

MUGANGA SAVING AND CREDIT COOPERATIVE

FINANCIAL STATEMENTS AND AUDITORS' REPORT

FOR THE PERIOD ENDED

31 DECEMBER 2023

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I. REPORT ON ACCOUNTS**1. MUGANGA SACCO INFORMATION****BOARD OF DIRECTORS**

NAMES	FUNCTION	ELECTION/APPOINTED DATE
Maj.(Rtd) GASHEREBUKA Jean Damascene	Chairperson	October 28 th 2021
Dr MUHIRE Philbert	Vice chairperson	October 28 th 2021
Dr ABIMANA Deborah	Secretary	October 28 th 2021
MUTONI Diana	Member 1	October 28 th 2021
KAGABO Innocent	Member 2	October 28 th 2021

MEMBERS OF ELECTED SUPERVISORY COMMITTEE

NAMES	FUNCTION	ELECTION/APPOINTED DATE
KARANGWA Fidele	President	November 24 th 2022
NTAGANDA George	Vice Chairperson	October 28 th 2021
BERWA Francoise	Secretary	October 28 th 2021

MEMBERS OF ELECTED CREDIT COMMITTEE

NAMES	FUNCTION	ELECTION/APPOINTED DATE
KAYITASIRE Clarisse	Chairperson	October 28 th 2021
IRAFASHA Jean Pierre	Vice Chairperson	November 24 th 2022
NGARAMBE Jean Paul	Secretary	November 24 th 2022
NIYITEGEKA Beata	Member 1	November 24 th 2022
MUDACUMURA Innocent	Member 2	November 24 th 2022

Note: Some of the members who were elected by the General Assembly of October 28th 2021 were not approved by the National Bank of Rwanda. Members who replaced them were elected by the General Assembly of November 24th 2022.



SENIOR MANAGEMENT TEAM

NAMES	POSITION	QUALIFICATION	TELEPHONE	Email
UWAMBAYINGABIRE Claudine	Director General	MBA-Finance & Banking	0788625325/ 0738625325	claudine@mugang asacco.rw
NZABAMWITA Jean Marie Vianney	Director of Credit	Bachelor Degree in Economics	0788877104/ 0737791224	vianney.nzabamwi ta@mugangasacco .rw
NKUBITO Isaac	Director of Finance & Administration	Bachelor Degree in Management	0788451182/ 0738451182	isaac.nkubito@mu gangasacco.rw
BUGIRIMFURA Jean Paul	Director of Business Development	Bachelor Degree in Economics	0788604651	Jeanpaul.bugirimf ura@mugangasac co.rw
ABIZEYIMANA Victor	Director of ICT	Bachelor in Business Administration	0789032290/ 0725356784	vabizeyimana@m ugangasacco.rw

MUGANGA SACCO ADDRESS

REGISTERED OFFICE

MUGANGA SACCO
KICUKIRO DISTRICT
RWANDA

BANKERS

BNR
BPR Bank PLC
BK PLC
MTN MOMO

AUDITOR

RSK Associate
Certified Public Accountants
KIGALI
P.O.Box:6556 Kigali



2. BACKGROUND

MUGANGA SACCO is a Saving and Credit Cooperative registered with RCA on 24th January 2022 (RCA/0015.2022) and licensed by the National Bank of Rwanda on 25th July 2022,

MUGANGA SACCO is headed by the board of the directors composed by 5 directors elected by the General Assembly of its members. They have also elected two committees which are the credit committee and Audit committee.

The Law No 40/2008 Of 26/08/2008 Providing For the Establishment, Organisation and functioning of microfinance Organisations in Rwanda requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of MUGANGA SACCO as at the end of the financial year and of the operating results of MUGANGA SACCO for that year. It also requires the directors to ensure MUGANGA SACCO keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of MUGANGA SACCO.

They are also responsible for safeguarding the assets of MUGANGA SACCO.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with General Accepted Accounting Principles GAAPs and in a manner required by the law governing the Microfinance institutions. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of MUGANGA SACCO and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the microfinance will not remain a going concern for at least the next twelve months from the date of this statement.

Kigali, on March 28/03/2024

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Maj. (Rtd) GASHEREBUKA Jean Damascene
Board Chairperson

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3. INDEPENDENT AUDITOR'S REPORT

To the Members of MUGANGA SACCO

Opinion;

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MUGANGA SACCO as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with (GAAP).

We have audited the financial statements of the MUGANGA SACCO, which comprise the statement of financial position as at December 31, 2023, and the statement of 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.

Basis for Opinion;

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements in this report. We are independent of the SACCO within the meaning of the code of Ethics for professional Accountants as prescribed by the International Ethics Standards Board for Accountants (IESBA code) and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Going Concern

The SACCO's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the SACCO or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the SACCO's financial statements is appropriate.

