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The CHARMAN’S NOTE

CORPORATE INFORMATION

1. PRINCIPAL ACTIVITY

The principal activity of the society is to promote saving culture amongst it's members by affording them an opportunity for accumulating their savings and to create a pool of funds from which loans can be advanced to them for provident and productive purposes at fair and reasonable rate of interest.

2. INCORPORATION

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

3. REGISTERED OFFICE

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

4. PRINCIPAL BANKER

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

MANAGEMENT COMMITTEE MEMBERS AND REPORT

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

Mr. Geoffrey Injeni	Chairman
Ms Josephine Muli	Vice-Chairman
Mr. David Dimba	AG-Secretary
Mr. Josphat Manani	Treasurer
Mr. Benard Wanjala	Member
Mr. Peter Ochuodho	Member

Photos









2. RESULTS

MZIMA SPRINGS SACCO SOCIETY LIMITED

ANNUAL GENERAL MEETING

5th APRIL 2014

MANAGEMENT COMMITTEE'S REPORT

Ladies and gentlemen,

The management committee welcomes you to our Annual General Meeting for the year 2014. The main objective of the meeting is, among other things, to discuss and adopt the 2014-2015 budgets as well as the auditor's report for the year 2014 accounts. Members shall also be briefed on the current progress of the SACCO.

General Economic and Legal Environment

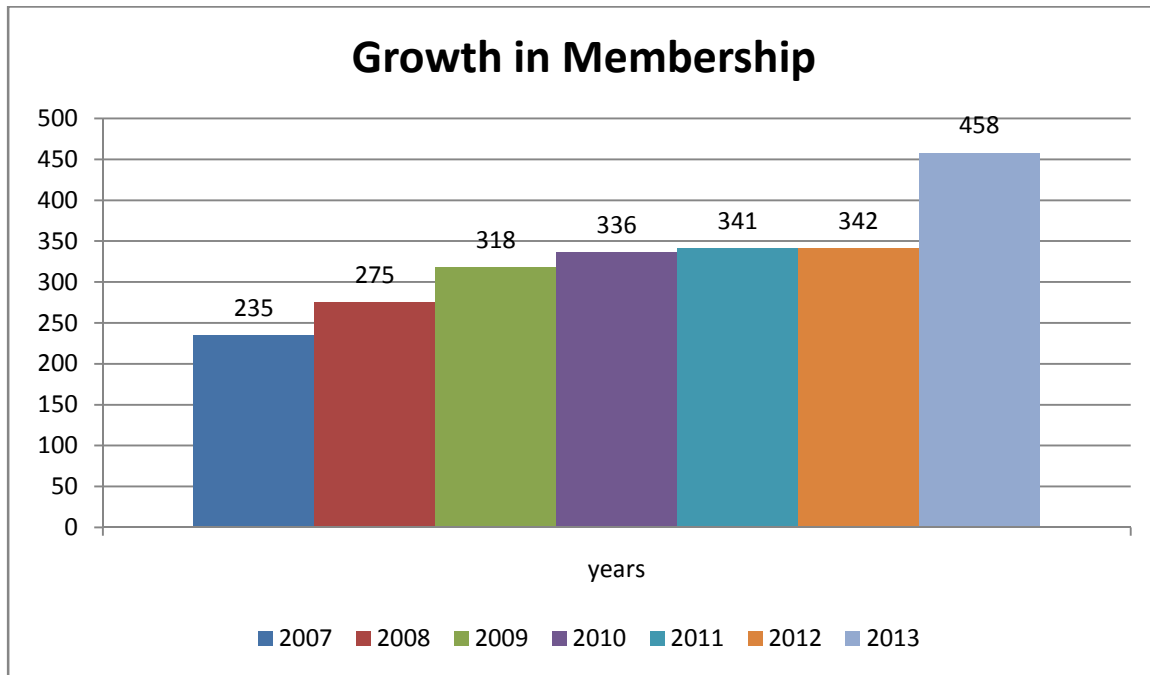
There was a slight improvement in the economy in year 2013 that led to an increase in savings and borrowing. However, the year 2013 has started on a negative note owing to rising fuel prices and political tension. This, as expected, has led to increased cost of living and will indirectly affect savings.

As you are aware in the year 2010 the new SACCO Act was gazetted. This has greatly affected the way SACCO's are to be managed especially the ones that have Front Office Services (FOSA). The Management Committee is in constant consultations with the ministry of co-operatives officials to ensure any necessary changes are implemented as expected. This will sometimes call for amendments to by-laws.

