



Nkwazi Co-operative Savings and Credit Society Ltd



**ANNUAL
REPORT | 2023**



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Nkwazi Co-operative Savings and Credit Society Ltd

NOTICE

OF THE 26th ANNUAL GENERAL MEETING.

Notice is hereby given for the 26th Annual General Meeting (AGM) of Nkwazi Co- operative Savings and Credit Society Limited to be held on Saturday **18th May, 2024** at Radison Blu Hotel Lusaka and virtually, at 09:00 hours to 15:00 hours.

The proposed Agenda for the meeting is as follows:

1. Opening remarks by the Chairperson.
2. Reading and adoption of the proposed Agenda.
3. Remarks by the Registrar of Co-operative Societies.
4. Reading and approval of prior AGM minutes.
5. To receive and consider the Chairperson's report.
6. To receive and consider the Treasurer's report and Adoption of Audited Financial statements for year ended 31st December 2023.
7. Adoption of the Reports.
8. Appointment of Auditors for the year to 31st December 2024.
9. Adoption and consideration of motions brought to the meeting.
10. Pronouncement of retiring Board Members and Election of New Board Members.
11. Election of Chairperson, Vice Chairperson, Secretary and Treasurer.
12. Any other business.

***Members are encouraged to send their Board director nomination forms and motions in advance to the following email address: manager@nkwarzicoop.com**

By order of the Board,

Board Secretary

WHO WE ARE



Vision Statement



"To be a leading, preferred and reputable credit union"

Our Mission



"To promote and upgrade standards of its members with a bid to improve their livelihoods economically and socially"

Organisational Principles



1st Principle: Voluntary and Open Membership Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2nd Principle: Democratic Member Control Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

3rd Principle: Member Economic Participation Members contribute equitably

to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the Cooperative. Members usually receive compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4th Principle: Autonomy and Independence Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their Co-operative autonomy.

5th Principle: Education, Training and Information Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion.

6th Principle: Co-operation among Co-operatives Co-operatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7th Principle: Concern for Community Co-operatives work for the sustainable development of their communities through policies approved by their members.



STANDING ORDERS

The board of directors in accordance with section 27.1 of the by-laws hereby provides the "Standing Orders" for the 26th AGM.

1. a) Members are required to stand when addressing the meeting.
b) Speeches must be relevant to the subject before the meeting.
2. A member shall only address the meeting when called upon by the Chairperson, after which s/he shall immediately take his/her seat.
3. No member shall address the meeting except through the Chairperson.
4. A member shall not speak twice on the same subject except:
a) The Mover of the motion - who has the right to reply, or
b) S/He rises to object or explain (with the permission of the Chairperson).
5. The Mover of a procedural motion - (Adjournment lay on the table, Motion to Postpone) shall have no right to reply.
6. No speeches will be made after a "Question" has been put and carried or negated.
7. A member rising on a "Point of Order" shall state the point clearly and concisely.
8. a) A member should not "Call" another Member "To Order" but may draw the attention of the Chairperson to a "Breach of Order".
b) In no event shall a member call the Chair to order.
9. A "Question" should not be put to a vote if a member desires to speak on it or move an amendment.
10. Only one amendment should be before the meeting at any one time.
11. When a motion is withdrawn any amendment to it falls away.
12. If a tie happens in a vote, the motion on the table will be subject to a second round of voting.
13. Provisions shall be made for protection by the Chairperson from vilification (Personal Abuse).
14. No member shall impute improper motives against another member.

THE BOARD OF DIRECTORS



Eda M Lifuka
Board Chairperson

A Chartered Management Accountant by profession with over 18 years of experience. Specialized in Project Management and Implementation with a strong interest in health and management of health systems, with a Master's in Public Health.

Nkwazi Cooperative Board member since 2018 and currently serving as board Chairperson.



Gertrude Mwenya
Board Vice Chairperson

Gertrude Mwenya has over 19 years' experience in Facility Management and she is a certified toastmaster competent leader.

She previously served on the board of Nkwazi cooperative for six years in the education committee and returned to the Board as Vice chairperson and a member of education committee.



Simate Simate
Board Treasurer

Simate has two decades of Financial Management experience distilled from the Commercial, mining, non-profit and public sectors. He holds a Bachelor of Accounting degree from the Copperbelt University in Kitwe and a Master of Public Health degree from the University of Lusaka. He is currently working for CIRDZ and serve on Nkwazi board as treasurer.



Chibuna Muteto
Board Secretary

Over 16 years Financial Management and Accounting experience with good management and supervisory skills. A Fellow of ACCA and holds a Master's Degree in Economic Policy Management.

Leadership positions: Board Member-Set Apart International, Board Member - Living Hope Church. Currently works for USAID and serve on Nkwazi board as secretary.



Takudzwa Mwila
Board Member

Takudzwa has over the years displayed his leadership capabilities. Having served in the locally engaged staff committee for State, he has a strong character and ability to listen and articulate on issues. He is currently working for USG and serve on Nkwazi board as head of credit committee



Kashiya Chabala
Board Member

An Accountant by profession with 15 years' experience previously worked as Management Accountant at Macmillan Publishers (z) Ltd and Assistant Accountant at iSchool Zambia before Joining Nkwazi Co-operative Saving & Credit Society as an Administrator. She is currently Finance Officer at FHI360 and serve on Nkwazi board as credit committee member.



Doreen Zulu Mwansa
Board Member

Doreen is a qualified Certified Chartered Accountant by profession (ACCA), a holder of Bachelor of Accountancy from the Copperbelt University and an MBA from London School of business post qualification. She is also a member of the Zambia institute of Chartered Accountants (ZICA).

Doreen is currently working as country Director at Meharry Medical College Global Health and HIV Clinical Services and serve on Nkwazi board as Credit Committee member.



Joshua Kashitala
Board Member

Joshua Kashitala is an advisor at USAID Discover Health project's Biomedical HIV prevention services, accountable for work plans, budget management and patient safety monitoring. During his career he has built a reputation for operational excellence, innovative strategic thinking, working with high level of integrity, deep and passionate commitment to project clients and sponsors. Joshua holds a development studies degree and a post graduate degree in Public Health and serve on Nkwazi board and is part of Education Committee.



Dr Mphatso Mudenda
Board member

Mphatso Mudenda is a Health Informatics Expert working for Centers for Disease Control and Prevention (CDC) Zambia since 2015. She holds a PhD in Information Systems from University of Cape Town; a Master of Science Degree in Business Information Systems from the University of East London; and a Bachelor of Science degree in Computer Science and Demography from the University of Malawi. In addition, she is a certified project manager professional (PMP), she currently serve on Nkwazi board and is part of Education Committee.



Timothy Ngoma, ACCA, AZICA, Cert IASBC,
GENERAL MANAGER
Joined the team in 2020

Dear Members,

Thank you for the tremendous support towards Nkwazi Coop for the year 2023 and sincere gratitude to the board of directors for the relentless effort rendered to my team and myself to ensure seamless process in our operations. It has been an eventful year marked by several achievements, challenges, and milestones. As we reflect on the past year, we also look forward to the opportunities and growth prospects that lie ahead.

Financial Performance:

Our cooperative has continued to demonstrate strong financial performance amidst a dynamic economic landscape. Despite facing challenges such as rising inflation and low market liquidity, it's my pleasure to report that we have achieved a 19.7% growth in revenue, 32% increase in net income, 24% increase in loan portfolio and 8.7% increase in member savings. Our commitment to financial prudence, risk management, and member-centric approach has enabled us to navigate through uncertainties while maintaining stability and profitability.

Membership Growth:

The strength of any cooperative lies in its members, and I am delighted to note that our membership base has continued to grow steadily over the past year. However, our membership position appears to have increased marginally by 5.17%, this is because we had other members exiting from the coop. Nonetheless, as a resolve passed in the Extra Ordinary General Meeting held in November 2023, to amend the cooperative by-laws, our new by-laws will allow us reposition ourselves and enhance our competitive advantage, acting on the new by-laws the board and management came up with a variety of new products to meet wider member needs

New Products Launched:

Our dedicated staff is committed to bring to the members Nkwazi reloaded 2.0. We believe in making a positive difference in our product and service delivery. Its exciting to have five more savings products launched namely; Emergency Fund, Vacation Fund, Education Fund, Retirement Fund

and Money Market Fund, these savings products will offer different returns/benefits to our members with no limit on withdrawals. In addition, we have also launched new loans products namely; Banja Loan, Salary Advance Loan, Buy Back Loan, Energy Solution, Agricultural Solutions and Vehicle Asset Finance.

Technology and Innovation:

In line with our commitment to providing convenient and efficient financial services, we have continued to invest in technology and innovation. Our digital core banking platform (WESE) has been enhanced to provide members with access to a wide range of banking services from the comfort of their homes. We have also introduced new chatbot on our website and streamlined our processes to improve operational efficiency and enhance member experience, soon we will be having electronic loan applications.

Challenges and Opportunities:

While we have made significant progress over the past year, we recognize that challenges lie ahead. The increasing cost of living, changing customer expectations, and economic uncertainties present both challenges and opportunities for our cooperative. However, we are confident in our ability to adapt and innovate to meet the needs of our members and overcome any obstacles that may arise.

Looking Ahead:

As we look ahead to 2024, we remain committed to our core values of integrity, transparency, and member service. We will continue to focus on strengthening our financial position, expanding our membership base, and enhancing our community impact. By staying true to our mission and vision, we are confident that we will achieve sustainable growth and continue to create value for our members.

In closing, I would like to express my sincere gratitude to our members, board of directors and staff for their dedication, hard work, and unwavering support. Together, we have achieved remarkable success, and I am confident that we will continue to thrive in the years to come

MEMBERS OF STAFF

Meet our friendly and dedicated team.



David Mwamba
Senior Accountant
Joined the Nkwazi team in 2012



Malilwe Masole
Senior credit officer
Joined the Nkwazi team in 2015



Audrey Bwalya
Accountant
Joined the Nkwazi team in 2021



Caroline Mwila
Credit Officer
Joined the Nkwazi team in 2016



Jane Malama Munangu
Customer Experience Advisor
Joined the Nkwazi team in 2021



Enock Mwata
General Service Assistant
Joined the Nkwazi team in 2008

Eda M Lifuka

Chairperson



CHAIRPERSONS' REPORT

INTRODUCTION

Greetings to you all fellow Cooperators, may I begin by recognizing representatives from the Ministry of Small and Medium Enterprise, the Registrar of Cooperatives Mr. Evans Kapekele, invited guests from our bankers, our Auditors, National Association of Savings and Credit Unions (NASCU) and all representatives from the other Savings and Credit Cooperatives (SACCOs) here present. Ladies and gentlemen, all protocols observed, you are welcome.

I am excited to present to you my last report as the Chairperson of the Nkwazi Cooperative, truly this moment is an emotional one for me, having been part of the decision makers of the cooperative for the past 6 years, now my tenor as chairperson and board member has come to an end and now, I am going to the terraces, joining the masses. Nonetheless, it brings so much joy and a sense of comfort looking at the

many strides we have achieved together over the past 6 years. Having been a Nkwazi member for the last 16 years, the relationships I have built as a member and having served on the board for three quarters of that time, have truly been invaluable. This has created a lot of memories for me and looking at a young member today, I would say Sir/Madam you are welcome and kudos for making a wise and life changing decision that you will appreciate later. My sincere hope and wish is that we may have more new members who possess a desire and passion to be part of Nkwazi and hopefully join the board and be part of the think tank, bringing new ideas to keep our beloved eagle soaring higher.

OPERATING ENVIRONMENT

According to the report issued by the Organization for Economic Co-operation and Development (OECD), despite the impact of

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tighter financial conditions and other unfavorable events, such as Russia's assault against Ukraine and the developing Middle East conflict, global growth in 2023 maintained an annual pace over 3%. The 3.1% global GDP growth in 2023 is expected to be followed by 3.2% in 2025, with little variation from 3.1% in 2024. Although not as strong as it was in the 10 years prior to the global financial crisis, this is nevertheless in line with the current estimates of prospective growth rates in both developed and emerging market economies.

Zambia's GDP growth in 2023 was 5.8%, higher than the 5.2% growth in 2022. The growth was driven by a strengthened mining policy, improved macroeconomic environment and improved electricity supply. The information and communication industry contributed the most to the growth, while the agriculture, forestry and fishing industries had a negative impact

Suffice to mention that the new dawn administration made a lot of efforts to ensure that the IMF bailout deal was finalized. However, the journey had not been as smooth sailing as anticipated, hence resulting in a lot of twists and turns due to impasse with credit counter parties. The uncertainty around this critical discussion created anxieties on the local market resulting to a mixed performance of the local unit, with most times the Kwacha losing against the major currencies, on average the local currency lost 20% against the US dollar closing the year 2023 at ZMW 20.23 per 1 USD compared to ZMW 16.87 per 1 USD recorded in 2022.

A sticky decision by the government to maintain the fuel pump monthly reviews exacerbated woes in the local economy as crude oil prices demonstrated much resilience post covid, posting an all-time high of \$93.68 per barrel in September 2023. As Zambia is a country that imports commodities, any unrest in the world will undoubtedly have an adverse effect on local

commodity prices. As the year came to an end, we noticed that the positive gains from the previous year were eroding, with the kwacha growing more susceptible and inflation staying above the medium target range of 6 to 8 percent. Inflation closed the year at 13.10% compared to the prior year 2022 of 9.9%.

The volatile economic environment experienced both global and locally could not spare our operations, the tightened monetary and fiscal policy implemented by the government in a bid to arrest rising inflation resulted to low market liquidity, this experience created increased cash demand from the cooperative either through loans or savings withdraws, momentarily depicting periods of delayed loan disbursements, notably in the month of August 2023.

Despite the economic pressure surrounding our business, may I also state that our strategic position enabled us to weather the storms and helped in recording some achievements.

COOPERATIVE ACHIEVEMENTS FOR CALENDAR YEAR 2023

The board and secretariat remained resolute to ensuring that we achieve our set targets for the year 2023, on top of our agenda was to complete the long-awaited revision of our by-laws, a process which was embarked in 2019 by the previous board, carrying on the mantle from our predecessor, the board understood this assignment, towards the end of 2023 we held an Extra Ordinary General Meeting where a Two Third majority of the members present approved the motion to amend and revise our by-laws and now standing here before you today, may I safely say, the Job has been done we now have revised and approved by-laws.

In line with our strategic plan horizon, this is a milestone achievement, because not only are we going to experience business transformation as result of this, but also

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reposition the cooperative to align with changes in the modern day business environment. I am confident that the results from the by-laws revision are already proving fertile looking at yet another achievement of recasting the Membership, Savings and Loan Policies.

Our second objective for the year 2023 was to embrace innovation through product development, I am cognizant of the fact that we may have delayed bringing the products to the members, may I also hasten to mention that the modus operandi of cooperatives is about numbers, for any cooperative to be sustainable it requires more members and for us to have more members we need more products to accommodate various member needs, not only Loan products but also Savings products, as a matter of fact we need more savings products than the loans products, because it is from the saving pooling where funds for lending comes from.

May I take this opportunity to inform this august house that from one savings product the cooperative had for the past 26 years, we now have added Five (5) new Savings products and from the Four (4) Loan products, we have added Six (6) new Loan products bringing the total number of Savings products to Six (6) and that of Loans products to Ten (10). I believe this transition will assist in attracting, retaining and motivating members, ultimately contributing positively to attaining our membership growth prospects of 1,400 members by the year 2026.

It is also my pleasure to talk about our new core banking system (WESE), indeed it had been a much-needed change, necessitated to enable us reshape our technological environment and adapt with changing business spheres, an area we talked about in our last AGM as well, it is so pleasing to see members check their accounts held at the cooperative in real time. Yes, every system has challenges some of which we were preview of during the interest on savings payouts early this year (2024), however, I am hopeful that it is a work in progress and with time it will be

perfected to suit our business needs, nonetheless, suffice to mention that so far, the benefits accrued to the new system do outweigh the challenges. May I extend my gratitude to you beloved members for exercising your patience to see the much sought after need of online statements become a reality.