Management has not identified a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and accordingly none is disclosed in the financial statements. Based on our audit of the financial statements, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the SACCO's ability to continue as a going concern.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors are responsible for overseeing the SACCO's financial

reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of 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 entity's internal control system.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

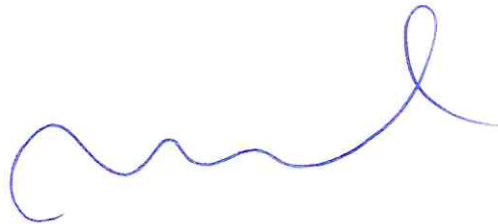
The Companies Act of Rwanda which was promulgated on 27 April 2009 requires that in carrying out our audit, we consider and report to you the following matters. We confirm that:

- i. We have no relationship, interests and debts in the MUGANGA SACCO,

- ii. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- iii. In our opinion, proper books of account have been kept by MUGANGA SACCO, so far as appears from our examination of those books;
- iv. We have communicated to you through the management letter, internal control weaknesses identified in the course of our audit including our recommendations with regard to those matters.

Signed on Behalf of RSK ASSOCIATES LTD by

Kigali, on March 28/03/2024



RSK ASSOCIATES LTD
B.P. 6556 - Kigali
Kigali, Rwanda



4. FINANCIAL STATEMENTS

4.1. STATEMENT OF COMPREHENSIVE INCOME FOR THE ENDED ON 31 DECEMBER 2023

	Notes	31-DEC-2023 Frw	31-DEC-2022 Frw
Interest Income	2	899,774,390	567,858,712
Financial expenses	3	(22,647,054)	(309,050)
NET INTEREST INCOME		877,127,336	567,549,662
Provision for loan losses (PPL)	4	(180,705,668)	(104,165,161)
Provision on loans written off	4	(27,022,809)	(26,856,763)
Recovery on loans	5	166,356,255	53,828,791
Other operating revenue	6	2,203,821	2,705,817
Operating expenses	7	(757,400,721)	(433,209,358)
OPERATING INCOME		80,558,214	59,852,988
Operating profit		80,558,214	59,852,988
Grant Income	8	-	-
Non operating income	9	-	-
Non operating expenses	10	-	(26,803,308)
PROFIT BEFORE TAXATION		80,558,214	33,049,680
TAXATION CHARGE	11	-	-
PROFIT AFTER TAXATION		80,558,214	33,049,680

The financial statements on pages 9 to 13 were approved by the Board of Directors on and were signed on its behalf by:

Kigali, on March 28/03/2024

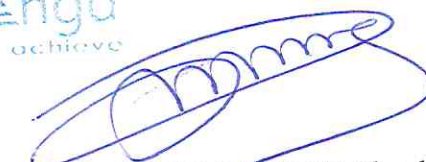


Maj. (Rtd) GASHEREBUKA Jean Damascene

Board Chairperson



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UWAMBAYINGABIRE Claudine

Director General



4.2.STATEMENT OF THE FINANCIAL POSITION

	Notes	2023 Frw	2022 Frw
ASSETS			
Cash in Vaults	12	13,554,300	15,766,725
Current account held in BNR	13	52,692,336	10,106,235
Cash held in Banks and Other Financial Institutions	13	340,460,053	261,829,406
Loans and advances to customers	14.1	3,387,747,552	2,841,003,949
Accrued receivable interest on loans	14.1	52,705,787	-
Provision for loan losses	14.2	(79,333,255)	(57,752,721)
Financial Investments	15	2,677,270,939	2,674,077,222
Equity Investment	16	-	-
Other Assets	17	86,672,975	80,501,153
Property and equipment	18	170,448,761	217,245,779
Intangible Assets	19.1	179,383,257	4,342,718
Intangible Assets in progress	19.2	-	7,268,800
Total Assets		6,881,602,706	6,054,389,266
LIABILITIES			
Customer deposits	20	5,479,076,247	4,987,584,502
Borrowings	21	-	-
Other liabilities	22	267,669,561	79,717,488
Total liabilities		5,746,745,808	5,067,301,990
EQUITY			
Share capital	23	491,977,779	424,766,373
Subsidies	24	-	-
Retained earnings	25	562,320,905	529,271,225
Profit/loss for the year		80,558,214	33,049,680
Total equity		1,134,856,898	987,087,278
Total Liabilities and equity		6,881,602,706	6,054,389,266

The financial statements on pages 9 to 13 were approved by the Board of Directors on and were signed on its behalf by:

Kigali, on March 28/03/2024

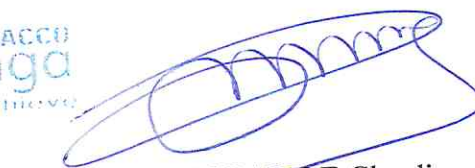


Maj. (Rtd) GASHEREBUKA Jean Damascene

Board Chairperson



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UWAMBAYINGABIRE Claudine

Director General



4.3. STATEMENT OF CHANGE IN EQUITY

	Frw	Frw	Frw
At 01 January 2023	424,766,373	562,320,905	987,087,278
Issue of shares	67,211,406		67,211,406
Additional solidarity funds			0
Comprehensive income for the year		80,558,214	80,558,214
At 31 DECEMBER 2023	491,977,779	642,879,119	1,134,856,898
At 01 January 2022	86,165,054	545,385,044	631,550,098
Issue of shares	338,601,319		338,601,319
Prior year adjustment		-16,113,819	-16,113,819
Comprehensive income for the year		33,049,680	33,049,680
At 31 DECEMBER 2022	424,766,373	562,320,905	987,087,278