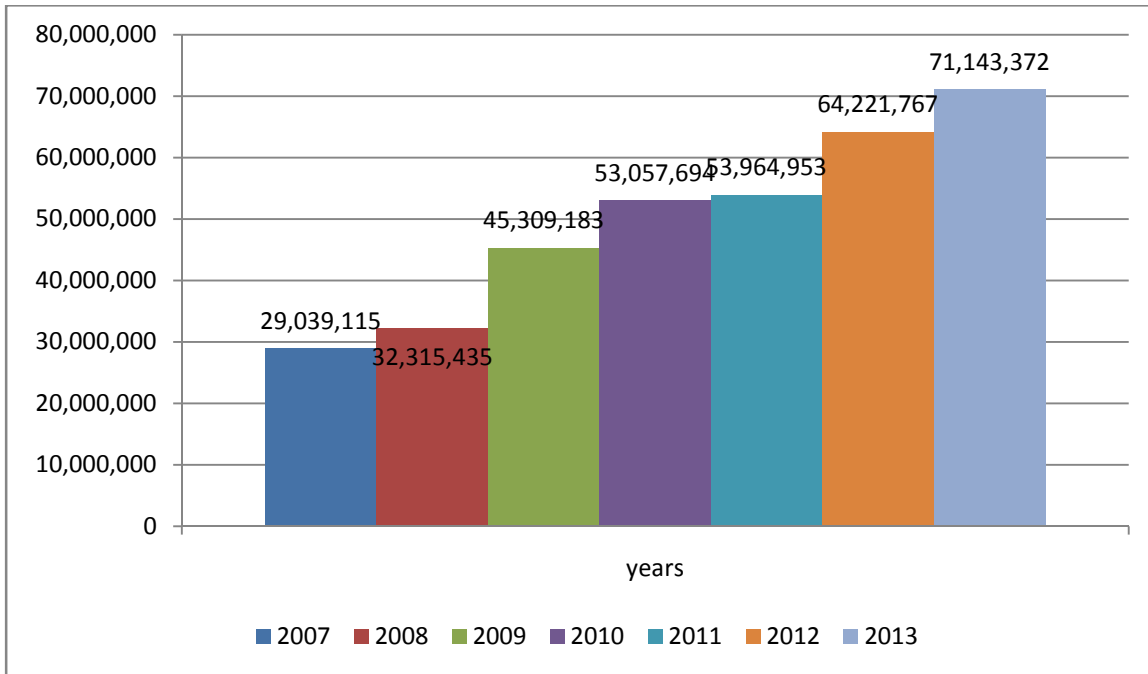
Progress and membership

The SACCO continues to grow in membership although the Management Committee feels more can be done to attract members. The rate of growth is not very high and some marketing and sensitization activities will be put in place to improve on the same.

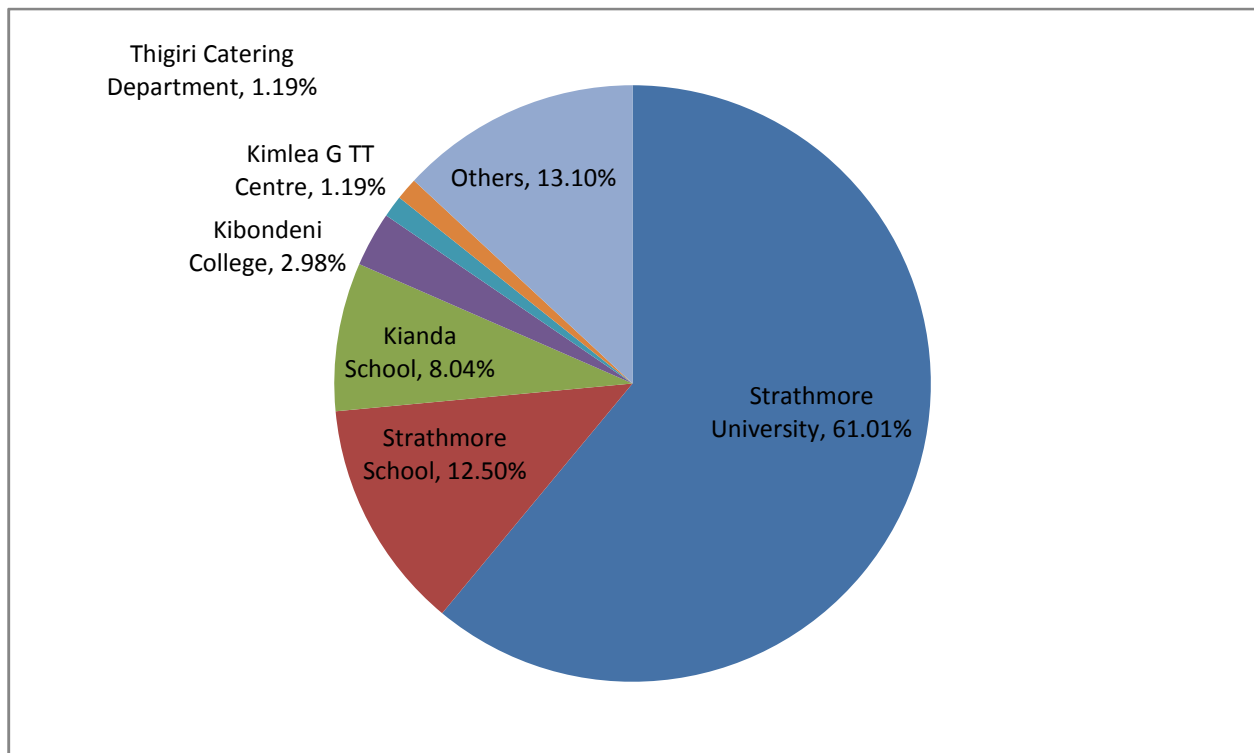
The summary of the number of members over the six years from 2007 to 2013 is shown below:



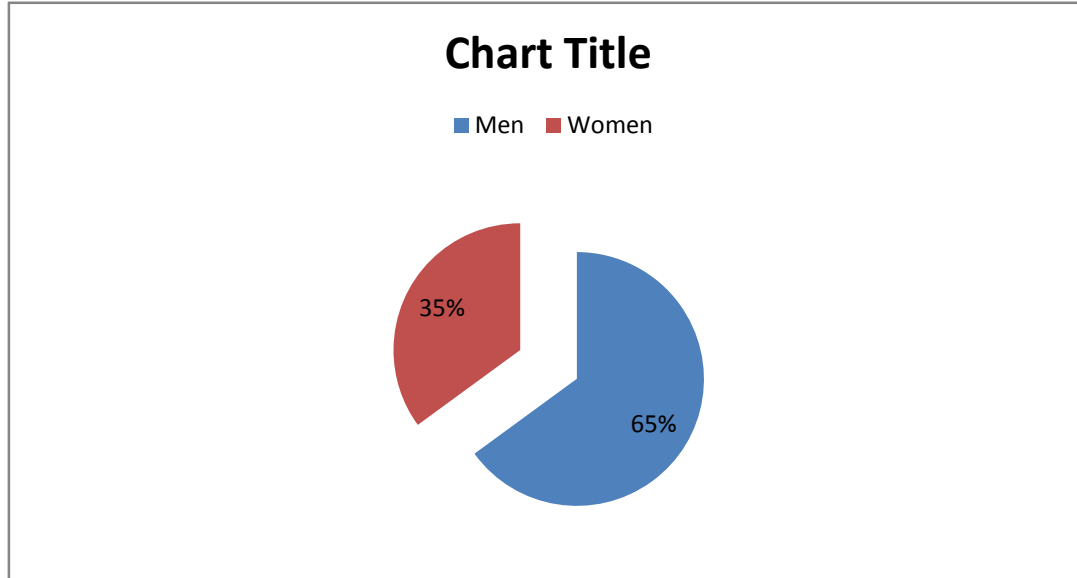
Despite the slow growth in membership, the total funds due to members (share capital, reserves and retained profits) has grown significantly as summarized below:



Below is a pie chart representation of total number of members from different institutions as at December 2013:



Summary composition of members by gender:



The management committee hopes that with aggressive and promotional marketing the gender balance will improve.

Electronic Fund Transfer (EFT)

The collection of the bank account details from members has enabled the SACCO to make payments directly to a member's bank accounts. This is now successful as the SACCO is able to pay loans, dividends and share refunds through the bank. Members are also advised to ensure that their **BANK ACCOUNT NUMBERS** and the **ACCOUNT NAMES** are correct. This is because we have situations where some payments are not effected because some account details are wrong. If you have problems with the transfer of funds to your account or any queries, please contact the office administrator.

Communication

Members can now contact the SACCO office

Via e-mail mzimasprings@strathmore.edu.

Or on the following telephone numbers:

Direct line 0703 034 336/1.

Accountant 0786653877

Administrator 0724706843 (also M-Pesa service)

The SACCO website www.strathmore.edu/mzima

Future plans

1. Software

The SACCO is in the process of acquiring and implementing a new software that will increase the speed of data entry and enable quick access and production of reports to members and the management committee. The management is considering the possibility of members being able to check their position online.

2. Investment proposal

In 2005, the SACCO had started an investment company whose purpose was to invest in real estate i.e. land and buildings and avail the same to members at affordable cost. The company was wound up in 2008 because of low membership enrollment and lack of fulltime management.

Due to numerous requests from members, the Management Committee has been working on registration of another company that will undertake the same activities. For registration purposes, the initial board of management comprises some members of the Management Committee. Initially the company will undertake some investment activities but the final objective will be to buy land and distribute among members on a loan basis.

3. Increase in Loan borrowing

At our last AGM, we proposed and you approved increases in the Normal Loan from sh.1.5 million to sh.1.8 million and the Emergency Loan will also be increased from sh.120, 000 to sh.150, 000. This, we believe has gone a long way to enable members access more funds for their use. The loan eligibility of 3 times a member's shares remains the same.

