UNITED CIVIL SERVANTS SACCO LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

UNITED CIVIL SERVANTS SACCO LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

GENERAL INFORMATION

United Civil Servants Savings and Credit Cooperatives Society (SACCO) Limited is a Cooperative Society registered under the Cooperative Societies Act, 1998 and regulated by the Financial Services Act, 2010 and Financial Cooperative Act 2011 to promote and engage in the social-economic status by mobilizing savings and offering easy access to affordable financial services. The registered office of the Cooperative throughout the year was situtaed in Mzuzu, P.O. Box 294, Mzuzu. The SACCO has twenty (20) branches and eight (8) satellite centers.

The financial statements present the financial position and performance of the Cooperative. The financial statements present the financial position and performance of USC SACCO Limited referred to as the Cooperative. When reference is made to the Cooperative in the accounting policies, it should be interpreted as also referring to the Cooperative where the context applies unless otherwise noted.

REGISTERED OFFICE
Thukuta House
Opposite Reserve Bank
P.O. Box 294
Mzuzu

AUDITOR
AuditConsult
Chartered Accountants (Malawi)
Brown & Clapperton House
Kirk Road
P.O Box 31033
Lilongwe

BANKERS
FDH Bank Plc
National Bank of Malawi Plc
Centenary Bank Malawi
Standard Bank Plc
NBS Bank Plc
First Capital Bank Plc

ATTORNEYS
CHRAM Associates
P.O. Box 239
Opposite Grand Palace Hotel
Mzuzu

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The Financial Statements are Expressed in Malawi Kwacha ("K").

UNITED CIVIL SERVANTS SACCO LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2025

The directors have pleasure in submitting their report together with the annual financial statements of United Civil Servants SACCO Limited which comprise statements of financial position together with the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year ended 31 December 2025.

Business
United Civil Servants Savings and Credit Cooperatives Society (SACCO) Limited is a Cooperative Society registered under the Cooperative Societies Act, 1998 and regulated by the Financial Services Act, 2010 and Financial Cooperative Act 2011 to promote and engage in the social-economic status by mobilizing savings and offering easy access to affordable financial services.

The objectives of the Cooperative are to:

- Acquire funds through share contribution and acceptance of deposits from members;
- Encourage thrift savings and member shares by providing means whereby such savings may receive a market rate of interest and competitive rate dividend;
- Provide relief to members in need by enabling them to obtain loans for productive and provident purposes at competitive interest rates and terms of repayment;
- Obtain loans from MUSCCO and any other registered institution if desirable, with due regard to the provisions of section 43 of the Cooperative Act No 36 1998.
- Educate its members in the management and control of money;
- Develop a sense of reliance in its members;
- Develop a sense of honesty and responsibility in its members; and
- Arouse interest in community development and its self-help programme.

The core activities of the Cooperative are saving and credit services to its members.

Financial performance

The results and state of affairs of United Civil Servants SACCO Limited are set out in the accompanying statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements. The Cooperative posted a profit of K14.9 billion (2024: K11.2 billion) in the year under review. Operating income increased by 43% to K 26 billion (2024: 54% to K18.2 billion) resulting from an increase in loan book by K13.7 billion (2024: K14 billion)

The Cooperative was well capitalised and had adequate capital to carry on the business of the SACCO.

Dividend

During the year, the directors paid a dividend of K3.1 billion (2024: K2 billion). Subsequent to the year end, the directors recommended a dividend of K4.6 billion for the year 2025.

Directors

The following directors served in office during the year:

Name	Role	Duration
Mr. Fretcher Mhango	Chairperson	3 months as a Vice Chairperson and 9 months to 31 December 2025 as a Chairperson.
Mrs. Maggie Mwakabanga	Vice Chairperson	Throughout the year.
Mr. Mussa Soko	Treasurer	3 months as a member and 9 months to 31 December 2025 as a Treasurer.
Mrs. Eddah Manda	Secretary	3 months as a member and 9 months to 31 December 2025 as a Secretary.
Mrs. Stella Golosi	Member	Throughout the year.
Mrs. Brenda Napuntha	Member	9 Months to December 2025
Mr. Pempho Dzoole	Member	9 Months to December 2025
Mr. Francis Nserebo	Member	9 Months to 31 December 2025
Mrs. Monica Banda	Member	9 Months to December 2025
Mr. Francis Waliwa	(CEO) Ex-official	Throughout the year

* Note that all directors are Malawians

Supervisory Committee

Mr. Canaan kabango	Chairperson	Throughout the year
Mrs. Caroline Kadango	Secretary	Throughout the year
Mrs. Alinafe Waya	Member	Throughout the year

AUDITORS

The auditors, AuditConsult, have signified their willingness to continue in office and a resolution is to be proposed at the forthcoming Annual General Meeting in relation to their appointment as auditors in respect of the year ending 31 December 2026

....
BOARD PRESIDENT

....
DIRECTOR

UNITED CIVIL SERVANTS SACCO LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITY
FOR THE YEAR ENDED 31 DECEMBER 2025

The Directors are responsible for the preparation and fair presentation of the financial statements of United Civil Servants SACCO Limited, comprising the statement of financial position at 31 December 2025 , and the statement of profit or loss and other comprehensive income, statements of changes in reserves and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, the IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi and in the manner required by the Financial Cooperatives Act, 2011, of Malawi (the "Act").

The Act also requires the directors to ensure that the Cooperative keeps proper accounting records which disclose with reasonable accuracy at any time the statement of financial position of the Cooperative and ensure that the financial statements comply with the Financial Cooperatives Act, 2011, of Malawi.

In preparing the financial statements, the directors accept responsibility for the following:

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards when preparing financial statements, subject to any material departures being disclosed and explained in the financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume the Cooperative will continue in business.

The directors are also responsible for such internal controls as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The directors' responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors have made an assessment of the Cooperative and Cooperative's ability to continue as a going concern and have a reasonable expectation that the Cooperative has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The directors have made an assessment and they attest to the adequacy of accounting records and effectiveness of the systems of internal controls and effective risk management for the Cooperative.

The external auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the International Financial Reporting Standards (IFRS).

Approval of financial statements

The financial statements of United Civil Servants SACCO Limited were approved by the Board of Directors on 30/03/26 .... and are signed on its behalf by.

By order of the Board

Mhchango ....
BOARD CHAIRPERSON

....
DIRECTOR

AuditConsult

A Correspondent Firm of RSM International

Independent auditor's report

To the Members of United Civil Servants SACCO Limited

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of United Civil Servants SACCO Limited (the Cooperative) as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and the requirements of the Financial Cooperatives Act, 2011 of Malawi.

What we have audited

United Civil Servants SACCO Limited's financial statements set out on pages 9 to 56 comprise:

- the statement of financial position as at 31 December 2025;
- the statement of profit or loss for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include 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* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the SACCO in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Malawi. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits of financial statements in Malawi.

Key audit matters

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

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Email: auditconsult@auditconsult.mw
www.rsmglobal.com/mw

A list of partners' names is available for inspection at the partnership's principal business address above.
VAT reg.no. 30929379

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit loss allowance (ECL) on loans and advances to members	
This key audit matter relates to the financial statements.	Our audit addressed the key audit matter as follows:
The measurement of ECL on loans and advances to members was considered to be a matter of most significance to the current year audit due to the degree of judgement and estimation applied in the ECL determination	We obtained an understanding of the SACCO's business model through discussions with management and assessed the classification of financial instruments against the requirements of IFRS 9. No inconsistencies were identified.
The SACCO applied the three-stage general model in determining its ECL for the current year. In calculating the ECL, the key areas of significant management judgement and estimation included: • the evaluation of significant increase in credit risk ("SICR") for exposure of portfolios with similar risk characteristics. Significant judgement is applied by management in determining the criteria for evaluating SICR; • Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement. Macroeconomic conditions and factors that are expected to impact portfolios or individual counterparty exposure include political risk, inflation, foreign exchange rates and GDP; • Assessment of ECL raised for Stage 3 exposures relate to exposures that are assessed to be credit impaired. The SACCO apply quantitative and qualitative criteria to identify credit impaired exposures; and • Inputs to the ECL calculation which include the probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD").	We assessed the reasonableness of the key areas of significant management judgement and estimation as follows: *Evaluation of SICR* For Stage 1 and 2 loans and advances to members, we inspected member statements of customer payment history and assessed whether the SICR has been appropriately identified through deterioration and improvement of payment ability and whether the loans and advances to members have been appropriately classified as Stage 2 or 3 based on the SICR assessment. *Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement* We assessed the reasonability of industry, macro-economic and forward-looking information used in the ECL model by agreeing the information used to external sources and found these to be within an acceptable range. *Assessment of ECL raised for Stage 3 exposures* • On a sample basis, we tested the accuracy of ageing and loan categorisation of the loans advanced by checking the last payment date on loan statements, and by inspecting statement activity, to assess whether or not loans in Stage 2 were impaired and ought to have been classified in Stage 3. No exceptions were noted. • For a sample of Stage 3 loans and advances to members we assessed whether or not they were credit impaired by testing whether the loan is indeed not being serviced, and whether an appropriate haircut has been applied to collateral in estimating LGD. No exceptions were noted.
At the reporting date, the Cooperative recognised an impairment allowance on loans and advances to members of K800 million. Refer to the following sections in the financial statements that relate to this key audit matter: • Notes 3.4 and 3.7 relating to financial instruments and impairment of financial assets; • Note 4.1 (d) relating to credit risk financial risk management;	

Key audit matter	How our audit addressed the key audit matter
• Note 5(a) relating to critical accounting estimates and judgements as they apply to the measurement of ECL; and • Note 11 relating to loans and advances to members.	*Inputs to the ECL calculation which include the probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD")* • On a sample basis for specific loans and advances to members, we tested the mathematical accuracy of the inputs into the model. All the inputs including PD, LGD and EAD were agreed to underlying documentation such as member records of payment ability and outstanding loan amounts. We noted no material inconsistencies. We tested the inputs into the model by performing the following procedures: • For a sample of loans, we tested the appropriate determination of PDs and stage of loans by inspecting the members statements. We found no exceptions with management's determination of PDs and staging. • We obtained an understanding of and challenged management's forward-looking assumptions regarding loss given default and members' loan repayment ability, by comparing these assumptions used with the internal and external economic and operational information considered by us during the audit, noting no material exceptions. • We challenged management's assumption to exclude collateral that could not be realised in the normal course of operations by considering the legal recourse to such collateral or recoverability in the normal course of business.