I know we are living in an industrial revolution era where artificial intelligence (AI) has taken a center stage, therefore, we ought to continuously look at ways in which we can improve our services and serve our members with seamless efficient processes. For instance, members do not need to make frequent phone calls to secretariat just know more about Nkwazi products or what is needed to access the services, as much information as possible can be stored in a hub, all that is needed is a smart phone and internet and within a snap of a finger all the information would be at their fingertips, similarly with applications either savings or loans, we need to come out from the use of paper and be promoters of environmental sustainability. I know with the aid of AI we now have Nkwazi AI which assists with member queries on our website. My plea to the incoming board is that we should dedicate our efforts to ensure that the use of paper becomes a thing of the past as this remains part of our 2026 strategic objectives. I implore members to welcome these modifications and to share their many suggestions for what they would like to see from our new enterprise resource planning tool (WESE).

Allow me to take a shift and present to you highlights of a few financial gains recorded of which the Treasurer will elaborate in detail, the cooperative continued to demonstrate growth prospects with year-on-year 2023 Financials showing an increase in revenue by 19.7% to ZMW 20 million from ZMW16.7 million recorded in 2022. I would like to take this opportunity to truly thank the secretariat management and staff for their tireless efforts in ensuring that we continue to expand and safeguard members' money, as well as the

continues

general members for their ongoing business support to Nkwazi.

As a means of benefit sharing with the shareholders of this wonderful institution, I am thrilled by our steady payout of dividends and interest on savings to the members. In the year under review, the board announced a total payout to members of ZMW 8.4 million, up from ZMW 6.6 million paid in 2022 and representing a 27% increase. There has been conversations around the boardroom where we have deliberated on alternatives of how we can maximize benefits to the members, one of which has been reverting back the payment of interest on savings to the end of the year, in that way the interim interest paid that is June-July can be invested and grown before paying out, another alternative has been to accelerate the conversations we have had during our Annual General Meetings where a motion was passed to open a micro financial institution (Nkwazi Finance) in this regard the interest on savings payout may be channeled to Nkwazi Finance for onward lending to the public, this in turn would maximize shareholder value.

May I also provide a brief update regarding Nkwazi Finance, this objective remains part of our strategic plans and hopefully should be completed by the end of our strategic plan horizon 2026, we are currently in consultation with Bank of Zambia the regulator for micro financial institution, our lawyers and a specialized consultant, this is in a bid to assist us put all the necessary information together. I wish to encourage the incoming board to carry on with this agenda and dedicate some time in completing the long approved special purpose vehicle (Nkwazi Finance).

CHALLENGES FOR CALENDAR YEAR 2023

Membership growth has been a challenge for some time due to various factors, the main factor being limited agencies or institutions from which our membership is drawn from. However, with the revised by-laws in place which is now more accommodative, I am

optimistic that this will help change the narrative and widen our membership base as we aim to onboard new agencies and institutions that share common objects with the cooperative. As I mentioned earlier, doubling our membership numbers remains part of our agenda. Therefore, we have to continuously look at innovative ways in which this may be attained.

Withdrawals from member savings were relatively high in comparison to the prior year, primarily due to low market liquidity and rising inflation, during the year under review ZMW 4 million was withdrawn from savings compared to ZMW 3.2 million recorded in 2022 representing an increase of 25%. In addition, our limited selection of savings products may have contributed to the increase in withdrawals by deterring members from keeping their savings for a little while longer at the premise of higher returns.

System migration, proved to be a challenge as well, it took a bit of time to fully migrate to the new core banking system, this was as result of development and integration glitch, the process required us to have a period of parallel runs of the two systems hence resulting to noticeable delays in transaction processing as well as member account reconciliations, as I alluded to earlier, the delayed interest on savings payment was also as a result of the aforementioned challenges, nonetheless, it is worth noting that the bottleneck was eventually overcome and we now 100% migrated.

Last but not the least of the challenges, it is difficult to accommodate all members who have migrated to organizations without memorandums of understanding (MOUs) since loans are only allowed up to the amount that a member has saved; any amount over that must be collateralized as a mitigating measure. Although some members believe this regulation is discriminatory, its main goal is to protect member funds. We continue to try and address this issue.

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OUTLOOK FOR THE CALENDAR YEAR 2024

The world economy is expected to record a dismal performance by the end of 2024, as we approach the halfway point of what was supposed to be a breakthrough decade for development.

For the third year in a row, global growth is expected to decrease, dropping from 2.6% in 2022 to 2.4% in 2024, or nearly three-quarters of a percentage point less than the average of the 2010s. The growth rate of developing economies is expected to be merely 3.9%, which is more than 1% less than the average for the preceding ten years. Following a poor showing in the previous year, low-income nations should expand by 5.5%, which is less than anticipated. People in almost 40% of low-income countries and one out of every four developing countries will still be poorer by the end of 2024 than they were on the eve of the COVID pandemic in 2019. Meanwhile, growth in developed economies is predicted to drop from 1.5% in 2023 to 1.2% this year.

Unlike in the October 2023 World Economic Outlook (WEO), when they were judged to have slanted to the downside, the risks to the global economy are now balanced. The positive risks include China's faster-than-expected growth, which would boost global demand, and inflation decreasing more quickly than anticipated, which would force central banks to loosen monetary policy much sooner. The downside risks are primarily related to geopolitical tensions in the Middle East, which may be exacerbated by Houthi rebel attacks on ships in the Red Sea. These attacks could potentially disrupt supply chains and cause spikes in commodity prices, as well as core inflation remaining sticky and prompting a more restrictive monetary policy stance. Additionally, growth in China may falter if the property sector meltdown deepens.

Locally Zambia's currency has weakened against the dollar, cementing its position as the worst performer in emerging markets since March 2024, as a severe drought added to constraints in copper production.

The kwacha has continued to extend its losses since April to 8.4% and traded close to record lows of around ZMW27 per dollar. This fall was the worst among the 32 most frequently traded currencies in Emerging Markets, and it came after declines in February and March. Given how weak copper production has been for a very long time, Zambia's macro-outlook is not particularly encouraging. Another limitation is that the recent droughts have made it difficult to generate electricity.

The country has been hit hard by El Niño-induced drought which has impacted agricultural production and forced it to import more food. The lack of water in the southern African nation, which relies on hydropower for much of its electricity generation, has also affected mining output resulting in a decision by ZESCO to start importing electricity.

Despite a melancholy outlook for Zambia for 2024, Nkwazi is determined to counter the challenges ahead of us, the introduction of the new products will position the co-op in meeting members needs and provide some form of relief in this hard economy pressing times. The negative outlook for the country with rising inflation will create increased demand for loans and withdrawals. Therefore, we anticipate a reduced or maintained weight in financial instruments. To counteract liquidity pressure, aggressive member onboarding will be essential to boost savings.

In my closing remarks, I wish to congratulate in advance those who will be ushered in as our new board, may I also mention that my tenor has come to end, but I remain open for consultation and I do intend to be a very active member. To the incoming Chairperson, I wish you the very best as you carry on the mantle and take the cooperative to another dimension.

I thank you all once more and wish you future success together with the cooperative.

Ends

Simate Simate
Board Treasurer

TREASURER'S REPORT



ECONOMIC COMMENTARY

Global Economy

For the third year in a row, a decline in global Gross Domestic Product (GDP) is projected for 2024. According to the IMF, the global growth of 3.2% estimated in 2023 is expected to be in the same range for both 2024 and 2025. This pace of global economic expansion is considered low by historical standards. This has mainly been due to both short term and long term factors. Short term factors include high borrowing costs and declining fiscal support while medium term factors include the the longer term effects of COVID19, the Russian invasion of Ukraine and more recently, the conflict in Gaza between Israel and Palestine. This has been coupled by other factors such as weak productivity and geo economic tensions, decades long tight monetary policies aimed at containing inflation, stringent lending requirements, and weak international trade and investment. Global inflation is projected to average 5.9% from 6.8% in 2024 and 4.5% thereafter in 2025 with advanced economies returning to target ranges sooner than emerging markets and developing economies.

IMF experts expect that a troubled property sector in China could hurt trading partner economies and that high government debt in

many economies could result in many global economies returning to tax hikes and spending cuts. Further more, Geo economic tensions could intensify higher barriers to the flow of goods and Capital. Looser global fiscal policies on the global stage are expected to raise economic activity for the short term, while carrying the risk of costly policy adjustments in the medium term. The rapid advancement of Artificial intelligence (AI) is envisaged to trigger higher productivity globally.

Local Economy

Inflation rose from 11% in Quarter 3 of 2023 to 13.1% at end of Quarter 4 of the same year. This increase was in inflation was further deviation from the 6-8% target range. Persistent depreciation of the local currency has been the major driver of inflation coupled with the high cost of maize grain and its products (including mealie meal), high fuel pump prices and electricity tariffs. Despite the long-awaited completion of the long-awaited debt restructuring deal, the onboarding of a new equity partner for Mopani Copper Mines (MCM) and steps to bring Konkola Copper Mines (KCM) back online, the Bank of Zambia (BoZ) projects inflation to move further away from the target range through Q4 of 2025. Notwithstanding the above, authorities project a 4.2% growth in GDP in 2024. This is

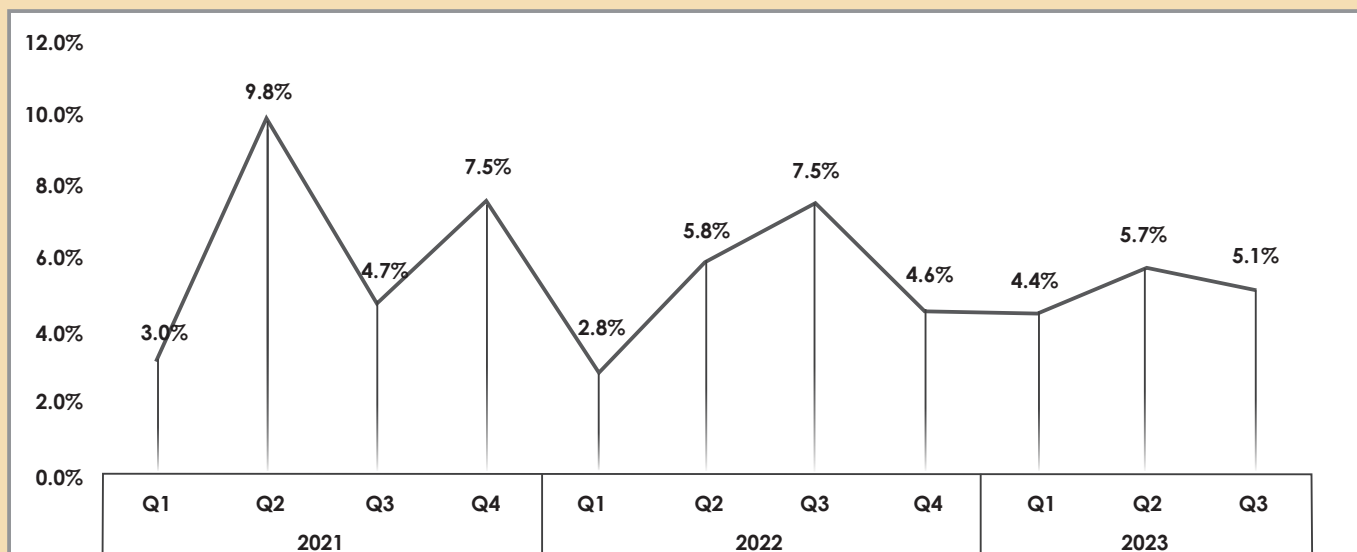
underpinned by the anticipated recovery of the mining sector, service sector as well as in manufacturing. A slight uptick in growth in real GDP per capita is projected, to be at 1.4% in 2024. Upside risks, as outlined above, include high fuel prices and electricity tariffs and the fluctuation in global fertilizer prices. The fiscal deficit is projected to persist at 7.3% of GDP in 2024 owing to increased social spending. Headwinds include perennial drought, fluctuating copper prices, and the impact of Russia's invasion of Ukraine on fertilizer and fuel prices.

Annual Gross Domestic Product

According to Zambia Statistics Agency (ZSA) GDP projections, the economy expanded by 5.1 percent in the Quarter 3 of 2023 compared to 7.5 percent in the same period in 2022. This corresponds to a 2.4% reduction in growth.

Figure 1: Gross Domestic Product

Figure 1: Gross Domestic Product



(Source: Zambia Statistics Agency, December 2023)

Sectors primarily contributing to the GDP growth include the following:

- Information and Communication 2.1%
- Construction 1.2%
- Education 1.1%
- Financial Services 0.4%
- Human Health and Social Work 0.2%
- Lodging and Food services 0.2%

On the other hand, the following sectors had negative growth:

- Agriculture, Forestry, and Fishing -0.3%
- Wholesale and retail trade -0.1%
- Administrative and support service activities -0.1%

Local currency

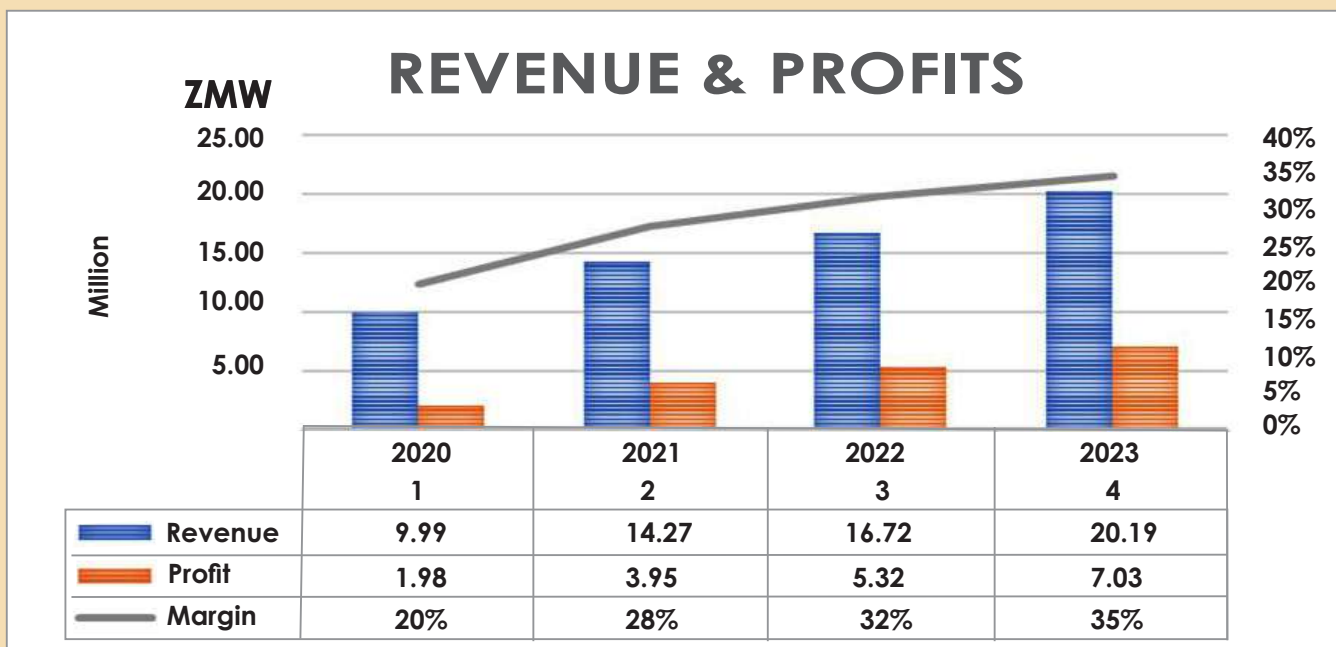
The local currency, the Zambian Kwacha, faced severe pressure between January and December of 2023. Resulting in a 35% decline in value during that period. At the end of December 2022, the Kwacha was trading at ZMW18.0 to US\$1. By December 2023, the currency depreciated to ZMW25 to US\$1. Key drivers for this decline were a low supply of foreign exchange on the market due to depressed mining output as well as excess foreign exchange demand resulting from the purchase of essential imports, among other factors.

