

2023



**KASAMBYA CO-OPERATIVE SAVINGS AND CREDIT  
SOCIETY LIMITED  
(CERTIFICATE NUMBER – 6682/RCS)**

**ANNUAL REPORT AND AUDITED FINANCIAL  
STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

**External Auditors:**



**Springs & Tugye Associates LLP**  
Certified Public Accountants  
2nd Floor, Kisozi House Complex,  
Plot 6/8, Nakasero Lane,  
P. O. Box 11976,  
Kampala, Uganda.

**APRIL, 2024**

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## List of Acronyms and Abbreviations

<b>AGM</b>	Annual General Meeting
<b>BOU</b>	Bank of Uganda
<b>CPA</b>	Certified Public Accountant
<b>EC</b>	Executive Committee
<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>IFRS</b>	International Financial Reporting Standards
<b>ISAs</b>	International Standards on Auditing
<b>ITA</b>	Income Tax Act
<b>SACCO</b>	Savings and Credit Co-operative
<b>UGX</b>	Uganda Shillings
<b>URA</b>	Uganda Revenue Authority

## SACCO Information

- Principal Place of Business : Kasambya Village  
P. O. Box 96,  
Mubende, Uganda.  
Tel: +256-752-922520  
+256-775-125122
- Bankers : Post Bank (U) Limited  
Mubende Branch, Mubende.
- Centenary Bank  
Mubende Branch  
Plot 20 Main Street, Mubende.
- Stanbic Bank  
Mubende Branch  
Plot 2, Block 13 Main Street, Mubende
- External Auditors : Springs & Tugye Associates LLP, CPAs  
Kisozi House, Plot 6/8 Nakasero Lane,  
P.O. Box 11976,  
Kampala, Uganda.
- SACCO Secretary : Mr. Kyewalyanga Wahabu  
Kasambya Village  
P. O. Box 96,  
Mubende, Uganda.
- SACCO Chairperson : **Mr. Felix Tusingwire**  
Kasambya Village  
P. O. Box 96,  
Mubende, Uganda.

## Chairperson's Annual Statement

We are proud of the progress made by Kasambya Savings and Credit Cooperative Society (Kasambya SACCO) in 2023. It was a great year with strong growth. The asset base as at end of 2023 is **UGX 2,971 million** compared to UGX 1,949 million at the end of 2022 representing **52.4%** increase in asset value. Significant achievement was made towards our growth milestones to the benefit of members despite the challenges of the Covid-19 pandemic.

### **Financial performance and Position**

Kasambya SACCO's financial performance was strong. In 2023, we made a surplus of **UGX 322.2 million** compared to UGX 159.7 million for the year ended 31st December 2022. The Financial Year 2023 revenue was mainly comprised of interest income on individual and group loans worth UGX 673 million, Fees and commission income amounting to UGX 128.3 million and other incomes amounting to UGX 42.15 million.

### **Loan Portfolio:**

The loan portfolio increased by 56.9% from UGX 1,481.7 million in 2022 to UGX 2,325 million in 2023. The loan portfolio is largely made up of individual member lending as well as group member lending as per the SACCO Regulations.

### **Membership:**

By December 31, 2023, the SACCO members totaled 3,643 depicting an increase from 3,288 in 2022.

### **Member deposits:**

The SACCO recorded an increase in member deposits of 28.7% from UGX 1,074.2 million in 2022 to UGX 1,382 million in 2023.

### **Declared member interest:**

For the year ended December 31, 2023, the members of the SACCO that had savings balances received a total of Ughs 32.86 million as interest on members' deposits.

On behalf of the Executive, I congratulate Kasambya SACCO and its members on their impressive results and achievements in 2023. We express our gratitude for your dedication and hard work. We fully appreciate the continuing commitment and support.

### **FELIX TUSINGWIRE**

Board Chair | Kasambya SACCO

Dated:...../...../2024

## Executive Committee's Annual Report

### 1. Background

The Society's Executive Committee ("the Executive") submits its report and the audited financial statements for the year ended 31 December 2023 which disclose the state of affairs of Kasambya Savings and Credit Cooperative Society ("the SACCO" or "the Society").

### 2. Establishment and Legal Status

Kasambya SACCO was registered by the Registrar of Co-operatives on the 4th day of February 2014 as per registration certificate number 6682/RCS. Renewal of this registration was done on the 25<sup>th</sup> day of February, 2023.

### 3. Principal Activities

The principal activity of the society is to provide its members savings deposits and loan services earning competitive interest and minimizing financial risk of such savings.

### 4. Executive Committee Members

Members who served on the Executive during the year ended 31 December 2023 are shown below:

No.	Name	Position
1.	Mr. Tusingwire Felix	Chairperson – Board of Directors
2.	Mr. Kitunzi Amiss	Vice Chairperson – Board of Directors
3.	Mr. Bahati Robert	Treasurer – Board of Directors
4.	Mr. Kweyalyanga Wahabu	Secretary
5.	Mr. Nkunda Edward Mugisha	Member
6.	Ms. Kasule Annet	Member
7.	Mr. Habomugisha Robert	Member
8.	Ms. Nambooze Khaniffah	Member
9.	Mr. Kabagambe Munanula	Member

### 5. Loans committee Members

Members who served on this Sub-committee during the year ended 31 December 2023 are shown below:

No.	Name	Position
1.	Mr. Kitunzi Amiss	Chairperson
2.	Ms. Kasule Annet	Vice chairperson
3.	Mr. Nkunda Edward Mugisha	Member

## **Executive Committee's Annual Report (Continued)**

### **6. Management Team**

The Kasambya SACCO management is mainly comprised of the Executive Committee as well as the staff that carry out the day to day activities of the SACCO. Together, they manage the affairs of the SACCO to ensure that the funds are properly managed and accounted for. The staff of the SACCO have the duty to manage the day to day activities of the society on behalf of the Executive committee as provided for in Article 50 of the SACCO bye laws. They (the staff) are appointed by the Executive.

