

CS/No. 3982

MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED

SOCIETY INFORMATION

1. MANAGEMENT COMMITTEE

The members of the Management Committee who served during the year were: -

Mr. Geoffrey Injeni	Chairman
Ms Josephine Muli	Vice-Chairman
Mr. Stephen Maina	Secretary
Mr. Benard Wanjala	Treasurer
Ms Lynnete Obara	Member

2. SUPERVISORY COMMITTEE

Ms Grace Ochieng	Chairman
Mr. John Njane	Secretary
Mr. Jones Munyao	Member

3. REGISTERED OFFICE

Mzima Springs SACCO Society Limited
Strathmore University next to Madaraka Estate
P.O.Box 59857-00200
NAIROBI
Telephone: 0703034336.

4. PRINCIPAL BANKERS

Co-operative Bank of Kenya Limited
Ukulima Branch,
Nairobi

5. AUDITORS

Mũli Sylvanus & Associates
Certified Public Accountants of Kenya
P.O. Box 14499-00100
NAIROBI

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MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED

STATISTICAL INFORMATION AS AT 31ST DECEMBER 2012

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Membership	393	341	336
Members' Deposits	64,221,767	53,928,728	47,269,287
Core Capital	5,155,291	4,375,169	5,788,407
Loans to Members	64,655,336	54,100,358	43,137,031
Investments	88,038	88,038	10,000
Assets	73,488,740	61,465,722	53,576,453
Liabilities	68,333,450	57,090,553	47,788,045
Interest Income	6,967,351	5,702,207	5,030,063
Other Incomes	132,024	13,770	5,518
Key Ratios			
Liquidity Ratio	2:1	2.18:1	1.12:1
% of Expenses to Gross Turnover	88.57%	82.50%	78.72%
% of Interest on Members Deposits to Turnover	98.14%	43.70%	46.20%

MANAGEMENT COMMITTEE REPORT

The Management Committee submits its report and audited accounts for the year ended on 31st December 2012.

1. INCORPORATION

The Society is incorporated in Kenya under the Sacco Society Act No.14 of 2008 and is domiciled in Kenya.

2. PRINCIPAL ACTIVITY

The principal activity of the society continued to be receiving deposits from its members and providing loans to them.

3. RESULTS FOR THE YEAR

	<u>2012</u> <u>Kes</u>	<u>2011</u> <u>Kes</u>
Surplus/(Deficit) for the period	811,449	846,343
Tax Provision	(31,327)	(4,131)
Transfer to Statutory Reserve Fund	(156,024)	(168,442)
Retained Surplus for the Year	<u>624,097</u>	<u>673,770</u>
Interest on Members Deposits	<u>4,000,000</u>	<u>2,500,000</u>

4. MANAGEMENT COMMITTEE

The members of the Management Committee who served during the year are on page 1.

5. INDEPENDENT AUDITORS

Mūli Sylvanus & Associates were appointed by the Management Committee acting on a mandate from the Annual General Meeting, to serve as the Auditors of the Society for year 2012. They have expressed their willingness to continue in office and have offered themselves for re-appointment.

By Order of the Management Committee

MR. STEPHEN MAINA
HON. SECRETARY

Date-----

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MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED

STATEMENT OF THE RESPONSIBILITIES OF THE MANAGEMENT COMMITTEE OF MZIMA SPRINGS SACCO SOCIETY LIMITED FOR YEAR ENDED ON 31st DECEMBER 2012.

The Management Committee is required to prepare financial statements for each financial year that give a true and fair view of the Society's state of affairs as at the end of the financial year and of its surplus or deficit and cash flows. The Management Committee should ensure that the Society keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Society. It is also responsible for safeguarding the assets of the Society.

The Management Committee accepts the responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the Co-operatives Society (Amendment) Act 2008.

The Management Committee is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Society and its results. The Management Committee further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well adequate systems of internal financial control.

Nothing has come to the attention of the Management Committee to indicate that the Society will not remain a going concern for at least twelve months from the date of this report.

Chairman _____ Date _____ 2013

Treasurer _____ Date _____ 2013

Hon. Secretary _____ Date _____ 2013

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REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED FOR THE YEAR ENDED ON 31ST DECEMBER 2012.

We have audited the financial statements set out on pages 6 to 14 which comprise of Statement of Financial Position as at 31st December 2012, Statement of Financial performance, Statement of Changes of Equity, and Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

1. Respective responsibilities of the Management Committee and Auditors

As described on page 2 above, the Management Committee is responsible for the preparation and fair presentation of the financial statements, in accordance with the International Financial Reporting Standings and the Co-operatives Society (Amendment) Act 2008. Our responsibility is to express an opinion on the financial statements based on our audit.