Credit Conditions

In accordance to Bank of Zambia, owing to high money market liquidity, the February 2023 lending Conditions Survey shows positive lending conditions for individuals, small and medium-sized businesses, and large organisations. As a result, permissive credit conditions will continue in the first quarter of 2024. High operational costs resulting from the depreciation of the Kwacha against major convertible currencies, increases in both fuel prices and electricity tariffs and the effect of load shedding, have led to a persistent high demand for working capital from both SMEs and major corporates. It is anticipated that there is likely to be a significant demand for credit in the short to medium term. Lending rates have seen an increase following the Bank of Zambia Monetary Policy Rate adjustments of 11% in November 2023 and to 12.5% in February of 2024. These Monetary policy rate changes have aimed at reigning in inflation the escalating inflation. Because of more monetary policy tightening is expected to combat increasing inflation, most banks anticipate that high lending rates will persist in the first quarter of 2024.

Nkwazi Performance

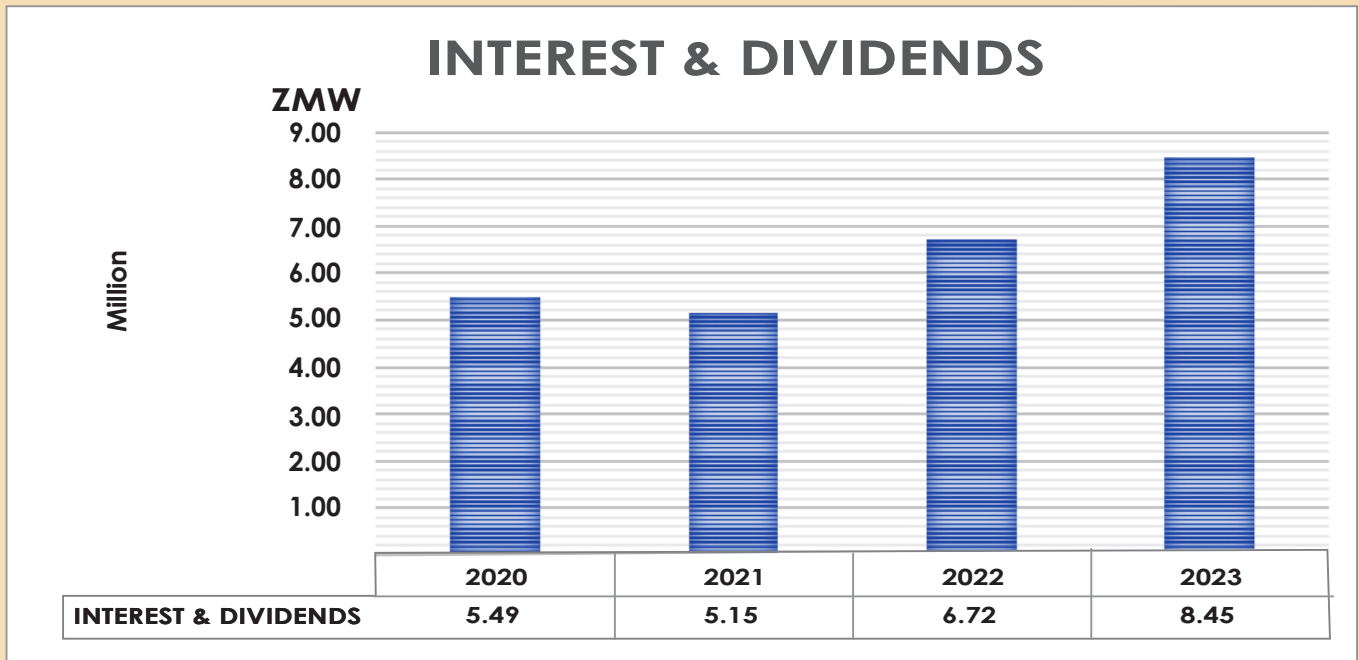
Figure 2: Revenue and Profit



(Source: Nkwazi Cooperative Society, 2024)

The Cooperative recorded an increase in revenue of ZMW21.19million in the financial year under review compared to ZMW16.72 recorded in 2022 representing a 21% growth, this increase was mainly attributed to the continued diversified investment portfolio that includes Government Securities as well as Fixed term deposits. The bottom-line profit proportionally grew by 35% to ZMW7.03 million in 2023 from ZMW5.32 million recorded in 2022. This is on account of accelerated yields obtained from financial instruments offering an average of percent coupled with prudent management of overall expenses.

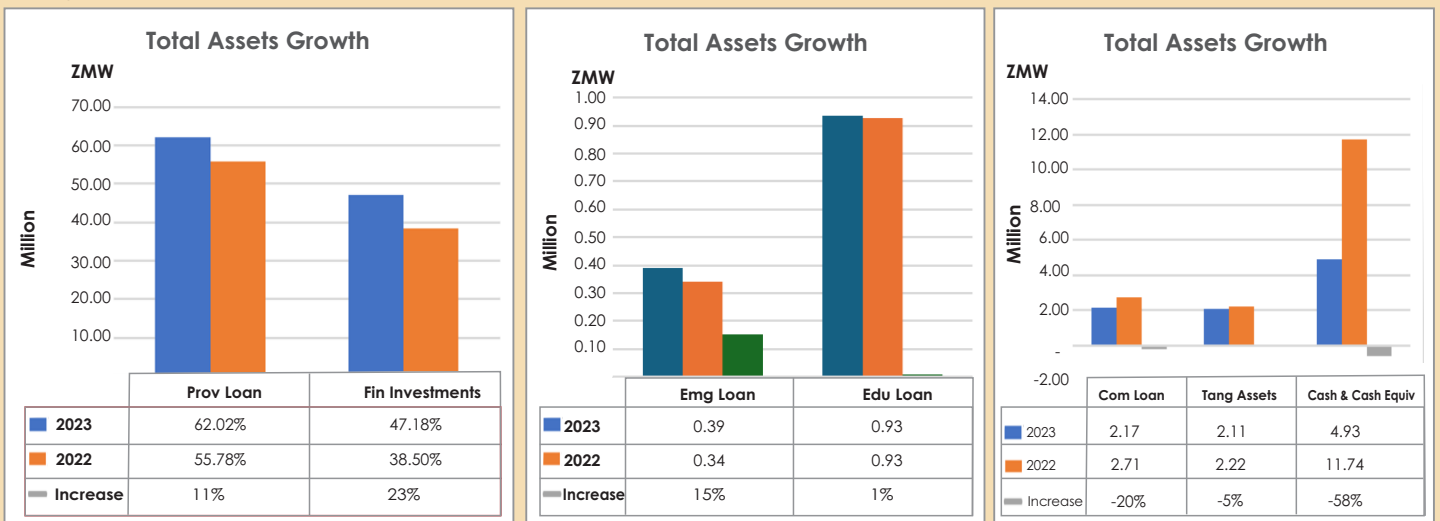
Figure 3: Interest and Dividends



(Source: Nkwazi Cooperative Society, 2024)

Total annual interest on member's savings of 9.50 percent was declared, this translated to ZMW8.5 million, from the ZMW6.87 million paid in July 2022 and the reminder 5.50 percent payable in January 2024. Overall, the Cooperative recorded an increase in interest on savings payments of percent because of continued savings portfolio holding and declared interest rate.

Figure 4: Total Assets Growth

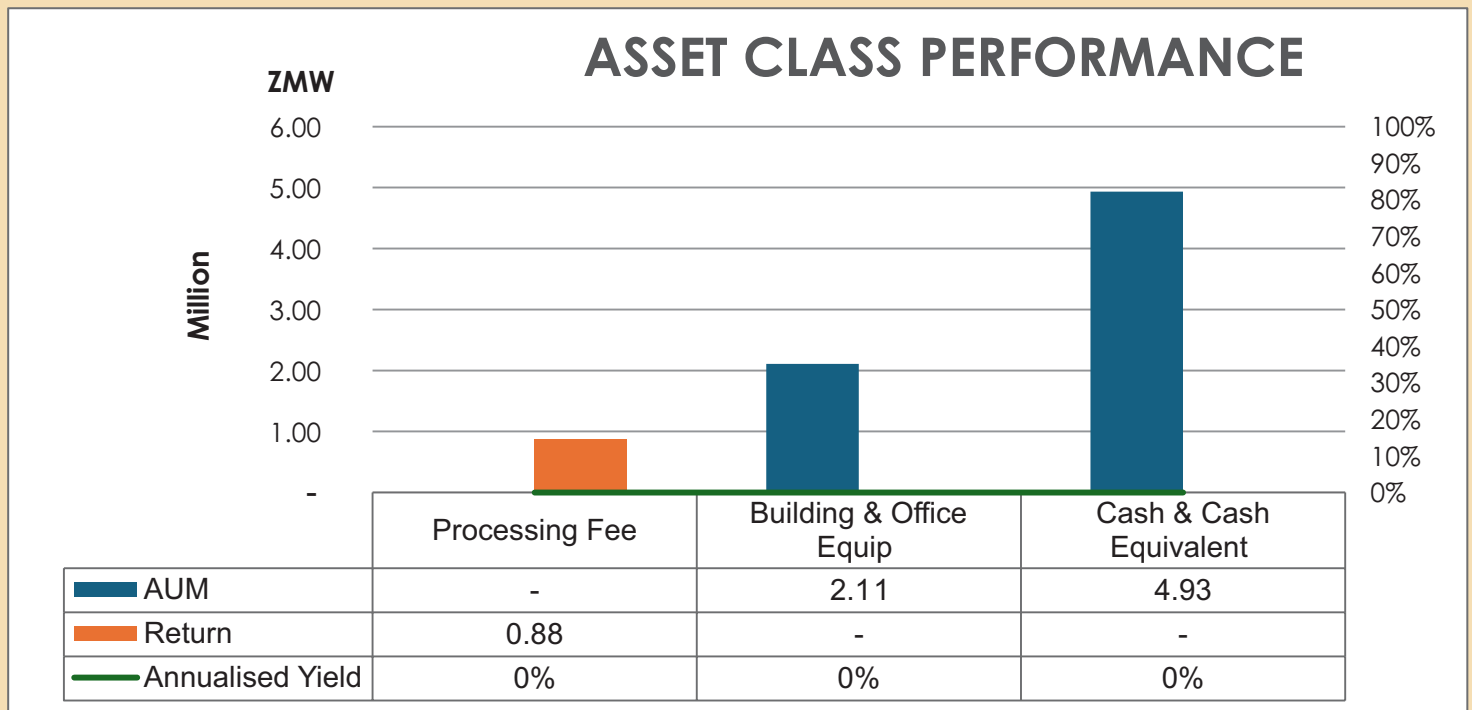
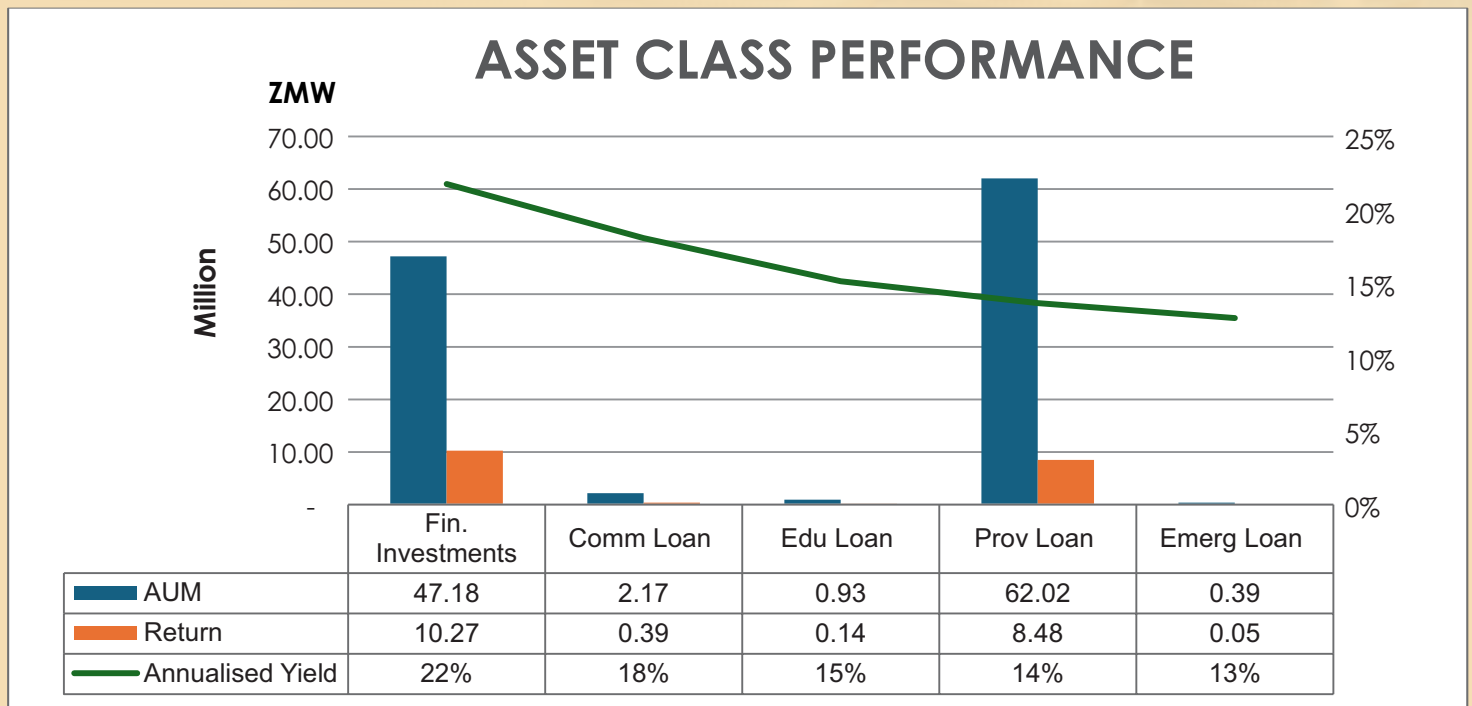


(Source: Nkwazi Cooperative Society, 2024)

The above graphic illustrates how the Cooperative's total assets increased by percentage. This has been driven by an increase in year on year revenue and member contributions. Provident loans grew by 10%, Financial investments by 23%, the Emergency loan by 15% and the Education loan by 1% percent. We observe a notable decline of 20% in the Commodity, a 5% decline in Tangible assets and Cash and a 58% in Cash equivalents.

Our liabilities grew in proportion to the increase in assets. During Financial year 2023, member savings increased by 8% compared to 15% in the prior year. Member equity grew by 62% compared to 93% percent in the prior year.

Figure 5: Asset Class Performance



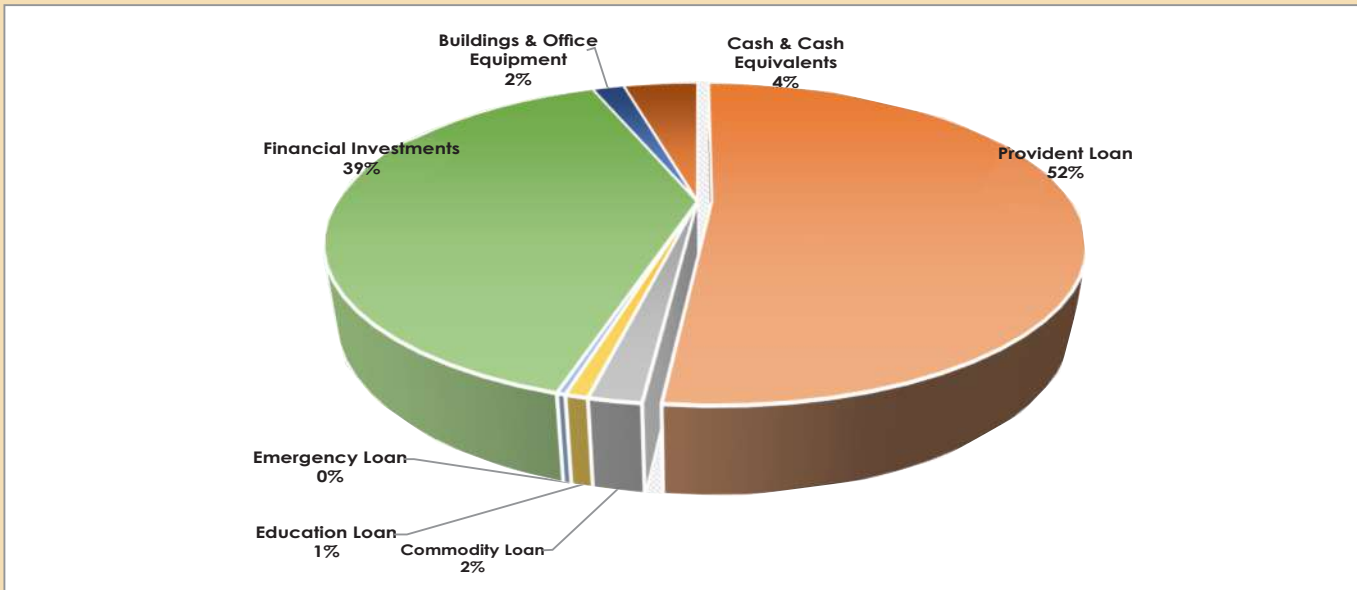
(Source: Nkwazi Cooperative Society, 2024)

The total income of the Cooperative is made up of two main streams namely:

- Loans - These include Provident Loans, Commodity Loans, Education Loans, Emergency Loans, and Loan processing fees.
- Financial Investments - These include Government Bonds, Treasury Bills, Term deposits, and Collective Investment Schemes.