### **7. Operating Results**

The Operating results for the period are given on page 15

### **8. Dividends**

The directors of the SACCO proposed that Ugshs 67,418,720 be set aside to cater for dividend payment. This dividend shall, however, be given to members in form of shares. Members of the SACCO agreed to abide by this proposal, and hence it was passed as the AGM decision. Based on this decision, a total of Ugshs 67,410,000 equivalent to 2,247 shares is credited to share capital of the SACCO. The balance of Ugshs 8,720 is credited to share savings account of the SACCO.

## Executive Committee's Annual Report (Continued)

### 9. Performance Highlights

	2023	2022	2021
	No	No.	No.
<b>Membership</b>			
Active	3,608	3,248	3,026
Dormant	35	40	32
<b>Total</b>	<b>3643</b>	<b>3,288</b>	<b>3,058</b>

	2023	2022	2021
	Ushs	Ushs	Ushs
<b>Financial Summary</b>			
Total Assets	2,971,033,249	1,949,551,456	1,482,795,474
Current Assets	2,632,079,883	1,616,294,276	1,202,851,861
Current Liabilities	1,778,614,905	1,164,401,304	888,829,182
Members' deposits	1,382,188,310	1,074,261,684	787,692,018
Loans and advances to members	2,325,053,436	1,481,673,250	973,602,334
Investments	10,900,000	10,900,000	10,900,000
Share capital	653,250,000	476,400,000	410,340,000
Total Equity and Reserves	1,192,418,345	785,150,153	593,966,292
Total revenue	822,944,454	517,929,287	381,103,679
Total interest income	673,005,000	433,209,500	318,463,200
Other operating income	149,939,454	84,719,787	62,640,479
Interest on members' deposits	32,856,203	24,131,300	26,481,070
Total Expenses	521,247,243	358,221,090	296,200,554
Profit for the period	301,697,211	159,708,197	84,903,125
Cash and Cash Equivalents	305,665,147	131,165,326	225,793,827

	2023	2022	2021
	Ushs	Ushs	Ushs
<b>Key Ratios</b>			
<b>(a) Operating Efficiency</b>			
Cost to Income ratio	63.34%	69.16%	77.72%
Net Profit Margin	44.83%	36.90%	26.70%
Interest on members' deposits/Total revenue	3.99%	4.66%	6.95%
After tax return on assets	10.15%	8.19%	5.73%
After tax return on Equity	25.30%	20.30%	14.30%

	2022	2021
	Ushs	Ushs
<b>(b) Liquidity/Cash flows</b>		
Current ratio (Current assets/Current Liabilities)	1.48	1.35
Net cash flows from operating activities	(518,102,460)	(189,705,065)
Net cash flows used in investing activities	(21,523,800)	(13,840,000)
Net cash flows used in financing activities	398,062,275	(4,488,565)

## Executive Committee's Annual Report (Continued)

### 10. Independent Auditor

Springs & Tugye Associates LLP, Certified Public Accountants were appointed as the SACCO Independent Auditor for the year ended 31 December 2023 under the Co-operative Societies Act 2021. This being their last year of auditing the records of Kasambya SACCO, the board of directors appointed DARMAC and Associates CPA to become the Independent Auditors of the SACCO operation for the forthcoming years post 31<sup>st</sup> Dec 2023.



**FELIX TUSINGWIRE**

Chairperson, Executive Committee

Dated: 27<sup>th</sup> / March, /2024

## Statement of Responsibilities of the SACCO'S Executive

The Co-operative Societies (Amendment) Act 2021, and Kasambya Savings and Credit Cooperative Society Ltd by-laws (the "by-laws") require the Executive Committee to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the SACCO as at the end of the financial period and of its operating results for that period in accordance with International Financial Reporting Standards. It also requires the committee to ensure that it keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the SACCO. The Board is also responsible for safeguarding the assets of the SACCO.

The Executive Committee accepts responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Uganda Co-operative Societies (Amendment) Act 2021 and the SACCO Bye-Laws.

The Executive Committee members are of the opinion that the financial statements give a true and fair view of the Statement of Financial Performance and the Statement of financial position as at 31 December 2023. The committee members further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the committee members to indicate that the SACCO and its subsidiary will not remain a going concern for at least the next twelve months from the date of this statement.

The Executive Committee members have made an assessment of the SACCO's ability to continue as a going concern and have no reason to believe the SACCO will not be a going concern for the next twelve months from the date of this statement.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the International Financial Reporting Standards and the Co-operative Societies (Amendment) Act 2021 together with the SACCO Bye-Laws.

### Approval of the Financial Statements

The Financial Statements, as indicated above, were approved by the Executive Committee on 27.1.2024 and were signed on its behalf by:

  
.....  
Chairperson, Executive Committee

  
.....  
Treasurer, Executive Committee

  
.....  
Secretary, Executive Committee

## Report of the Independent Auditors' to the Members of Kasambya Savings and Credit Cooperative Society

### Opinion

We have audited the accompanying financial statements of Kasambya Savings and Credit Cooperative Society ("The SACCO") set out on pages 15-34, which comprise the statement of financial position as at 31 December, 2023, and the statement of financial performance, 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 accompanying financial statements do give a true and fair view of the financial position of the SACCO as at 31 December, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), internal policies, the Cooperative Societies (Amendment) Act 2021 and the Cooperative Regulation as amended in 2019.

### Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Guidelines issued by the Institute of Certified Public Accountants of Uganda. 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 SACCO in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our Audit addressed the matter
<p><b>I. Loans and Advances to members</b></p> <p>As disclosed in Note 11 of the financial statements, the SACCO is predominantly focused on financing individual members/clients. The SACCO further assesses loans for expected credit loss.</p> <p>Assessment for impairment loss for individuals involves a high level of subjectivity and reliance on assumptions in relation to cash flows from a borrower's business activity and the sale of pledged security.</p> <p>The assessment of loans for expected credit loss is susceptible to a risk of error due to judgmental nature of source of data and models as well as allocation of loans to the probability of default.</p> <p>Due to the significance of these judgements and size of loans, we considered loans and advances to be a Key Audit Matter.</p>	<p><b>Our audit procedures included:</b></p> <p>i) We obtained an understanding of management's process relating to identifying impairment of loans.</p> <p>ii) We examined whether loan amounts issued to members are within the set limits as per the loan policy.</p> <p>iii) We examined whether the credit approval process for disbursing loans to members was being adhered to.</p> <p>iv) We tested a sample of loans to form our assessment whether impairment events have occurred and to identify whether impairment had been identified in a timely manner.</p>

## **Independent Auditor's Report (Continued)**

### **Other information**

The Executive Committee is responsible for the other information. The other information comprises the Executive Committee's report and Chairperson's Report, 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 there on.