Key audit matter	How our audit addressed the key audit matter
	• On a sample basis, we agreed the exposures at default, the type of product (as either overdraft or term loans) and the effective interest rate used to the information on the Group's credit portfolio. We found that the information used in the model is consistent with the credit portfolio. We assessed management's assumptions in determining historic default rates by considering past payment performance through inspection of loan statements, and considering economic factors such as inflation, industry factors and non-performing loans (NPL) ratios in determining the annual loss given default (LGD). No material exceptions were noted.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled *"United Civil Servants SACCO Limited Financial Statements for the year ended 31 December 2025"*. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Financial Cooperatives Act, 2011 of Malawi, 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 SACCO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the SACCO or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, 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 SACCO'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 SACCO'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 SACCO to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Auditconsult

AuditConsult
Chartered Accountants (Malawi)
Lilongwe

CA. Topham Hojane

Date 02/04/26

UNITED CIVIL SERVANTS SACCO LIMITED

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

	Note	2025 K'000	2024 K'000 Restated
ASSETS			
Property and equipment	6	1 404 573	1 026 186
Intangible assets	7	38 154	37 386
Right of use assets	8	736 231	384 354
Investments in Equity Instruments(FVPL)	9	300 832	340 758
Investments at amortised cost	10	276 416	276 416
Loans and advances to members	11	48 170 683	35 366 533
Other receivables	12	6 719 922	5 527 561
Deposits with financial institutions	13	9 104 637	4 257 787
Cash and cash equivalents	14	5 215 779	882 744
Total ssets		71 967 227	48 099 725
LIABILITIES			
Liabilities			
Lease liabilities	8	684 351	414 156
Member shares	16	24 264 384	15 878 804
Borrowings	17	3 167 518	3 089 028
Other payables	18	1 744 225	845 059
Provisions	19	965 147	481 292
Liabilities due to members	20	5 691 276	3 666 122
Bank overdrafts	21	189 708	486 770
Total liabilities		36 706 609	24 861 231
Net assets		35 260 618	23 238 494
Equity			
Share capital	15	2 024 499	1 746 383
Statutory reserve		6 885 514	4 083 041
Revaluation reserve		419 788	419 788
Building reserve		3 050 000	550 000
ICT system reserve		4 450 000	1 950 000
Infrastructure development reserve		-	1 000 000
Other reserves		623 601	623 601
Retained earnings		17 807 216	12 865 681
Total equity		35 260 618	23 238 494

The financial statements were approved and authorised for issue by the Board of Directors on 30/03/26 and were signed on its behalf by:

Chairman of the Board

Board Member

UNITED CIVIL SERVANTS SACCO LIMITED

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 K'000	2 024 K'000 Restated
REVENUE			
Interest income on loans	22	22 137 921	14 711 841
Interest on investments	23	1 082 791	570 829
Interest expenses and similar charges	24	(1 471 895)	(1 122 382)
Net interest income		21 748 817	14 160 288
Other gains on financial instruments		(39 927)	39 259
Other income	25	4 471 326	4 069 260
Total operating income		26 180 216	18 268 807
EXPENSES			
Administration expenses	23	5 361 529	3 494 896
Governance expenses	24	694 532	466 203
Marketing expenses	25	919 859	451 144
Personnel expenses	26	3 610 832	2 059 051
Total expenses		10 586 752	6 471 294
Profit before impairmemt losses on loans		15 593 464	11 797 513
Increase in impairment losses on loans		(699 456)	(548 363)
Profit for the year		14 894 008	11 249 150
Other comprehensive income		-	-
Total comprehensive income for the year		14 894 008	11 249 150

UNITED CIVIL SERVANTS SACCO LIMITED

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

	Statutory reserve K'000	Revaluation reserve K'000	Building reserve K'000	ICT system reserve K'000	Infrastructure reserve K'000	Other reserves K'000	Share capital K'000	Retained earnings K'000	Total K'000
Year ended 31 December 2025									
As at 1 January 2025	4 083 041	419 789	550 000	1 950 000	1 000 000	623 600	1 746 383	12 865 681	23 238 494
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	14 894 008	14 894 008
Transfers to statutory reserve	2 802 473	-	2 500 000	2 500 000	(1000 000)	-	-	(6802 473)	-
Reserve utilisation	-	-	-	-	-	-	-	-	-
Total comprehensive income	2 802 473	-	2 500 000	2 500 000	(1000 000)	-	-	8 091 535	14 894 008
Transactions with members of the cooperative									
Additional shares	-	-	-	-	-	-	278 116	-	278 116
Dividend Paid	-	-	-	-	-	-	-	(3150 000)	(3150 000)
Balance at 31 December 2025	6 885 514	419 789	3 050 000	4 450 000	-	623 600	2 024 499	17 807 216	35 260 618

UNITED CIVIL SERVANTS SACCO LIMITED

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

Restated	**Statutory reserve K'000**	**Revaluation reserve K'000**	**Building reserve K'000**	**ICT system reserve K'000**	**Infrastructure reserve K'000**	**Other reserves K'000**	**Share capital K'000**	**Retained earnings K'000**	**Total K'000**
Year ended 31 December 2024									
As at 1 January 2024	4 083 041	419 789	550 000	1 950 000	1 000 000	621 316	1 354 905	1 616 531	11 595 582
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	11 249 150	11 249 150
Reserve utilisation	-	-	-	-	-	2 284	-	-	2 284
Total comprehensive income	-	-	-	-	-	2 284	-	11 249 150	11 251 434
Transactions with members of the cooperative									
Additional shares	-	-	-	-	-	-	390 221	-	390 221
Adjustments to redeemable withdraw	-	-	-	-	-	-	1 257	-	1 257
Dividend proposed	-	-	-	-	-	-	-	-	-
As at 31 December 2024	4 083 041	419 789	550 000	1 950 000	1 000 000	623 600	1 746 383	12 865 681	23 238 494

UNITED CIVIL SERVANTS SACCO LIMITED

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2 025 K'000	2 024 K'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		14 894 008	11 249 150
Depreciation	6	346 288	164 278
Amortisation of intangible assets	7	9 926	5 587
Amortisation of right of use assets	8	115 742	47 574
Interest on lease liabilities		202 042	119 168
Increase in loan provision		699 456	548 363
Fair value (gains)/losses		39 926	(39 258)
Movement in reserves		-	2 285
Profit on disposal of assets		(2 681)	(5 075)
Write off		-	7 211
Operating profit before working capital changes		16 304 707	12 099 283
Changes in loans and advances		(13 053 848)	(14 454 180)
Changes in receivables		(1 549 374)	(3 070 866)
Changes in investments		(4 967 186)	(2 018 193)
Changes in payables		1 383 021	(1 582 592)
Net cashflows from operating activities		(1 882 680)	(9 026 548)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	6	(728 465)	(313 189)
Purchase of intangible assets	7	(10 694)	(12 921)
Proceeds from disposal of fixed assets		9 384	5 075
Net cashflows from investing activities		(729 775)	(321 035)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of member shares		8 663 696	6 252 731
Members savings		2 025 154	1 162 007
Repayment of lease liabilities		(374 788)	(136 940)
Borrowings		78 490	2 061 138
Dividend paid		(3 150 000)	-
Net cash generated from financing activities		7 242 552	9 338 936
Net movement in cash and cash equivalents		4 630 097	(8 647)
Cash equivalents at the start of the year		395 974	404 621
Cash and cash equivalents at the end of the year		5 026 071	395 974

1 REPORTING ENTITY

General information

United Civil Servants Savings and Credit Cooperatives Limited's principal activities include mobilizing savings from its members and using these to provide different types of loans and advances and other financial services to the members. This is in furtherance of the ideals of Co-operatives and the spirit of self-help (people helping people).

The registered office of the Cooperative throughout the year was situated in Mzuzu, P.O. Box 294 Mzuzu.
The SACCO has twenty (20) branches and eight (8) satellite centers.

2 BASIS OF ACCOUNTING

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee ("IFRIC") interpretations published by the International Accounting Standards Board (IASB) that were relevant to its operations. These financial statements have also been prepared in the manner required by the IAS 29 Directive as issued by Institute of Chartered Accountants in Malawi (ICAM) and Financial Cooperatives Act, 2011 of Malawi. The financial statements are based on statutory records that are maintained under the historical cost convention.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value;
- fair value through OCI financial assets are measured at fair value; and
- buildings and freehold land is measured at revalued amounts.

2.3 Functional and presentation currency

The annual financial statements are presented in Malawi Kwacha which is the presentation currency of the Cooperative and the functional and presentation currency of the Cooperative. Except where indicated otherwise, financial information presented in Malawi Kwacha has been rounded to the nearest thousand.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgement in the application of policies and reported amounts in 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of the IFRSs that have significant effect on the financial statements and estimates on the amounts recognised are discussed in Note 5.

2.5 Changes in accounting policies

The Cooperative has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements.

(a) International Financial Reporting Standards and amendments effective for the first time for December 2025 year-ends

Number	Effective date	Executi ve summary
Amendments to IAS 21 - Lack of Exchangeability	Annual periods beginning on or after 1 January 2025)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

(b) New standards, interpretations and amendments not yet effective

Number	Effective date	Executi ve summary
Amendments to IAS 21 - Translation to a Hyperinflationary Presentation Currency	Annual periods beginning on or after 1 January 2027, but can be early adopted subject to local endorsement where required (Published November 2025)	amendments specify the translation procedures for an entity whose presentation currency is that of a hyperinflationary economy. The entity applies the amendments if: • its functional currency is that of a non-hyperinflationary economy and it is translating its results and financial position into the currency of a hyperinflationary economy; or • it is translating into the currency of a hyperinflationary economy the results and financial position of a foreign operation whose functional currency is that of a non-hyperinflationary economy. The amendments aim to improve the usefulness of the resulting information in a cost-effective manner. Developed in response to stakeholder feedback, these amendments are expected to reduce diversity in practice and provide a clearer basis for reporting in a hyperinflationary currency.