The financial statements on pages 9 to 13 were approved by the Board of Directors on and were signed on its behalf by:

Kigali, on March 28/03/2024

G. Gas



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Uwamba

Maj. (Rtd) GASHEREBUKA Jean Damascene
Board Chairperson

UWAMBAYINGABIRE Claudine
Director General



4.4. STATEMENT OF CASH FLOWS FOR YEAR ENDED 31 DECEMBER 2023

	2023	2022
	Rwf	Rwf
Cash flows from operating activities		
Profit for the year before income tax	80,558,214	33,049,680
Adjustment for:		
Depreciation of property and equipment(+)	74,753,284	48,201,923
Provision for losses on loans and advances (+)	21,580,534	57,752,721
Prior year adjustment		
I. Operating profit before changes in operating assets and liabilities	176,892,031	139,004,324
Changes in operating assets and liabilities		
a. Decrease/(increase) in loans and advances	599,449,390	813759136
b. Increase/(decrease) in other assets	6,171,822	-83,628,092
b. Decrease/(increase) in customers deposits	491,491,745	529,509,146
d. Increase/(decrease) in and other payables	187,952,073	54,761,057
II. Cash generated from operations (-a-b+c+d)	250,714,637	-145,860,841
Income tax paid (-)	-	-
Net cash generated from operating activities (I + II)	250,714,637	-6,856,517
Cash flows from investing activities		
Purchase of property and equipment	195,728,003	239,720,235
Adjustment of fixed assets' cost	-	-1,765,870
Financial investment	3,193,717	273,448,198
Proceeds from disposal of property and equipment		-
III. Net cash used in investing activities	198,921,720	511,402,563
Cash flows from financing activities		
Proceeds from issue of shares	67,211,406	338,601,319
Proceeds from long and short term borrowings	-	-
Repayment of borrowings		-
IV. Net cash generated from financing activities	67,211,406	338,601,319
Net increase/(decrease) in cash and cash equivalents (II - III + IV)	119,004,323	-179,657,761
Cash and cash equivalents at the beginning of the year	287,702,366	467,360,127
Cash and cash equivalents at the end of the year	406,706,689	287,702,366

The financial statements on pages 9 to 13 were approved by the Board of Directors on and were signed on its behalf by:

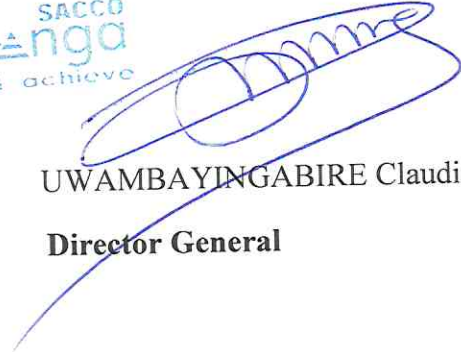
Kigali, on March 28 / 03 / 2024



Maj. (Rtd) GASHEREBUKA Jean Damascene
Board Chairperson



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UWAMBAYINGABIRE Claudine
Director General



4.5. NOTES TO THE FINANCIAL STATEMENTS

1. Incorporation and Activities

MUGANGA SACCO is a Saving and Credit Cooperative registered with RCA on 24th January 2022 (RCA/0015.2022) and licensed by the National Bank of Rwanda on 25th July 2022,

MUGANGA SACCO is headed by the board of the directors composed by 5 directors elected by the General Assembly of its members. They have also elected two committees which are the credit committee and Audit committee.

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements are prepared in compliance with IMF Regulation of BNR. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Rwandan Francs (Frw).

The preparation of financial statements in conformity with BNR requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Going Concern

The financial statements are prepared in accordance with the going concern concept, which assumes that the Bank will continue its operations in the foreseeable future.

Impairment Losses

At each balance sheet date, the bank reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount of the asset is estimated and an impairment loss is recognized in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses where applicable.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the

income statement as an expense when incurred.

Depreciation is charged to the income statement on a declining basis, at the following rates, according to their estimated useful lives.

Furniture, fixtures and fittings	25.0%
Equipment	25.0%
Computers and accessories	50.0%

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and the sales proceeds. Such gains or losses are shown on the income statement in the year in which they arise.

Intangible Assets

Intangible assets are stated at cost less accumulated amortization.

Amortization is charged to the income statement on a straight-line basis designed to write off cost or valuation of assets over their estimated useful lives.

Intangible assets represent computer software licenses.

Functional Currency

MUGANGA SACCO.'s functional currency is the Rwandan Franc, being the currency of the primary economic environment in which it operates and the currency in which accounting records are maintained. The financial statements are presented in Rwandan Francs rounded to the nearest thousand.