FINALLY

The management committee would like to thank the members for their continuous support that has led to the growth of the SACCO and as a committee we are driven by your faith and it is our pleasure to serve you. Your suggestions to improve the running of your Sacco are welcome here and any time you come up with any, which you can pass to us through our channels of communication.

Let us remain committed to the philosophy of saving more and borrowing wisely for personal development.

The summary of 2013 results are as presented below.

KEY STATISTICAL DATA

		2013	2012	2011
(I)	Membership	No	No.	No
	Active	449	335	332
	Dormant	9	7	9
	Total	458	342	341
Financials		KShs.	KShs.	KShs.
(II)	Total assets	82,810,626	73,488,740	61,465,722
(III)	Members' deposits	71,143,372	64,221,767	53,928,728
(IV)	Total Loans and advances to members	79,714,564	64,655,336	54,100,358
(V)	Loans and advances to members this year	63,967,560.22	56,775,414	49,485,676
(VI)	Nonperforming loans	284,072	1, 350,260	
(VII)	Investments	88,038	88,038	88,038
(VIII)	Core Capital	6,350,953	5,155,291	

					4,375,169
(IX)	Share Capital	4,000,000		4,000,000	4,000,000
(X)	Institutional Capital				
(XI)	Total revenue	7,530,895		7,099,375	5,715,977
(XII)	Total Interest Income	7,495,616		6,967,351	5,702,207
(XIII)	Total dividends paid	3,018,602		2,828,666	2684723
(XIV)	Total expenses	6,329,941		6,287,926	2,130,143.66
Employees		No.		No.	No.
(XV)	Employees of the Sacco	2		2	2
Key ratios:		Percentage		Percentage	Percentage
Capital adequacy ratio					
(XVI)	Core capital/Total assets	7.7%		7%	7.1%
(XVII)	Core capital/Total deposits	8.9%		8.8%	9.2%
(XVIII)	Institutional capital/Total assets				
Liquidity ratio					
(XIX)	Liquid assets/Total deposits and Long term liabilities				
Operating efficiency / Loan quality ratios					
(XX)	Total expenses/Total revenue	84.1%		88.6%	37.3%
(XXI)	Interest on member deposit/Total revenue	4%		3.9%	4.6%
(XXII)	Interest rate on member's deposits				
(XXIII)	Dividend rate on members share capital	5%		5%	5%
(XXIV)	Total delinquency loans/Gross loan portfolio				

	2013		2012		2011
	Kes		Kes		Kes
Surplus/(Deficit) for the period	1,200,954		811,499		846,343
Tax Provision	5,292		31,327		-4,131
Transfer to Statutory Reserved Fund	239,133		156,024		-168,442
Retained Surplus for the year	956,529		624,097		673,770
Interest on Members' Deposits	4000,000		4,000,000		2,500,000

For detailed report, please refer to page, -----

- 2 DIVIDENDS AND INTEREST
 - (i) Dividends

THANK YOU!

3. CS/No. 3982

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 2013.

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 _____ 2014

Treasurer _____ Date _____ 2014

Hon. Secretary _____ Date _____ 2014

BY ORDER OF THE MANAGEMENT COMMITTEE
DAVID DIMBA SECRETARY

SUPERVISORY COMMITTEE MEMBERS AND REPORT

1. SUPERVISORY COMMITTEE

Ms Grace Ochieng	Chairman
Mr. Moses Muchemi	Secretary
Mr. Rosalia Musyoka	Member

Photos







2. SUPERVISORY COMMITTEE REPORT

Supervisory Committee Report for 2013

Introduction

The Supervisory Committee has the below functions

- Act as the “watchdog” of the Sacco to protect and safeguard members’ savings
- Ensure that records are properly, accurately and honestly kept and maintained
- Make sure that policies are established according to law and carried out faithfully
- Check to see that proper internal controls are in place and followed
- Ensure that members receive the best possible service

In light of the above, the Supervisory Committee exercised its mandate as stipulated in the Sacco By-law’s by providing the following audit report on the operations and affairs of the Sacco:

Nature and Scope of work done in 2013

1. Reviewed all loans issued to members to confirm adherence to loan issuance procedures as stipulated in the Sacco By-laws
2. Reviewed the two interim dividends issued to confirm they were promptly disbursed and that the percentage offered was reasonable
3. Reviewed the effectiveness and efficiency of loan recovery from members
4. Reviewed the default rate of loans issued to members that adequate and timely follow-up was being made to recover the debts owed in full
5. Reviewed minutes of the committee as a way of confirming that all meetings were approved in advance and **exclusively healed** to advance the Sacco business.
6. Reviewed progress made regarding the Investment Company.

