,853	81,935,137
Net book value	110,750,001	242,017,441	13,751,620	17,370,988	10,103,442	3,570,280	397,563,772

11. **Property and equipment**

Year ended 31 December 2023

	Freehold land Shs	Buildings Shs	Machinery and equipment Shs	Furniture and fittings Shs	Computers, photocopiers and other accessories Shs	Motor vehicles Shs	Total Shs
Cost or valuation							
At start of year	110,750,001	275,043,696	11,156,294	17,425,423	27,772,762	3,753,133	445,901,308
Additions	-	-	9,171,887	5,668,801	4,846,073	-	19,686,761
Disposal							-
Surplus on revaluation							-
At end of year	110,750,001	275,043,696	20,328,180	23,094,224	32,618,835	3,753,133	465,588,069
Comprising							
Cost	-	-	20,328,180	23,094,224	32,618,835	3,753,133	79,794,372
Valuation	110,750,001	275,043,696	-	-	-	-	385,793,697
	110,750,001	275,043,696	20,328,180	23,094,224	32,618,835	3,753,133	465,588,069
Accumulated depreciation							
At start of year	-	15,614,950	6,860,910	8,158,976	19,127,582	1,925,784	51,688,202
Charge for the year	-	8,661,918	796,059	1,954,234	3,075,415	464,452	14,952,079
Reversal of accumulated depreciation on revaluation							-
							-
At end of year	-	24,276,869	7,656,969	10,113,210	22,202,997	2,390,236	66,640,281
Net book value	110,750,001	250,766,827	12,671,211	12,981,013	10,415,838	1,362,897	398,947,788

11. **Property,and equipment (continued)**

Freehold land and buildings were professionally valued on December 2022 by Syagga and Associates Limited, independent valuers on the basis of open market value. The book values of the properties were adjusted to the revaluations and the resultant surplus was credited to other comprehensive income. In determining the valuations for freehold land and buildings, the valuer refers to current market conditions including recent sales transactions of similar properties - assuming the highest and best use of the properties.

The fair valuation of property and equipment is considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets and replacement costs for plant and machinery. Management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs. There were no transfers between level 1, 2 or 3 fair values during the year.

The table above presents the changes in the carrying value of the property and equipment arising from these fair valuation assessments.

The fair value of the various classes of freehold land and buildings are as follows:

	2024 Shs	2023 Shs
Freehold land	110,750,001	110,750,001
Buildings	275,043,696	275,043,696
	385,793,697	385,793,697

If freehold land and buildings were stated on the historical cost basis, the amount would be as follows:

	Freehold land Shs	Buildings Shs
Year ended 31 December 2024		
Cost	9,800,001	209,943,802
Accumulated depreciation	-	(310,700,863)
Net book value	9,800,001	(100,757,061)
Year ended 31 December 2023		
Cost	9,800,001	209,943,802
Accumulated depreciation	-	(35,657,167)
Net book value	9,800,001	174,286,635

12. **Intangible assets (software)**

	2024 Shs	2023 Shs
At start of year	50,258,445	45,321,471
Additions	8,556,276	4,936,974
At end of year	58,814,721	50,258,445
Amortisation		
At start of year	35,857,801	31,029,229
Prior adjustments	454,454	-
Amortisation charge	5,245,900	4,828,572
At end of year	41,558,154	35,857,801
Net book value	17,256,567	14,400,644

Amortisation costs of Shs 4,811,002 (2023: Shs 4,828,572) are included in other operating expenses in profit or loss.

13. **Other payables**

	2024 Shs	2023 Shs
Trade payables	22,562,480	17,657,887
Other payables	13,746,662	8,315,739
Total other payables	36,309,142	25,973,626

In the opinion of the directors, the carrying amounts of other payables approximate to their fair value.

The average credit period on purchases from suppliers is 30 days. No interest is charged on trade payables.

14. **Interest due**

	2024 Shs	2023 Shs
a) **To members**		
At start of year	591,075,943	506,303,948
Provisions for the year	652,110,531	558,441,204
Payments during the year	(573,723,514)	(486,581,241)
At end of year	669,462,961	578,163,911
b) **Others**		
Interest on FOSA savings and deposits	-	12,912,032
Total interest due	669,462,961	591,075,943

15. **Members' deposits**

Savings deposits

	2024 Shs	2023 Shs
At start of year	420,274,945	347,665,600
Net additional deposits during the year	10,408,791	72,609,346
Total	430,683,736	420,274,945
Members' share deposits	5,653,856,020	4,856,876,529
Total member savings	6,084,539,756	5,277,151,475

There are no members holding more than 25% of total members deposits.