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.

### **SACCO's Executive Committee's responsibility for the Financial Statements**

The SACCO's Executive Committee is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and the SACCO regulations and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Committee is responsible for assessing the SACCO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Executive Committee either intends to liquidate the SACCO 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. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Independent Auditor's Report (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- i) 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.
- ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SACCO's internal control.
- iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- iv) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- v) 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 the Executive Committee Members 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.

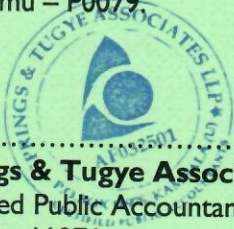
# Independent Auditor's Report (Continued)

## Report on Other Legal and Regulatory Requirements

As required by the Cooperative societies Act 2021 as amended, we report to you, based on our audit, that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
2. In our opinion, proper books of account have been kept by the SACCO so far as appears from our examination of those books; and
3. The SACCO's statement of financial position and statement of comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is Maria Nabbanja Ssentamu – P0079



.....  
**Springs & Tugye Associates LLP**  
Certified Public Accountants of Uganda  
P.O Box 11976,  
KAMPALA.

18<sup>th</sup> April

...../2024

M-N Ssentamu  
.....  
Engagement Partner



## Financial Statements

### Statement of Financial Performance for the Year ended 31 December 2023

		2023 Ushs	2022 Ushs
	<b>Notes</b>		
Interest income	3	673,005,000	433,209,500
Interest expenses	4	(32,856,203)	(24,131,300)
<b>Net interest income</b>		<b>640,148,797</b>	<b>409,078,200</b>
Fees and commissions income	5	107,787,404	62,805,787
Other income	6	42,152,050	21,914,000
<b>Gross operating income</b>		<b>790,088,251</b>	<b>493,797,987</b>
Non-interest expense	7	(488,391,040)	(334,089,790)
<b>Surplus/(deficit) for the year before tax</b>		<b>301,697,211</b>	<b>159,708,197</b>
Tax charge for the year		-	-
<b>Net profit after tax</b>		<b>301,697,211</b>	<b>159,708,197</b>

*The accompanying notes on pages 19 to 34 form an integral part of these Financial Statements.*

**Statement of Financial Position as at 31 December 2023**

	Notes	2023 Ushs	2022 Ushs
<b>ASSETS</b>			
<b>Current Assets</b>			
Loan portfolio	9	2,325,053,436	1,481,673,250
Cash and bank balances	10	305,219,147	131,165,326
Inventory	11	-	2,408,000
Prepayments	12	1,361,300	1,047,700
		<u>2,631,633,883</u>	<u>1,616,294,276</u>
<b>Total current assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	259,031,066	260,209,680
Construction works in progress	13	69,022,300	62,147,500
Investments	14	10,900,000	10,900,000
		<u>338,953,366</u>	<u>333,257,180</u>
<b>Total non-current assets</b>			
<b>Total assets</b>			
		<u>2,970,587,249</u>	<u>1,949,551,456</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Non-current liabilities</b>			
Long term loan	15	288,622,275	-
		<u>288,622,275</u>	<u>-</u>
<b>Total non-current liabilities</b>			
<b>Current liabilities</b>			
Members' deposits	16	1,382,188,310	1,074,261,684
Accounts payables	17	107,804,320	90,139,620
		<u>1,489,992,630</u>	<u>1,164,401,304</u>
<b>Total current liabilities</b>			
<b>Total liabilities</b>			
		<u>1,778,614,905</u>	<u>1,164,401,304</u>
<b>Shareholders' funds (Equity)</b>			
Share capital	18	653,250,000	476,400,000
Statutory reserve fund	18	75,850,678	45,680,957
Cooperative development fund	18	38,116,256	23,031,396
Share transfer fund	18	70,890,240	40,720,519
Revaluation reserve	18	46,594,494	46,594,494
Retained earnings	18	307,270,676	152,722,786
		<u>1,191,972,345</u>	<u>785,150,153</u>
<b>Total shareholders' funds</b>			
<b>Total equity and liabilities</b>			
		<u>2,970,587,249</u>	<u>1,949,551,456</u>

The Financial Statements were approved for issue by the Executive Committee on

27/12/2023 and signed on it by:

.....  
Chairperson, Executive Committee

.....  
Treasurer, Executive Committee

.....  
Secretary, Executive Committee

The accompanying notes on pages 19 to 34 form an integral part of these Financial Statements.

**Statement of Changes in Equity for the Year Ended 31 December 2023**  
**(ALL AMOUNTS ARE IN UGANDAN SHILLINGS)**

	Share capital	Statutory reserve fund	Share transfer fund	Revolving development fund	Revaluation reserve	Retained earnings	Total
As at 1st January 2023	476,400,000	45,680,957	40,720,519	23,031,396	46,594,494	152,722,786	785,150,153
Adjustment of the bank balances						(3,860,299)	(3,860,299)
Issue of shares	109,440,000						109,440,000
Bonus issue in lieu of dividends	67,410,000					(67,410,000)	-
Bonus issue in lieu of dividends - share savings						(8,720)	(8,720)
Surplus/(deficit)						301,697,211	301,697,211
Transfer to statutory reserve fund		30,169,721	-	-		(30,169,721)	-
Transfer to share transfer fund		-	30,169,721	-		(30,169,721)	-
Transfer to revolving development fund		-	-	15,084,861		(15,084,861)	-
<b>As at 31st December 2023</b>	<b>653,250,000</b>	<b>75,850,678</b>	<b>70,890,240</b>	<b>38,116,256</b>	<b>46,594,494</b>	<b>307,716,676</b>	<b>1,192,418,345</b>

**Note:**

1. A total of 10% of Net Profit for the period was transferred to share transfer fund as required under S. 34(1) of Cooperatives and Savings Act.
2. A total of 5% of Net Profit for the period was transferred to the revolving development fund as required under S.36(1) of Cooperatives and Savings Act.
3. The transfers in '1' and '2' above are only made when the profits (Surplus/deficit) are positive.
4. During the period under review, the SACCO management paid dividends of Ugshs 54,641,012 to the members. A total of Ugshs 21,211,177 was provided for in the previous year.