Summary of the Outcomes

Loans issued and Recovery

Further to our meetings we discovered that at least 95% of loans were issued to eligible Sacco members and that the right procedure was followed. Most of these loans were issued within the stipulated timeframe in the Sacco By-laws. In addition, the loans were being recovered from *Loanees* on a monthly basis. We noted a few exceptions but the SC is working hard to ensure that no member is given preference. Members should also adhere to the 75% rule of clearance of a previous loan before applying for another.

Issuance of Dividends

The Sacco released dividends in accordance with the Sacco policy. In-light of this the Supervisory committee is proposing improvement's on the issuance of dividends as follows:

- To communicate in advance when dividends are due either via email or group SMS. This will help members to plan or ask the Sacco officials to top up their shares using the dividends
- The Sacco should look for more ways of increasing the Sacco income that will help raise interest on savings other than relying solely on loans issuance.

Committee Meetings

The SC reviewed minutes of all MC meetings and it was established that regular meetings were held throughout the year. We also confirmed that the meetings were for the purpose of advancing the Sacco's business and operations and that the expenditure incurred thereto was reasonable and prudent. We also recommended that there be more MC and SC joint meetings something that both committees agreed to work on.

Loan Defaulting

The total amount of loan defaulting had drastically reduced from the 1.2million quoted in the 2011-2012 report to about Kshs. 285,000.

Whereas this is a commendable job done on debt collection, more efforts should be directed ensuring to full collection debts to avoid instances of bad debts which would have to be borne by members.

Outstanding issues

Sacco System:

During our audits we noted that Sacco accounts are still being maintained on excel worksheets. This has led to undue delays in retrieving members' information and updating the Sacco accounts. The software expert identified appeared to have taken much longer than the MC had anticipated but every effort was still being made to expedite on the matter.

Remittance

It was noted with a lot of concern that some centers were remitting member contributions and loan/ interest repayments at varying dates whose effect was undue delay to issuance of loans to members due to cash flow problems. The MC was following up with the centres in question to ensure the situation is brought under control.

Member relations with office officials

The committee is pleased with the good work being done by the Sacco staff, and therefore, suggests that members do foster good working relations with them to ensure smooth running of operations at the Sacco office.

Investment Company

Since the launching of the *Mzima Springs Investment Company*, we feel that most members do not know how things are moving and who is running things and its main objectives. We recommend that more light be shed on the operations and possible benefits of the *Company* and the benefits as a way to market it.

Conclusion

In our opinion, based on our monthly audits, the Sacco's internal control environment was adequate in preventing the occurrence of fraud and errors. There is a reasonable assurance that the financial statements are complete, accurate and reliable. The Sacco's operations were compliant with the By-laws.

Despite all the challenges experienced in 2013, a lot of progress has been made towards the achievement of the Sacco's vision and mission. We in the Supervisory Committee are determined to serve you and to ensure that Mzima Springs Sacco remains to be your partner of choice in development.

We would like to express our sincere gratitude to all members for the co-operation accorded us while carrying out our function as the Supervisory Committee in the period 2013/2014. We reiterate our commitment to serving you.

Thank you.

Chairlady

Secretary

Grace Ochieng

Moses Muchemi

CORPORATE GOVERNANCE REORT

ENVIRONMENTAL REPORT

The SACCO is already engaging in activities that adhere to environmental sustainability. This includes the use of the University-wide shared printing system, which reduces our pressure to purchase printing papers as well as save on energy use. Most of the SACCO information and communication among the MC, SC and Employees are done online. The SAACO is also in the process of automating systems, for instance membership and loan applications, to further reduce the demand for paper work hence conserve our natural environment.

AUDITORS REPORT

CS/No. 3982

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED FOR THE YEAR ENDED ON 31ST DECEMBER 2013.

We have audited the financial statements set out on pages 6 to 14 which comprise of Statement of Financial Position as at 31st December 2013, 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 2013, 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.