(b) New standards, interpretations and amendments not yet effective (Continued)

Number	Effective date	Executi ve summary
Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	Annual periods beginning on or after 1 January 2026. (Published May 2024)	The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 Financial Instruments. The Amendments: . Clarity the requirements for the timing or recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; . Clarify and add further guidance for assessing whether a financial asset meets the solely payment of principal and interest (SPPI) criterion; . add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and . make updates to the disclosures for equity instruments designated at Fair Value through Other
Annual Improvements to IFRS - Volume 11	Annual periods beginning on or after 1 January 2026. (Published July 2024)	Annual improvements are limited to changes that either clarify the wording in an accounting standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting standards. The 2024 amendments are to the following standards: . IFRS 1: First time adoption of International Financial Reporting Standards; . IFRS 7 Financial Instruments: Disclosures and its accompanhing Guidance on Implementing IFRS 7; ,Disclosure of deferred difference between fair value and transaction price IFRS 7: Introduction and credit risk disclosures IFRS 9: Lessee derecognition of lease liabilities IFRS 9 Financial Instruments : Transaction price IFRS 10 Consolidated Financial Statements: Determination of a 'de facto agent' IAS 7 Statement of Cash Flows: Cost method
IFRS 18 Presentation and Disclosure in Financial Statements	Annual periods beginning on or after 1 January 2027. (Published April 2024)	IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: - the structure of the statement of profit or loss; -required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements(that is management defined performance measures); and -enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

(b) New standards, interpretations and amendments not yet effective (continued)

Number	Effective date	Executi ve summary
IFRS 19 Subsidiaries without Public Accountability: Disclosures	Annual periods beginning on or after 1 January 2027. (Published April 2024)	The standard works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19. IFRS 19's reduced disclosure requirements balance the ifnormation needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries. A subsidiary is eligible if: -it does not have public accountability; and -it has an ultimate or intermediate parent that produces consolidated financial statements available for publish use that comply with IFRS Accounting Standards.

3 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented except as explained in note 2.5 which addresses changes in accounting policies.

3.1 Foreign currency translation

a) Functional and presentation currency
Items included in the financial statements of the Cooperative are measured using the currency of the primary economic environment in which the Cooperative operates ("the functional currency"). The financial statements are presented in Malawi Kwacha("K"), which is the Cooperative's functional and presentation currency.

b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'other income'.

3.2 Financial assets and financial liabilities

a) Recognition

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. The Cooperative initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities at trade date. The trade date for loans, deposits, and other liabilities is however usually the date of the cash flow. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Cooperative becomes a party to the contractual provisions of the instrument.

b) Derecognition

The Cooperative derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Cooperative neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial assets. Any interest in a transferred asset that is created or retained by the Cooperative is recognised as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

The Cooperative derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

c) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Cooperative has a legal right to offset the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Cooperative's trading activities.

d) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Cooperative has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Cooperative measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Cooperative uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Cooperative determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

3.2 Financial assets and financial liabilities

If an asset or a liability measured at fair value has a bid price and an ask price, then the Cooperative measures assets and long positions at a bid price and liabilities and short positions at an ask price. Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Cooperative on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Cooperative recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.4 Financial instruments

a) Financial assets

i) *Initial Measurement*

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the Cooperative commits to purchase (sell) the instruments (trade date accounting).

Amortised cost

A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default.

Fair value through OCI

Financial assets at fair value through other comprehensive income (FVOCI) comprise Government of Malawi treasury notes, bills and bonds where the contractual cash flows are solely principal and interest and the objective of the Cooperative's business model is achieved both by collecting contractual cash flows and selling financial assets.

Designated at fair value through profit or loss

Financial assets are designated to be measured at fair value to eliminate or significantly reduce an accounting mismatch that would otherwise arise.

ii) *Subsequent measurement*

Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortised cost or fair value as follows:

Amortised cost

Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised as part of credit impairment charges.

Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.

Fair value through OCI
Debt instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other gains and losses on financial instruments within non-interest revenue.

Interest income on a debt financial asset is recognised in interest income in terms of the effective interest rate method. Dividends received are disclosed separately from interest income within profit or loss.

Equity instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When equity financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified within reserves to retained income.

Dividends received on equity instruments are recognised in other revenue within non-interest income.

a) **Financial assets**
Designated at fair value through profit or loss
Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.

Fair value through profit or loss – default
Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.

iii) ***Impairment***
ECL is recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate.

The measurement basis of the ECL of a financial asset includes assessing whether there has been a SICR at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.
Stage 2	A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
Stage 3	A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired. Default, Significant financial difficulty of borrower and/or modification, probability of bankruptcy or financial reorganisation disappearance of an active market due to financial difficulties.
Low credit risk	Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.

Default	The Cooperative's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria a re used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets: Significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower) a breach of contract, such as default or delinquency in interest and/or principal payments disappearance of active market due to financial difficulties it becomes probable that the borrower will enter bankruptcy or other financial reorganisation where the Cooperative, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Cooperative would not otherwise consider. Exposures which are overdue for more than 90 days are also considered to be in default.
Forward-looking information	Forward-looking information is incorporated into the Cooperative's impairment methodology calculations and in the Cooperative's assessment of SICR. The Cooperative includes all forward looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
Write-off	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

ECLs are recognised within the statement of financial position as follows:

Financial assets measured at amortised cost (including loan commitments)	Recognised as a deduction from the gross carrying amount of the asset (group of assets).	Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairement allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities.
Off-balance sheet exposures	Impairment allowance exceeds the gross carrying amount of the asset (group of assets	Recognised as aprovison within other liabilities.
Financial assets measured at fair valuethrough OCI	Recognised in the fair value reserve within equity.	Recognised in the fair value reserve within equity. The carrying value of the financial asset is recognised in the statement of financial position at fair value.

a) Financial assets

iv) *Reclassification*

Reclassifications of debt financial assets are permitted when, and only when, the Cooperative changes it s business model or managing financial assets, in which case all affected financial assets are reclassified. Reclassifications are accounted for prospectively from the date of reclassification as follows:

- Financial assets that are reclassified from amortised cost to fair value through profit or loss are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in profit or loss.

- The fair value of a financial asset that is reclassified from fair value through profit or loss to amortised cost becomes the financial asset's new carrying value.

- Financial assets that are reclassified from amortised cost to fair value through OCI are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in OCI

- The fair value of a financial asset that is reclassified from fair value through OCI to amortised cost becomes the financial asset's new carrying value with the cumulative fair value adjustment recognised in OCI being recognised against the new carrying value

- The carrying value of financial assets that are reclassified from fair value through profit or loss to fair value through OCI remains at fair value.

- The carrying value of financial assets that are reclassified from fair value through OCI to fair value through profit or loss remains at fair value, with the cumulative fair value adjustment in OCI being recognised in the income statement at the date of reclassification.

b) Financial liabilities

Held-for-trading

Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Designated at fair value through profit or loss

Financial liabilities are designated to be measured at fair value in the following instances:

To eliminate or significantly reduce an accounting mismatch that would otherwise arise where the financial liabilities are managed and their performance evaluated and reported on a fair value basis where the financial liability contains one or more embedded derivatives that significantly modify the financial liability's cash flows.

Amortised cost

All other financial liabilities not included in the above categories.

Subsequent measurement

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held-for-trading

Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.

Designated at fair value through profit or loss
Fair value, with gains and losses arising from changes in fair value (including interest and dividends but excluding fair value gains and losses attributable to own credit risk) are recognised in the other gains and losses on financial instruments as part of non-interest revenue. Fair value gains and losses attributable to changes in own credit risk are recognised within OCI, unless this would create or enlarge an accounting mismatch in which case the own credit risk changes are recognised within trading revenue.

Amortised cost
Amortised cost using the effective interest method recognised in interest expense.

3.5 Derecognition and modification of financial assets and liabilities.

Financial assets and liabilities are derecognised in the following instances:

a) Financial assets

i) *Derecognition*
Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Cooperative has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the Cooperative is recognised as a separate asset or liability.

The Cooperative enters into transactions whereby it transfers assets, recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the Cooperative neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Cooperative continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

ii) *Modification*
Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes.

If the terms are not substantially different for financial assets or financial liabilities, the Cooperative recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non-interest revenue (for all other modifications).

b) Financial liabilities

i) *Derecognition*
Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

3.7 Impairment of financial assets

The Cooperative has the following financial assets that are subject to the expected credit loss model:

- Loans and advances to members
- Financial investments
- Sundry receivables included in "other assets"

For sundry receivables included in other assets the Cooperative applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, other assets have been grouped based on shared credit risk characteristics and the days past due. The Cooperative has therefore concluded that the expected loss rates for sundry receivables are reasonable based on the payment profile and loss rates incurred in the past.

The full IFRS 9 expected credit loss model is applied for loans and advances to members as disclosed in note 9 to the financial statements

3.8 Cash and cash equivalents

Cash and cash equivalents includes notes and coins on hand, and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Cooperative in the management its short-term commitments.

Cash and cash equivalents are measured at amortised cost.

3.9 Loans and advances to members

Loans and advances to members are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Cooperative does not intend to sell immediately or in the short term. Loans and advances to members are recognised when cash is advanced to borrowers. Loans and advances to members are initially recognised at fair value (plus any directly attributable transaction costs) less a loss allowance. Subsequent to initial recognition, loans and advances to members are measured at amortised cost, using the effective interest method.

The Cooperative's business model for loans and advances to members is to Hold to Collect principle and interest payments.

3.10 Other assets

Other receivables comprise prepayments, consumables, staff advances and sundry receivables. Other assets and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less a loss allowance. They are generally due for settlement within 30 days and therefore are all classified as current. Other assets are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Cooperative holds the receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Cooperative's impairment policies and the calculation of the loss allowance are provided in note 3.7.

3.11 Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in comprehensive income. When re-valued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Subsequent costs
The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Cooperative, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in statement of comprehensive income as incurred.

Revaluation
Land and buildings are recognized at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. A revaluation surplus is credited to reserves in members equity. All other property, plant and equipment is recognized at historical cost less depreciation.

Depreciation
Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Cooperative will obtain ownership by the end of the lease term. Land and capital work in progress are not depreciated.

Surpluses and deficits on revaluation of fixed assets are transferred to capital reserve. On realization of the asset, the appropriate portion of the capital reserve is transferred to statement of comprehensive income. Surpluses on revaluation of property, plant and equipment included in the capital reserve are amortized over the lives of the assets. The estimated useful lives for the current and comparative periods are as follows:

Office equipment	4 years	10 years
Furniture and Fittings	4 years	10 years
Motor Vehicles	5 years	5 years
Computers	3 years	3 years
Buildings	50 years	50 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.12 Inventories

Inventories are stated at the lower of cost and net realisable value on a weighted average cost basis. Net realisable value is the estimated selling prices in the ordinary course of business, less estimated selling expenses. The cost of the inventory is the actual purchase price quoted by suppliers.

