



THE SACCO SOCIETIES REGULATORY AUTHORITY (SASRA)

Our Ref: SASRA/700/CS.4217/N-WDT/VOL. VI (23)

The Chairman, Board of Directors,
Co-operative Bank Regulated NWDT Sacco Society Limited,
P. O Box 48231- 00100,
NAIROBI.

Dear Madam,

RE: APPROVAL AND OBSERVATIONS OF THE AUTHORITY ON THE SACCO'S AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2025

The Authority has considered the SACCO's audited financial statements for the year ended 31st December 2025 for approval pursuant to provisions of Section 41 of the Sacco's Societies Act, 2008 as read with Reg. 56 of the Sacco Societies (Non-Deposit-Taking Sacco Business) Regulations, 2020.

The Board of Directors and the management of the SACCO are responsible for the preparation and fair presentation of the Audited Financial Statements of the SACCO in accordance with Section 40 of the Act and in accordance with IFRS, and for such internal control system as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error and takes responsibility for the same.

The External Auditor was responsible for auditing the said financial statements of the SACCO in accordance with Section 44 of the said Act as read with Reg. 57 of the aforesaid Regulations, and to give reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue auditor's report thereon.

The Authority makes the following observations on the said Audited Financial Statements on the basis of the Authority's statutory mandate of on-site and off-site supervision of the SACCO.

1. The audited financial statements fairly comply with Reg. 56(2) of the said Regulations subject to the External Auditor's opinion, in respect of the level of disclosures required.
2. The loans to deposits ratio stood at 136.8%, indicating significant liquidity pressure on the SACCO Society's business operations. This position has necessitated reliance on costly external borrowings to sustain lending activities. The SACCO Board of directors and Management are advised to come up with liquidity management strategies including

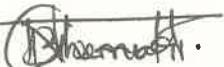


review of loan products features with high liquidity demand to ensure sufficient internal funds for business operation.

3. The SACCO Society's Statement of Cash Flows reflects persistent negative net cash flows from operating activities amounting to negative Kshs 71.8 million in 2025 and Kshs 125.6 million in 2024. This indicates that cash outflows from operations consistently exceeded cash inflows, a situation that, if not addressed, may result in liquidity constraints. In 2025, the SACCO Society mobilized Kshs 536.1 million in member deposits and Kshs 694.2 million from operating receipts. However, these inflows were insufficient to fund loan disbursements totaling Kshs 787.1 million, member rebates amounting to Kshs 404.4 million, and payments to employees and suppliers of Kshs 109.7 million, demonstrating a mismatch between funding sources and cash outflows. The Board of Directors and Management are therefore advised to come up with cash flow management strategies aimed at reversing this trend and ensuring the maintenance of adequate cash reserves to meet short-term obligations.
4. The Authority takes cognizance of the issues raised by the external auditor in the Management Letter with specific reference to adoption of IFRS 9 Financial Risk management, loans issues, Shortcomings in management Information System, previous year's recommendations among others. These are pertinent concerns, and the Authority shall be monitoring how each of the recommendations and matters raised are addressed and implemented.
5. The Authority advises the board to ensure that the members of the SACCO are adequately informed on the SACCO's financial performance, including the regulatory concerns raised therein.

Subject to the foregoing observations and the auditor's opinion on the said audited financial statements, the Authority hereby approves the same for publication and presentation to the Annual General Meeting. The Authority may publish on its website, the approved Audited Financial Statements of the SACCO Society, together with requisite letter of approval and observations on the Audited Financial Statements, as approved in law.

Yours faithfully,



Norah Biomndo

For: Ag. Chief Executive Officer

CC: **The Chief Executive Officer,**
Co-operative Bank Regulated NWDT Sacco Society Limited,
P. O Box 48231- 00100,
NAIROBI.

DK Wambua & Associates,
Certified Public Accountants,
P.O Box 5957-00100,
NAIROBI.