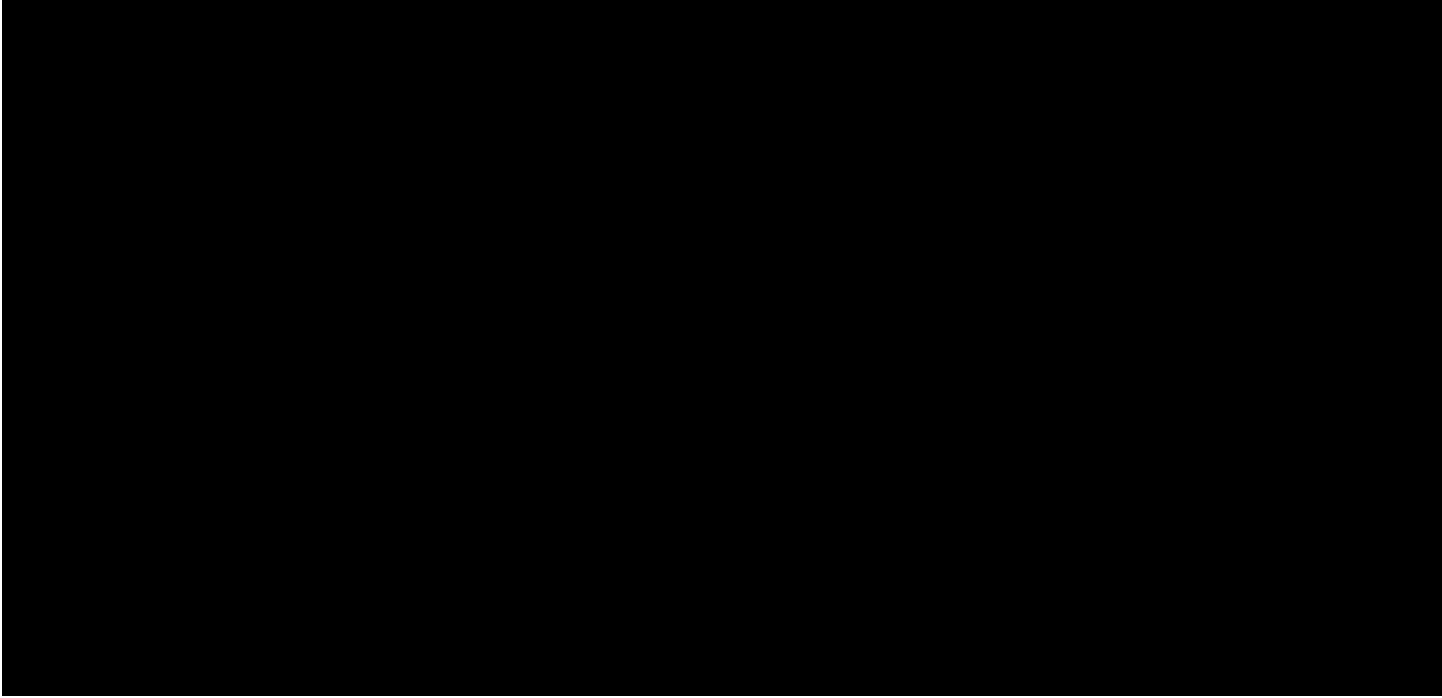
Report on Other Legal requirements

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.

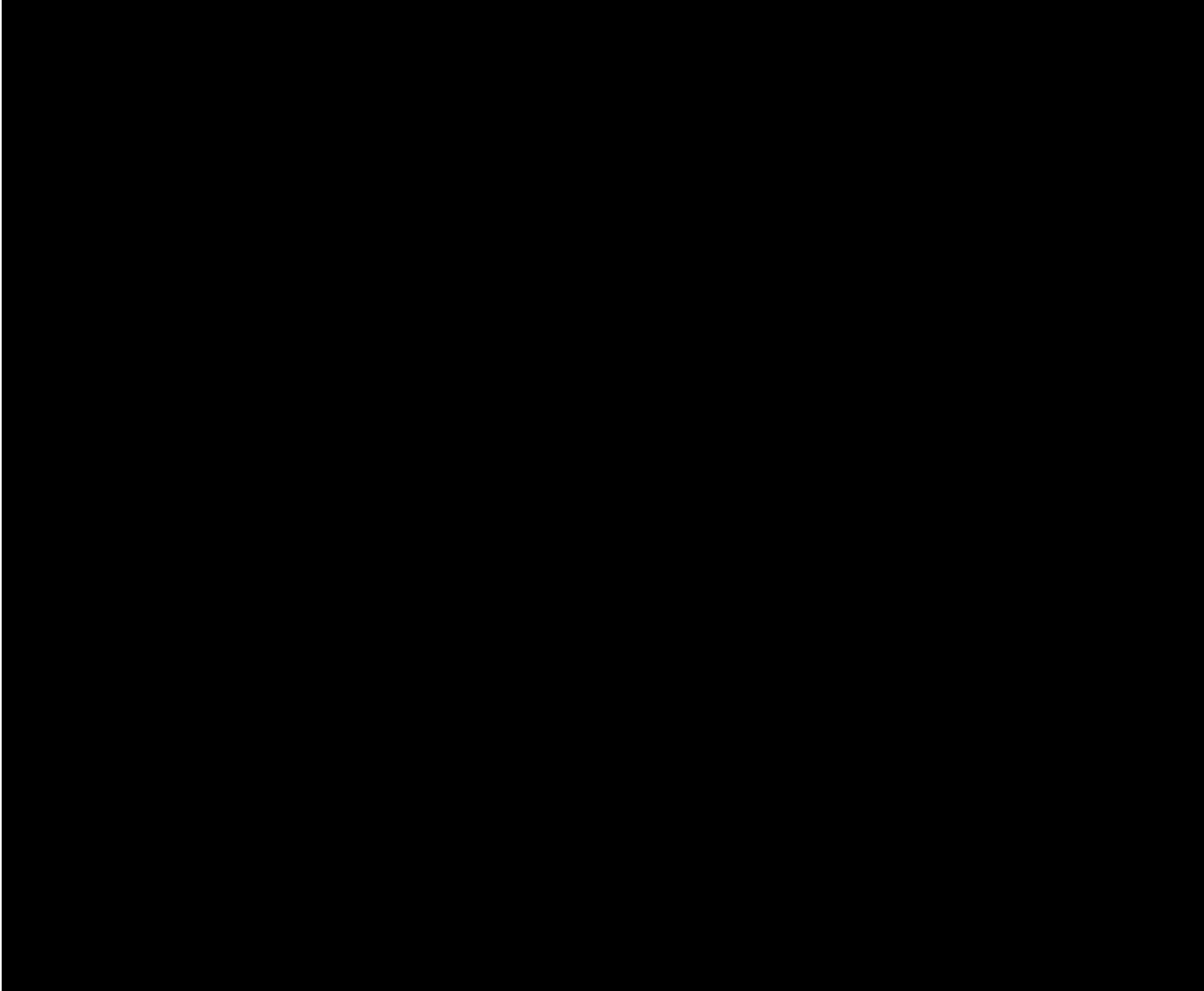
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MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED ON 31ST
DECEMBER 2013