Deposits

Deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortized cost using the effective interest method.

Provision for Loan Losses

Provisions have been established for probable loan losses. Provisions are recognized when the MUGANGA SACCO has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made.

The provisions for losses charged to operations are based on management's judgment of current economic conditions, the value of the underlying collateral, and the credit risk of the loan portfolio. Management believes that these allowances are adequate for loan losses inherent in the loan portfolio. While management uses available information to recognize losses on loans, future additions to the allowances may be necessary based on changes in economic conditions.

The National Bank of Rwanda sets out the minimum level of provision required in each case. Under Regulation No. 59/203 of 27-030-2023 on credit classification and provisioning, credit facilities are classified into the following five categories:

- A. Loans with at least one instalment in arrears for at least 30 days: 25%of the outstanding balance due;
- B. Loans with at least one instalment in arrears for at least 90 days: 50%of the outstanding balance due;
- C. Loans with at least one instalment in arrears for at least 180 days:100% of the outstanding balance due.

The bank applies both subjective and objective criteria, in determining the classification of a facility.

Significant departure from the primary source of repayment and modification of credit terms and conditions to cure delinquency shall warrant adverse classification even when the credit facility appears current or up-to-date.

The bank maintains specific provisions for all non- performing credit facilities. All credit facilities classified as Substandard, Doubtful or Loss are subject to specific provisions, regardless of whether the subjective or objective criteria were used in determining classification.

- Loans and overdraft facilities with at least one instalment in arrears for at least 30 days: 25%of the outstanding balance due;
- Loans and overdraft facilities with at least one instalment in arrears for at least 90 days: 50%of the outstanding balance due;
- Loans and overdraft facilities with at least one instalment in arrears for at least 180 days:100% of the outstanding balance due.

The outstanding balance due is equal to the outstanding balance minus, where applicable deposits pledged as a guarantee with the microfinance institution, union or federation by the debtor and the debtor's surety.

A loan with at least one installment in arrears for at least 365 days is deemed non-recoverable. This is also applicable to an overdraft or credit facility not reimbursed after 180 days. A loan considered non-recoverable shall be written off.

Provisions for Other Risks

Provisions are recognized when MUGANGA SACCO has a present legal and constructive obligation as a result of past events, and 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.

Share Capital and Reserves

The MUGANGA SACCO classifies capital instruments as financial liabilities or equity instruments financial assets in accordance with the substance of the contractual terms of the instrument.

Comparative

When necessary, comparative figures are adjusted to conform to changes in presentation in the current Year.

Taxation

Corporate Tax

As a startup Saving and Credit Cooperative MUGANGA SACCO should seek to RRA a waiver to pay corporate income tax for the period of five years counted from its licensing date as provided by the tax law of Rwanda.

Employees benefit

MUGANGA SACCO pays a monthly salary to staff and related regulatory contribution of 5% to the national pension scheme. MUGANGA SACCO ltd and its staff contribute to maternity leave fund for respectively 0.3% per month. Its staff contributes also to CBHI for 0.5% of its net monthly salary.

Subsequent Events

No subsequent event was brought to our attention during audit of financials as at 31st December 2023.

Interest and Similar Income

Interest is recognized in the income statement when it was received. Interest income on lending is taken to income, until in the opinion of management and based on the National Bank of Rwanda's criteria, recovery is doubtful. MUGANGA SACCO recognizes its interest income on a time basis by reference to the principal outstanding.

Financial Assets and Liabilities

Financial assets and liabilities are initially recognized in the bank's statement of financial position at cost using settlement date accounting, when the bank has become a party to the contractual provisions of the instrument. Specific accounting policies adopted by the bank on the financial instruments held as of the balance sheet date are summarized below.

Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, Cash and Cash equivalents comprise balances with less than 90 days maturity from the year end including cash and balance with the other banks of Rwanda, treasury bills and other eligible bills, amounts due from/to banks and trading securities.

Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the bank does not intend to sell immediately or in the near term.

Loans are reported at the principal amount outstanding, net of allowances for loan losses, impairments, and unearned loan fees. All loans and advances are recognized when cash is advanced to borrowers.

Other Financial Instruments

Held to maturity investments

Financial assets with fixed or determinable payments and fixed maturity where the bank has the positive intent and ability to hold to maturity other than loans and receivables originated by the bank are measured at amortized cost.

Available for sale financial assets

Financial assets that are not (a) loans and receivables originated by the bank, (b) held to maturity investments, or (c) financial assets held for trading are measured at their fair values.

Impairment and uncollectibility of financial assets

At the end of each reporting date, all financial assets are subject to review for impairment.

If it is probable that the MUGANGA SACCO will be unable to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held to maturity investments carried at amortized cost, an impairment or bad debt loss has occurred. The carrying amount of the asset is reduced to its estimated recoverable amount either directly or through use of an allowance account. The amount of the loss incurred is included in the income statement for the period.