The accompanying notes on pages 19 to 34 form an integral part of these Financial Statements.

**Statement of Cash Flows for the Year Ended 31 December 2023**

	2023 Ugshs	2022 Ugshs
Operating profit	301,697,211	159,708,197
<b>Non-cash transactions</b>		
Depreciation	15,827,614	14,862,432
Error correction of the opening balances	(3,860,299)	-
Obsolete inventory	2,408,000	-
Bonus issue - share savings	(8,720)	-
Transfer from retained earnings to adjustments	-	(1,154,501)
	<b>14,366,595</b>	<b>13,707,931</b>
<b>Operating activities</b>		
Loan portfolio movement	(843,380,186)	(508,070,916)
Prepayments	(313,600)	-
Members deposits	307,926,626	286,569,666
Accounts payable	17,664,700	(10,997,544)
	<b>(518,102,460)</b>	<b>(232,498,794)</b>
<b>Investment activities</b>		
Disposal of non-current assets	-	50,000
Acquisition of non-current assets	(14,649,000)	(6,078,500)
Construction works in progress	(6,874,800)	(62,147,500)
	<b>(21,523,800)</b>	<b>(68,176,000)</b>
<b>Financing activities</b>		
Issue of shares	109,440,000	66,060,000
Payment of dividends	-	(33,429,835)
External loan acquisition	300,000,000	-
Payment of external loan	(11,377,725)	-
	<b>398,062,275</b>	<b>32,630,165</b>
<b>Net movements in cash and cash equivalents</b>	<b>174,499,821</b>	<b>(94,628,501)</b>
Add: Opening cash and cash equivalents	131,165,326	225,793,827
<b>Closing cash and cash equivalents</b>	<b>305,665,147</b>	<b>131,165,326</b>

*The accompanying notes on pages 19 to 34 form an integral part of these Financial Statements.*

## Notes to the Financial Statements

### 1. The Accounting Entity

The SACCO is incorporated in the Republic of Uganda under the Cooperative Societies Act Cap 112 and is domiciled in the Republic of Uganda. The address of its registered office is located in Kasambya Village next to the market and General Parking. The postal address of the SACCO is P. O. Box 96, Mubende.

### 2. Principal Accounting Policies

The following are the principal accounting policies that have been applied consistently by the SACCO to all years presented, unless otherwise stated. The principal accounting policies that applied in the preparation of these financial statements are set out below;

#### a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). IFRS includes International Accounting Standards (IAS). IFRS pronouncements and interpretations issued by the International Accounting Standard Board (IASB). The requirements of the Cooperative Societies (Amendment) Act 2021 and the Cooperative Societies Regulation have also been observed. The financial statements are presented in Uganda shillings (UGX) which is the functional as well as reporting currency and are prepared under the historical cost convention.

#### b) Basis of Measurement

The financial statements are presented in Uganda shillings (Ushs) which is the SACCO's functional currency. The historical cost convention and going concern basis were considered while preparing these financial statements.

#### c) Going concern

The financial performance of the SACCO is set out in the report of the Executive Committee and in the statement of financial performance. The financial position of the SACCO is set out in the statement of financial position.

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

#### d) Statement of Compliance

The Society's financial statements have been prepared in conformity with the International Financial Reporting Standards (IFRSs) and the requirements of the Cooperatives Societies (Amendment) Act 2021. The applied Accounting Principles require the use of estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of current events and actions, results may ultimately differ from these estimates

**e) Application of new and revised international financial reporting standards (IFRSs)**

**(i) Standards, Amendments to published Standards and Interpretations, effective in the reporting period**

The following amendments are effective for the first time for periods beginning on or after **1 January 2023**, and have been adopted by the SACCO as at their effective date, despite having no impact on the SACCO's financial statements;

**Definition of Accounting Estimates (Amendment to IAS 8)**

The amendment has added the definition of Accounting Estimates. The amendment has also clarified that the effects on an accounting estimate of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors. Since the SACCO has low risk or less-complex accounting estimates, there has not been a significant impact on the SACCO's financial statements.

**IFRS 17 Insurance contracts (Replacement for IFRS 4)**

This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. Based on the nature of SACCO's operations, there has not been material impact on the financial statements.

**Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8**

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. However, there has not been significant impact on the SACCO.

**(ii) Standards, Amendments to published Standards and Interpretations, issued but not yet effective**

At the date of authorization of the SACCO's financial statements for the year ended 31 December 2023, the following standards were applicable to the SACCO and were in issue but not yet effective;

Standard	Effective Date	Executive summary
Classification of Liabilities as Current or Non-current (Amendment to IAS 1)	1 January 2024	The amendment clarifies that an entity's right to defer settlement must exist 'at the end of the reporting period'. Classification of current/non-current requires an assessment of whether an entity has the right to defer settlement of a liability and not whether the entity will exercise that right. In addition, if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Same principal has always been applied by the Organization and thus, no expected significant impact on its financial statements.