16. **Deferred tax**

The deferred tax liability arises during the year on the fair value of available for sale financial assets on the tax rate of 15% (capital gains tax rate). This amount has been charged to the fair value reserve through other comprehensive income.

	2024 Shs	2023 Shs
At start of year	51,034,812	43,243,010
Prior year adjustment - defered tax on fair value (gain)loss	(15,583,605)	-
Charge to other comprehensive income	8,245,585	7,791,802
At end of year	43,696,793	51,034,812

17. **Investment shares**

	2024 Shs	2023 Shs
At start of year	454,024,864	379,657,679
Contributions for the year	81,472,552	74,367,185
At end of year	535,497,416	454,024,864

18. **Reserves**

Included in the members balances are the following reserves which are as a result of statutory requirements:-

i) **Statutory reserve**

	2024 Shs	2023 Shs
At start of year	516,243,304	456,863,943
Transfer from appropriation account (Note 18 (v))	94,128,032	59,379,361
At end of year	610,371,336	516,243,304

ii) **Loan loss reserve**

	2024 Shs	2023 Shs
At start of year	27,338,323	18,077,148
Transfer from appropriation account (Note 18 (v))	(11,348,980)	9,261,175
Transfer to appropriation account (Note 18 (v))	-	-
At end of year	15,989,343	27,338,323

iii) **Insurance reserve**

	2024 Shs	2023 Shs
At start and end of year	106,958,764	106,958,764

iv) **Capital reserve**

	2024 Shs	2023 Shs
At start and end of year	3,333,616	3,333,616

v) **Appropriation account**

	2024 Shs	2023 Shs
At start of year	1,645,635,665	1,512,641,511
Profit for the year	444,231,778	296,896,805
Proposed honorarium	(6,046,154)	(4,457,142)
Transfer to statutory reserve (Note 18 (i))	(94,128,032)	(59,379,361)
Transfer to loan loss reserve (Note 18 (ii))	11,348,980	-
Prior Year adjustments - Buildings	-	-
Prior Year adjustments - staff bonus 2020	-	-
Transfer from loan loss reserve	-	(9,261,175)
Proposed dividend	(107,099,483)	(90,804,973)
At end of year	1,893,942,754	1,645,635,665

vi) **Revaluation reserve**

	2024 Shs	2023 Shs
At start of year	175,817,422	175,817,422
Surplus on revaluation of property	-	-
Transfer to appropriation account (Note 18 (v))	-	-
At end of year	175,817,422	175,817,422

18. **Reserves (continued)**

	2024 Shs	2023 Shs
vii) Fair value reserve		
At start of year	200,890,171	245,043,718
Prior year adjustment - defered tax on fair value (gain)loss	-	-
Effect of change of tax rate at begining of the year	-	-
Fair value gain(loss) on available-for-sale investments	54,970,567	(51,945,349)
Deferred tax on fair value(gain) loss	(8,245,585)	7,791,802
At end of year	247,615,153	200,890,171

viii) **Proposed dividends and honorarium**

The total proposed dividend for the year is 20% of investment shares (2023: 20%) amounting to a total of Shs 5 (2023: Shs.5). Proposed honararium for board members is Shs 4,144,285 (2023: Shs 4,144,285).

19. **Related party transactions**

	2024 Shs	2023 Shs
i) Key management personnel remuneration		
Short term employee benefits	15,784,224	14,419,632
Honorarium/allowances	6,046,154	4,414,286
	21,830,377	18,833,918
ii) Loans to insiders		
Loans to employees	62,667,130	55,493,179
Loans to directors	10,349,583	13,668,126
Loans to supervisory committee members	11,631,500	12,150,029
	84,648,213	81,311,334

20. **Commitments**

Operating lease commitments - the society as a lessor

During the year, the society received Shs 4,940,758 (2023: Shs 4,809,500) as rent. The society leases their buildings under various agreements.

21. **Risk management objectives and policies**

Financial risk management

The society's activities expose it to a variety of financial risks: market risk (including 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.

Risk management is carried out by the board of directors and focuses on overall risk management, as well specific areas, such as liquidity risk,interest rate risk, credit risk, and investment of excess liquidity.

(a) **Market risk**

- *Interest rate risk*

The society's exposure to interest rate risk arises from borrowings and financial assets. Loan and advances and members deposits are fixed interest securities and therefore not susceptible to market interest rate changes.

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 amortised costs. The society maintains adequate ratios of borrowings when compared to total borrowings in fixed interest rates.

The table below summarises the effect on post-tax profit had interest rates been 1 percentage point higher, with all other variables held constant. If the interest rates were lower by 1 percentage point, the effect would have been the opposite.