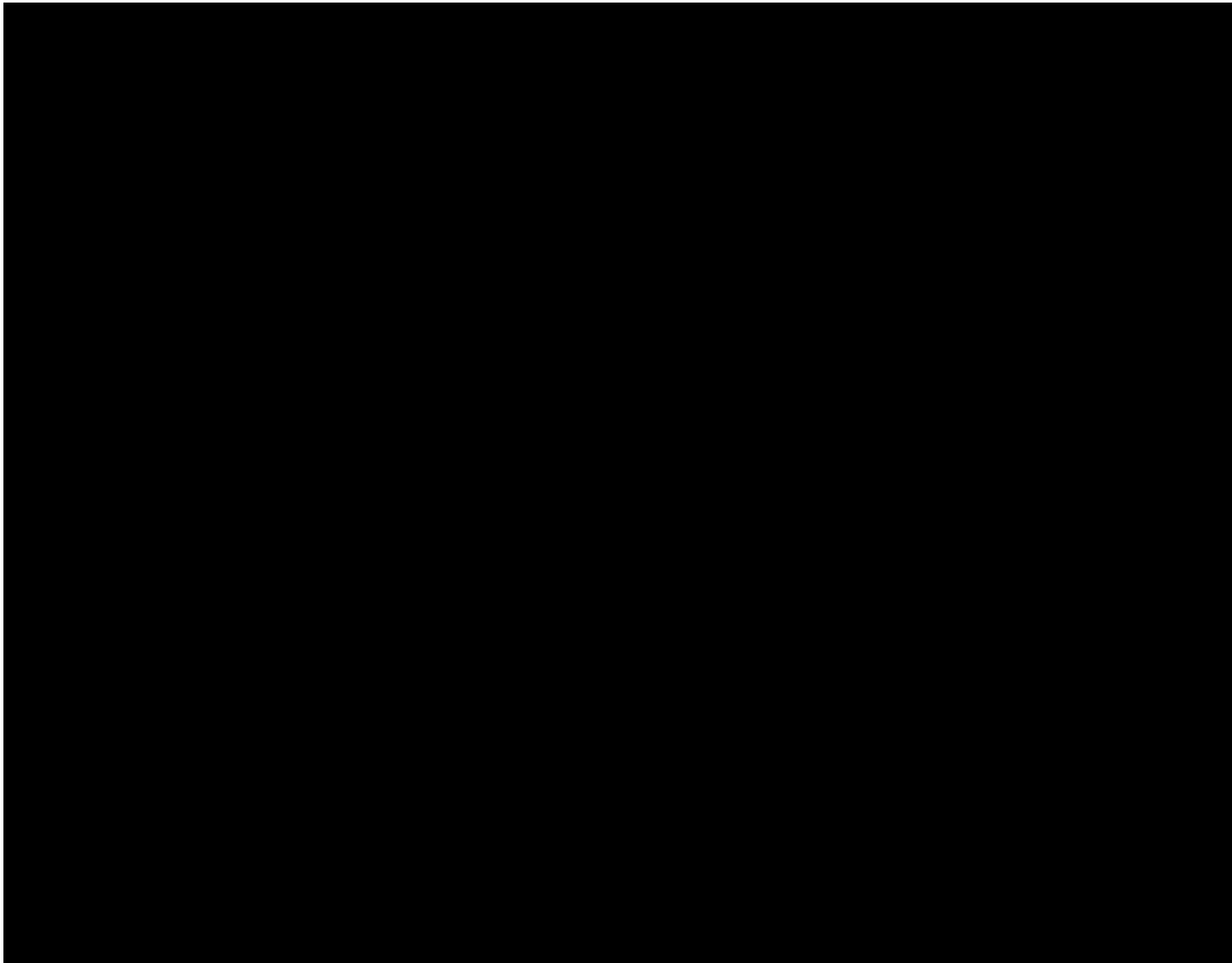
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MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2013