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Standard	Effective Date	Executive summary
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024	The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Based on the nature of SACCO's operations, there's no expected impact on the financial statements.
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	1 January 2024	The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. However, no expected significant impact on the SACCO.
Lack of exchangeability – Amendments to IAS 21	1 January 2025	The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. However, no expected significant impact on the SACCO.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	1 January 2025	<p>The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.</p> <p>The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.</p> <p>Based on the nature of SACCO's operations, there's no expected impact on the financial statements.</p>

**(f) Revenue recognition**

Interest income and expense are recognized in the Statement of Financial Performance on accrual basis using the effective interest method

*(i) Net interest income*

Interest income and expense include the amortization of any discount at premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

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

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

Interest income and expense presented in the Statement of Comprehensive Income include: Interest on financial assets and liabilities on accrual basis taking into account the effective interest rate basis

*(ii) Fees and commission*

- Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.
- Other fees and commission income and expenses, including account servicing fees, investment management fees, placement fees and syndication fees, are recognized as the related services are performed.
- Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

**(g) Recognition and measurement of financial instruments**

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. Financial instruments held by include loans and advances and balances with banks. Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio on a regular basis to ensure that all financial instruments are appropriately classified.

**(i) Recognition**

The SACCO initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the SACCO commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the SACCO becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

**(ii) Measurement**

Financial instruments are measured initially at cost, including transaction costs. Subsequent to initial recognition all trading instruments and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument

(i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Gains and losses arising from a change in the fair value of available-for-sale assets and trading instruments are recognised in the equity reserve and Statement of Comprehensive Income respectively.

***Amortised cost measurement***

All non-trading financial liabilities, loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument. The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

***(iii) De-recognition***

The SACCO derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the SACCO is recognised as a separate asset or liability. The SACCO writes off certain loans and investment securities when they are determined to be uncollectible (see below).

***(iv) Impairment***

At each statement of financial position date the SACCO assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the SACCO on terms that the SACCO would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the SACCO, or economic conditions that correlate with defaults in the SACCO. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In assessing collective impairment the SACCO uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future. Recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**(h) Loans and advances**

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the SACCO does not intend to sell immediately or in the near term. Loans and advances are shown at the gross amount adjusted for any provision for impairment losses.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

***Identification and measurement of impairment***

The SACCO considers evidence of impairment for loans and advances at both specific asset and collective level. All individually significant loans and advances are assessed for specific impairment. All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

When a loan is deemed uncollectible, it is written off against the related provision for impairment. Subsequent recoveries are credited to the provision for loan losses in the Statement of comprehensive income.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value to equity. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through the Statement of comprehensive income.

**(i) Cash and cash equivalents**

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the banks and highly liquid financial assets with original maturities of less than twelve months, which are subject to insignificant risk of changes in their fair value, and are used by the SACCO in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

**(j) Trading assets and liabilities**

Trading assets and liabilities are those assets and liabilities that the SACCO acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognized and subsequently measured at fair value in the Statement of Financial Position with transaction costs taken directly to the Statement of Comprehensive Income. All changes in fair value are recognized as part of net trading income in the Statement of Comprehensive Income. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

**(k) Income tax expense**

The SACCO is an exempt organization under the Uganda Income Tax laws. Income tax has therefore not been provided for in the financial statements.

**(l) Impairment of non-financial assets**

The carrying amounts of the SACCO's non-financial assets are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and an impairment loss recognized within the Statement of Comprehensive Income whenever the carrying amount of assets exceeds its recoverable amount.

**(m) Dividends**

Dividends are recognized as a liability in the year in which they are declared. Proposed dividends are disclosed as a separate component of equity.

**(n) Provisions**

A provision is recognized if, as a result of a past event, the SACCO has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**(o) Comparatives**

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

**(p) Share Capital**

Ordinary shares are classified as equity. The value of the amount paid over and above the nominal price of the ordinary shares is classified as share premium.

**(q) Reserve Fund (Statutory reserve)**

The Society maintains a reserve fund in which it pays at the end of each financial year 10% of the net gain or surplus resulting from the operations of the Society during the financial year. This is done in accordance with Section 34 and 35 of the Co-operative Societies Regulations. The reserve funds are to be utilized in case of the Society's dissolution, in which they will be applied to discharging the liabilities of the Society and to the repayment of the share capital. Any portion of the reserve fund that may remain after discharging the liabilities of the society and the repayment of its share capital, shall be distributed or otherwise disposed of in such manner as the members may, in general meeting, decide.

**(r) Share Transfer Fund**

The Society maintains a share transfer fund, in which 5% of the net surplus is transferred to the fund, up worth 5% to an amount not exceeding 5% of the registered Society's share capital. This is done in accordance with Section 43 of the Cooperative Societies Regulations. These funds are to be used in line with Section 38 of the Cooperatives Societies (Amendment) Act 2021, for share redemption at the time when the Society needs to pay the nominee or legal personal representative of the deceased member, a sum representing the value of the member's share as determined in accordance with the Society's Byelaws.

**(s) Education Fund**

Section 49 of the Cooperative Societies (Amendment) Act 2020 requires every Society to provide for 1% per year of its net surplus to an education fund. The Society computes the education fund at year end, based on the Society's net surplus. The education fund in addition to at least 5% of the net surplus as provided for in the budget as the funds for cooperative member education, is supposed to be used to provide cooperative member education to the Society's Members.

**(t) Cooperative Development / Revolving Fund**

Regulation 36 of the Cooperative Societies Regulation requires every registered Society to allocate 5% of its surplus into the Cooperative.

**(u) Depreciation**

Depreciation of the assets of the business is charged fully for all assets. This includes all the assets; those that were in the business at the beginning of the year and those that were acquired during the financial year. This depreciation is charged on a reducing balance method. The rates of depreciation that applied for the non-current assets;

i. Building	2%
ii. Motorcycle	25%
iii. Furniture and fittings	12.5%
iv. Office equipment	12.5%
v. Other equipment	20%
vi. Computer and accessories	33%

Additional explanatory notes are provided in the respective headings below

**3. Interest income**

This is generated from the loans that the SACCO gives out to members. During the period under review, the following balances were reported.

<b>Interest income</b>		
	<b>2023</b>	<b>2022</b>
	<b>Ugshs</b>	<b>Ugshs</b>
Interest received on individual loans	639,153,750	418,604,500
Interest received on group loans	33,851,250	14,605,000
	<b>673,005,000</b>	<b>433,209,500</b>

**4. Interest expense**

These relate to the expenses that the SACCO has incurred in relation to savings interests as well as other interest expenses in relation to debt financing. The results for the period are indicated below.