	2024 Shs	2023 Shs
Effect on profit increase	2,381,031	2,083,142

- *Price risk*

The society is exposed to equity securities price risk because of investments held by the society and classified on the statement of financial position as 'Available-for-sale' fair value through profit or loss.

The society's investments in equity of other entities derive their market value from the quoted prices of publicly traded shares which are included in the Nairobi Securities Exchange (NSE).

The table below summarises the impact of increases/decreases of the NSE on the society's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 5% with all other variables held constant and all the society's equity instruments moved according to the historical correlation with the index:

	Impact on other comprehensive income	
Index	**2024 Shs**	**2023 Shs**
NSE	13,975,563	12,227,089

A 5% sensitivity rate is being used when reporting price risk internally to key management personnel and represents managements assessment of the reasonably possible change in market rates of stock prices.

21. **Risk management objectives and policies (continued)**

(b) **Credit risk**

Credit risk is the risk that a customer or counterparty will default on its contractual obligation resulting in financial loss to the society. The society's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other financial institutions and investment in debt securities. The society considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Credit risk management

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

- Ensuring that the society has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the society's stated policies and procedures, IFRSs and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the society, from an individual instrument to a portfolio level.
- Creating credit policies to protect the society against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposure against internal risk limit.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the society's risk grading to categories exposure according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the society's risk processes for measuring Expected Credit Loss including monitoring of credit risk, incorporating forward looking information and the method used to measure ECL.
- Ensuring the society has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk to account for ECL. Providing advice, guidance and special skills business units to promote best practice in the management of credit risk.

The internal audit function performs regular audit to make sure that the established controls and procedures are adequately designed and implemented.

Significant increase in credit risk

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

Internal credit risk rating

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.

21. **Risk management objectives and policies (continued)**

(b) **Credit risk**

Internal credit risk rating (continued)

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 by obtaining guarantees from members and in part by obtaining collateral against loans and advances in the form of registered securities over assets. Credit risk in the society, is also managed through a framework of policies and procedures. Origination and approval roles are segregated with different levels of the credit committee having authorities to approve loans upto a certain amount based on their position in the society hierarchy.

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

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

(1) **Performing loans**, being loans which are well documented and performing according to contractual terms. Such loans are considered under stage 1 - no significant increase in credit risk for purposes of the ECL calculation;
(2) **Watch loans**, being loans whose principal or interest have remained un-paid for one day to thirty days or where one instalment is outstanding for less than 30 days. Such loans are also classified as stage 1 for purposes of the ECL calculation;
(3) **Substandard loans**, being loans not adequately protected by the current repayment capacity and the principal or interest have remained un-paid between thirty-one to one eighty days or where two to six instalments have remained outstanding. Under this category, loans past due between 31 - 90 days (or 2-3 pending instalments) are classified under stage 2 - significant increase in credit risk for purposes of the ECL calculation. Loans aged beyond 90 days are classified as stage 3 - credit impaired;
(4) **Doubtful loans**, being loans not adequately protected by the current repayment capacity and the principal or interest have remained un-paid between one hundred and eighty one to three hundred and sixty days or where seven to twelve instalments have remained outstanding. Such loans are classified as stage 3 for purposes of the ECL calculation; and
(5) **Loss loans,** being loans which are considered uncollectible or of such little value that their continued recognition as receivable assets is not warranted, not adequately protected and have remained un-paid for more than three hundred and sixty days or where more than twelve instalments have remained outstanding. Such loans are classified as stage 3 for purposes of the ECL calculation.

21. **Risk management objectives and policies (continued)**

(b) **Credit risk (continued)**

Measurement of ECL

The key inputs used for measuring ECL are:

• Probability of Default (PD);
• Loss Given Default (LGD); and
• Exposure At Default (EAD).

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

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

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

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

The society measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial instruments such as revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the society's contractual ability to demand repayment and cancel the undrawn commitment does not limit the society's exposure to credit losses to the contractual notice period. For such financial instruments the society measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the society does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are cancelled only when the society becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the society expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

21. **Risk management objectives and policies (continued)**

Financial risk management (continued)

(b) Credit risk (continued)

Measurement of ECL (continued)

The ECL calculation for accounting purposes is different to the provisions calculation for regulatory purposes. The society has ensured that the appropriate methodology is used when calculating ECL for both accounting and regulatory purposes. The main differences between the methodologies used to measure ECL in accordance with IFRS 9 versus the ones applied for regulatory purposes are as disclosed on Note 8 of the financial statements. Any excess in regulatory provisions over IFRS 9 ECLs are accounted for as an appropriation from retained earnings into a loan loss reserve.