Figure 6: Assets Weighting

The chart below shows the analysis of Assets Under Management (AUM) of ZMW130,543,945.63 as of 31st December 2023.



(Source: Nkwazi Cooperative Society, 2024)

The provident loan weighting increased from 50% in 2022 to 52% in 2023, resulting in a financial weighting of 39% in 2023 compared to 43% in 2022. Refinancing of Provident, Commodity, and Education Loans contributed to the increasing absorption of loans, which in turn produced the increase in loan weight.

CREDIT COMMITTEE REPORT



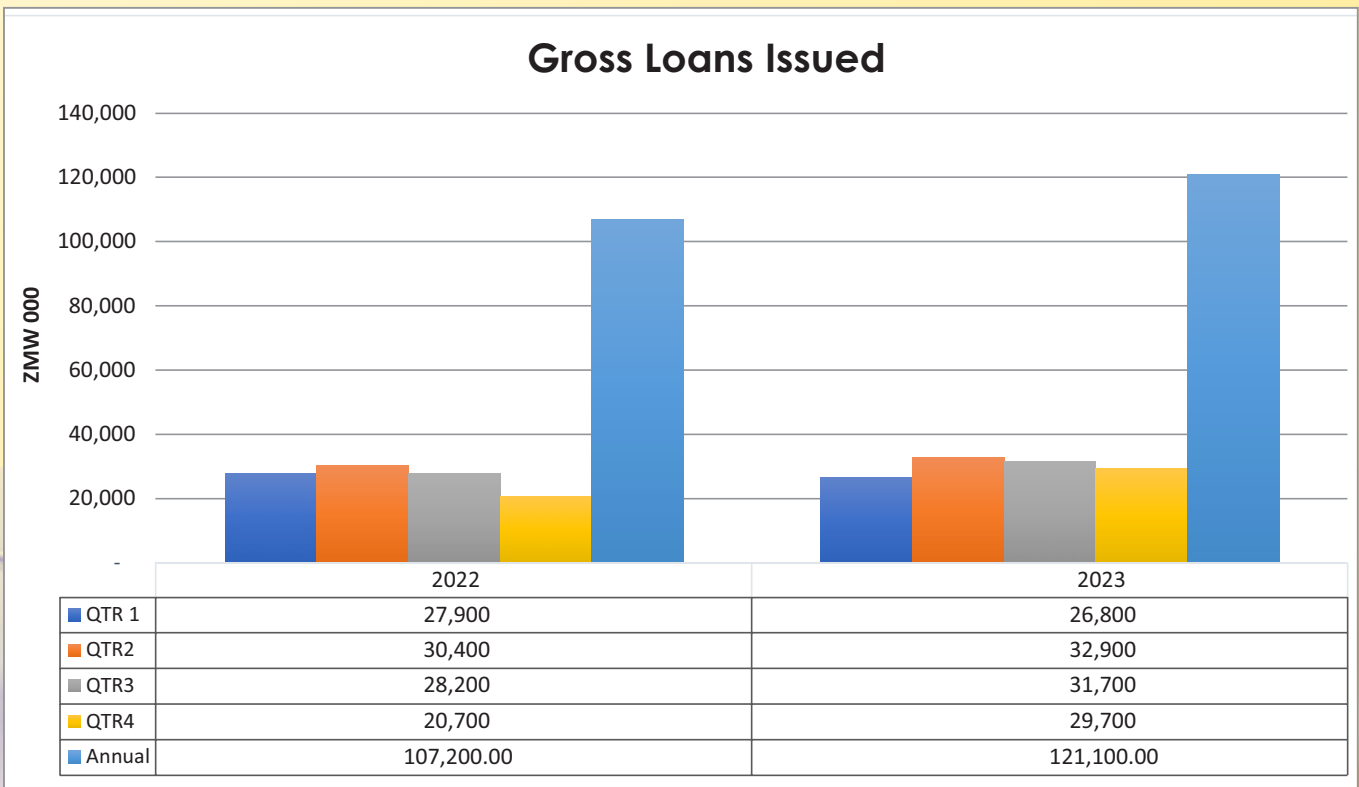
This report is based on the activities for the year undertaken by the Credit Committee. The credit Committee comprises of three board members that are responsible for ensuring that loans and withdraws are processed, approved, disbursed and recovered on a timely manner. For the period 2023 the Committee was led by Ms Kashiya Mwanda Chabala with two other Directors; Ms Getrude Mwenya and Ms Doreen Zulu.

Loans obtained through the Cooperative have continued to provide relief for its members and allow them to invest in various activities. The board continues to be alert and responsive to the needs of its members especially in periods of economic challenges.

GROSS LOANS PAID AND WITHDRAWS

The gross loans issued in 2023 increased by 14 percent from ZMW106.7 million recorded in 2022 to ZMW121.1 million resulting to an increase in the total loan portfolio. The provident loan continues to outperform other loan products as shown in graph 1 below, the increase is due to its nature of having a higher accessible loan amount and repayment period, this results to most members opting to merge their loans into one provident loan.

Graph 1



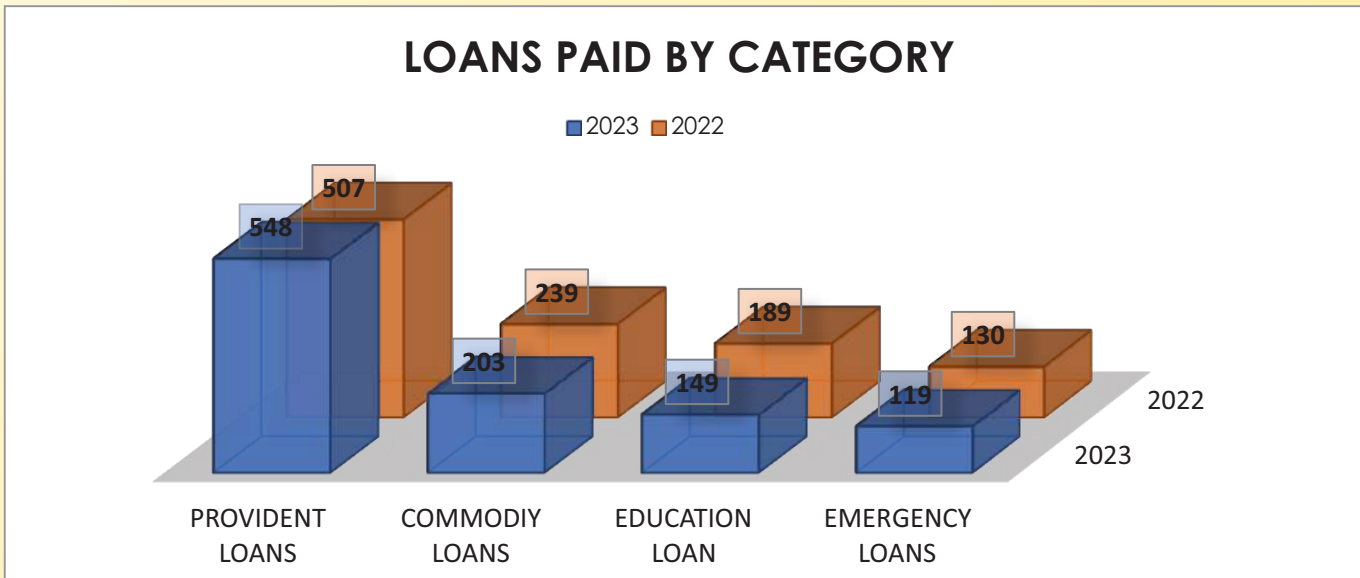
It is worth noting that 2023 experienced a significant increase in funds withdrawals which increased to ZMW4,000,000.00 from ZMW3,200,000.00 recorded in 2022. This could be attributed to increased demand for cash in the business environment as well as members net savings increase rendering members access to high withdraw amounts. Furthermore, Account closures decreased to ZMW1,013,000.00 from ZMW1,400,000.00 recorded in 2021, mainly attributed to stability in member agencies. Some of the account closures are as a result of member demise and separation from employers.

TOTAL LOANS PAID BY CATEGORY

Graph 2 below shows the number of each product issued for the year 2023 against 2022. There was a steady increase in quantity of the provident loans and drops in the other loan products.

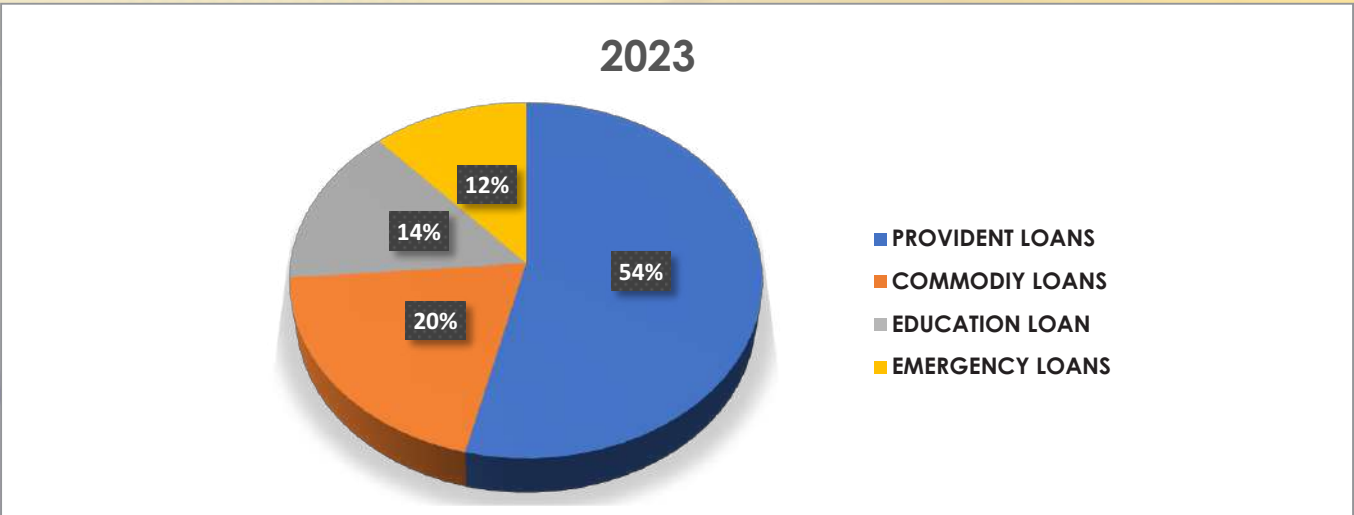
Based on this analysis, majority of loans are provident loans and the least being the Emergency loan. As earlier mentioned, most members have been opting to merge the smaller loans to either the Provident loan or Commodity loan resulting in the smaller products reducing by the year. Members have also settled into acquiring loans that can be refinanced unlike the Emergency loan. The emergency loan mostly being preferred by members who are new at the cooperative.

Graph 2



The graph 3 below shows distributed weight of the four loans as at the end of the year 2023. It should be observed in summary that the provident loan harbours most of the funds at 54% whilst the Emergency loan stands smallest at 12%.

Graph 3



OUTSTANDING LOANS AND DEFAULTERS

As at close of year 2022, the outstanding debt stood at ZMW148,827.24 of which ZMW104,268.71 was recovered during the year 2023 bringing the non-performing loans balance down to ZMW44,558.53 as at 31 December 2023. The active engagements with the defaulters yielded positive results recording huge recoveries as reported. The Board and Secretariat continue to put in proactive measures to mitigate loan exposures which includes accurate assessment of collateral by professional companies and caveating at the Ministry of lands. The use of movable properties as collateral remains an option to be explored, however this will be done in liaison with RTSA to avoid ownership transfer by purported defaulters. The use of Credit Reference Bureau (CRB) for borrower's risk profiling and assessment remain on deck as guided by our loan policy.

CONCLUSION

The Board is pleased to state that going into 2024, despite the current volatile economic condition being experienced in regard to rising cost of living, unstable fuel prices and devastating drought due to climate change which was the worst of its kind caused by El Nino, Nkwazi will continue to rise to the occasion of serving members financial needs.

Further the Credit committee is delighted with the new innovation of the new savings and loans products amongst which is the Energy Solution intended to curb the so often electricity challenges exacerbated by power outages.

We continue to encourage all our members to continue to save more, invest in profitable ventures and borrow wisely for their socio - economic development. The Credit committee will continue to monitor the debt profile and strengthen the cooperative's ability to manage risk.



EDUCATION COMMITTEE REPORT



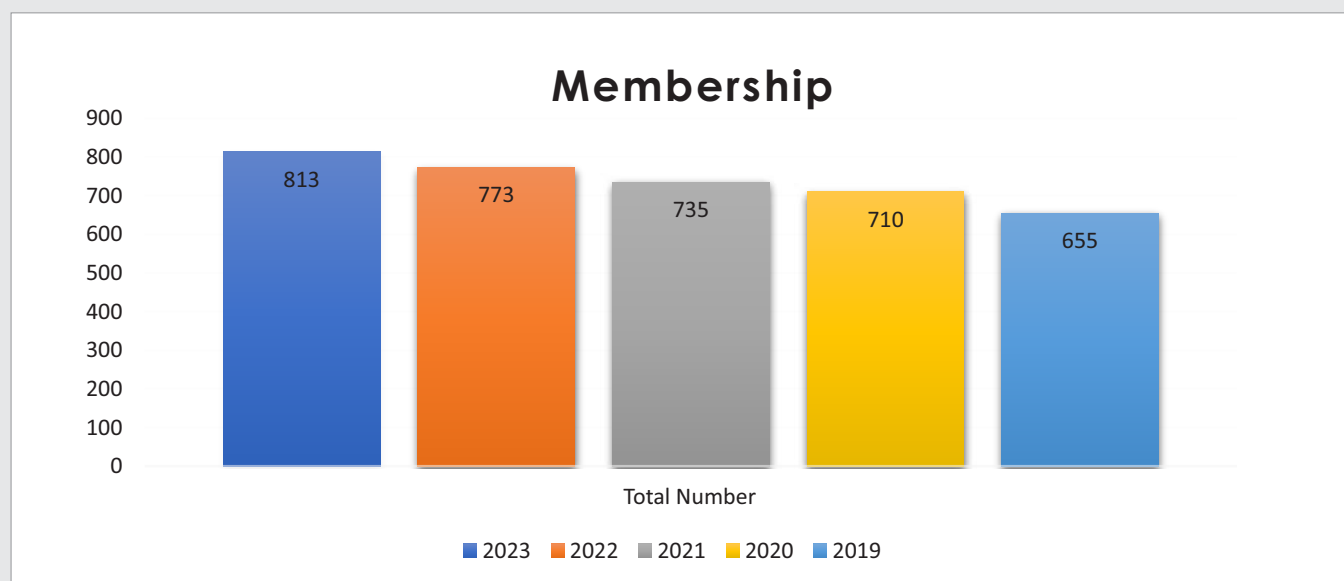
The Education committee is comprised of three board members. In the year under review the office bearers were Vice Chairperson Mr Takudzwa Mwila, Dr Mphatso Mudenda and Mr Joshua Kashitala. The committee is responsible for publicity, education and training programs including recruitment of new member agencies.