If a loss on a financial asset carried at fair value (recoverable amount is below original acquisition cost) has been recognized directly in equity and there is no objective evidence that the asset is impaired, the cumulative net loss that had been recognized directly in equity is removed from equity and recognized in the income statement for the period even though the financial asset has not been derecognized.

At the reporting date of 31st December 2022, no risk we noticed on treasury bonds that were

acquired by Muganga Sacco.

Financial Liabilities

After initial recognition, the MUGANGA SACCO measures all financial liabilities including customer deposits other than liabilities held for trading at amortized cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

At the reporting date of 31st December 2023, no financial liability was contracted by Muganga Sacco.

Offsetting

Financial assets and liabilities are offset and stated at the net amount in the balance sheet when there is a legally enforceable right to set off, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2. Interest income

Description	31-DEC-2023	31-DEC-2022
	Frw	Frw
Income on ops with banks & other Financial Inst.	4,484,417	11,533,906
Interest on loan portfolio	364,966,148	193,486,188
Fees & commissions on loan portfolio	60,160,798	41,583,481
Financial revenue from Investment	303,193,717	273,448,198
Other operating income (transaction fees, passbooks, etc.)	166,969,310	62,798,231
TOTAL	<u>899,774,390</u>	<u>582,850,004</u>

3. Financial expense

DESCRIPTION	31-DEC-2023	31-DEC-2022
	Frw	Frw
Interest and fees expenses on deposits/savings	18,761,800	-
interest and fees expenses on borrowings	0	-
Other financial expenses and Commission paid	3,885,254	309,050
Total	<u>22,647,054</u>	<u>309,050</u>



4. Loss on loan portfolio

	31-DEC-2023	31-DEC-2022
	Frw	Frw
DESCRIPTION		
Provision expense for the period	180,705,668	104,165,161
Loan Written off expenses	27,022,809	26,856,763
TOTAL	<u>207,728,477</u>	<u>131,021,924</u>

5. Recovery from loans

During the period 2023, Muganga Sacco recorded the loan provision written back and realized some recovery on written off as shown in the below table.

	31-DEC-2023	31-DEC-2022
	Frw	Frw
DESCRIPTION		
Provisions written back	163,451,496	42,086,078
Recovery from loans written off	2,904,759	4,497,067
Total	<u>166,356,255</u>	<u>46,583,145</u>

6. Other operating income

Muganga Sacco realized some other operating income as shown below:

	31-DEC-2023	31-DEC-2022
	Frw	Frw
DESCRIPTION		
Tendering income	560,000	1,420,000
Other operating income	1,643,821	1,285,817
Total	<u>2,203,821</u>	<u>2,705,817</u>

7. Operating expenses

	31-DEC-2023	31-DEC-2022
	Frw	Frw
DESCRIPTION		
Personnel expenses*	465,813,447	220,270,311
Taxes (other than taxes on profit)	240,000	1,322,370
Office rent and office related expenses	49,896,000	36,354,713
Consultancy services	19,305,292	29,994,486
Other external expenses	28,924,290	22,282,777
Other operating expenses	112,168,518	70,902,150
Vehicle expenses	6,299,890	3,880,628
Depreciation and Amortization expenses	74,753,284	48,201,923
Total	<u>757,400,721</u>	<u>433,209,358</u>

Personnel expenses*:

The personnel expenses were made of:

Description	31-DEC-2023 Frw	31-DEC-2022 Frw
Salaries and wages	249,091,576	125,686,254
Social Security, Employer Contribution	26,688,920	17,201,350
Paye	97,136,273	42,576,099
Staff leave provision	8,980,579	13,321,884
Lump sums	22,603,452	3,767,242
Staff training cost	2,226,326	600,000
Medical insurance	32,481,918	14,624,147
Staff Refreshment fees	-	50,385
Other staff costs	6,425,095	2,442,950
Bonus and allowances	15,570,906	-
Temporary staff salary	4,608,402	-
Total	<u>465,813,447</u>	<u>220,270,311</u>

8. Grant income

During the year 2023, no subsidy was received by Muganga SACCO.

9. Non-operating income

During the year 2023, no non-operating income was received by Muganga SACCO.

10. Non-operating expenses

DESCRIPTION	31-Dec-23 FRW	31-Dec-22 FRW
Provision for fraud	0	26,500,000
Provision on suspense accounts	0	303,308
	<u>0</u>	<u>26,803.308</u>

11. Tax charge

As a startup Saving and Credit Cooperative MUGANGA SACCO obtained from RRA a tax waiver for a period of 5 years counting from 2022.