3.13 Intangible assets

i) Recognition and measurement
Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use specific software. Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Subsequent to initial recognition, computer software is measured at cost less accumulated amortisation and accumulated impairment losses.

ii) Amortisation
Amortisation of computer software is recognised in the income statement on a straight-line basis over the estimated useful life not exceeding five years, from the date that it becomes available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Amortisation methods, estimated useful lives and residual values are reviewed at each reporting date and adjusted as appropriate.

3.14 Impairment of non-financial assets

These assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in non-trading and capital related items for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined as the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest CGUs. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. The carrying amount of these other assets may, however, not be reduced below the higher of the CGU's fair value less costs to sell and its value in use.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through non-trading and capital related items only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.15 Capital and reserves

Statutory reserve
Statutory reserves are integral to the organization's capital structure, mandated by the Reserve Bank of Malawi. A portion of returned earnings is annually redirected to the statutory reserve. The SACCO must maintain a minimum of 10% of institutional capital under statutory reserves. It is managed and overseen by MUSSCO, serving as the regulatory body for SACCOs.

Revaluation reserve
Stemming from the revaluation of assets, reflecting the adjusted value of assets after a comprehensive review in 2021. The balance represents the outcome of the asset revaluation, contributing to the organization's overall equity.

Building reserve
Reserved specifically for constructing organizational offices, emphasizing a strategic allocation of funds for this purpose. Derived from the transfer of funds from retained earnings, demonstrating a deliberate approach to long-term capital projects.

ICT System reserve
Reserved funds earmarked for the acquisition of a new information and communication technology (ICT) system. Allocated as part of the ongoing organizational transition to a new system, showcasing adaptability and preparedness.

Other reserves
Reserved for miscellaneous small expenses, underscoring a prudent financial approach to handle unforeseen or smaller-scale costs.

Share capital
Members contribute non-refundable entrance fees and non-redeemable shares. These shares serve as a form of long-term capital, providing stability to the SACCO. Non redeemable shares can be adjusted with AGM (Annual General Meeting) approval, facilitating financial adaptability.

Retained earnings
In a SACCO, retained earnings, also known as member's equity or reserves, mirror the accumulated profits or surplus generated over time. These funds are accumulated, excluding dividends or interest, to fortify the financial foundation of the cooperative.

3.16 Customer deposits
Customer deposits are recognised initially at fair value, net of transaction costs incurred. Deposits are subsequently shown at amortised cost using the effective interest rate method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement.

3.17 Financial guarantees
Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of members to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued.

IFRS 9 is used to measure financial guarantee contracts initially at fair value and subsequently measured at the higher

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments; and the
- premium received on initial recognition less income recognised in accordance with the principlesof IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

3.18 Income tax
The Cooperative is being treated as being exempt from Income taxes under the first schedule, subsection (iv) to the Taxation Act.

3.19 Other payables

Other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non current liabilities.

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

3.20 Provisions

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of the obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. These are disclosed within other payables on the statement of financial position.

Provisions for bonus and leave pay are recognised when the Cooperative has; a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

3.21 Interest and expenditure

a) Net interest income

Interest income and expense are recognised in profit or loss for all instruments measured at amortised cost using the effective interest method and for all financial assets at fair value through OCI.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate the Cooperative estimates future cash flows considering all the contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income includes coupons earned on fixed income investments and securities, loans and advances to members and accrued discount and premium on treasury bills and other discounted instruments. Loans and advances are measured at amortised cost using the effective interest method less expected credit losses.

Interest income and expense presented in the profit or loss include:

- Interest on financial assets and liabilities at amortised cost on an effective interest basis.
- Interest on interest bearing fair value through OCI on an effective interest basis.

3.22 Revenue and expenditure

b) Other income

Other income includes profit on disposal of property and equipment, and any other income accruing to the Cooperative.

c) **Fees and commissions**

Fees and commissions are recognised as the service is provided. Commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Cooperative has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportionate basis. Asset management fees related to investment funds are recognised over the period in which the service is provided.

Both principles are applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

Other fees and commission expense relates mainly to transactions and service fees which are expensed as the services are received.

3.23 Employee benefits

a) **Pension plan costs**

The Cooperative operates a defined contribution pension scheme which is externally managed by NICO Life Insurance Limited. The Cooperative's contributions are charged to operating profit in the income statement in the year in which they are incurred.

The Cooperative has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

b) **Short term employee benefits**

Short-term benefits consist of salaries, accumulated leave payments, bonuses and any non-monetary benefits such as medical aid contributions.

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid if the Cooperative has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.24 Dividend distribution

Dividend distribution to the Cooperative's members is recognised as a liability in the period in which the dividends are declared by the Cooperative's directors. Dividends declared after the reporting date are disclosed in the notes to the financial statements.

3.26 Leases

The Cooperative leases various offices. Rental contracts vary, but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

3.26 Leases (continued)

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Cooperative.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Cooperative, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Cooperative uses the commercial bank's lending rate. The Cooperative is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

3.27 Leases

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Cooperative is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The right-of-use buildings held by the Cooperative are not revalued.

Payments associated with short-term leases of buildings are recognised on a straight-line basis as an expense in income statements. Short-term leases are leases with a lease term of 12 months or less.

3.25 Comparative figures

Where necessary, comparative figures within notes have been restated to conform to changes in presentation in the current year.

4 FINANCIAL RISK MANAGEMENT

The Cooperative's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risk. Taking risk is core to the business and the operational risks are an inevitable consequence of being in business. The Cooperative's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Cooperative's financial performance.

The Cooperative's approach to risk management is premised on inculcating an enterprise wide risk management culture and practice that is not only confined to the specialist risk management divisions but incorporated in the day-to-day management of the strategic business units of the Cooperative. The Cooperative's priority in managing risk, to competitive advantage, has focused on strengthening and enhancing the existing risk management structures.

The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Cooperative's risk management framework. The Board has established the Audit Committee and the Risk Committee which are responsible for developing and monitoring the Cooperative's risk management policies in their specified areas. All Board Committees have both executive and non-executive members and report regularly to the Board on their activities.

The Cooperative's risk management policies are established to identify and analyse the risk 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 all employees understand their roles and obligations.

The Cooperative's Audit Committee is responsible for monitoring compliance with the Cooperative's management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Cooperative.

The risks that the Cooperative is exposed to, are managed through an enterprise wide risk management framework that encompasses a process of business risk policy formulation, risk tolerance limits setting, risk identification and measurement and reporting at Board level. Identification, quantification, monitoring and reporting on the various business risks, is centralised through functional Internal Audit and Risk Management divisions. Functionally, the Internal Audit function reports to the Audit Committee.

Risk policies and authority levels are set to provide for a framework for the formalisation of risk management, control and definition of the boundaries of limitation, and the Cooperative risk appetite, within which day to day business management may be conducted. The most significant enterprise risks, are summarised below.

4.1 Risk categories

The risks arising from financial instruments to which the Cooperative is exposed include:

- Strategic risk
- Legal and compliance risk
- Operational risk,
- Credit risk,
- Market risks,
  - Currency risk
  - Interest rate risk
  - Price risk
- Liquidity risk, and
- Capital risk.

Credit risk measurement

Loans and advances to members

The Cooperative assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. Clients of the Cooperative are segmented into five rating classes. The Cooperative's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

According to the Cooperative's internal ratings scale loans and advances to members are assessed and classified as follows:

Rating	Cooperative's rating	Description of the grade	Description of the grade
Stage 1	Current	Perfect maturing and repayments on time.	'Perfect maturing and repayments on time
Stage 2	Loans with significant increase in credit risk	Payment delayed but not credit impaired	Payment delayed for more than 30 days but not beyond 90 days
Stage 3	Non performing loans	Payment delayed - Doubtful 90 to 180 days for more	"Payment delayed- Doubtful 90 to 180 days for more than 90 days and all foreseen issues have now actually manifested resulting in delayed repayments. Issues actually happened and provision have been made.

Risk limit control and mitigation policies

The Cooperative manages, limits and controls concentrations of credit risk in respect of individual counterparties, Cooperatives, and to industries. The Cooperative structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

Limits on the level of credit risk by product, industry sector are approved by the risk committee. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

The Cooperative also employs specific policies and practices to mitigate credit risk which include taking of security for funds advances, which is a common practice. The Cooperative implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation.

The Board has delegated responsibility for the management of credit risk to its risk committee. A separate risk department, reporting to its risk committee is responsible for oversight of the Cooperative's credit risk including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities
- Reviewing and assessing all credit exposures in excess of prudential limits.
- Limiting concentrations of exposure to counterparties and industries(for loans and advances), and by issuer, credit rating band, and market liquidity.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries and product types.

The Cooperative takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Cooperative by failing to discharge an obligation and arises principally from the Cooperative's loans and advances to members and investment securities. For risk management reporting purposes, the Cooperative considers and consolidates all elements of credit risk exposure (such as individual obligor default risk and sector risk).

Credit risk is the most important risk for the Cooperative's business; management therefore carefully manages its risk exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances to members, and investment securities and other bills into the Cooperative's portfolio. There is also credit risk in off-statement of financial position financial instruments, such as financial guarantees.

Credit risk measurement

Loans and advances to members
In measuring credit risk of loan and advances to SACCO members at a counterparty level, the Cooperative reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Cooperative derives the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

Credit risk measurement

Loans and advances to members

The Cooperative assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. Clients of the Cooperative are segmented into five rating classes. The Cooperative's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

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Risk limit control and mitigation policies

The Cooperative manages, limits and controls concentrations of credit risk in respect of individual counterparties, Cooperatives, and to industries. The Cooperative structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

Limits on the level of credit risk by product, industry sector are approved by the risk committee. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

The Cooperative also employs specific policies and practices to mitigate credit risk which include taking of security for funds advances, which is a common practice. The Cooperative implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation.

The Board has delegated responsibility for the management of credit risk to its risk committee. A separate risk department, reporting to its risk committee is responsible for oversight of the Cooperative's credit risk including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities
- Reviewing and assessing all credit exposures in excess of prudential limits.
- Limiting concentrations of exposure to counterparties and industries(for loans and advances), and by issuer, credit rating band, and market liquidity.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries and product types.

Definition of default and credit-impaired assets

The Cooperative defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Definition of default and credit-impaired assets

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Cooperative and are consistent with the definition of default used for internal credit risk management purposes.

The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Cooperative's expected loss calculations.

Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models .
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

Collateral

The Cooperative employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Cooperative has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Cooperative prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically.