Membership statistics

During the period under review, the education committee targeted to increase membership by at least 20% by the end of December 2023. The committee achieved 65% (91/140) of the targeted recruitment for the year (from 773 recorded in 2022 to 813 as of December 2023).

The Cooperative regrets to report a loss of 5 members in deaths during the period under review namely; Mr Nelson Phiri, Ms Catherine Mutamfya, Mr Denson Silavwe, Ms Hope Sibanda and Ms Silvia Maila.

Additionally, the Cooperative had member Savings account closures amounting to ZMW1 million as reported in the credit committee report.



ITEM	ACTIVITY	RESULTS
Newsletters	No newsletter was circulated.	<ul style="list-style-type: none"> Members are encouraged to submit their questions and suggestions on topics they would like to receive information on.
Website Updates	<p>New features were added to the Nkwazi website such as AI for member queries to be attended to quicker.</p> <p>Nkwazi Facebook page was relaunched to register our presence on Facebook.</p>	Ongoing updates made to the website.
Training and Skills Development	Two (2) members of staff attended the Customer Care Training.	<ul style="list-style-type: none"> The overall objective was to enhance the art of Customer Experience in Organisations and become rare and relevant as individuals.

<p>Training and Skills Development</p>	<p>Two (2) Nkwazi representatives consisting of a Director and staff Member attended the 2024 Southern Africa Savings and Credit Cooperative Organizations (SACCO) Regional forum facilitated by Africa Confederation of Cooperative Saving and Credit Association (ACCOSCA).</p>	<ul style="list-style-type: none"> •The training highlighted good customer service traits and elements of service excellence. •The overall objective was to empower SACCOs to deploy innovative, compliant, and inclusive growth strategies for more significant impact in the communities. The roadmap included equipping SACCOs with the necessary tools and strategies to drive sustainable and impactful growth in their communities. <p>This forum provided an opportunity for knowledge sharing with other SACCOS around the region on patinate issue that affect Nkwazi as it operates in a SACCO environment such as:</p> <ul style="list-style-type: none"> •Developing leadership that fosters sustainable growth of Cooperatives. • Creating innovative products to offer members that remain in line with the key principles and values under which the SACCO movement was born. • Membership growth strategies. • The impact in existing as a collective and how the government fits in etc. <p>Through the knowledge acquired, the committee is looking forward to reinforce Nkwazi values as a SACCO in the way we operate by making 'a Member' key through excellent customer service.</p>
<p>Survey</p>	<p>Surveys were carried out to get opinions on member suggestions including the new loan products that were launched. Members are encouraged to participate to assist in improving our service delivery.</p>	<p>Feedback was given and utmost consideration was granted to satisfy the members and aid in the growth of the Cooperative.</p>

MEMBER RECRUITMENTS

The Education Committee is pleased with the success achieved in increasing the total membership for the Cooperative as this increases Capital for the Cooperative.

With presentations conducted to on board new agencies, we managed to sign Memorandum of Understanding with 2 agencies; Compassion and WEEFFECT.

CONCLUSION

The Education committee is pleased with the steady growth in membership over the years and continues to work on means of maximising members in the already existing agencies.

As stated in the Cooperative strategy, the committee targets to recruit 20% new members for this year through on boarding new agencies.

The committee targets to strengthening communication with members through quarterly virtual interaction and surveys.

The committee will enhance Nkwazi Public social image through social responsibility activities such as donations and participation in national events

MINUTES OF THE 25TH ANNUAL GENERAL MEETING



Location: : Radison Blu Hotel and Virtual

Type of meeting: 25th Annual General Meeting

Date: 25th March, 2023

Directors Present:

1. Mr. Eda M Lifuka
2. Ms. Getrude Mwenya
3. Mr. Simate Simate
4. Mr. Chibuna Muteto
5. Ms. Doreen M Zulu
6. Mr. Joshua Kashitala
7. Mr. Takudzwa Mwila
8. Ms. Kashiya M Chabala

Chairperson
Vice Chairperson
Treasurer
Secretary
Board Member
Board Member
Board Member
Board Member

Absentees

1. Dr. Mphatso Mudenda Board Member

Secretariat Present

1. Mr. Timothy Ngoma Manager
2. Mr. David Mwamba Senior Accountant
3. Ms. Audrey N Bwalya Accountant
4. Ms. Malilwe M Mulendema Senior Credit Officer
5. Ms. Caroline Mwila Credit Officer
6. Ms. Jane M Malama Customer Experience Advisor
7. Mr. Enock Mwata General Service Assistant

Invited Guests

1. Mr. Kennedy Mbuzi Officer – Department of Co-operatives
2. Mr. Ngosa Mumba NASCU
3. Representative Ministry of Small and Medium Enterprise
4. Representative UNZALARU Cooperative
5. Representative Prudential
6. Mr. Tanaka Tapfumaneyi Corpserve Zambia
7. Mr. Setfree Nkhoma Corpserve Zambia
8. Mr. James Ndhlovu Corpserve Zambia

Members Present

Attached addendum (i)

Agenda

1. Opening remarks by the Chairperson.
 2. Reading and adoption of the proposed Agenda.
 3. Remarks by the Registrar of Co-operative Societies.
 4. Reading and approval of prior Annual General Meeting (AGM) minutes.
 5. To receive and consider the Chairperson's report.
 6. To receive and consider the Treasurer's and Audited Financial Statements for Year Ended 31st December 2022.
 7. Adoption of the Reports.
 8. Appointment of Auditors for the year to 31st December 2023.
 9. Adoption and consideration of motions brought to the meeting.
 10. Pronouncement of retiring Board members and Election of Chairperson, Vice Chairperson, Secretary and Treasurer.
- Any other Business



1. CONVENING OF MEETING AND OPENING REMARKS

The Secretary Mr. Chibuna Muteto officially called the meeting to order at 09:30hrs. The Secretary welcomed everyone present acknowledging the presence of the registrar of Cooperatives Mr. Evans Kapekele, Nkwazi Cooperative Chairperson Mrs. Eda M Lifuka, the Cooperative bankers Stanbic and FNB representatives as well as representatives from apex body NASCU, and representatives from invited Cooperatives. He further invited the Board Chairperson to offer her welcoming remarks.

The Chairperson, Mrs. Eda Lifuka in her welcoming remarks thanked everyone attending the meeting both physically and virtually and encouraged everyone to participate in the deliberations.



2. READING ADOPTION OF THE PROPOSED AGENDA

The Board Secretary Mr. Chibuna Muteto proposed the meeting agenda for adoption. This was seconded by chairperson emeritus Mr. Ferzio Mampwe.



3. REMARKS BY THE REGISTRAR OF CO-OPERATIVE SOCIETIES

Mr. Kennedy Mbuzi acting on behalf of the Registrar of cooperatives extended his gratitude for the invitation and thanked everyone for attending the AGM., He further stated that he was delighted to see the consistency demonstrated by Nkwazi Cooperative not only in its financial performance, but also for the timely holding of AGMs. He added that it was a challenge for many cooperatives to conduct AGMs resulting in the majority of them postponing or failing to schedule such important meetings.

The registrar noted that Nkwazi Cooperative membership has been growing which was a sign that the Cooperative was doing well with membership standing at 700 plus members. He hoped that the numbers could be grown further and contribute towards attaining a financial literate society and country as a whole.

The registrar briefly informed the meeting on some changes at the registrar of cooperatives adding that, the department had transitioned to full automation of cooperative registration process in a bid to cut down on the use of paper and promote a sustainable green environment. In the same vein, the registrar was pleased to learn that Nkwazi Cooperative was also in the process of transitioning to a new accounting system which could allow members to check statements online. He congratulated the Cooperative stating that not so many cooperatives are proficient with the use of information technology.

In his closing remarks, the registrar said that cooperatives play a vital role in society as they provide means for cheaper access to finance and also contribute to developing a culture of savings, of which for many years has been a foreign language to a lot of people. Mr. Mbuji concluded his speech by informing the meeting the theme for 2023 Financial Literacy week which was, "Plan your Money, Plant your Future".



4.0 READING AND APPROVAL OF PRIOR AGM MINUTES

The Board Secretary led the meeting by going through the minutes of the prior AGM page by page. With no matters arising, the Secretary proposed for the minutes to be adopted as a true and fair record of the previous AGM. This was seconded by Mr Aaron Mvula.



5. TO RECEIVE AND CONSIDER THE CHAIRPERSON'S REPORT

In her report, the Chairperson, Mrs. Eda M Lifuka recognized the presence of the representative from the Ministry of Small and Medium Enterprise (SME), the Registrar of Cooperatives, past board members, invited guests from; First National Bank and Stanbic Bank, Nkwazi Cooperative Evergreen Auditors, the National Association of Savings and Credit Union (NASCU), Care Cooperative and UNZALARU Cooperative, distinguished members of the Cooperative, the Board of Directors, and last but not the least, the staff of Nkwazi Cooperative.

The Chairperson Mrs. Eda M Lifuka informed the meeting that this was her first report as Board Chairperson for the Cooperative after religiously serving the Cooperative as a Board Member in various capacities for over 5 years. She further stated that she was looking forward to the important deliberations regarding the business of the cooperative.

Mrs. Eda M Lifuka provided a brief summary on both global and economic commentaries. She mentioned that global economic activity had been volatile since the resurgence of Covid-19 and Russia's invasion of Ukraine leading to a broad-based and sharper than expected economic slowdown with higher inflation compared to previous decades that would result to a global growth projection decline from 3.2 percent recorded in 2022 to 2.7 percent expected in 2023. She further added that despite the gains recorded locally by the new dawn administration, the local economy could not be sustained owing to the effects of the Russia-Ukraine war and the change in the fuel pricing mechanism that it took a stall on the Zambian economy resulting to inflation remaining above set targets of

6% - 8%. After she concluded the economic commentaries, the chairperson proceeded to present to the meeting key highlights of the successes and challenges of the cooperative for the reporting period under review. These were as follows:

Key Achievements

- Good financial performance recording a 16% revenue growth.
- Declared and paid interest on savings to members amounting to ZMW6.8 million compared to ZMW5.4 million for the previous year 2021.
- Migration to new loans module (WESE), an electronic platform enabling members to view online statement and reduce on the use of paper.
- Compile and launch of strategic report for the cooperative spanning over a period of four years 2022 – 2026.

Challenges

- Slowed membership growth .
- Members leaving the Cooperative due to loss of employment owing to projects closing.
- Increased withdraws from savings arising as a threat from competitors who promise high returns
- Low interest rate of 15% capped on loans over loan tenor.
- Accommodating members who moved to organizations where Nkwazi Cooperative have no memorandum of understanding.

The Chairperson concluded her report by stating that the Cooperative looked forward to yet another business environment offering an opportunity to serve its members the best way possible. She added that 2023 would be about bringing more products to suit the members needs and also the Cooperative been available to the members. She further informed the meeting that the Cooperative was anticipating to have an increase in loans uptake owing to the changes in the macroeconomic environment not only in the country but the world at large. In closing, the Chairperson stated that she was confident that the Secretariat working with the Board was ready and equal to the task and will deliver positive results going into 2023.

6. To receive and consider the Treasure's Report and Audited Financial Statements for the Year Ended 31st December 2022

The Treasurer, Mr. Simate Simate presented his report beginning with a comment on both global and local economic performance. His report highlighted that global growth was expected to decelerate sharply to 1.7 percent in 2023, the third weakest pace of growth in nearly three decades overshadowed only by the global recessions caused by the pandemic and the global financial crisis.

He further went on to mention that the drop of 1.3 percentage points was below previous forecasts, which would reflect synchronous policy tightening aimed at containing very high inflation, worsening financial conditions, and continued disruptions from the Russian Federation's invasion of Ukraine. The meeting was further informed that the United States, Europe, and China were all undergoing a period of pronounced weakness in their respective economies.

On the local economy, the Treasurer informed the meeting that GDP in 2022 grew by 4.0% compared to a 3.1% in 2021 underpinned by recovery in the mining, tourism, and manufacturing sectors. In relation to the exchange rates, the treasurer reported that the local currency experienced stability against the US dollar in the first half of 2022 and appreciated by over 10 percent compared to the prior year.

The Treasurer also informed the meeting on credit conditions highlighting a loose lending criterion which was linked to household, small and medium enterprises (SMEs) as well as large corporations



which was mainly attributed to improved market liquidity and enhanced drawdown following the approval of an IMF Expanded Credit Facility in August 2022 and appreciation of the Kwacha against the US dollar. He stated that the introduction of new loan products on the market for households, SMEs and large corporates also contributed to the increase in the demand for credit. The Treasurer informed the meeting that interest rates were reported to have been high as the Monetary Policy Rate was maintained at 9.0 percent by the Bank of Zambia. The Treasurer summarized the performance of Nkwazi Cooperative as follows:

- Revenue increased to ZMW16.7 million compared to ZMW14.27 million in the prior year representing a 17.2% increase. This was as a result of increased diversified investments which included Government Securities and Fixed Term deposit.
- Profit increased to ZMW5.32 million from ZMW3.95 million posted in 2021. The increase was attributed to increase in investments in Financial Instruments.
- Asset weight stood at 53% Loans, 43% Financial Investments, 2% Cash and 2% office Building. Total asset size grew by 18.8% closing at ZMW113.0 million from ZMW95.1 million recorded in 2021.

In his closing remarks, the Treasurer provided an outlook for 2023, stating that Inflation was projected to increase and remain above 6-8 target range. He added that this was in sharp contrast to earlier projections in November, 2022 that showed that inflation would return to the target range in 2024. The Treasurer informed the meeting that inflation was now projected to average 11.1 percent in 2023 compared to the November, 2022 forecast of 8.5 percent. Mr. Simate reported that the factors underlying the forecast included the rapid depreciation of the Kwacha against the US dollar, anticipated increase in electricity tariffs to cost reflective levels, and the possible reduction in maize production due to bad weather and army worms crop infestation.

Credit Committee Report

The Credit committee report was presented by Mrs. Doreen Zulu. Outlined in the report was an increase in gross Loan disbursed of 4% with 1065 loans processed compared to 931 recorded in 2021. Equally, Mrs. Zulu reported that there was a notable increase of 3% in the net amount paid.

The meeting was informed that net loans amounting to ZMW47.8 million were disbursed compared to ZMW44.2 million in the prior year. The attendees were further informed that all the loan classes recorded increase from prior year disbursements.

The meeting was informed that the Cooperative issued a total of ZMW106.0 million loans in the year 2022 compared to ZMW102.0 million in 2021 representing a 3% increase.

Mrs. Zulu further informed the meeting that there was good performance in the management of debtors and collections. She reported that a total of ZMW337,000 was collected in the year 2022, reducing the bad debt balance from ZMW492,000 to ZMW154,000. Mrs. Zulu further informed the meeting that credit controls were being enhanced which included title caveating and professional collateral assessments. Further the meeting was informed that DCP statements use had continued to help in risk assessments and mitigation.

In her closing remarks the acting Credit Chairperson stated that despite volatile economic condition being experienced, Nkwazi will continue to rise to the occasion of serving members financial needs. Further, she informed the meeting that the Credit committee was delighted with the new innovation of two loans products Nkwazi loan and Energy loan intended to curb the so often electricity challenges exacerbated by power outages.



Education Committee Report

The education committee report was presented by Mr Joshua Kashitala who informed the meeting that the Cooperative recorded a slight increase in membership closing the year with 773 members up by 5% compared to the previous year of 735 members.

He further informed the meeting that the committee managed to conduct five activities providing details on each of the activities as summarised below

- The Committee circulated two newsletters of which one included a success story. Bulletins were equally sent out.
- Nkwazi Cooperative website was upgraded with members able to chat with Secretariat on an active chat online.
- Surveys were carried out to get opinions on member suggestions.
- Directors and members of staff attended training facilitated by SACCO apex body National Savings and Credit Union (NASCU)
- The committee worked with the board and staff to ensure that a strategic report was revised and finalized for the Cooperative.

In his closing remarks, Mr Kashitala informed the meeting that the Education committee was pleased with the steady growth in membership over the years and would continue to work on means of maximizing members in the already existing agencies. He further said that the committee would also focus on new agency recruitments.