2. Basis of Opinion

We conducted our audit in accordance with the internationally accepted auditing standards. The standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements.

An audit involves examination on test basis the evidence supporting the amounts and disclosures in the financial statements. This includes an assessment of the accounting policies used and significant estimates made by the Management Committee and evaluating the overall financial statements preparation. We believe our audit procedures we applied and the audit evidence we obtained provide a reasonable basis for our opinion.

3. Opinion

In our opinion the accompanying financial statements, give a true and fair view of the Society's financial affairs as at 31st December 2012, its results and cash flow statement for the year then ended in accordance with the International Financial Standards and the requirements of the Co-operatives Society (Amendment) Act 2008.

Report on Other Legal requirements

As per the requirements of the Co-operative Societies Act (Amendment) of 2008, we report that:-

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

Müli Sylvanus & Associates

Certified Public Accountants of Kenya,
Nairobi, Kenya

Date: _____2013

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MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED ON 31ST DECEMBER 2012

	Notes	<u>2012</u> <u>Kes</u>	<u>2011</u> <u>Kes</u>
<u>INCOME</u>			
Interest from Members Loans	11	6,967,351	5,702,207
Other Incomes	11	132,024	13,770
Net Interest Income		<u>7,099,375</u>	<u>5,715,977</u>
Administrative Expenses	12	6,287,926	4,717,345
Net Operating Surplus/(Deficit) for the year		<u>811,449</u>	<u>998,632</u>
Loss on Sale of an asset		-	(152,279)
Income tax		(31,327)	(4,131)
Net Surplus/(Deficit) for the Year after tax		<u>780,122</u>	<u>842,222</u>

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MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2012

	Notes	<u>Kes</u>	<u>Kes</u>
ASSETS			
Cash and Bank Balances	2	7,071,415	5,288,549
Receivables and Prepayments	3	1,341,652	1,614,302
Loans to Members	4	64,655,336	54,100,358
Investments	5	88,038	88,038
Plant, Furniture and Equipment	6	241,731	189,731
Intangible Asset	7	105,568	184,744
TOTAL ASSETS		<u>73,503,740</u>	<u>61,465,722</u>
LIABILITIES			
Members Deposits	10	64,221,767	53,928,728
Payables and Accruals	8	415,959	654,094
Tax Provision		39,058	7,731
Interest on Members' Deposits	9	3,671,666	2,500,000
		<u>68,348,450</u>	<u>57,090,553</u>
EQUITY			
Share Capital		4,000,000	-
Reserves		1,155,290	4,375,169
TOTAL LIABILITIES AND EQUITY		<u>73,503,740</u>	<u>61,465,722</u>

The Accounts Set out on pages 6 to 14 were approved by the Management Committee on-----

CHAIRMAN _____ Date _____

TREASURER _____ Date _____

SECRETARY _____ Date _____

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MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED
STATEMENT OF CHANGES IN EQUITY AND RESERVES FOR THE YEAR ENDED ON 31ST
DECEMBER 2012

	SHARE CAPITAL	STATUTORY RESERVE	ENTRANCE FEES	RETAINED SURPLUS	TOTAL
As at 1st January 2011		3,190,264	65,100	2,533,043	5,788,407
Changes in Equity in 2010					
Surplus for the Year		-	-	846,353	846,353
Income tax		-	-	(4,131)	(4,131)
Received during the year		-	15,400	-	15,400
Adjustment		-	-	-	-
Transfer from Surplus Statutory Reserve Fund		168,442	-	(168,442)	-
Dividends paid				(2,270,861)	(2,270,861)
As at 31st December 2011	-	3,358,706	80,500	935,962	4,375,168
As at 1st January 2012		3,358,706	80,500	935,962	4,375,168
Changes in Equity in 2012					
Surplus for the Year			-	811,449	811,449
Tax Provision for the year		-		(31,327)	(31,327)
Transfer from Surplus Statutory Reserve Fund		156,024	-	(156,024)	-
Transfer to Share Capital	4,000,000	(3,000,000)		(1,000,000)	(4,000,000)
As at 31st December 2012	4,000,000	514,730	80,500	560,061	5,155,291

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MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED ON 31ST DECEMBER 2012