The principal collateral types for loans and advances are charges over:

- Charges over assets such as machinery, vehicles, estate and property
- financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument.

Write off policy

The Cooperative writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

- ceasing enforcement activity; and
- where the Cooperative's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Incorporation of forward looking information in ECL measurement

Significant increase in credit risk

In accordance with IFRS 9, all exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR is determined for portfolios of exposures with similar credit risk and are tracked over time to determine deterioration relative to the originated population and consequently reflect an increase in credit risk.

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Cooperative has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument.

Incorporation of forward looking information in ECL measurement

The Cooperative's forward looking information in its ECL measurement considered the following:

- Political risk- As the country is fast approaching watershed elections.
- Management had to review PDs for the Agricultural sector upwards despite the country expecting bumper yields in the forthcoming Season. 'The reason for this is the bad experience the Cooperative had when it funded primary agriculture hence this sector has 'always been considered as high risk.
- Inflation- Inflation rates are projected to decline as per the National Statistics Office.
- Foreign exchange rates- The exchange rate is expected to remain stable.
- For GDP and other key macroeconomic factors, 12 month and five year forecasts have been derived from a combination of recent trends (focused on variance over the latest three year period, to reflect a balance between post-2012 currency liberalisation volatility and more recent stability).

Significant increase in credit risk

- Our base case scenario is considered by far the most likely combination of outcomes, with the bullish scenario less likely and the bearish considered the least probable.
- Inflation and interest rates are expected to continue on a downward trajectory, while exchange rate stability is likely to be maintained at worst, taking into account the growth trend in foreign currency reserves.
- 12 month GDP growth should improve with above average harvests expected. Irrigation and energy sector investments have been prioritised by all of the major political parties and should improve
  medium term
  outcomes if

Main Macroeconomic Factors

The following table shows the main macroeconomic factors used to estimate the allowances for credit losses on loans. For each scenario, namely, the base case, bullish and bearish scenario, the average values of the factors over the next 12 months and over the remaining forecast period are presented below.

Macroeconomic factors

Inflation rate
Policy rate
3 month treasury bill rate
Exchange rate (K:$1)
Real GDP

Maximum credit exposure to credit risk without taking account of any collateral held on other credit enhancements

The following table presents the maximum exposure to credit risk on the statement of financial position and off statement of financial position financial instruments before taking into account any collateral held on other credit enhancements unless such credit enhancements meet offsetting requirements.

As at 31 December credit risk exposures relating to statement financial position assets are as follows:

	2025 K'000	2024 K'000
Cash and cash equivalents	5 215 779	882 744
- Short term investments	9 104 637	4 257 787
Other assets (excluding prepayments)	6 505 028	5 257 231
Loans and advances to members	48 170 683	35 366 533
Total recognised financial instruments	68 996 127	45 764 295

As at 31 December 2025 (2024 K Nil) there were no contingent liabilities and commitments that would give rise to credit risk exposures relating to off-statement of financial position assets.

Where financial instruments are recorded at fair value, the amount shown above represents the current risk exposure without taking into account any collateral held on other credit enhancements attached.

Concentration risk of financial assets with credit risk exposure

The following table breaks down the Cooperative's main exposure at their carrying amounts, as categorised by the industry sectors of the counterparties:

As at 31 December 2024	Cash and bank K'000	Short term investments K'000	Other assets K'000	Loans and advances to members K'000	Other investments K'000	Total K'000
Financial institutions	882 744	4 257 787	-	-	-	5 140 531
Other	-	-	5 527 561	35 366 533	276 416	41 170 510
	882 744	4 257 787	5 527 561	35 366 533	276 416	46 311 041
As at 31 December 2025						
Financial institutions	5 215 779	9 104 637	-	-	-	14 320 416
Other	-	-	6 719 922	48 170 683	276 416	55 167 021
	5 215 779	9 104 637	6 719 922	48 170 683	276 416	69 487 437

Exposure to credit risk is managed through regular analysis of borrowers and potential borrowers to meet interest and capital repayments obligations and by charging these lending limits where appropriate. Some other specific control mitigation measures are outlined below.

Short term investments
The Cooperative limits its exposure to credit risk by depositing its excess cash with reputable established commercial banks and discount houses accredited by the Reserve Bank of Malawi. Management does not

Staff receivables
Staff receivables are recoverable through payroll deductions and on terminal benefits where allowed by applicable laws.

e) Market risk
Market risk is the potential impact on earnings caused by unfavourable changes in foreign exchange rates, interest rates, prices and market volatilities. Market risk includes trading risk, and, in terms of the banking book, includes investment risk, translation risk and interest rate risk.

This risk is managed through established Board risk tolerance limits and implemented and monitored by credit risk commitee, in conjunction with the Risk Management Division. Credit risk commitee formulates balance sheet strategies, including decisions on the structural position of the Cooperative. BASEL II and traditional market risk management techniques such as Gap Analysis, Stress Testing are employed in the process of managing market risk. A matrix of risk limits are in place for dealers (traders). The risk limits cover product exposures, counterparty exposures and settlement risk, in the identified markets in which the Cooperative is actively trading.

i) Currency risk
The risk arises from changes in exchange rates and originates from mismatches between values of assets and liabilities denominated in different currencies. This can lead to losses if there is an adverse movement in exchange rate where open positions either spot or forward, are taken for both on and off- statement of financial position transactions. The Cooperative's did not have balances in foreign currencies at the year end.

ii) Interest rate risk
The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. The ALCO is the monitoring body for compliance with these limits and manages the risks on a day-to-day basis by monitoring activities on the market. A summary of the Cooperative's interest rate gap position on non-trading portfolios is given below.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Cooperative's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point parallel fall or rise in all yield curves and a 50 basis point rise or fall in the greater than 12-month portion of all yield curves.

The table below summarises the exposure to interest rate risk. Included in the table are the Cooperative's assets and liabilities at carrying amounts categorised by the earlier of contractual pricing or maturity dates. The Cooperative does not have an interest rate exposure on off-statement of financial position items.

Interest rate pricing and gap analysis

As at 31 December 2025

	Up to 1 month K'000	1 month to 3 months K'000	3 months to 12 months K'000	Over 1 year K'000	Non-interest Sensitive K'000	Total K'000
Assets						
Cash and cash equivalents	-	-	-	-	882 744	882 744
Short-term investments	-	-	4 257 787	-	-	4 257 787
Other receivables	-	-	5 527 561	-	-	5 527 561
Loans and advances	2 947 211	5 894 422	13 262 450	13 262 450	-	35 366 533
	2 947 211	5 894 422	23 047 798	13 262 450	882 744	46 034 625
Liabilities						
Short term borrowings	-	-	3 089 028	-	-	3 089 028
Liabilities due to members	305 510	611 020	1 374 796	1 374 796	-	3 666 122
Other liabilities	-	-	-	-	845 059	845 059
Total equity	305 510	611 020	4 463 824	1 374 796	845 059	7 600 209
Interest rate repricing gap	2 641 701	5 283 402	18 583 974	11 887 654	37 685	38 434 416
Cumulative interest rate re-pricing gap	2 641 701	7 925 103	26 509 077	38 396 731	38 434 416	

	Up to 1 month K'000	1 month to 3 months K'000	3 months to 12 months K'000	Over 1 year K'000	Non-interest Sensitive K'000	Total K'000
As at 31 December 2025						
Assets						
Cash and cash equivalents	-	-	-	-	5 215 779	5 215 779
Short term investments	-	-	9 104 637	-	-	9 104 637
Other assets	-	-	6 719 922	-	-	6 719 922
Loans and advances	4 014 224	8 028 447	18 064 006	18 064 006	-	48 170 683
	4 014 224	8 028 447	33 888 565	18 064 006	5 215 779	69 211 021
Liabilities						
Short term borrowings	-	-	3 167 518	-	-	3 167 518
Liabilities due to members	474 273	948 546	2 134 229	2 134 229	-	5 691 276
Other liabilities	-	-	-	-	1 744 225	1 744 225
Total equity	474 273	948 546	5 301 747	2 134 229	1 744 225	10 603 019
Interest rate repricing gap	3 539 951	7 079 901	28 586 819	15 929 778	3 471 554	58 608 002
Cumulative interest rate re-pricing gap	3 539 951	10 619 852	39 206 670	55 136 448	58 608 002	

Interest rate risk sensitivity analysis

The table below indicates the sensitivity to possible change in interest rates, with all other variables held constant.

Interest rate change	Effect on net profit 2025 K'000	Effect on net profit 2024 K'000
10% increase	(5 860 800)	(3 843 442)
10% decrease	5 860 800	3 843 442

iii) Price risk

Equity price risk arises from equity securities classified as at fair value through profit or loss traded held on the Malawi Stock Exchange. Management of the Cooperative monitors the mix of its investment portfolio based on market performance. All decisions of buy or sale of investments within portfolio are provided by the investment and lending committee.

The primary goal of the Cooperative's investment strategy is to maximise investment returns and investment management is closely monitored by the investment and lending committee.

f) Liquidity risk

This risk arises from the inability of the Cooperative to accommodate decreases in liabilities or to fund increases in assets in full, at the right time, price and place, and in the right currency. If the Cooperative is seen to be illiquid, it cannot obtain sufficient funds either by increasing liabilities or by converting assets promptly and at a reasonable cost.

The Cooperative's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Cooperative's reputation as well as to comply with Reserve Bank of Malawi guidelines.

i) Liquidity risk management process

Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short term liquid assets, largely made up of short term liquid investment securities, loans and advances to Members and other inter-Cooperative facilities, to ensure that sufficient liquidity is maintained within the Cooperative as a whole. The liquidity requirements of business units are met through Treasury to cover any short term fluctuations and long term funding to address any structural liquidity requirements.

The daily liquidity position is monitored and regular stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by credit risk commitee. Daily reports cover the liquidity position of operating units. A summary report, including any exceptions and remedial action taken, is submitted regularly to credit risk commitee. The table below analyses the maturity profile of the Cooperative's assets and liabilities based on remaining period at 31 December to the contractual maturity date.