7. Adoption of Reports

With the Auditor being absent for the meeting, the treasurer Mr Simate Simate read the unqualified audit opinion on the Financial Statements for the Financial Year ended 31 December 2022.

The Secretary read out agenda item number 7; adoption of reports. The adoption of the reports was proposed by Mr Chibuna Muteto seconded by Mr. Thomas Mupashi and Mr Joseph Mukopamali.

8. Appointment of Auditors


Upon deliberations of available options, the meeting resolved to retain the current Auditors D&G for the year 2023. Further, it was resolved that more information and quotations should be brought forward in the next Annual General Meeting for consideration by the members regarding change of auditors.

Matters Arising from the Annual General Meeting

- 1) Retaining or Changing Auditors – This was part of the motions received and members were to vote on the matter. However, Mr Clive Mulumba raised a matter regarding the vetting process of the auditing firms. He stated that a summarized presentation on the quotations obtained from the auditor should be presented to the members before a vote can be made. He proposed that at the next AGM, the board and management should present to the AGM information with three columns showing audit firm name, experience and fees.

On the same matter, Mr Aaron Mvula wanted to know what the initials D&G stood for, responding to Mr Aaron Mvula's question on the initials, chairperson emeritus Mr Ferzio Mampwe stated that the letters D&G was just a business name which may not necessarily need to be interpreted as companies usually have different names. He added that going that route would entail defining names 'for all the audit firms.

On the same matter, Ms Elizabeth Chisala enquired of what the Nkwazi by-laws stipulated as regards to change of auditors. She further asked of the tenor stipulated in the by-laws.



Responding to her query, the treasurer Mr. Simate Simate informed the meeting that, in practice, it was prudent to change auditors every 5 – 7 years. He further went on to quote section 7.03 of the existing Nkwazi by-laws which states that Auditors will be appointed on an annual basis by the AGM on terms and conditions to be set by the board and agreed by the two third parties concerned. He added that D&G had been auditors for Nkwazi for the past four (4) year, and 2023 would mark year five (5).

Having concluded deliberations on retaining/changing auditors, the Treasurer then presented quotations from three different auditors namely Noland, Baker tilly and the current auditor D&G. He further stated that the decision to appoint auditors was solely for the AGM in accordance with the existing by-laws.

Adding to the Treasurer's response, the chairperson emeritus Mr. Richard Musukuma stated that every year, the issue of auditors comes up and it has been the same sentiments. He alluded non satisfactory closure of the matter to outdated by-laws stating that the by-laws were done a long time ago and contained many lacunas which needed redress.

Going by the divergent views from members on the matter, it was concluded that the motion to change auditors be removed and the current auditors be maintained for the year 2023. However, it was agreed that in the next AGM, sufficient information would be presented to assist the general meeting in making informed decisions on the auditor appointment.

- 2) Nkwazi Loan and Virtual Meeting – The chairperson emeritus Mr Ferzio Mampwe wanted to find out the interest rate to be applied on the Nkwazi loan once launched, He also enquired whether there was need to continue using the virtual option for AGMs considering that the covid pandemic had eased off.

Responding to the query, the Secretary Mr. Chibuna Muteto informed the meeting that the new loan proposal was part of the motions on which members would vote on during the AGM. He proceeded to respond to the second query regarding the use of online platforms for the meeting. The Secretary informed the meeting that they were members residing outside Lusaka or constrained in one way or the other, but wished to listen to the proceedings of the AGM. It was for that reason that the online option had been maintained.

- 3) Increased withdraws and liabilities: Mr Clive Mulumba congratulated the board and management for the work done and a good performance reported. He however expressed concerns over the rushed manner the AGM was been conducted., He further mentioned that the supremacy of Nkwazi Cooperative is the members and therefore, members should be allowed to ask questions.

He further enquired on the ZMW18,400 audit fee payable seeking clarity if this was the audit fees for the year. Mr. Mulumba also enquired on the method used for gratuity, pay as you earn (PAYE) and also reasons for the provision for bad debt. In concluding his submissions, he added that there was need to find out reasons for the increasing withdraws from savings.

Responding to Mr Mulumba's query, the Treasurer Mr. Simate Simate informed the meeting that the amount ZMW18,400 shown as audit fees payable was a balance from the total audit fees of ZMW46,000 which were charged for the year 2022, adding that an initial advance payment of ZMW27,600 was paid to the auditor resulting in a balance payable of ZMW18,400. The Treasurer further informed the meeting that gratuity was computed in accordance with the employment code of 2019.He explained that the noticeable increase in the gratuities payable

was as a result of salaries increments in the year 2022. The treasurer further added that PAYE was relating to the month of December 2022 which is due for remittance to Zambia Revenue Authority in the following month January 2023.

Responding to the query on the provision for bad debt, the Manager Mr. Timothy Ngoma informed the meeting that the provision for bad debt was in line with accounting standards IFRS 9, which requires a lifetime expected credit loss to be recognised when there are significant increases in credit risk since initial recognition. The manager further added that the provision is not a realised loss but only a hedge against future losses.

The Chairperson Mrs. Eda M Lifuka, apologised to the general membership for seemingly rushing the meeting adding that time allocated by the venue owner was running out as the AGM convened late. The Chairperson however, assured the membership that every concern raised was noted and the board would act and resolve the matters.

- 4) AGM matters not addressed – Mr Tom Sakala expressed concerns that year in and out boards were not listening to member's raised issues., He stated that in the prior AGM, a motion was passed to have all loans insured, however nothing was done about it. He further added that similarly, a member had requested on the meaning of the initials D&G and nothing has been done about it. Mr. Sakala explained that t D&G had a meaning which could be checked at Pacra.

Responding to Mr Daka's concern, the chairperson emeritus Mr Musukuma raised a point of correction to Mr Daka's concern clarifying that in the prior AGM the matter of insurance was brought to a vote via a motion that a 1% insurance cost be introduced on all loans to be borne by the borrower. However, the members objected to the motion

- 5) High interest charges – Mr Ignatius Zulu raised a matter that Nkwazi was charging very high interest rates on the loans like commercial banks compared to what the vision of the founders of the cooperative had in 1997. He asked the board the way forward because the interest rate was very high compared to what it was in 1997.

Responding to Mr Zulu's question, the Chairperson Mrs Eda M Lifuka stated that the interest rates the cooperative charge of 15% per annum simple interest could not be compared to the bank interest which is in the range 27% to 30% worse off the interest charged by the loan shacks in the range of 50%. Mrs Lifuka further added that Nkwazi started in 1997 in comparison to today, a lot of things had changed and commodity prices had gone up. She added that there was need to ensure that the cooperative was also sustainable.

- 6) Loan repayment period – Ms Angela Mulenga enquired about loan repayment period adding that the two years was a short period which was discouraging people to join the Cooperative. She further suggested that insurance should be reconsidered and be put as an option to safeguard loan default risks.

- 7) By-Laws revision –Chairperson Emeritus Mr Richard Musukuma added that the Interest rates used on loans should not be a standard interest rate applied to all loan products, however, the cooperative should look at developing more products that have varied interest rates. Mr. Musukuma added that it was necessary that the EGM is held so that by-laws are revised in order to give room for such new product innovation.

Adding to the matter raised by Mr Musukuma, Mr Thomas Mupashi echoed the sentiment, stating that interest design should factor in the cooperative sustainability and meeting the member's needs., He informed the meeting that the Cooperative needed to come up with more products that would bring revenue to the Cooperative while balancing member needs.



9. Adoption and consideration of motions brought to the meeting.

The Secretary Mr. Chibuna Muteto informed the meeting that there were three motions received, first motion was retaining D&G as the Cooperatives Auditors for the Financial Year 2023, Second motion was to introduce new loans products which have extended repayment period and the third motion was to set up an investment committee considering that the cooperative asset base had grown.

First Motion – Retaining the auditors or change

A third majority of the members in attendance voted in favor of retaining the auditors D&G Management consulting for the year 2023.

Second motion – Development of loan products with longer tenors

A third majority of the members in attendance voted in favor of developing new loan products that would offer members an extended repayment period beyond two years.

Third motion – Establishing investment committee

A third majority of the members in attendance voted against the establishment of the proposed investment committee. This was premised on the limited information presented regarding the motion.

10. Pronouncement of retiring Board members.

There were no retiring board members during the 25th Annual General Meeting.

Continuing Board

There were no new members elected to the board. However, there was a change in the Vice Chairperson position, Ms. Getrude Mwenya tenor as Vice Chairperson came to an end and opted to move to the credit committee. This resulted in Mr. Takudzwa Mwila expressing interest in the position and was an opposed. The changed board composition was as follows;

- | | |
|-------------------------|--------------------|
| 1) Ms. Eda Lifuka | – Chairperson |
| 2) Mr. Takudzwa Mwila | – Vice Chairperson |
| 3) Mr. Simate Simate | – Treasurer |
| 4) Mr. Chibuna Muteto | – Secretary |
| 5) Ms. Getrude Mwenya | – Board Member |
| 6) Ms Kashiya M Chabala | – Board Member |
| 7) Ms Doreen Zulu | – Board Member |
| 8) Mr Joshua Kashitala | – Board Member |
| 9) Ms Mphatso Mudenda | – Board Member |

11. Any other business

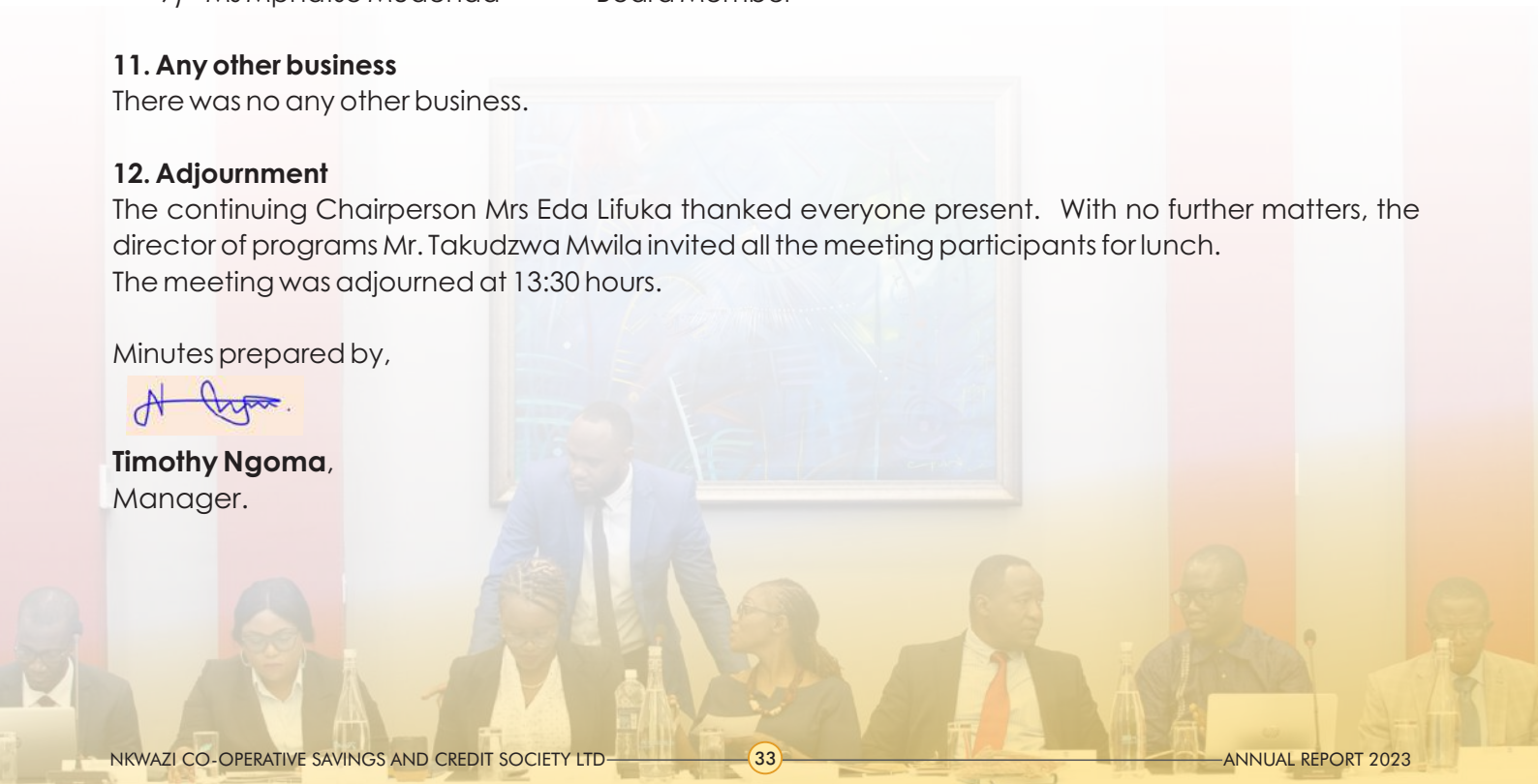
There was no any other business.

12. Adjournment

The continuing Chairperson Mrs Eda Lifuka thanked everyone present. With no further matters, the director of programs Mr. Takudzwa Mwila invited all the meeting participants for lunch. The meeting was adjourned at 13:30 hours.

Minutes prepared by,

Timothy Ngoma,
Manager.



ADDENDUM (I)

Attendees

No	Name	Institution	No	Name	Institution
1	Angela Mulenga	EUROPEAN UNION	48	Royd Katongo	STATE
2	Ellen Mwiinga	FHI360	49	Moses Katwamba	STATE
3	Rosalia Daka	JHPIEGO	50	Africa Sakala	STATE
4	Jacquelin Makupa	JHPIEGO	51	Joseph Kulanguluka	STATE
5	Bennie Ncube	JHPIEGO	52	Edward Mulenga	STATE
6	Mundia Mupeta	JICA	53	Aaron Mvula	STATE
7	Clive Mulumba	JSH	54	Biko Soko	STATE
8	Kennedy Ndemena	JSI	55	Chrispine Moono	STATE
9	Justine Lubinda	MEHARRY	56	Ignatius Zulu	STATE
10	Musonda Chitambo	MEHARRY	57	Linda Phiri	STATE
11	Christine Muyawala	OTHERS	58	Sepiso Mukelabai	STATE
12	Misheck Tembo	OTHERS	59	Alice Musonda	STATE
13	Esther Pandawe	OTHERS	60	Isaac Zimba	STATE
14	Blandish Kombole	OTHERS	61	Memory Mwila	STATE
15	Annie Nyirenda	OTHERS	62	Levi Mbulo	STATE
16	James Zyambo	OTHERS	63	Mecha Mbewe	STATE
17	Martha Ndhlovu	OTHERS	64	Laima Chilama	STATE
18	Sarah Shankwaya	PATH	65	Geoffrey Mwanda	STATE
19	Chabu C. Kangale	PATH	66	Munalula Munalula	STATE
20	Bertha Mpundu	PATH	67	Terrence Simfukwe	STATE
21	Henry Chilufya	PEACECORPS	68	Miracle Gondwe	STATE
22	David Chiwisa	PEACECORPS	69	Mukopamali Joseph	STATE
23	Stewart Kakoma	STATE	70	Richard Musukuma	STATE
24	Abayi Kaseke	STATE	71	Angela Banda	STATE
25	Bridget Sakala	STATE	72	Rose Lungnu	STATE
26	Geoffrey Munsongo	STATE	73	Edward Jere	STATE
27	Clement Chilufya	STATE	74	Clavel Malama	STATE
28	Jackson Mulevu	STATE	75	Boyd Mwale	STATE
29	Chellah Maybin	STATE	76	Mainza Handila	STATE
30	Elizabeth Zulu	STATE	77	Tuyu chishimba	STATE
31	Charles Lyama	STATE	78	Abraham Zulu	STATE
32	Mubanga Chileshe	STATE	79	Dennis Sakala	STATE
33	Delilah Mwila	STATE	80	Blackson Gwai	STATE
34	Thomas Mupashi	STATE	81	Mwansa Mordegay	STATE
35	Charity Nkula	STATE	82	Kabungo George	STATE
36	Shachibonda Kasanda	STATE	83	Ferzio Mamapwe	STATE
37	Kamiji Mulyata	STATE	84	Milion Lungu	STATE
38	Tom Sakala	STATE	85	Kabungo Kachelo	STATE
39	Peya Chihubwe	STATE	86	Judith Mwansa	STATE
40	David Makalicha	STATE	87	Paxina Koloko	STATE
41	Tifo Njuka	STATE	88	Jackson Msimuko	STATE
42	Moses Mbewe	STATE	89	Belinda Bwalya	STATE
43	Sheilah Ibrahim	STATE	90	Chipo Tembo	STATE
44	Emmanuel Mapulanga	STATE	91	Emmanuel Mackay	STATE
45	Kapembwa Bwali	STATE	92	Elizabeth Chisala	STATE
46	Bianca Mupeta	STATE	93	Harry Ngoma	STATE
47	Joseph Mpundu	STATE	94	Doreen Muleya	STATE
48	Royd Katongo	STATE	95	Solomon Songoyi	STATE
49	Moses Katwamba	STATE	96	Patrick Simasiku	STATE