	<u>2012</u>	<u>2011</u>
	Kes	Kes
CASH FLOW FROM OPERATING ACTIVITIES		
Cash flow from operating activities	7,099,375	5,715,977
Operating expenses	6,287,926	4,717,345
Net Surplus before taxation	811,449	998,632
Adjustment for non-cash items		
Depreciation	6 65,600	67,743
Amortization for intangible asset	7 79,176	79,176
Loss on Sale of Fixed Assets	-	152,279
Interest on Members Deposits	9 4,000,000	2,500,000
Prior Year Adjustments	-	2,067
	<u>4,956,225</u>	<u>3,799,897</u>
(Increase)/ Decrease in Operating Assets		
Net Loans to Members	(10,554,978)	(10,963,327)
Trade and Other Receivables	272,650	29,348
Net Cash flow from Operations	(10,282,328)	(10,933,979)
(Increase)/ Decrease in Operating Liabilities		
Net Deposits from Members	10,293,039	6,659,441
Other Creditors	(238,135)	-
	<u>10,054,904</u>	<u>6,659,441</u>
Net cash flow from operating activities before income tax	4,728,801	(474,641)
Tax paid	-	-
Net Cash from operating activities	<u>4,728,801</u>	<u>(474,641)</u>
CASH FLOW INVESTING ACTIVITIES		
Purchase of property and equipment	6 (117,600)	(79,000)
Purchase of Intangible asset	-	(263,920)
Purchase of Investment Securiries	-	(78,038)
Net Cash flow from investing activities	(117,600)	(420,958)
CASH FLOW FROM OTHER ACTIVITIES		
Proceeds from Sale of Buildings	-	200,000
Dividends Paid	(2,828,666)	(2,270,861)
Net Cash flow generated from Other activities	(2,828,666)	(2,070,861)
	<u>1,782,866</u>	<u>(2,966,460)</u>
Increase in Cash and Cash equivalents		
Cash and Cash equivalents January 1, 2012	5,288,549	8,255,020
Cash and Cash Equivalents December 31, 2012	<u>7,071,415</u>	<u>5,288,549</u>

MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST DECEMBER 2012

1. ACCOUNTING POLICIES

The Financial Statements are prepared in accordance and comply with Co-operatives Society (Amendment) Act 2008. The principal accounting policies applied in the preparation of the financial statements are set out below: -

(a) Basis of Accounting

The financial statements are prepared under the Historical Cost Convention.

(b) Depreciation

The depreciation on fixed assets is on reducing balance method calculated at annual rates estimated to write off each asset over its useful life. The rates, which have been used, are as follows: -

- | | |
|--------------------|-------|
| • Office equipment | 12.5% |
| • Computers | 30% |
| • Software | 30% |

(c) Statutory Reserve

Transfer is made to the statutory reserve fund at the rate of 20% of the net profit after tax.

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MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST DECEMBER 2012

2. BANK AND CASH BALANCES

	<u>2012</u> <u>Kes</u>	<u>2011</u> <u>Kes</u>
Cash in Hand	30,226	28,870
Current Account-Coop Bank	<u>7,041,189</u>	<u>5,259,679</u>
Balance carried forward	<u>7,071,415</u>	<u>5,288,549</u>

3. RECEIVABLES AND PREPAYMENTS

Sundry Debtors	503,023	4,050
Resigned Members Loans	784,129	1,530,942
Prepaid Insurance	<u>54,500</u>	<u>79,310</u>
	<u>1,341,652</u>	<u>1,614,302</u>

4. LOANS TO MEMBERS

Control Account Balance	64,655,336	54,100,358
Balance per Members Individual Accounts	<u>64,655,336</u>	<u>54,100,358</u>
Variance	<u>-</u>	<u>-</u>

5. INVESTMENTS (AT COST)

KUSCCO	64,000	64,000
Others	<u>24,038</u>	<u>24,038</u>
TOTAL	<u>88,038</u>	<u>88,038</u>

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MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST DECEMBER 2012