As at 31 December 2024	**Up to 1 month**	**1 month to 3 months**	**3 months to 12 months**	**Over 1 year**	**Total**
Assets	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Cash and cash equivalents	882 744	-	-	-	4 208 782
- Short term investments	-	4 257 787	-	-	4 257 787
Other receivables	-	6 719 922	-	-	6 719 922
Loans and advances to memb	230 315	460 630	2 072 835	2 763 781	24 566 939
	230 315	11 438 339	2 072 835	2 763 781	10 536 840
Liabilities					
Member shares	-	-	-	15 878 804	73 532 766
Liabilities due to members	88 472	-	385 820	1 163 400	8 188 460
Provisions	-	-	481 292	-	1 925 168
	88 472	-	867 112	17 042 204	65 648 606
Liquidity gap	141 843	11 438 339	1 205 723	(14 278 424)	(37 113 978)
Cumulative liquidity gap	141 843	11 580 182	12 785 906	(1 492 518)	
Off- statement of financial position items					
Guarantees and letters of credit	-	-	-	-	-

As at 31 December 2025	Up to 1 month K'000	1 month to 3 months K'000	3 months to 12 months K'000	Over 1 year K'000	Total K'000
Assets					
Cash and cash equivalents	5 215 779	-	-	-	5 215 779
- Short term investments	-	9 104 637	-	-	9 104 637
Other receivables	-	-	6 719 922	-	6 719 922
Loans and advances	2 007 112	4 014 224	18 064 006	24 085 342	48 170 683
	7 222 891	13 118 861	24 783 928	24 085 342	69 211 021
Liabilities					
Member shares	-	-	-	24 264 384	24 264 384
Liabilities due to members	682 953	1 935 034	2 276 510	796 779	5 691 276
Provisions	-	-	965 147	-	965 147
	682 953	1 935 034	3 241 657	25 061 163	30 920 807
Liquidity gap	6 539 938	11 183 827	21 542 271	(975 821)	38 290 214
Cumulative liquidity gap	6 539 938	17 723 764	39 266 035	38 290 214	
Off - statement of financial position items					
Letters of credit and guarantee	-	-	-	-	-

The maturity gap analysis shows the mismatch before any adjustments are made for product and customer behavioural assumptions. The Cooperative's credit risk committee manages this mismatch by setting guidelines and limits for anticipated liquidity gaps and monitors these gaps monthly. The committee reviews the product and customer behavioural assumptions when there is indication that there is a shift in one or more variables.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Cooperative. It is unusual for Cooperatives to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

ii) Exposure to liquidity risk

The key measure used by the Cooperative for managing liquidity risk is the ratio of net liquid assets to deposits from members. For this purpose net liquid assets are considered as including cash and cash equivalents and investment securities for which there is an active and liquid market less any deposits from banks, other borrowings and commitments maturing within one month.

g) Capital risk management

This is the risk that the Cooperative is not able to absorb losses, maintain public confidence and support the competitive growth of the business. This entails ensuring that opportunities can be acted upon timely while solvency is not threatened.

The Cooperative's regulator, the Reserve Bank of Malawi, sets and monitors capital requirements of the Cooperative as a whole. The primary objective of the Cooperative's capital management strategy is to ensure that the entity complies with regulatory capital requirements, achieves strong credit ratings and healthy capital ratios in order to support its business and maximise shareholder value.

The Cooperative manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Cooperative may adjust the amount of dividend payment to shareholders, retain capital or issue capital securities. No changes were made in the capital management objectives, policies and processes relative to those in the preceding reporting period.

4.2 Fair value estimation

a) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Cooperative's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1- Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities traded on for example, the Malawi Stock Exchange and debt instruments.

Level 2- Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from quoted prices). This category includes instruments valued using: quoted market prices for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3- Valuation techniques using unobservable inputs. This category includes all instruments where the valuation technique inputs are not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect the differences between instruments.
The Cooperative does not hold any assets or liabilities at fair value but at amortised cost, with the exception of buildings and land within its Property, Plant, and Equipment, which are revalued to reflect their fair value.

The table below analyses what would have been the fair value of financial instruments at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. There were no financial liabilities carried at fair value.

	Amount K'000	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
As at 31 December 2024					
Assets					
Cash and cash equivalents	882 744	-	-	882 744	882 744
- Short term investments	4 257 787	-	-	4 257 787	4 257 787
Other receivables	5 257 231	-	-	5 257 231	5 257 231
Loans and advances to memb	35 366 533	-	-	35 366 533	35 366 533
Other investments	542 690	-	-	542 690	542 690
Total assets	**46 306 985**	**-**	**-**	**46 306 985**	**46 306 985**
As at 31 December 2025					
Cash and cash equivalents	5 215 779	-	-	5 215 779	5 215 779
- Short term investments	9 104 637	-	-	9 104 637	9 104 637
Other receivables	6 505 028	-	-	6 505 028	6 505 028
Loans and advances	48 170 683	-	-	48 170 683	48 170 683
Other investments	300 832	-	-	300 832	300 832
	69 296 959	**-**	**-**	**69 296 959**	**69 296 959**

b) Accounting classifications and fair values of financial instruments

The table below analyses the Accounting classifications and what would have been fair values of financial instruments at the end of the reporting period. There were no financial liabilities carried at fair value:

		Held to maturity	Amortised cost	Fair value through OCI	Fair value through profit or loss
	K'000	K'000	K'000	K'000	K'000
As at 31 December 2024					
Cash and cash equivalents	882 744	-	882 744	-	-
Short term investments	4 257 787	-	4 257 787	-	-
Other receivables	5 257 231	-	5 257 231	-	-
Loans and advances	35 366 533	-	35 366 533	-	-
Other investments	617 174	-	276 416	340 758	-
	46 381 469	-	46 040 711	340 758	-
Liabilities					
Member shares	15 878 804	-	15 878 804	-	-
Deposits from members	3 666 122	-	3 666 122	-	-
Other payables	845 059	-	845 059	-	-
Short term loans	3 089 028	-	3 089 028	-	-
	23 479 013	-	23 479 013	-	-
As at 31 December 2025					
Cash and cash equivalents	5 215 779	-	5 215 779	-	-
Short term investments	9 104 637	-	9 104 637	-	-
Other receivables	6 505 028	-	6 505 028	-	-
Loans and advances	48 170 683	-	48 170 683	-	-
Other investments	577 248	-	276 416	300 832	-
	69 573 375	-	69 272 543	300 832	-
Liabilities					
Member shares	24 264 384	-	24 264 384	-	-
Deposits from members	5 691 276	-	5 691 276	-	-
Other payables	1 744 225	-	1 744 225	-	-
Short term loans	3 167 518	-	3 167 518	-	-
	34 867 403	-	34 867 403	-	-

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and judgements

The Cooperative makes estimates and assumptions concerning the future. The resulting estimates will, by definition seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Measurement of expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour such as the likelihood of members defaulting and the resulting losses.

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 4 (d).

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the impact of forward-looking scenarios for the Cooperative's products and markets and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Cooperative in the above areas is set out in note 4 (d).

b) Going concern

The directors have assessed the ability of the Cooperative to continue operating as a going concern and believe that the preparation of these financial statements as a going concern is still appropriate. However, the directors believe that under the current economic environment, a continuous assessment of the ability of the Cooperative to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

The directors have assessed that the Cooperative will continue operating as a going concern.

c) Residual values and useful lives of property, plant and equipment

The Cooperative tests annually whether the useful life and residual value of its property, plant and equipment were appropriate and in accordance with its accounting policy. Residual values of property, plant and equipment are based on current estimates of the value of these assets at the end their useful lives. The estimated residual values of the assets have been determined by the directors based on their knowledge of the industry.

d) Estimated impairment of property, plant and equipment

The Cooperative tests annually whether property, plant and equipment have suffered any impairment, in accordance with the accounting policy. These calculations require the use of estimates.

e) Income taxes

The Cooperative is treated as being exempt from Income taxes under the first schedule, subsection (iv) to the Taxation Act.

f) Fair values

The Cooperative also makes estimates and judgements in the valuation of financial assets. The Cooperative may rely on independent opinions of experts in the related fields. Some of the Cooperative's financial instruments are measured at fair value on the statement of financial position and it is usually possible to determine their fair values within a reasonable range of estimates. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of judgement, (interest rates, volatility and estimated cash flows) and therefore cannot be determined with precision.

g) Useful lives of property and equipment

The Cooperative's management determines the estimated useful lives and related depreciation charges for its property and equipment. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non- strategic assets that have been abandoned or sold.

6 PROPERTY AND EQUIPMENT

31 December 2024 Cost or Valuation	Land & Buildings K'000	Motor Vehicles K'000	Furniture Fittings K'000	Computer & Accessories K'000	Total K'000
As at 01 January 2024	205 155	172 464	279 079	244 240	900 938
Revaluation	308 845	-	-	-	308 845
Additions	-	128 076	136 464	48 649	313 189
Disposals	-	-	-	(1 873)	(1 873)
Write offs	(7 211)	-	-	-	(7 211)
As at 31 December 2024	506 789	300 540	415 543	291 016	1 513 888
Depreciation					
As at 01 January 2024	9 440	70 582	101 294	143 981	325 297
Charge for the year	9 440	34 111	82 298	38 429	164 278
Disposal	-	-	-	(1 873)	(1 873)
As at 31 December 2024	18 880	104 693	183 592	180 537	487 702
Carrying Amount As at 31	487 909	195 847	231 951	110 479	1 026 186
December 2025					
As at 01 January 2025	197 944	300 540	415 543	291 016	1 205 043
Revaluation	308 845	-	-	-	308 845
Additions	-	233 709	311 967	182 789	728 465
Disposal	-	(22 739)	-	-	(22 739)
As at 31 December 2025	506 789	511 510	727 510	473 805	2 219 614
Depreciation					
As at 01 January 2025	18 880	104 693	183 592	180 537	487 702
Charge for the year	10 136	87 994	192 290	55 868	346 288
Disposal	-	(18 949)	-	-	(18 949)
As at 31 December 2025	29 016	173 738	375 882	236 405	815 041
Carrying amounts as at 31 Dec-25	477 773	337 772	351 628	237 400	1 404 573

The properties were independently last revalued at an open market value by Peter C Chikweni, B.Sc Est Mgt, MSIM Mgt, MSIM, as of 7th July 2022 on behalf of the Board.

The Board is of the opinion that the carrying value is not significantly different from fair value.