GENERAL INFORMATION


Country of incorporation and domicile	Zambia
Nature of business and principal activities	Provision of loan and saving products to its members
Directors	Mrs. Eda Lifuka Ms. Getrude Mwenya Mr. Simate Simate Mr. Chibuna Muteto Mr. Takudzwa Mwila Ms. Kashiya Chabala Mrs. Doreen Zulu Mwansa Mr. Joshua Kashitala Dr. Mphatso Mudenda
Registered office	Plot No 36 Senama Park, Ibex Hill Lusaka
Business address	Plot No 36 Senama Park, Ibex Hill Lusaka
Postal address	P.O Box 50547 Lusaka
Bankers	Standard Chartered Bank Plc First National Bank Limited Stanbic Bank Limited
Secretary	Mr. Chibuna Muteto
Auditors	D&G Management Consultants

NOTICE OF MEETING

Notice is hereby Given that the Annual General Meeting (AGM) of the members of Nkwazi Cooperative Savings and Credit Society Limited will be held in Lusaka on **18th May 2024** at **Radisson Blue Hotel** and virtually, for the following purposes:

1. Opening remarks by the Chairperson.
2. Reading and adoption of the proposed Agenda.
3. Remarks by the Registrar of Co-operative Societies.
4. Reading and approval of prior AGM minutes
5. To receive and consider the Chairperson's report.
6. To receive and consider the Treasurer's and Audited Financial Statements for the year ended 31st December 2023.
7. Adoption of the Reports.
8. Appointment of Auditors for the year ending 31st December 2024.
9. Adoption and consideration of motions brought to the meeting.
10. Election of Chairperson, Vice Chairperson, Secretary and Treasurer.
11. Any other business.

By order of the Board



Mr. Chibuna Mutelo
BOARD SECRETARY

DIRECTORS' REPORT

The Directors have pleasure in submitting their report on the financial statements of Nkwazi Cooperative Savings and Credit Society Limited for the year ended 31 December 2023.

1. Principal Activities

The principal activities of the Cooperative is the provision of loan and saving products to its members.

2. Results

The profit for the year amounted to K7,034,958 (2022: K5,318,459). A dividend of K146,800 was declared during the period under review (2022: K143,400).

3. Directors

The Directors who held office during the year were:

Directors	Position	Committee	Date Elected
Mrs. Eda Lifuka	Chairperson	Executive Committee	May 2021
Ms. Mr. Takudzwa Mwila	Vice Chairperson	Education Committee	May 2021
Mr. Simate Simate	Treasurer	Executive Committee	May 2021
Mr. Chibuna Muteto	Secretary	Executive Committee	May 2021
Mr. Getrude Mwenya	Board Member	Credit Committee	May 2021
Ms. Kashiya Chabala	Board Member	Credit Committee	May 2021
Mrs. Doreen Zulu	Board Member	Credit Committee	May 2022
Mr. Joshua Kashitala	Board Member	Education Committee	May 2022
Dr. Mpatso Mudenda	Board Member	Education Committee	May 2022

In accordance with the By-Laws of the Cooperative, two Board Members are due to retire at the next Annual General Meeting (AGM) and elections will be held to fill the vacancies

4. Share capital

The Cooperative is owned by the employees of various Non-governmental organizations in Zambia. The share capital of the Cooperative is as shown below

	2023	2022
Ordinary shares, valued at K50 per 200 shares (K10,000) for each member	K7,646,450	K7,438,696

The increase in ordinary shares was mainly due to share revaluation.

	Number of Members 2023	Value of Shares 2023	Number of Members 2022	Value of Shares 2022
Fully Paid Up Members	742	7,373,754	717	7,170,000
Partially Paid Members	45	268,696	45	268,696
	787	7,642,450	762	7,438,696

DIRECTORS' REPORT

5. Capital Expenditure

Capital expenditure for the year amounted to K382,712 (2022: K426,552).

In the opinion of the Directors, the fair values of land, buildings, property, plant and equipment are not less than the amounts at which they are included in the financial statements.

6. Employees

The average number of employees during the financial year under review was 7 (2022: 7). The total remuneration paid to the employees during the year was K2,879,943 (2022: K2,466,961).

7. Corporate Governance

The Cooperative continues to commit itself to achieving high standards of corporate governance by adhering to the two key elements of supervision or monitoring and ensuring accountability.

The Board consists of nine Non-Executive Directors. The Manager who is the head of management at the Cooperative is an ex-official of the Board. The roles of Chairman of the Board and Manager are clearly defined.

The Board of Directors confirms that the Cooperative complied with all internal control requirements and practices as part of good corporate governance. They also confirm that the Cooperative does not have an internal audit department or audit committee because of its size. However, there are strong internal controls such as segregation of duties for approvals relating to credit, accounting, and payment transactions.

The Board meets at least four times a year and concerns itself with key matters and the responsibility of implementing the Cooperative's strategy is delegated to management. There is open communication between management and board members.

The financial statements have been prepared in accordance with the Zambia and International Financial Reporting Standards (IFRS) and comply with the Cooperative Act of 1998.

The Board understands its role and relationship with the members of the Cooperative. It acknowledges that its role is to promote the interests of members and recognizes that it is accountable to the members for the performance of the Cooperative.

8. Events after reporting period


The Directors are not aware of any material matters or events which occurred between the accounting date and the date of this report which might influence an assessment of the Cooperative's financial position or the results of its operations.

9. Terms of appointment of the auditors

D&G Management Consultants were appointed as the cooperative's auditors at the general meeting held on . Included in profit for the year is the agreed auditors' remuneration of K51,980.

The financial statements set out on pages 10 to 31, which have been prepared on the going concern basis, were approved by the Board of Directors on 25th March 2024, and were signed on its behalf by:

By Order of the Board



Mrs. Eda Lifuka
Chairperson



Mr. Simate Simate
Treasurer

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The Directors are required in terms of the Cooperative Act of 1998 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the cooperative as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal controls established by the cooperative and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the cooperative and all employees are required to maintain the highest ethical standards in ensuring the cooperative's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the cooperative is on identifying, assessing, managing and monitoring all known forms of risk across the cooperative. While operating risk cannot be fully eliminated, the cooperative endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal controls can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Cooperative's cash flow forecast for the year to 31 December 2024 and, in light of this review and the current financial position, they are satisfied that the Cooperative has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Cooperative's financial statements. The financial statements have been examined by the cooperative's external auditors and their report is presented on pages 7 to 9.

The financial statements set out on pages 10 to 31, which have been prepared on the going concern basis, were approved by the Board of Directors on 25th March 2024 and were signed on their behalf by:

By Order of the Board



Mrs. Eda Lifuka
Chairperson



Mr. Simate Simate
Treasurer

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Nkwazi Cooperative Savings and Credit Society Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nkwazi Cooperative Savings and Credit Society Limited (the company) set out on pages 11 to 31, which comprise the statement of financial position as at 31 December 2023, 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 present fairly, in all material respects, the financial position of Nkwazi Cooperative Savings and Credit Society Limited as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Co-operative Act of Zambia.

Basis for Opinion

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

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1, 3 and 4A) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Zambia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Zambia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Nkwazi Cooperative Savings and Credit Society Limited financial statements for the year ended 31 December 2023", which includes the Directors' Report and the Audit Committee's Report as required by the Co-operative Act of Zambia. The other information 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 an audit opinion or any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT

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 the Directors for the Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing the company'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 company 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

INDEPENDENT AUDITOR'S REPORT

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

Report on Other Legal and Regulatory Requirements

In accordance with the Societies Act, we report that, in our opinion the required accounting records, other records and registers have been properly kept and that Nkwazi Savings and Credit Cooperative Society has complied with all the relevant provisions in accordance with the Act.

The engagement partner on the audit resulting in this independent auditor's report is;



D & G Management Consultants
Chartered Accountants



Dr. Clement Mugala, FZICA
Partner
Member's Practicing Certificate Number: AUD/F000895
Partner Signing on Behalf of the Firm

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Figures in Zambian Kwacha	Notes	2023	2022
Revenue		9,917,958	8,612,119
Other operating income		9,983,189	8,108,663
Other operating gains (losses)	15	297,074	-
Other operating expenses		(4,705,600)	(4,779,287)
Operating profit		15,492,621	11,941,495
Interest Costs	14	(8,457,663)	(6,624,236)
Profit for the year		7,034,958	5,317,259
Total comprehensive income for the year		7,034,958	5,317,259
Included in the profit of K7,034,958 (2022: K5,317,259) as distributed below:			
10% - Reserves		703,496	531,173
20% - Investments		1,406,992	1,063,452
70% - Member equity growth		4,924,471	3,722,081
Members Dividends		146,400	143,400

STATEMENT OF FINANCIAL POSITION

Figures in Zambian Kwacha

Notes

2023

2022

Assets

Non-Current Assets

Property, plant and equipment	2	2,107,957	2,218,96
Government Securities Bonds and Treasury Bills	3	29,061,470	34,478,654
Investment in shares	4	-	77,150
		31,169,427	36,774,773

Current Assets

Trade and other receivables	5	75,254,355	60,628,294
Government Securities Bonds and Treasury Bills	3	10,746,637	3,997,080
Cash and cash equivalents	6	12,329,465	11,742,450
		98,330,457	76,367,824

Total Assets

		129,499,884	113,142,597
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Equity and Liabilities

Equity

Share capital	7	7,646,450	7,438,696
Reserves		11,914,275	8,655,116
Retained income		14,639,630	10,397,310
		34,200,355	26,491,122

Liabilities

Non-Current Liabilities

Member's Deposits	9	89,450,137	82,233,868
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Current Liabilities

Trade and other payables	10	815,095	690,626
Dividend payable	11	146,800	143,400
Interest accrued	12	4,887,497	3,583,581
		5,849,392	4,417,607

Total Liabilities

		95,299,529	86,651,475
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Total Equity and Liabilities

		129,499,884	113,142,597
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STATEMENT OF CHANGES IN EQUITY

Figures in Zambian Kwacha	Share capital	Investment Funds	Equity Sharing	Reserve Fund	Total Reserves	Retained income	Total Equity
Balance at 1 January 2022	7,253,593	877,921	2,733,414	1,234,731	4,846,066	5,080,051	17,179,710
Profit for the year	-	-	-	-	-	5,317,259	5,317,259
Other comprehensive income	-	(877,921)	-	-	(877,921)	-	(877,921)
Total comprehensive income for the year	-	(877,921)	-	-	(877,921)	5,317,259	4,439,338
Transfer between reserves	185,103	1,666,962	2,548,339	471,670	4,686,971	-	4,872,074
Total contributions by and distributions to owners of company recognised directly in equity	185,103	1,666,962	2,548,339	471,670	4,686,971	-	4,872,074
Balance at 1 January 2023	7,438,696	1,666,962	5,281,753	1,706,401	8,655,116	7,531,856	23,625,668
Profit for the year	-	-	-	-	-	7,034,958	7,034,958
Other comprehensive income	-	(1,666,962)	(5,281,753)	-	(6,948,715)	-	(6,948,715)
Total comprehensive income for the year	-	(1,666,962)	(5,281,753)	-	(6,948,715)	7,034,958	86,243
Transfer between reserves	207,754	1,666,962	8,540,912	-	10,207,874	-	10,415,628
Prior year adjustment-(Investment written off)	-	-	-	-	-	72,816	72,816
Total contributions by and distributions to owners of company recognised directly in equity	207,754	1,666,962	8,540,912	-	10,207,874	72,816	10,488,444
Balance at 31 December 2023	7,646,450	1,666,962	8,540,912	1,706,401	11,914,275	14,639,630	34,200,355

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STATEMENT OF CASH FLOWS

Figures in Zambian Kwacha	Note(s)	2023	2022
Cash flows from operating activities			
Cash (used in)/generated from operations	16	2,906,090	16,398,088
Interest Costs		(8,457,663)	(6,624,236)
Net cash from operating activities		(5,551,573)	9,773,852
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(382,712)	(426,552)
Sale of property, plant and equipment	2	52,026	-
Movements in Government Securities	3	(1,332,373)	(17,012,145)
Purchase of investment in shares		-	(57,150)
Sale of investment in shares		77,150	-
Net cash from investing activities		(1,585,909)	(17,495,847)
Cash flows from financing activities			
Revaluation of shares	7	207,754	185,103
Repayment of borrowings		297,074	-
Movement in Members' Deposits		7,216,269	10,947,547
Movements in dividends		3,400	3,400
Net cash from financing activities		7,724,497	11,136,050
Total cash movement for the year			
		587,015	3,414,055
Cash at the beginning of the year		11,742,450	8,328,395
Total cash at end of the year	6	12,329,465	11,742,450

ACCOUNTING POLICES

Corporate information

Nkwazi Cooperative Savings and Credit Society Limited is a public limited company incorporated and domiciled in Zambia.

The financial statements for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on .

1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Income

Income represents interest earned on loans outstanding from members during the year. The interest is recognized when significant risks and rewards have been transferred to members and no significant uncertainties remain regarding the derivation of consideration and the associated costs. Interest is recognized as it is accrued. Interest from financial investments also forms part of income.

1.2 Borrowing costs

Borrowing costs, being interest payable on loans, are accounted for on an accruals basis. Transaction costs arising on arranging a new financial liability are debited to the liability and amortised over the life of that liability. Borrowing- costs are charged to the income statement for the year in which they are incurred.

1.3 Compound instruments

Short-term interest bearing liabilities include all amounts expected to be repayable within twelve months from the date of the balance sheet, including installments due on loans of longer duration. Long-term interest bearing liabilities represent all amounts repayable more than twelve months from the date of the balance sheet.

1.4 Provisions

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

1.5 Income tax

The Cooperative is exempt from payment of income tax by virtue of the Second Schedule, Part III of the income Tax Act 1966 as amended.

ACCOUNTING POLICES

1.6 Employee benefits

Pension Obligations

The Cooperative contributes to National Pension Scheme Authority (NAPSA) where the Cooperative pays an amount equal to the employee's contributions. Employees contribute 5% of their gross earnings. This is done for new employees (i.e. those who entered employment after the introduction of NAPSA) and also for contract employees. NAPSA is a defined benefit scheme. Membership to NAPSA is compulsory and monthly contributions by both employer and employee are made.

Retirement/Termination Benefits

All employees are entitled to gratuity benefits. Provision is made for past service on the basis of present conditions and earnings. The portion of the provision which is estimated to become payable after more than one year is shown as a deferred liability.

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Cooperative recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Benefits falling due more than 12 months after the balance sheet date are discounted to present value. Contract employees are paid terminal contract gratuity.

1.7 Dividends

Dividends are recognized as liabilities in the financial period in which they are approved by the Board of directors.

ACCOUNTING POLICES

1.8 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Zambian Kwacha, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

In circumstances where the Cooperative receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the company initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, company determines a date of transaction for each payment or receipt of advance consideration.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Zambian Kwacha by applying to the foreign currency amount the exchange rate between the Zambian Kwacha and the foreign currency at the date of the cash flow.