12. Cash on hand

VAULT	31-DEC-2023 Frw	31-DEC-2022 Frw
	13,554,300	15,766,725
	<u>13,554,300</u>	<u>15,766,725</u>

13. Current account with BNR

BANK NAME	31-DEC-2023 Frw	31-DEC-2022 Frw
BNR	52,692,336	10,106,235
TOTAL CASH WITH BNR	<u>52,692,336</u>	<u>10,106,235</u>

13. Account with banks and other financial institutions**1. Current accounts with banks and other financial institutions**

BANK NAME	31-DEC-2023 Frw	31-DEC-2022 Frw
BPR Bank	1,489,137	4,168,098
Bank of Kigali	342,170	15,879,441
MTN Momo	59,977,291	45,836,704
Total Current accounts	<u>61,808,598</u>	<u>65,884,243</u>

2. Savings accounts

	31-DEC-2023 Frw	31-DEC-2022 Frw
BPR Bank	224,242,090	172,526,744
Bank of Kigali	54,409,365	23,418,419
Total savings and Term deposits	<u>278,651,455</u>	<u>195,945,163</u>
Accrual Receivable Interest		
TOTAL CASH IN BANKS	<u>340,460,053</u>	<u>261,829,406</u>

14. Loan portfolio**14.1. Loan products**

	31-DEC-2023 Frw	31-DEC-2022 Frw
Overdraft & Treasury Loans	22,067,212	33,961,927
Equipment Loans	-	-
Consumer Loans	1,116,392,152	2,583,579,374
Mortgage Loans	252,343,651	-
Others Loans	1,927,984,043	-
Non Performing Loans	68,960,494	223,462,648
Total loans	<u>3,387,747,552</u>	<u>2,841,003,949</u>
Accrued receivable interest on loans	52,705,787	-
Total loans and accrued interest	<u>3,440,453,339</u>	<u>2,841,003,949</u>

14.2. Summary of loan portfolio by class on 31st December 2023

	31-DEC-2023	31-DEC-2022
	Frw	Frw
Current Loans	3,159,322,792	2,521,444,799
Portfolio at risk 1-29 days	159,464,266	96,096,502
Renegotiated Loans current		-
Portfolio at risk 30 to 89 days	19,757,217	91,566,265
Portfolio at risk 90 to 179 days	16,804,464	61,714,997
Overdraft at risk 31 to 90 days	-	1,528,896
Portfolio at risk >=180<365 days	32,398,814	68,169,685
Overdraft at risk >=90 <180days	-	482,805
Renegotiated Loans overdue for 1 day or more		
LOANS OUTSTANDING	<u>3,387,747,552</u>	<u>2,841,003,949</u>
Portfolio At Risk >29 days (NPL)	68,960,494	223,462,648

14.3. Movements of loan provision

	31-DEC-2023	31-DEC-2022
	Frw	Frw
At the start of the period	57,752,721	-
Increase (Decrease) during the year	21,580,534	57,752,721
At 31 December	<u>79,333,255</u>	<u>57,752,721</u>

14.4. Net amount of loan portfolio

	31-DEC-2023	31-DEC-2022
	Frw	Frw
Gross loans and advances	3,387,747,552	2,841,003,949
Accumulated impairment losses	(79,333,255)	-57,752,721
Net loans and advances	<u>3,308,414,297</u>	<u>2,783,251,228</u>

15. Financial investments

	31-DEC-2023	31-DEC-2022
	Frw	Frw
Treasury Bills		-
Treasury bonds	2,677,270,939	2,674,077,222
Other Securities	-	-
Equity Investments	-	0
Non-Performing Securities	-	-
Total	<u>2,677,270,939</u>	<u>2,674,077,222</u>

16. Equity investment

Muganga SACCO had no equity investment on 31st December 2023.

17. Other Assets**17.a. Receivables accounts**

	31-DEC-2023 Frw	31-DEC-2022 Frw
Cash guarantee deposited to BNR during licensing process	5,000,000	5,000,000
Cash guarantee on rent of operating building	4,158,000	4,158,000
Amount due by Staff	-	52,500
RSWITCH	10,647,924	-
ASI ENERGY (BULK SMS)	4,531,817	-
Total	<u>24,337,741</u>	<u>9,210,500</u>

17.b. Other assets

This account groups the office supplies which were in stock (not yet used) on 31st December 2023.

DESCRIPTION	31-DEC-2023 Frw	31-DEC-2022 Frw
Stocks	3,284,360	3,645,530
Total	<u>3,284,360</u>	<u>3,645,530</u>

17.c. Prepaid expenses

DESCRIPTION	31-DEC-2023 Frw	31-DEC-2022 Frw
Prepaid medical insurance	26,517,839	21,616,655
ADFINANCE/Prepayment software maintenance	-	212,000
LA PALISSE HOTEL/Prepayment sport	-	145,000
SPELMAN ESTATES (RWANDA) LIMITED / Rent	-	16,632,000
SANLAM/Vehicle insurance	590,637	600,949
Prepaid tax/withholding tax	1,162,882	789,519
Money insurance/SONARWA	672,526	-
Vehicle fuel	192,384	-
AOS WEB mail hosting	186,366	-
Total	<u>29,322,634</u>	<u>39,996,123</u>

17.d Suspense Account

DESCRIPTION	<u>31-DEC-2023</u> Frw	<u>31-DEC-2022</u> Frw
<u>Loan regularisation/Difference d'inventaire</u>	<u>29,728,240</u>	<u>27,649,000</u>
<u>Suspense account</u>	-	<u>0</u>