Reconciliation of the carrying amount

31 December 2024	**Land & Buildings K'000**	**Motor Vehicles K'000**	**Furniture Fittings K'000**	**Computer & Accessories K'000**	**Total K'000**
Opening net book amount	504 560	101 882	177 785	100 259	884 486
Additions	-	128 076	136 464	48 649	313 189
Depreciation charge	(9 440)	(34 111)	(82 298)	(38 429)	(164 278)
Write off	(7 211)	-	-	-	(7 211)
Disposals-Cost	-	-	-	(1 873)	(1 873)
- Depn	-	-	-	1 873	1 873
As at 31 December 2024	487 909	195 847	231 951	110 479	1 026 186
Year ended 31 December 2025					
Opening net book amount	487 909	195 847	231 951	110 479	1 026 186
Additions	-	233 709	311 967	182 789	728 465
Depreciation charge	(10 136)	(87 994)	(192 290)	(55 868)	(346 288)
Disposals-Cost	-	(22 739)	-	-	(22 739)
- Depn	-	18 949	-	-	18 949
As at 31 December 2025	477 773	337 772	351 628	237 400	1 404 573

7 INTANGIBLE ASSETS

Cost - Valaution	**2025 K'000**	**2024 K'000**
As at 01 January	54 007	41 086
Impairment	-	-
Additions	10 694	12 921
As at 31 December	64 701	54 007
Amortisation		
As at 01 January	16 621	11 034
Impairment	-	-
Amortisation for the year	9 926	5 587
As at 31 December	26 547	16 621
Carrying amounts as at 31 December	38 154	37 386

Reconciliation of the carrying amount

Opening net book amount	37 386	30 052
Additions	10 694	12 921
Amortisation charge	(9 926)	(5 587)
As at 31 December	38 154	37 386

8 LEASES

(i) Amounts recognised in the statement of financial position
The statement of financial position shows the following amounts relating to leases:

Right-of-use assets - buildings		
Opening net book amount	384 354	-
Addition	567 006	431 928
Disposal	(99 387)	-
Accumulated amortisation charge	(115 742)	(47 574)
Closing net book amount	736 231	384 354
Lease Liabilities		
Opening balance as at 01 January	414 156	-
Additions	567 006	431 928
Disposal	(124 065)	-
Finance charge	202 042	119 168
Lease payments	(374 788)	(136 940)
	684 351	414 156
Net book amount		

These lease payments during the year are analysed and included in operating cash flows as follows:

Principal	172 746	17 772
Interest	202 042	119 168
	374 788	136 940
The maturity of lease liabilities is as follows:		
Current	202 042	64 142
Non-current	482 309	350 014
	684 351	414 156

(i) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

Amortisation charge of right-of-use assets - buildings	115 742	47 574
Interest expense (included in finance cost)	202 042	119 168
	317 784	166 742

	2025 K'000	2024 K'000
9 INVESTMENTS IN EQUITY INSTRUMENTS (FVPL)		
MFI Hub	1 500	1 500
CIC Insurance	299 332	339 258
	300 832	340 758
The movement in the year is analysed in the table below		
At start of year	340 758	301 500
Additions	-	-
Disposal	-	-
Fair value gain/(loss)	(39 926)	39 258
	300 832	340 758
10 INVESTMENTS AT AMORTISED COST		
MUSCCO(Central finance facility)- Redeemable	182 924	182 924
MUSCCO(Central finance facility)- Non-redeemable	19 007	19 007
Central finance facility liquidity reserve	9 882	9 882
Central finance facility statutory investment	64 603	64 603
	276 416	276 416
11 LOANS AND ADVANCES TO MEMBERS		
Mzati Loan	31 553 683	20 568 316
Ndafika Loan	4 084 844	3 326 145
Ex Employee Loan	35 315	39 355
Tipindule SME Loan	1 007 857	58 929
Normal Loan	1 681 326	1 288 991
Relief Loan	1 292 974	1 205 338
Material Loan	7	7
Super Loan	1 314 154	1 310 250
Normal Loan ToP-up	6 963 727	6 919 778
Education Advance	11 697	10 521
Loan follow up Debtor	20	20
Group Loan	99	99
Takulandirani Loan	325 218	656 856
Mthandizi Loan	4 008	14 940
Kumanga Loan	1 510	3 297
Personal Loan	17 765	-
Car Loan	46 963	-
Housing Loan	394 977	-
Comprehensive Car Insurance	450	-
Management Car Loan	13 459	-
Umodzi Loan	11 590	-
Fresh Start	11	-
Ulimi Loan	7 786	15 585
Staff Loans	2 320	299 485
	48 771 760	35 717 912
Expected credit loss provision	(601 077)	(351 379)
Total loans and advances	48 170 683	35 366 533

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	2025 K'000	2024 K'000
As at 01 January	351 379	193 815
Write off during the year	(11 919)	(138 137)
Increase	261 617	295 701
Balance as at 31 December	601 077	351 379
Maturities		
Long term	44 427 120	33 820 350
Short term	4 344 640	1 897 562
	48 771 760	35 717 912
Ageing		
Normal -0 days	45 937 830	34 358 598
1-30 days	2 090 518	824 346
31-180 days	553 638	416 987
181-360 days	118 597	112 203
>360 days	71 177	5 778
	48 771 760	35 717 912

Loans classifications for the year ended 31 December 2024

Category	Number of loans	Gross loans and advances K'000	Expected credit losses K'000	Net loans and advances K'000
Stage 1	51 875	34 358 598	(132 875)	34 225 723
Stage 2	1 533	1 155 540	(106 428)	1 049 112
Stage 3	338	203 774	(112 076)	91 698
		35 717 912	(351 379)	35 366 533

Loans classifications for the year ended 31 December 2025

Category				
Stage 1	58 214	48 028 348	(210 609)	47 817 739
Stage 2	342	378 278	(83 087)	295 191
Stage 3	523	365 134	(307 381)	57 753
		48 771 760	(601 077)	48 170 683

12 OTHER RECEIVABLES

	2025	2024
Government ministries and District councils payroll		
Other government ministries payroll	941 287	1 598 735
District council payroll	3 490 645	3 522 131
Other instutitions payrolls	6 753	54 275
	4 438 686	5 175 141
Less: District payroll loan loss provision	(667 120)	(448 715)
	3 771 566	4 726 426
Interest receivable	1 607 856	139 115
Expected credit loss provision	(115 469)	-
	1 492 387	139 115

UNITED CIVIL SERVANTS SACCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

		2025 K'000	2024 K'000
	Other		
	Airtel Merchant account	35 340	-
	Death Benefit Debtor	77 849	77 289
	National Bank of Malawi Plc	-	5 864
	MUSCCO	5 047	1 186
	Loan collateral	406 000	250 000
	Security deposit	15 360	-
	Wellfare fund Claims	1 900	17 800
	Prepayments	214 894	270 330
	Accrued Arrears	499 129	-
	Mobile Float TNM	100 632	23 877
	Mobile Float Airtel	97 902	14 731
	Other current assets	1 918	944
		1 455 969	661 077
	Total other receivables	6 719 922	5 527 561
13	**DEPOSITS WITH FINANCIAL INSTITUTIONS**		
	NBM Investment Account	3 679 246	1 140 933
	FDH Investment account	545 706	553 482
	FDH Bank investment account	-	295 226
	Continental Discount House Limited	1 764 326	-
	Muscco Investment Account	3 135 889	2 268 146
		9 125 167	4 257 787
	Expected credit loss provision	(20 530)	-
		9 104 637	4 257 787
14	**CASH AND CASH EQUIVALENTS**		
	Bank balances	5 209 790	878 189
	Central financing facility ordinary deposits	4 395	4 395
	CFF Special Deposit	96	96
	Cash in hand	1 499	64
		5 215 779	882 744
	For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances:		
	Cash on hand and at bank	5 215 779	882 744
	Overdraft (Note 21)	(189 708)	(486 770)
		5 026 071	395 974
15	**SHARE CAPITAL**		
	As at 01 January	1 746 383	1 354 906
	Additions	278 116	391 477
		2 024 499	1 746 383

Members contribute non refundable fees and non- redeemable shares. The minimum non redeemable shares can be adjusted with board approval.

16 MEMBER SHARES

	2025 K'000	2024 K'000
Ast at 01 January	15 878 804	10 017 550
Additions: Shares issued at par	8 385 580	5 861 254
	24 264 384	15 878 804

Share certificates are not issued to shareholders instead share statements may be issued to shareholders upon request. Member shares are refundable to the members upon ceasing to be a member of the Cooperative and approval by the Board. Members' shares are classified as current liabilities. The Cooperative does not have unconditional right to refuse withdrawal of member shares by its members and as such they cannot be classified as equity. The Financial Cooperatives Act 2011 does not restrict withdrawal of members' shares.

17 BORROWINGS

	2025 K'000	2024 K'000
Balance as at 01 January	3 089 028	1 027 889
Additional loan during the year	2 280 000	3 280 000
Interest charges	1 066 641	243 971
Repayments made during the year	(3 268 151)	(1 462 832)
Balance as at 31 December	3 167 518	3 089 028
Current	2 224 316	1 972 086
Non-current	943 202	1 116 942
	3 167 518	3 089 028

The cooperative has a loan facility with FDH Bank plc and Central Finance Facillity from Malawi Union of Savings and Credit Cooperatives Limited.

18 OTHER PAYABLES

	2025 K'000	2024 K'000
Audit Fees Payable	29 867	16 304
Accrued Expenses	104 694	-
Cash excess	696	448
CIC Funeral Cover benefits	15 600	3 900
Dormant Accounts Control GL	18 293	18 293
Dividends payable	68 082	68 082
External Debt Collectors	(2 695)	-
FDH Creditor	1 417	1 512
Accosca	75 960	-
Funeral cover premium	370 321	275 428
Standard Bank Creditor	1 302	1 302
Group life insurance cover	25 774	5 638
Interbranch	(9 509)	1 807
Payment Solutions Malawi - PSM	94 134	-
Payroll Rejects	7 079	-
POA Charge - Power of Attorney	4 402	-
Loan Premium	60 032	28 262
Main Arreas	482 947	123 155
NICO Welfare	22 050	-
NBM creditors	535	45
NBS creditors	1 181	1 261
NICO Pension, GLIC and Administration Fees	71 819	25 759
Non Member deductions	123 548	100 496
Other payables	16	80 935
PAYE - MRA	34 981	44 385
Staff loan premium	(36)	276
Gratuity	13 696	-
Tevet levy payable	15 436	3 448
Kumanga Creditor GL	1 225	761
Ulimi Creditor GL	(1 613)	1 511
Withholding tax	79 740	41 806
MFI HUB Company Ltd	33 251	-
Head office marketing	-	245
	1 744 225	845 059

19 PROVISIONS

	2025 K'000	2024 K'000
Board Honorarium	78 026	58 198
Staff bonuses	775 122	371 447
Interest on member savings account	111 999	51 647
	965 147	481 292