<b>Interest expense</b>		
	<b>2023</b>	<b>2022</b>
	<b>Ugshs</b>	<b>Ugshs</b>
Interest on savings - individual	985,450	1,838,100
Interest paid on time deposits	29,405,000	22,293,200
Interest and fees paid on external loan	2,465,753	-
	<b>32,856,203</b>	<b>24,131,300</b>

**5. Fees and commission income**

This reflects the revenue that the SACCO generates from fees, sales of passbooks as well as surcharges. The details of these for the period under review are reported below.

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**Fees and commissions income**

	<b>2023</b>	<b>2022</b>
	<b>Ugshs</b>	<b>Ugshs</b>
Penalty on time deposits	-	80,000
Cash withdrawal charges	-	
Account closure charge	15,000	60,000
Commitment fees	69,429,000	43,270,000
Loan application fees	9,000,000	6,640,000
Surcharge on loans	14,184,550	3,898,050
Recovery of written off loans	-	410,000
Income on recovery costs	-	250,000
Commissions	24,000	4,000
Commission on mobile money	3,156,506	1,661,821
Membership fees	3,550,000	2,400,000
Passbook sales	1,990,000	1,520,000
Other penalty fees	-	330,000
Ledger fees	708,000	480,000
Revenue from link banks	5,730,348	1,801,916
	<b><u>107,787,404</u></b>	<b><u>62,805,787</u></b>

**6. Other incomes**

This refers to revenue generated from any other transaction which has not been classified in any of the previous groups. For the period under review, the results below were obtained;

**Other income(s)**

	<b>2023</b>	<b>2022</b>
	<b>Ugshs</b>	<b>Ugshs</b>
Re-instatement of written off loans	18,540,550	-
Annual subscription	22,960,000	21,380,000
Other incomes (unclassified)	421,500	534,000
Unclaimed savings-compulsory savings	230,000	-
	<b><u>42,152,050</u></b>	<b><u>21,914,000</u></b>

**7. Non-interest expense**

This refers to all expenses that the SACCO incurs in a given year. They comprise of operating, travel, finance and general expenses. The details of the results for this item for the period under review are contained in a table below.

**Non-interest expense**

	<b>2023</b>	<b>2022</b>
	<b>Ugshs</b>	<b>Ugshs</b>
<b>Operating expenses</b>		
Loan recovery costs	12,900,700	6,670,000
Loan appraisal	3,675,000	2,654,000
Loan monitoring costs	2,254,000	2,177,500
Rent and rates	10,900,000	8,240,000
Power	1,970,000	1,780,000
Legal fees	12,388,000	6,910,000
Consultancy	-	3,000,000
Trainings	2,930,000	3,011,500
Repairs and maintenance	37,983,100	2,506,000
Entertainment of visitors	60,000	30,000

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Realized insurance costs	4,331,600	3,390,200
Networking	5,920,000	6,320,000
Internet services	340,000	490,000
Telephone and postage	675,000	616,000
Members' education	8,540,000	1,030,000
Lobbying and advocacy	3,184,000	900,000
Professional fees (valuation)	1,320,000	4,900,000
Motorcycle running costs	563,500	365,000
Generator fuel	1,381,000	530,000
Licencing and registration	8,017,100	2,404,700
Committee costs	79,329,500	46,890,800
Annual general meeting	33,670,000	29,720,400
Security costs	21,228,000	23,152,500
External audit costs	4,000,000	3,500,000
Reversal of the expense charged to retained earnings	-	239,638
Depreciation	15,827,614	14,862,432
Rewards	28,123,020	-
Obsolete inventory	2,408,000	-
<b>Finance costs</b>		
Bank charges	7,072,806	954,937
Bad loans - individual	-	5,693,133
Bad loans written off	-	18,540,550
<b>Transport</b>		
Travel and transport	16,605,000	10,795,000
Staff transport	16,012,000	12,459,000
<b>Office expenses</b>		
Stationary	12,526,200	9,365,700
General office expenses	2,958,000	2,487,000
Water	278,000	-
<b>Staff costs</b>		
<b>Main staff costs</b>		
Staff salaries (Net)	53,701,100	42,474,750
Salary arrears	3,168,000	1,827,000
Staff meals	27,672,000	21,560,000
Staff clothings	1,380,000	1,240,000
Staff bonus	-	740,000
NSSF (10%)	6,722,400	5,118,300
Wages	1,976,000	1,677,000
Supervisory costs	8,245,000	1,600,000
<b>Statutory charges</b>		
NSSF (5%)	3,361,200	2,559,150
PAYE	10,161,700	6,149,100
<b>Marketing and advocacy</b>		
Advertising and publicity	2,074,000	1,146,000
Mobilization	3,204,500	9,444,500
Fundraising	-	613,000
Public relations	7,354,000	1,355,000

488,391,040

334,089,790

### 8. Taxation

During the period under review, the SACCO did not have any tax liability to be paid. This is as a result of a directive from the government of Uganda exempting SACCOs from paying tax.

### 9. Loan portfolio

This section summarizes all loan balances of the SACCO for the period under review. Only the principal components are included in this section. The details are indicated in a table below.

<b>Loan portfolio</b>		
	<b>2023</b>	<b>2022</b>
	<b>Ugshs</b>	<b>Ugshs</b>
Principal outstanding individual	2,231,789,586	1,402,330,750
Principal outstanding Groups	93,263,850	79,342,500
	<u>2,325,053,436</u>	<u>1,481,673,250</u>

### 10. Cash and bank balances

During the period under review, the cash and bank balances were as reported in a table below.