Groupings based on shared risks characteristics

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as:

- Instrument type;
- Credit risk grade;
- Collateral type;
- Remaining term to maturity;
- Industry/economic sector; and
- Geographic location of the borrower.

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

Credit quality

The credit quality of the portfolio of loans and advances can be assessed by reference to the internal rating system adopted by the Sacco based on the guidelines provided by the SASRA with their respective ECL provisions;

21. **Risk management objectives and policies (continued)**

Financial risk management (continued)

(b) Credit risk (continued)

	2024 Shs	2023 Shs
Loans and advances to customers	7,191,916,237	6,226,547,668
0 Days (Performing and watch stage 1)	(79,616,859)	(68,055,470)
31 - 90 Days (Substandard, stage 2)	(5,826,675)	(11,876,475)
181- 360 Days (Substandard, Doubtful and Loss stage 3)	(164,143,406)	(149,676,141)
	6,942,329,297	5,996,939,582

(c) Liquidity risk

Cash flow forecasting is performed by the finance department monthly 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 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.

The table below analyses assets and liabilities into the relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

21. **Risk management objectives and policies (continued)**

(c) **Liquidity risk (continued)**

Year ended 31 December 2024

	Interest rate %age	Current to 1 year Shs	1 to 5 years Shs	Total Shs
Interest bearing liabilities				
Member savings	6-14	4,585,731,341	-	4,585,731,341
Non-interest bearing liabilities				
Other payables		8,315,739	-	-
Interest due to members		519,231,314	-	519,231,314
		5,122,438,063	-	

Year ended 31 December 2023

	Interest rate %age	Current to 1 year Shs	1 to 5 years Shs	Total Shs
Interest bearing liabilities				
Member savings	6-14	4,585,731,341	-	4,585,731,341
Non-interest bearing liabilities				
Other payables		8,315,739	-	-
Interest due to members		519,231,314	-	519,231,314
		5,122,438,063	-	

22. **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 investment shares, reserves and appropriation account). The directors reviews 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 the capital structure, the society may adjust the amounts of dividends paid to members or sell assets to reduce debt. The society's overall strategy remain unchanged from 2023.

22. **Capital management (continued)**

	2024 Shs	2023 Shs
The debt-to-capital ratios at 31 December 2024 and 2023 were as follows:		
Total members deposits (Note 15)	6,084,539,756	5,277,151,475
	6,084,539,756	5,277,151,475
Total cash and bank balances (Note 7)	1,445,572,288	1,129,978,033
Net debt	4,638,967,469	4,147,173,442
Total equity	3,708,758,600	3,225,456,765
Gearing ratio	1.3:1	1.3:1

Externally imposed capital requirements

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

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

The ratios at 31 December 2024 and 2023 were as follows:	2024 Shs	2023 Shs
a) **Core capital of not less that Shs 10 million**		
As per statement of financial position	3,192,501,610	2,753,534,535
b) **Core capital of not less than 10% of total assets;**	%	%
As per statement of financial position	30	30
c) **Institutional capital of not less than 8% of total assets**		
As per statement of financial position	25	25
d) **Core capital of not less than 8% of total deposits**		
As per statement of financial position	52	52
e) **Liquid ratio 15% (liquid asset/total deposit and long term liabilities)**		
As per statement of financial position	41	41

23. **Contingent liabilities**

The society is a defendant/plaintiff in various legal actions. Although there can be no absolute assurances, the directors believe, based on information currently available, that the ultimate resolution of of these legal proceedings is not likely to have a material adverse effect on the results of its operations, financial position or liquidity.

24. **Incorporation**

Ports DT Savings and Credit Co-operative Society Limited is registered in Kenya under the Sacco Societies Act as Savings and Credit Co-operative Society and is domiciled in Kenya.

25. **Presentation currency**

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

Cash and bank balances AS AT 31/12/2024

	Cash and Bank	**Shs**
1	Cooperative Bank Limited	743,472,838
2	Sidian Bank Limited	24,450,733
3	Citi Bank Limited	171,345,658
4	Family Bank Limited	22,406,412
5	NCBA Bank Limited -fixed deposit	401,346,326
6	CIC Bank Limited-fixed deposit	30,439,698
7	ABC Bank Limited	967,849
8	Credit Bank	21,071
9	Safaricom M-Pesa float	32,673,345
10	Cash At Hand	26,724,074.00
		1,453,848,004

Mombasa
HEAD OFFICE
MWAKILINGO ROAD, OFF MOI AVENUE

Nairobi
KCS HOUSE, 7TH FLOOR,
MAMA NGINA STREET

KPA-ICD ROAD, OFF
MOMBASA ROAD

Kisumu
SWAN CENTRE,
GROUND FLOOR,
OGINGA ODINGA ROAD

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