20 LIABILITIES DUE TO MEMBERS

	2025 K'000	2024 K'000
Ordinary deposits	2 143 803	1 494 408
Other deposits	3 547 473	2 171 714
Total member deposits	5 691 276	3 666 122

		2025 K'000	2024 K'000
21	**BANK OVERDRAFT**		
	National Bank of Malawi	189 708	486 770
22	**INTEREST INCOME ON LOANS**		
	Interest on Umodzi Loan	373	-
	Interest On Car Loan	3 526	2 216
	Interest on Ex Employees	11 714	-
	Interest On Housing Loan	14 873	11 268
	Interest on Tipundure SME Loan	120 468	-
	Interest on Normal Loan	789 655	765 827
	Interest on normal loan top up	3 984 200	3 880 522
	Interest On Personal Loan	2 558	2 413
	Interest on Relief Loan	953 694	893 806
	Interest on Staff Loan	-	12 163
	Interest On Super Loan	727 584	784 413
	Interest on Takulandirani Loan	242 818	544 093
	Interest on Kumanga Loan	1 153	2 662
	Interest on Ulimi Loan	5 578	6 757
	Interest on Mthandizi Loan	4 900	15 068
	Interest on Mzati Loan	13 291 845	6 836 790
	Interest on Ndafika Loan	1 982 982	953 843
	Total interest on loans	22 137 921	14 711 841
23	**INTEREST ON INVESTMENTS**		
	Interest on Current Accounts	1 239	5 666
	Interest On Fixed Deposit	1 081 573	558 266
	Interest on CFF Special Deposit	-	841
	Interest on Statutory Reserves	-	5 790
	Interest on Ordinary deposits	(21)	266
		1 082 791	570 829
24	**INTEREST ON EXPENSES AND SIMILAR CHARGES**		
	Bank charges	21 719	29 179
	CFF loan processing fees	-	86 250
	Interest On Board Member Saving Scheme	1 313	872
	Interest on CFF loan	742 348	602 617
	Interest on Fixed Deposits	19 407	11 363
	Interest On Finnes Loan	9 161	-
	Interest On Member Christmas Savings	35	14
	Interest On Member School Fees Savings	51	26
	Interest On My Tomorrow Savings	52 511	12 325
	Interest On Ordinary Deposit	75 304	38 411
	Interest on Staff Fixed Deposits	1 297	496
	Interest on Pension investment fund	-	1 058
	Interest on Youth Fixed Deposits	24	6
	Interest on FDH Loan	324 298	36 453
	Loan arrangement fees	83 100	32 267
	Overdraft Interest	137 179	267 825
	Unearned interest	4 148	3 220
		1 471 895	1 122 382

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NOTES TO THE FINANCIAL STATEMENTS
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25 OTHER INCOME

	2025 K'000	2024 K'000
Administration fee	33 261	29 928
Bad debt recovery	27 352	29 291
Entrance fee	73 176	104 027
Loan processing fee	1 925 921	1 832 351
Mobile money income	163 674	127 148
Monthly service charge	1 888 851	1 717 530
Other business income	121 347	37 067
Profit on disposal	19 668	5 075
Sales of loan forms	218 076	186 843
	4 471 326	4 069 260

26 ADMINISTRATION EXPENSES

	2025 K'000	2024 K'000
Bad debts	11 919	22 450
Branch supervisions	11 650	13 305
Building maintenance	144 042	31 022
Business budget and planning	43 269	32 815
Car tracking, service and maintenance	74 836	17 754
Cash transfer expense	29 463	23 593
Casual labour	11 639	7 857
Computer & equipment repairs	413	1 385
Computer consumable	51 421	34 439
Digital transformation expense	246 837	-
Depreciation & ammortisation	471 956	217 439
Electricity	50 558	36 221
External AGM	160	3 195
External printing and photocopy	414	125
Fuel & lubricants- generators	11 250	5 450
Fuel & lubricants- motor vehicles	2 332	949
Write off	-	7 211
General asset insurance	33 687	24 749
Generator service & maintenance	-	993
Generators fuel	-	3 601
Generators maintenance and service	1 759	14
Gifts and rewards	99 066	41 730
Hiring	5 418	4 717
HUB- Service cost	771 986	587 565
ICT infrastructure support	83 901	35 591
International Trainings	418 598	296 473
Loan collection costs- PSM	1 082 742	895 448
Loan follow-up	10 317	5 332
Subtotal	3 669 633	2 351 423

		2025	2024
26	**ADMINISTRATION EXPENSES**	**K'000**	**K'000**
	Balance brought forward	3 669 633	2 351 423
	Loss on disposal	16 987	-
	Management car loan expense	7 000	-
	Management Meetings	10 163	-
	Management Travel & Allowances	52 676	30 944
	Motor bike service & maintenance	1 248	1 108
	Office Cleaning services	65 031	44 601
	Office equipment maintenance	48 812	21 747
	Office launch	2 199	-
	Operating losses	9 586	5 509
	Payroll cheque follow costs	4 043	6 969
	Legal costs	38 766	34 710
	Performance Review and Re-contracting	174 527	136 759
	Postage and delivery	41 911	10 998
	Printing & photocopy	699	2 384
	Recruitment	84 938	38 844
	Refreshments	50 180	41 264
	Relief duties allowances	18 275	28 487
	Non-compliance fees	6 400	-
	Security service	131 422	118 686
	Staff allocation	153 800	83 549
	Staff welfare	57 734	11 827
	Stationery	212 620	122 318
	Strategic development planning session	-	1 786
	Telephone	10 435	9 132
	Town assembly and city rates	20 343	23 710
	Trainings	102 261	125 821
	Utilities	52 774	31 453
	Vehicle insurance	39 843	23 008
	VPN & Internet subscription.	60 042	57 296
	Lease interest payment	202 042	119 168
	Water bills	15 139	11 395
		5 361 529	3 494 896

27	**GOVERNANCE EXPENSES**		
	Audit Fees & related expenses	51 435	47 687
	Board of Directors - Committee	236 471	98 060
	Chapter Dues	4 000	3 500
	Executive Committee	775	-
	Annual Delegation selection	97 350	68 220
	Internal Audit	31 619	2 360
	International Credit Union Day	-	1 006
	SACCO Stabilisation fund contribution	-	6 499
	MUSCCO Dues	70 634	70 634
	Member Education Cost	-	123
	Annual General Meeting	118 222	70 938
	Board retirement package	6 000	4 000
	BOD honararium	78 026	58 198
	BOD honararium-2023	-	34 978
		694 532	466 203

		2025	2024
28	**MARKETING EXPENSES**	**K'000**	**K'000**
	Bring a member promotion	39 880	18 854
	Corporate social responsibility (CSR)	72 905	48 199
	Customer survey	31 730	-
	Member education expense	42 058	18 872
	Marketing development cost	-	502
	Stakeholder engagement	47 148	5 846
	Marketing	231 071	161 304
	Marketing commission	118 737	39 185
	Marketing programs	336 330	158 382
		919 859	451 144

29	**PERSONNEL EXPENSES**		
	Employers pension	262 466	145 031
	Fringe benefit tax	89 959	48 295
	Group life insurance cover	41 120	22 788
	Leave grant	15 753	13 669
	Allowances	9 309	4 680
	Salaries	1 762 107	1 058 769
	Staff bonuses	779 821	371 447
	Medical scheme	25 012	20 378
	NICO Pension & GLIC Admin fees	4 892	3 259
	Education development cost	3 947	1 670
	Other staff benefits	144 859	71 561
	Staff attachment	248 772	130 077
	Supervisory allowances	52 136	28 299
	Disciplinary	-	818
	Team building	130 845	97 718
	Gratuity	13 696	28 263
	Terminal benefits	2 031	2 349
	TEVETA Levy	24 107	9 980
		3 610 832	2 059 051

	2025 K'000	2024 K'000
30 RELATED PARTY TRANSACTIONS AND BALANCES		

In the context of the Cooperative, related party transactions are considered by the directors to include any transactions made by any of the following persons:

- Members of the Cooperative;
- Members of the Board of Directors;
- Members of Key Management;
- Spouses and children of the above; and

The amounts are payable in the normal course of business and all staff loans are on normal interest terms.

30.1 The following year end balances arose from transactions that were carried out with related parties:

30.1.1 Related party transactions

Transactions with related parties include interest income and expense, fee income and expense and revenue earned from services rendered.
Other transactions are as follows:

	2025 K'000	2024 K'000
Board expenses	242 470	98 060
Directors Honararium	78 026	34 978
Salaries to key management	723 711	466 586
	1 044 207	599 624

UCS SACCO as a cooperative abides by cooperative principle of volunteerism and directors are not paid directors fees, however allowances are paid towards direct costs of transport and accommodation.

30.1.2 Related party balances

	2025 K'000	2024 K'000
Amounts due from key management		
Loans to key management	324 712	195 688
Directors loans	15 677	14 762
	340 389	210 450

31 EVENTS AFTER THE REPORTING DATE

No events of a material nature occurred between the reporting date and the date of approval of these financial statements, which would result in an adjustment or disclosure in the financial statements.

32 EXCHANGE RATES AND INFLATION

The average of selling and buying exchange rates at the year end of major foreign currencies affecting the performance of the Cooperative are stated below, together with the increase in the National Consumer Price Index which represents an official measure of inflation.

As at 31 December	2025	2024
Kwacha/GBP	2,426.10	2,262.17
Kwacha/Euro	2,115.90	1,875.85
Kwacha/Rand	108.55	95.96
Kwacha/US Dollar	1,751.00	1,751.00
Average Inflation 31 December	27.90	28.10

33 RESTATEMENT

The equity investments were in the previous year classified at fair value through other comprehensive income. This was a change from the initial classification of fair value through profit or loss(FVTPL) which is prohibited by IFRS 9 Financial Instruments.

The error has now been corrected by restating comparative information in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The correction results in fair value gains/losses previously recognised in other comprehensive income(OCI) being recognised in profit or loss. The restatement has no impact on total equity, cash flows and the carrying amount of the investments.

Statement of Profit or loss	**2024 As previously reported**	**Adjustment**	**2024 Restated**
	K'000	**K'000**	**K'000**
Fair value gains/(losses)	-	39 259	39 259
Profit for the year	11 209 891	39 259	11 249 150
Statement of Other Comprehensive income			
Fair value gains/(losses)	39 259	(39 259)	-
Total Comprehensive income	39 259	(39 259)	-