<b>Cash and bank balances</b>		
	<b>2023</b>	<b>2022</b>
	<b>Ugshs</b>	<b>Ugshs</b>
DFCU Bank	-	-
CERUDEB	28,617,626	5,395,201
Post bank	34,677,259	31,114,592
Point of sale	63,284	63,284
UCCFS Account	24,687,563	21,362,044
Stanbic Bank	84,693,004	250,000
Reserve cash	120,010,450	48,530,350
Mobile Money (Inclusive of mobile banking balances)	12,915,961	24,449,855
	<u>305,665,147</u>	<u>131,165,326</u>

#### Break down of Mobile Money balance balances

MTN Mobile Money 1	3,105	3,105
Airtel Money	1,953,451	8,335,237
MTN Mobile Money 2	5,874,405	11,026,513
MTN Mobile Banking	4,501,000	4,501,000
Airtel Mobile Banking	584,000	584,000
	<u>12,915,961</u>	<u>24,449,855</u>

### 11. Inventory

It was established that the inventory reported in the accounts of the SACCO was of items that were not going to be sold out to the members. Because of this, the management and board agreed the audit recommendation of expensing the items previously held as inventory. It is on this basis that the balances below are reported.

#### Inventory

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	2023 Ugshs	2022 Ugshs
Equipment (Solar and water tanks)	-	1,571,000
Envirofit wood stoves	-	837,000
	-	<b>2,408,000</b>

## 12. Prepayments

This refers to the money that the SACCO paid out in advance for a service to be received sometime in the future. During the period under review, the amounts reported in a table below indicate prepayments that remained outstanding by the end of the financial period.

Prepayments		
	2023 Ugshs	2022 Ugshs
Prepaid insurance	1,161,300	847,700
MSACCO Credit (Prepaid)	200,000	200,000
	<b>1,361,300</b>	<b>1,047,700</b>

## 13. Property, plant and equipment (PPE)

During the period under review, the SACCO had a balance of Ugshs 259,031,066 as net non-current assets (after depreciation). The details of this are reflected in a table on page 34 of this report. The table has the details of PPE computation for the period ending 31<sup>st</sup> December 2023.

Additionally, the SACCO embarked on construction works in the year 2022. By 31<sup>st</sup> Dec 2023, the SACCO had spent a total of Ugshs 69,022,300 in this project. This amount shall be capitalized and included in the PPE after the completion of the construction works and the building is ready for use after being properly commissioned.

## 14. Investments

During the period under review, an additional investment in UCCFs was made. The balances are reported in the table below.

Investments		
	2023 Ugshs	2022 Ugshs
Shares in UCCFs	10,100,000	10,100,000
Shares in UCUSCU	800,000	800,000
	<b>10,900,000</b>	<b>10,900,000</b>

## 15. External loan balances

Following increased demand of loanable funds by the members of the SACCO, it was established that the savings balances were enough to respond to the loan requests of the members. Because of this, the board and management secured a loan of Ugshs 300 million from Stanbic Bank. Part of this loan was repaid in the year under review. Details are presented below;

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**External loan**

	<b>2023</b>	<b>2022</b>
	<b>Ugshs</b>	<b>Ugshs</b>
Opening balance	-	-
Loan amount acquired in 2023	300,000,000	-
Payments made (principle only)	(11,377,725)	-
Closing balance	<b>288,622,275</b>	-

**16. Members' savings (deposits)**

These refer to the savings balances that the SACCO maintained with the members. For the period under review, the balances in the tables below were obtained.

**Members' deposits**

	<b>2023</b>	<b>2022</b>
	<b>Ugshs</b>	<b>Ugshs</b>
Savings deposits	1,036,843,310	792,591,684
Time deposits (Fixed deposits)	345,345,000	281,670,000
	<b>1,382,188,310</b>	<b>1,074,261,684</b>
<b>Breakdown of savings deposits</b>		
Individual voluntary savings	850,676,286	636,385,260
Group voluntary savings	174,704,986	144,484,106
Individual compulsory savings	-	230,000
Share savings	11,462,037	11,492,317
Total savings deposits	<b>1,036,843,310</b>	<b>792,591,684</b>

**17. Accounts payable**

The SACCO had the following payable balances during the period under review.

**Accounts payable**

	<b>2023</b>	<b>2022</b>
	<b>Ugshs</b>	<b>Ugshs</b>
PAYE payable	957,800	568,500
NSSF payable (5%)	305,800	223,000
NSSF payable (10%)	611,600	446,000
<b>Provisions</b>		
Provisions for bad loans - individual loans	43,726,050	43,726,050
Provisions for bad loans - group loans	1,140,820	1,140,820
<b>Insurance expense payable</b>		
Loan insurance cover payable (1% of disbursed loans - [Development fee])	61,062,250	44,035,250
	<b>107,804,320</b>	<b>90,139,620</b>

**18. Statement of changes in equity**

This reflects the equity balances for the period under review. These balances are reflected in the statement of changes in equity on page 17 of this report.

### **19. Share capital**

This is reported in the section of "statement of changes in equity". During the year that ended on 31<sup>st</sup> December 2023, an additional amount of Ugx 109,440,000 in cash purchase of shares and bonus issue of Ugshs 67,410,000 were reported. These two transactions increased the value of share capital to Ugx 653,250,000 by 31<sup>st</sup> December 2023.

### **20. Retained earnings**

This is reported in the section of "statement of changes in equity". During the year that ended on 31<sup>st</sup> December 2023, an additional amount of Ugx 301,697,211 in retained earnings was reported. The management and board agreed to issue dividends in form additional shares to members. Because of this, a total of Ugx 67,418,720 was transferred from retained earnings to fulfill the decision. Out of the total transfer, Ugshs 67,410,000 was transferred to share capital to cater for full share purchase and Ugshs 8,720 was transferred to share savings account. After these transfers and other transfers as reported in the statement of changes in equity, the balance reported as retained earnings was Ugshs 307,716,676.

### **22. Financial risk management and policies**

#### **22.1 Overview**

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

Risk management is carried out by the management under policies approved by the Executive Committee. Management identifies, evaluates and hedges financial risks in close cooperation with various departmental heads. The Committee provides written principles for overall risk management, as well as written policies covering specific areas.

The SACCO has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Operational risks.
- Market risks

The independent risk control process does not include business risk such as changes in the environment, technology and industry. They are monitored through the SACCO's strategic planning process.