6. PROPERTY, FURNITURE AND EQUIPMENT SCHEDULE

COST OR VALUATION	<u>Kes</u>	<u>Kes</u>	<u>Kes</u>	<u>Kes</u>
At January 1, 2011	456,024	94,793	413,625	964,442
Additions	-	6,000	73,000	79,000
Disposals	456,024	-	-	456,024
December 31, 2011	<u>-</u>	<u>100,793</u>	<u>486,625</u>	<u>587,418</u>
At January 1, 2012	-	100,793	486,625	587,418
Additions	-	104,500	13,100	117,600
Disposals	-	-	-	-
December 31, 2011	<u>-</u>	<u>205,293</u>	<u>499,725</u>	<u>705,018</u>
ACCUMULATED DEPRECIATION				
At January 1, 2011	103,745	46,511	283,433	433,689
Charge for the Year	-	6,785	60,958	67,743
Disposals	103,745	-	-	103,745
December 31, 2011	<u>-</u>	<u>53,296</u>	<u>344,391</u>	<u>397,687</u>
At January 1, 2012	-	53,296	344,391	397,687
Charge for the Year	-	19,000	46,600	65,600
Disposals	-	-	-	-
December 31, 2012	<u>-</u>	<u>72,296</u>	<u>390,991</u>	<u>463,287</u>
NET BOOK VALUE				
December 31, 2012	<u>-</u>	<u>132,997</u>	<u>108,734</u>	<u>241,731</u>
December 31, 2011	<u>-</u>	<u>47,497</u>	<u>142,234</u>	<u>189,731</u>

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MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST DECEMBER 2012

7. INTANGIBLE ASSET SCHEDULE

	<u>COMPUTER SOFTWARE</u>	<u>TOTAL</u>
	Kes	Kes
COST OR VALUATION		
At January 1, 2011	-	-
Additions	263,920	263,920
At December 31, 2011	<u>263,920</u>	<u>263,920</u>
At January 1, 2012	263,920	263,920
Additions	-	-
At December 31, 2012	<u>263,920</u>	<u>263,920</u>
ACCUMULATED AMORTIZED VALUE		
At January 1, 2011	-	-
Charge for the Year	79,176	79,176
At December 31, 2011	<u>79,176</u>	<u>79,176</u>
At January 1, 2012	79,176	79,176
Charge for the Year	79,176	79,176
At December 31, 2012	<u>158,352</u>	<u>158,352</u>
NET BOOK VALUE		
At December 31, 2012	<u>105,568</u>	<u>105,568</u>
At December 31, 2011	<u>184,744</u>	<u>184,744</u>

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MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST DECEMBER 2012.

8. PAYABLES AND ACCRUALS

	<u>2012</u> <u>Kes</u>	<u>2012</u> <u>Kes</u>
Dues to resigned Members	189,279	595,314
Audit Fees	40,000	40,000
VAT	-	-
PAYE	162,900	-
Sundry Payables	19,579	14,579
Ministry of Cooperative & Marketing	4,200	4,200
	<u>415,959</u>	<u>654,094</u>

9. INTEREST ON MEMBERS DEPOSITS

Balance brought forward	2,500,000	2,270,861
Paid during the year	(2,828,666)	(2,270,861)
Provision for the year	4,000,000	2,500,000
	<u>3,671,334</u>	<u>2,500,000</u>

10. MEMBERS DEPOSITS

Balance per members personal accounts	64,655,336	53,928,728
Balance per Control Accounts	64,655,336	53,928,728
	<u>-</u>	<u>-</u>

11. INCOME

	<u>2012</u> <u>Kes</u>	<u>2011</u> <u>Kes</u>
Interest from Members Deposits	6,967,351	5,702,207
Sundry income	128,604	13,665
Interest(Investment)	3,420	105
	<u>7,099,375</u>	<u>5,715,977</u>

MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST DECEMBER 2012.

12. OPERATING AND ADMINISTRATIVE EXPENSES

	<u>2012</u>	<u>2011</u>
	<u>Kes</u>	<u>Kes</u>
Financial Expenses and Bank charges		
Interest on Members Deposits	4,000,000	2,500,000
Bank Charges and Commissions	97,730	51,590
Administrative Expenses		
Salaries and Wages	683,158	693,172
Administration Expenses	-	130,000
Printing and Stationery	37,163	81,364
Telephone and Postage	6,050	4,410
Legal fees	25,000	-
Depreciation Expense	65,600	67,743
Amortization of Intangible Asset	79,176	79,176
AGM Expenses	101,613	210,652
Committee Sitting Allowance	472,800	396,000
Staff Welfare	44,379	30,888
Repairs	200	2,760
Insurance Expenses	242,810	158,620
Advertisement	20,264	-
Strategic Plan preparaion expenss	15,000	-
Training expenses	12,000	7,650
Travelling expenses	9,540	8,170
Entertainmenet	-	24,000
Cleaning expenses	-	1,700
Supervision Fees	4,200	4,200
Audit fees	40,000	40,000
Website maintenance	12,000	-
Computer Expenses	69,600	24,700
Supervisory Fees	105,000	30,000
Filing returns	-	2,000
Donations	125,000	150,000
Medical Expenses	14,643	13,550
NSSF Employers Portion	5,000	5,000
Total Expenses	<u>6,287,926</u>	<u>4,717,345</u>