1.9 Property, plant and equipment

Property, plant and equipment are tangible assets which the Cooperative holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Cooperative, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Cooperative and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

ACCOUNTING POLICES

1.9 Property, plant and equipment (continued)

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	5%
Furniture and fixtures	Straight line	33.33%
Motor vehicles	Straight line	25%
Office equipment	Straight line	25%
Computer equipment	Straight line	25%
Computer software	Straight line	25%

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

ACCOUNTING POLICES

1.10 Impairment of assets

Financial Assets Carried at Amortised Cost

The Cooperative assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Cooperative about the following events: significant financial difficulty of the issuer or debtor; a breach of contract, such as a default or delinquency in payments; (a) it becoming probable that the issuer or debtor will enter bankruptcy or other financial arrangements; or (b) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Cooperative, including adverse changes in the payment status of issuers or debtors in the Cooperative or national or local economic conditions that correlate with defaults on the assets in the Cooperative.

The Cooperative first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Cooperative determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on debtors and receivables or held-to-maturity investments, the amount of the loss is measured as the difference between the asset's carrying amount and the present value. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Financial Assets Carried at Fair Value

The Cooperative assesses at each balance sheet date whether there is objective evidence that an available-for-sale financial asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not subsequently reversed.

The impairment loss is reversed through the income statement, if in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

ACCOUNTING POLICES

Impairment of Non-Financial Assets

Assets that have an indefinite useful life, for example land, are not subject to amortisation and are tested annually for impairment. 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

1.10 Impairment of assets (continued)

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).

1.11 Investments in associates

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

ACCOUNTING POLICES

1.12 Financial instruments

The Cooperative classifies its investments into the following categories: financial assets at fair value through profit or loss, debtors and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Financial Assets at Fair Value Through Income

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial asset is classified into the 'financial assets at fair value through income' category at inception if acquired principally for the purpose of selling in the short-term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by management.

Financial assets designated as at fair value through profit or loss at inception are those that are:
(a) held in internal funds to match investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
(b). managed and whose performance is evaluated on a fair value basis. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit or loss.

Debtors and Other Receivables

Debtors and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Cooperative intends to sell in the short-term or that it has designated as at fair value through income or available for sale. Debtors and receivables are recognised at fair value, less provision for impairment. A provision for impairment of debtors and receivables is established when there is objective evidence that the Cooperative will not be able to collect all amounts due according to their original terms.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments, balances held with banks. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents.

Held-to-Maturity Financial Assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of debtors and receivables that the Cooperative's management has the positive intention and ability to hold-to-maturity. These assets are recognised at fair value, less provision for impairment. A provision for impairment is established when there is objective evidence that the Cooperative will not be able to collect all amounts due according to their original terms.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value. Debtors and receivables and held-to-maturity financial assets are carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available for sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as net realised gains or losses on financial assets. Interest on available-for-sale securities is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised.

ACCOUNTING POLICES

1.12 Financial instruments (continued)

in the income statement when the Cooperative's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Cooperative establishes fair value by using valuation techniques.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Cooperative has also transferred substantially all risks and rewards of ownership.

1.13 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 21.

1.14 Revenue from contracts with customers

The company recognises revenue from the following major sources:

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

ACCOUNTING POLICES

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

Figures in Zambian Kwacha

2023

2022

2. Property, plant and equipment

Reconciliation of property, plant and equipment

	Buildings	Furniture and fixtures	Motor vehicles	Office equipment	Total
Cost					
At 1 January 2022	1,628,504	156,705	59,786	1,022,381	2,867,376
Additions	-	57,860	319,731	48,961	426,552
At 31 December 2022	1,628,504	214,565	379,517	1,071,342	3,293,928
Additions	-	6,930	293,189	82,593	382,712
Disposals and scrappings	-	-	-	(52,026)	(52,026)
At 31 December 2023	1,628,504	221,495	672,706	1,101,909	3,624,614
Depreciation and impairment					
At 1 January 2022	(93,151)	(148,371)	(59,786)	(523,175)	(824,483)
Depreciation	(70,193)	(15,577)	(34,550)	(130,156)	(250,476)
At 31 December 2022	(163,344)	(163,948)	(94,336)	(653,331)	(1,074,959)
Depreciation	(85,680)	(24,970)	(138,047)	(193,001)	(441,698)
At 31 December 2023	(249,024)	(188,918)	(232,383)	(846,332)	(1,516,657)
Carrying amount					
Cost	1,628,504	214,565	379,517	1,071,342	3,293,928
Accumulated depreciation and impairment	(163,344)	(163,948)	(94,336)	(653,331)	(1,074,959)
At 31 December 2022	1,465,160	50,617	285,181	418,011	2,218,969
Cost	1,628,504	221,495	672,706	1,101,909	3,624,614
Accumulated depreciation and impairment	(249,024)	(188,918)	(232,383)	(846,332)	(1,516,657)
At 31 December 2023	1,379,480	32,577	440,323	255,577	2,107,957

3. Government Securities Bonds and Treasury Bills

Government Bonds	29,061,470	34,478,654
Treasury Bills	10,746,637	3,997,080
Total Investment	39,808,107	38,475,734
Non-current assets	29,061,470	34,478,654
Current assets	10,746,637	3,997,080
	39,808,107	38,475,734

NOTES TO THE FINANCIAL STATEMENTS

Figures in Zambian Kwacha 2023 2022

4. Investment in shares

Shares in public stocks	-	77,150
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There were no movements in financial instruments during the year under review.

5. Trade and other receivables

Trade receivables	65,783,055	60,375,248
Provision for bad debts	(1,114,561)	(1,021,752)
Trade receivables at amortised cost	64,668,494	59,353,496
Amount receivable for ZAMEFA shares	-	19,160
Prepayments	141,750	181,400
Interest Receivable from Investments	10,433,955	1,059,096
Other receivable	10,156	15,142
Total trade and other receivables	75,254,355	60,628,294

Loans to members are repayable in periods ranging from 6 to 24 months at an interest rate of 15% per annum.

In accordance with IFRS 9, the Cooperative provided for 1.7% credit loss allowance on the total gross loans as at 31 December 2023.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	4,766,429	3,530,189
Fixed Deposit	-	7,347,066
Short-term fixed deposits - Banc ABC	169,998	865,195
Short-term fixed deposit- Stanbic	3,393,038	-
Short-term fixed deposit - FNB	4,000,000	-
	12,329,465	11,742,450

Short term fixed deposits are held for 365 days.

7. Share capital

Describe any changes in authorised share capital e.g. Conversion to net present value shares.

Issued

Ordinary	7,646,450	7,438,696
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Issued & Fully Paid

At beginning of the year	7,438,696	7,253,593
Net Share Issued	207,754	185,103
	7,646,450	7,438,696

NOTES TO THE FINANCIAL STATEMENTS

Figures in Zambian Kwacha

2023

2022

8. Reserve funds

General Reserve	1,706,401	1,706,401
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Movements during the year were as follows:

At beginning of the year	1,706,401	1,234,731
Transfer from revenue reserves	-	394,520
Prior year adjustment	-	77,150
	1,706,401	1,706,401

9. Member's Deposits

Savings	89,450,137	82,233,868
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Movements during the year were as follows:

At beginning of the year	82,233,868	71,286,321
Net deposits made during the year	7,216,269	10,947,547
	89,450,137	82,233,868

10. Trade and other payables

Other payables	129,612	-
Audit Fees	-	18,400
Personal Levy	-	(53)
Provision for Gratuity	429,879	553,472
Net Pay Payable	-	24,919
National Pension Scheme Authority (NAPSA)	51,980	-
Pay As You Earn (PAYE)	114,892	93,888
Other accrued expenses	32,648	-
Other payables	56,084	-
	815,095	690,626

NOTES TO THE FINANCIAL STATEMENTS

Figures in Zambian Kwacha 2023 2022

11. Dividend payable

Dividend payable	146,800	143,400
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Dividends represent appropriations from revenue reserves for distribution to shareholders based on their shareholding in the Cooperative. Dividends may not be issued when revenue reserves are in negative or when there is negative equity. The movements during the year were as follows:

At beginning of the year	143,400	140,000
Dividends declared during the year	143,400	143,400
Paid during the year	(140,000)	(140,000)
	146,800	143,400

12. Interest accrued

Interest on savings payables	4,887,497	3,583,581
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13. Income

Income for the year is stated after charging the following:

Board Expenses	-	104,750
Depreciation	441,698	277,679
Audit Fees	-	46,000
	441,698	428,429

And after crediting:

Income from Financial Investments	-	7,271,464
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14. Interest Costs

Net foreign exchange (gains) on foreign currency borrowings	-	(99,460)
Interest paid on Members' savings	8,457,663	6,723,696
Total finance costs	8,457,663	6,624,236

The interest expense accrued was previously regarded as dividend declared and payable hence understanding the expenses.

NOTES TO THE FINANCIAL STATEMENTS

Figures in Zambian Kwacha

2023

2022

15. Other operating gains (losses)

Foreign exchange gains (losses)

Translation of foreign borrowings

297,074

-

16. Cash generated from operations

Profit before taxation

7,034,958

5,317,259

Adjustments for:

Depreciation and amortisation

441,698

277,679

Gains on foreign exchange

(297,074)

-

Interest Costs

8,457,663

6,624,236

Other non-cash items 2

466,521

355,281

Changes in working capital:

Trade and other receivables

(14,626,061)

2,636,061

Trade and other payables

124,469

316,786

Interest accrued

1,303,916

870,786

2,906,090

16,398,088

NOTES TO THE FINANCIAL STATEMENTS

17. Risk management

The Directors have overall responsibility for the establishment and oversight of the Cooperative's risk management framework. They are also responsible for developing, managing and monitoring the Cooperative's risk management policies in their specific areas.

The Cooperative's risk management policies are established to identify and analyse the risks faced by the Cooperative, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Cooperative through its training and management standards and procedures aims to develop a disciplined and constructive control environment, in which employees understand their roles and obligations.

Exposure to interest rate and credit risk arises in the normal course of the Cooperative's business.

Currency Risk

The Cooperative is not exposed to currency risk as all its transactions are denominated in Zambian Kwacha.

Interest Risk

The Cooperative is exposed to interest risk as a result of bank balances exposure and the use of a fixed interest rate on loan products.

Credit Risk

Management has a Loan and credit policy in place and exposure to credit risk is managed and monitored on an ongoing basis.

Debtors and other receivables are recognised at fair value, less provision for impairment. A provision for impairment of debtors and other receivables is established when there is objective evidence that the Cooperative will not be able to collect all amounts due according to their original terms.

The directors believe the credit risk of debtors is low. The credit risk is managed by the selective granting of loans to members who save with the Cooperative.

Fair Value Risk

The Cooperative assesses at each balance date, the fair value of its financial assets so that where necessary, impairment of the value of assets is undertaken to bring the value of the asset to its acceptable value. Any losses incurred are recognised in the profit and loss in the year in which they arise.

Liquidity Risk

This is the risk that the Cooperative will not be able to meet its financial obligations as they fall due. The Cooperative's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity (cash or overdraft facility resources) to meet its financial obligations (liabilities) and operating expenses as and when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Cooperative's reputation.

Market Risk

This is the risk that changes in the market conditions, including changes in, selling prices, interest rates and foreign exchange rates will impact the Cooperative's revenues or the value of its holdings of financial instruments. The objective of market risk is to manage and control the market risk exposure within acceptable parameters, while optimising the return on risk.

The Cooperative's main market risk is fluctuations in share prices, bond prices, interest rates and inflation.

NOTES TO THE FINANCIAL STATEMENTS

17. Risk management (continued)

Cashflow Risk

The Cooperative is not exposed to the risk that future cash flows associated with monetary financial instruments will fluctuate in amount.

18. Financial instruments

Exposure to currency, interest rate, credit and liquidity risk arises in the normal course of the Cooperative's business.

Credit risk

Credit risk is the risk of financial loss to the Cooperative if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Cooperative's receivables and cash balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Trade & other receivables	Note		
Cash & Cash Equivalents	8	75,254,355	60,628,294
	9	12,329,465	11,742,450

The bank accounts and short term investments are held with reputable banks.

Impairment losses

The aging of trade receivables (loans) at the reporting date was:

NOTES TO THE FINANCIAL STATEMENTS

18. Financial instruments (continued)

	2023 Gross	2023 Impairment	2022- Gross	2022- Impairment
Neither overdue nor impaired 1 - 30 days	1,762,792	-	410,840	-
Past due 31 - 60 days	5,839,869	-	4,487,917	-
Past due 61 - 90 days	1,695,739	-	343,787	-
Past due over 90 days	56,484,655	(1,114,561)	55,132,703	(1,021,752)
	65,783,055	(1,114,561)	60,375,247	(1,021,752)

Liquidity risk

The following are the contractual maturities of financial Liabilities:

Financial Liabilities	Carrying amount	Contractual cash flow	Within 1 year	2 - 5 years	More than 5 years
Members' deposits	89,450,137	89,450,137	8,555,811	28,002,842	52,891,484
Trade payables	9,360,340	9,360,340	9,360,340	-	-
	98,810,477	98,810,477	17,916,151	28,002,842	52,891,484

Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Cooperative's exposure to the risk of changes in foreign exchange rates relates primarily to the Cooperative's operating activities (when revenue or expense is denominated in a foreign currency).

Currently the foreign currency risk exposure is minimal with low risk to the Cooperative.

19. Related parties

Relationships

Ultimate Controlling Parties

The Cooperative's is owned by local employees of the various institutions based in Zambia as stipulated in its by- laws.

Transaction with Directors and Senior Management

(i) Loan to Directors

Loans were given to directors and qualifying employees on the same terms and conditions as other members of the Cooperative.

(ii) Key Management Personnel Compensation

There were no compensations or remunerations paid to the executive directors and executive officials during the year under review.

NOTES TO THE FINANCIAL STATEMENTS

20. Capital management

The primary objective of the Cooperative's capital management is to ensure that it maintains strong credit record and healthy capital ratios in order to support its business and maximise the Cooperative's value.

The Cooperative manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The company had no borrowings as at year end.

No changes were made in the objectives, policies or processes during the year under review

21. Contingent liabilities

In the opinion of the Directors there were no known contingent liabilities as at 31 December 2023 and 2022 that might change the status of the financial statements, or require disclosure separately.

22. Capital Commitments

There were no capital commitments approved by the Board of Directors as at 31 December 2022 and 2022 respectively.

DETAILED INCOME STATEMENT

Figures in Zambian Kwacha

Note(s)

2023

2022

Interest Income

Commodity Loan		478,873	360,761
Educational Loan		173,854	132,390
Emergency Loan		73,244	41,250
Energy Relief Loan		-	103
Provident Loan		9,191,987	8,077,615
		9,917,958	8,612,119

Other operating income

Change in fair value		-	(1,101)
Interest on financial investments		9,970,989	7,271,464
Loan administration fees		400	229,200
Membership fees		11,800	11,700
Refinancing fees		-	597,400
		9,983,189	8,108,663

Other operating gains (losses)

Foreign exchange gains		297,074	-
Expenses (Refer to page 33)		(4,705,600)	(4,779,287)
Operating profit		15,492,621	11,941,495
Interest Costs	14	(8,457,663)	(6,624,236)
Profit for the year		7,034,958	5,317,259

DETAILED INCOME STATEMENT

Figures in Zambian Kwacha	Notes(s)	2023	2022
Other operating expenses			
Annual general & committee meetings		457,302	234,483
Audit fees		51,980	46,000
Bank charges		48,555	47,068
Board expenses		140,250	104,750
Bad debts		95,823	1,048,021
Computer expenses		-	2,500
Consultancy fees		-	15,000
Depreciation		441,698	277,679
Electricity & water		19,065	17,771
IT expenses		23,889	-
Insurance		-	1,638
Internet & communication expenses		106,928	79,823
Licences		23,359	23,434
Motor vehicle expenses		33,016	33,282
Motor vehicle/genset fuel cost		34,061	25,346
Office expenses		13,750	148,041
Other directors' fees		-	27,000
Other professional fees		-	6,333
Postal box rent		6,600	6,500
Repairs & maintenance		35,486	43,884
Salaries & wages		2,879,943	2,466,961
Secretarial fees		11,516	-
Professional Subscriptions Fees		7,241	-
Security		88,072	101,450
Staff welfare		715	-
Talk Time & Data Allowance		45,874	-
Telephone		3,800	19,870
Staff Training		136,677	2,453
		4,705,600	4,779,287



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