#### **22.2 Credit risk**

Kasambya SACCO takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss for the SACCO by failing to discharge an obligation in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date.

Significant changes in the economy, or in the health of a particular industry segment that represents a concentration of SACCO's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

Kasambya SACCO structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers. Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product and industry are approved by the Committee. 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 of risk is also managed in part by obtaining collateral and personal guarantees.

### **22.3 Collateral**

The SACCO employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is a common practice. The SACCO implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are impaired loans and advances.

### **Impaired loans and advances**

Individually impaired loans and securities are loans and advances for which the SACCO determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan agreement.

### **22.4 Risk management structure**

The Executive Committee is ultimately responsible for identifying and controlling risks; however, there selected service providers are also responsible for managing and monitoring risks.

### **22.5 Executive Committee**

The Executive Committee is responsible for the overall risk management approach and for approving the risk strategies and principles.

### **22.6 Risk mitigation**

As part of its overall risk management, the SACCO uses different instruments to control exposures to liquidity risk, and interest rate risks and other risks.

### **22.7 Liquidity risk**

Liquidity risk arises from the inability of a SACCO's assets or liabilities to generate enough cash to meet deposit withdrawals or contractual loan funding. Various liquidity risk policies, limits and procedures are enforced in the SACCO to actively manage liquidity risk. These include:

- Monitoring and reporting on a periodic basis by the fund managers under supervision of the Executive Committee
- Proper management of the SACCO to avoid reputation risk resulting out of a run on deposits.
- Establishing the maturity profile of assets and liabilities helps in cash flow forecasting.

### **22.8 Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices.

Interest rate risk consists of the potential adverse impact on earnings and economic value of equity due to changes in net interest income and interest rates. The SACCO's exposure to market risk for changes in interest rates relates to the investments held. The SACCO enters into financial agreements at favorable rates as a hedge against this risk.

### **23. Contingent liabilities and capital commitments**

In the opinion of the Executive Committee, there are no anticipated liabilities in the next 12 months period. The SACCO has the ability to meet its obligations and pay member benefits in the next 12 months period. Any future losses suffered due to economic disruptions are not expected to significantly affect the SACCO's liquidity position.

### **24. Related party transactions**

There were no reportable Related Party transactions during the year.

**The Property, Plant and Equipment schedule for the period ending 31st Dec 2022**

	Land	Buildings	Motor Cycles	Furniture & Fittings	Computer and accessories	Other Equipment	Office Equipment	TOTAL
<b>Cost</b>								
As at 1 <sup>st</sup> Jan 2022	47,006,581	190,647,413	23,600,000	29,317,950	47,479,408	32,606,000	11,314,500	381,971,852
Acquisitions	-	-	-	-	2,935,000	1,543,500	1,600,000	6,078,500
Disposal	-	-	-	(50,000)	-	-	-	(50,000)
<b>As at 31<sup>st</sup> Dec 2022</b>	<b>47,006,581</b>	<b>190,647,413</b>	<b>23,600,000</b>	<b>29,267,950</b>	<b>50,414,408</b>	<b>34,149,500</b>	<b>12,914,500</b>	<b>388,000,352</b>
<b>Depreciation</b>								
As at 1 <sup>st</sup> Jan 2022	-	19,153,862	17,041,435	14,058,176	39,228,042	17,508,995	5,937,730	112,928,239
Charge for the year	-	3,429,871	1,639,641	1,901,222	3,691,501	3,328,101	872,096	14,862,432
<b>As at 31<sup>st</sup> Dec 2022</b>	<b>-</b>	<b>22,583,733</b>	<b>18,681,076</b>	<b>15,959,397</b>	<b>42,919,543</b>	<b>20,837,096</b>	<b>6,809,826</b>	<b>127,790,672</b>
<b>Net Book Value</b>								
As at 1 <sup>st</sup> Jan 2022	47,006,581	171,493,551	6,558,565	15,259,774	8,251,366	15,097,005	5,376,770	269,043,613
<b>As at 31<sup>st</sup> Dec 2022</b>	<b>47,006,581</b>	<b>168,063,680</b>	<b>4,918,924</b>	<b>13,308,553</b>	<b>7,494,865</b>	<b>13,312,404</b>	<b>6,104,674</b>	<b>260,209,680</b>

**The Property, Plant and Equipment schedule for the period ending 31st Dec 2023**

	Land	Buildings	Motor Cycles	Furniture & Fittings	Computer and accessories	Other Equipment	Office Equipment	TOTAL
<b>Cost</b>								
As at 1st Jan 2023	47,006,581	190,647,413	23,600,000	29,267,950	50,414,408	34,149,500	12,914,500	388,000,352
Acquisitions	-	-	14,500,000	-	149,000	-	-	14,649,000
<b>As at 31<sup>st</sup> Dec 2023</b>	<b>47,006,581</b>	<b>190,647,413</b>	<b>38,100,000</b>	<b>29,267,950</b>	<b>50,563,408</b>	<b>34,149,500</b>	<b>12,914,500</b>	<b>402,649,352</b>
<b>Depreciation</b>								
As at 1st Jan 2023	-	22,583,733	18,681,076	15,959,397	42,919,543	20,837,096	6,809,826	127,790,672
Charge for the year	-	3,361,274	4,854,731	1,663,569	2,522,476	2,662,481	763,084	15,827,614
<b>As at 31<sup>st</sup> Dec 2023</b>	<b>-</b>	<b>25,945,007</b>	<b>23,535,807</b>	<b>17,622,966</b>	<b>45,442,018</b>	<b>23,499,577</b>	<b>7,572,910</b>	<b>143,618,286</b>
<b>Net Book Value</b>								
As at 1st Jan 2023	47,006,581	168,063,680	4,918,924	13,308,553	7,494,865	13,312,404	6,104,674	260,209,680
<b>As at 31<sup>st</sup> Dec 2023</b>	<b>47,006,581</b>	<b>164,702,406</b>	<b>14,564,193</b>	<b>11,644,984</b>	<b>5,121,390</b>	<b>10,649,923</b>	<b>5,341,590</b>	<b>259,031,066</b>