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Total	29,728,240	27,649,000
Total (17.a + 17.b + 17.c + 17.d)	86,672,975	80,501,153

18. Tangible assets (PPE)

COST

DESCRIPTION	IT equipment Frw	Office furnitures Frw	Motor vehicle Frw	Refurbishment/Ins tallations Frw	Total Frw
At 1 January 2023	52,560,600	62,062,909	32,000,000	99,447,976	246,071,485
Additions	6,606,000	1,917,600	-	2,856,000	11,379,600
Disposal	-	-	-	-	-
At 31 Dec. 2023	59,166,600.000	63,980,509	32,000,000	102,303,976	257,451,085

COST

DESCRIPTION	IT equipment Frw	Office furnitures Frw	Motor vehicle Frw	Refurbishment/Ins tallations Frw	Total Frw
At 1 January 2022	10,660,000	2,960,049	-	-	13,620,049
Additions	41,900,600	59,102,860	32,000,000	99,447,975	232,451,435
Disposal	-	-	0	-	-
At 31 Dec. 2022	52,560.600	62,062,909	32,000,000	99,447,975	246,071,484

DEPRECIATION

DESCRIPTION	IT equipment Frw	Office furnitures Frw	Motor vehicle Frw	Refurbishment/Ins tallations Frw	Total Frw
At 1 January 2023	15,317,037	5,724,077	4,515,068	3,269,522	28,825,705
Charge for the year	24,540,905	15,577,458	8,000,000	10,058,255	58,176,619
Disposal	-	0	-	-	0
At 31 Dec. 2023	39,857,942	21,301,535	12,515,068	13,327,778	87,002,324

DEPRECIATION

DESCRIPTION	IT equipment Frw	Office furnitures Frw	Motor vehicle Frw	Refurbishment/Ins tallations Frw	Total Frw
At 1 January 2022	4,981,681	444,694	0	-	5,426,375
Prior year adjustment	(24,845)	(10,683)	-	-	-35,528
Adjusted depreciaiton 2021	4,956,836	434,011	-	-	5,390,847

MUGANGA SACCOAudited Financial Statements for the period from 1st January until 31st DECEMBER 2023

Charge for the year	10,407,163	5,402,830	4,666,669	3,314,933	23,791,594
Adjustment of dep. expenses 2022	(46,962)	-112,764	(151,600)	-45,410	-356,736
Adjusted dep. Expense	10,360,201	5,290,066	4,515,068	3,269,522	23,434,858
At 31 Dec. 2022	<u>15,317,037</u>	<u>5,724,077</u>	<u>4,515,068</u>	<u>3,269,522</u>	<u>28,825,705</u>
NET BOOK VALUE					
At 31 December 2023	<u>19,308,658</u>	<u>,678,974</u>	<u>19,484,932</u>	<u>88,976,198</u>	<u>170,448,761</u>
At 31 December 2022	<u>37,243,563</u>	<u>56,338,832</u>	<u>27,484,932</u>	<u>96,178,454</u>	<u>217,245,780</u>

19. Intangible Assets**19.1. Operating Intangible Assets**

DESCRIPTION	SOFTWARE FRW
COST	
At 1 January 2023	49,534,130
Additions	184,348,403
At 31 December 2023	233,882,533
COST	
At 1 January 2022	51,300,000
Adjustment	-1,765,870
Additions	0
At 31 December 2022	49,534,130
DEPRECIATION	
At 1 January 2023	45,191,412
Charge for the year	9,307,864
At 31 December 2023	54,499,276
DEPRECIATION	
At 1 January 2022	4,275,000
Adjustment of depreciation 2021	16,149,347
Audited dep. Amount 2021	20,424,347
At 31 Dec. 2022	24,767,065
At 31 December 2022	45,191,412

NET BOOK VALUE

At 31 December 2023

179,383,257

At 31 December 2022

4,342,718

19.2. Intangible assets in progress

DESCRIPTION	31-DEC-2023 Frw	31-DEC-2022 Frw
Asset in progress	-	7,268,800
Total	-	<u>7,268,800</u>

20. Customer deposits

DESCRIPTION	31-DEC-2023 Frw	31-DEC-2022 Frw
Demand Deposits	384,895,146	107,625,027
Compulsory savings	5,075,351,901	4,697,909,934
Voluntary saving accounts	67,400	-
Total	5,460,314,447	4,805,534,961
Accrued payable interest on saving accounts	18,761,800	-
Total deposits & accrued interest	<u>5,479,076,247</u>	<u>4,805,534,961</u>

21. Borrowings

No borrowing was contracted within Muganga SACCO system during the financial year 2023.

22. Payables and other liabilities

Those are composed of different items reported in the following table:

	31-DEC-2023 Frw	31-DEC-2022 Frw
Credit Solidarity Fund	16,417,083	15,633,262
Due to Government*	15,354,805	9,761,794
Other liabilities*	88,097,200	42,972,882
Other payables/accrual expenses*	12,264,928	10,864,550
Suspense account	1,537,388	485,000
Deposits in transit*	133,998,158	182,049,541
Total	<u>267,669,561</u>	<u>261,767,029</u>

*The deposits in transit were made of:

	31-DEC-2023 Frw	31-DEC-2022 Frw
UNCREDITED DEPOSITS FROM 01MARCH2021*	103,513,903	67,368,668

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Adjustment of BNR Balance on 31-12-2023	30,484,255	587,467
Adjustment of BPR Bank (Current) Balance on 31-12-2022	-	2,655,680
Adjustment of BPR Bank (saving) Balance on 31-12-2022	-	110,702,338
Suspense on term deposits takeover	-	735,388
TOTAL	<u>133,998,158</u>	<u>182,049,541</u>

Other liabilities*

	31-DEC-2023	31-DEC-2022
	Frw	Frw
ADFINANCE	0	8,854,130
NEHEMIE	0	600,000
OTHER SUPPLIERS	40,681,000	260,000
PRIME LIFE INSURANCE	0	3,037,614
NON MEMBER'S DEDUCTIONS TO REFUND	7,757,770	6,267,610
Entraide minisante	0	62,000
Staff charges (LEAVE PROVISION)	20,241,029	13,321,884
Staff bonus	15,570,906	0
AOS LTD	2,454,495	1,663,932
Debit card(Rswitch) transactions clearing Account	430,000	0
AIRTEL	0	1,170,000
FPR	962,000	0
Total	<u>88,097,200</u>	<u>35,237,169</u>

Accrued expenses*

	31-DEC-2023	31-DEC-2022
	Frw	Frw
Audit fees	4,720,000	4,720,000
Legal service	862,500	862,500
RENT service charge	165,000	165,000
security charges / ISCO	890,310	937,392
Electricity cost	381,033	838,387
It cost / INTERNET CONNECTION	1,504,000	1,504,000
It cost / CALL CENTER	34,500	34,500
RSWITCH/Debit card mgt fees	515,668	0
Tax advisor	352,941	352,941
Other expenses (CRB,Courier, USSD,Deposit insurance,videography)	2,838,976	1,610,611
Total	<u>12,264,928</u>	<u>11,025,329</u>

MUGANGA SACCOAudited Financial Statements for the period from 1st January until 31st DECEMBER 2023**23. Share capital**

CAPITAL PAID UP	31-DEC-2023	31-DEC-2022
	Frw	Frw
Balance on 1.1.2022	424,766,373	86,165,054
Acquisition new shares	67,211,406	338,601,319
Value at the end of the year	<u>491,977,779</u>	<u>424,766,373</u>

24. Subsidies

No subsidy was received by Muganga SACCO during the financial year 2023.

25. Retained earnings

DESCRIPTION	31-DEC-2023	31-DEC-2022
	Frw	Frw
		0
Balance as at 1st January	562,320,905	545,385,044
Adjustment of depreciation 2021	-	(16,113,819)
Profit of the year	80,558,214	33,049,680
RETAINED PROFIT 31ST DECEMBER	<u>642,879,119</u>	<u>562,320,905</u>

26. Written off loans

DESCRIPTION	31-DEC-2023	31-DEC-2022
	Frw	Frw
Written-Off Loans (Cumulated)	<u>53,879,572</u>	<u>35,329,919</u>
CLOSING BALANCE	<u>53,879,572</u>	<u>35,329,919</u>

II. COMPLIANCE WITH LAWS AND REGULATION

6.1. Governance of the SACCO

The SACCO has put in place three committees in order to assure its good governance the Board of Directors, the Supervisory committee and the credit committee. The Board of Directors and the credit committee hold their meetings on a regular basis.

The SACCO has a tender committee composed of staff members instead of members elected from the General Assembly.

6.2 Compliance with other laws

MUGANGA SACCO complied with laws concerning tax payment and social security funds contribution for its employees. The payment is made on time and adequately.

6.3. Respect of prudential norms

PRUDENTIAL NORM	December 31,2023	December 31,2022
NPL-Ratio (max. 5%)	2.04%	7.87%
Capital Adequacy Ratio (Min. 15%; Art. 6 of Reg. 60/2023 governing prudential norms for deposit-taking microfinance cooperatives.	16.49%	16.30%
Liquidity ratio (min. 30%, art. 3 of Reg. 60/2023 governing prudential norms for deposit taking microfinance cooperatives.	56.48%	61.63%
Non-recoverable loan ratio (max. 10%)	1.57%	1.18%
Transformation ratio (Max. 80%, Art. 14 of Reg. 60/2023 governing prudential norms for deposit taking MFI)	61.83%	47.55%
Investment in fixed assets (Max. 50% of core capital. Art.6 of Reg. 60/2023 governing prudential norms for deposit taking MFI.	30.83%	22.00%
Single loan to total deposits (max. 2.5%)	0.33%	0.50%
Single guarantee or loan to net worth (max. 10%)	1.66%	2.53%

General comment:

From the above table, we note that at the end of the year 2023, Muganga SACCO was complying with all key performance ratios as computed in the above table.