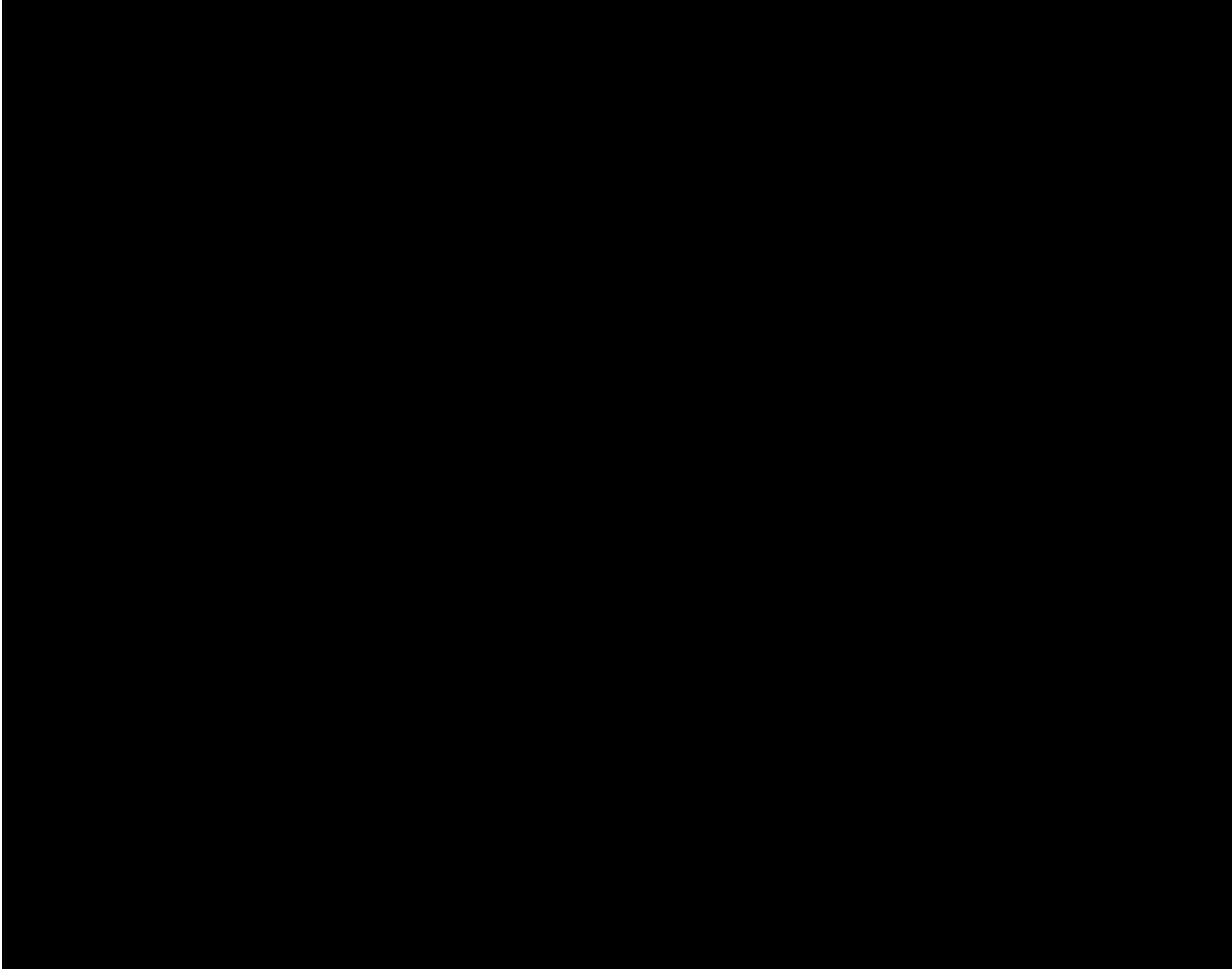
CS/No.3982

MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED
STATEMENT OF CHANGES IN EQUITY AND RESERVES FOR THE YEAR ENDED ON 31ST
DECEMBER 2013



CS/No.3982

MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED ON 31ST DECEMBER 2013



MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST DECEMBER
2013

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% |

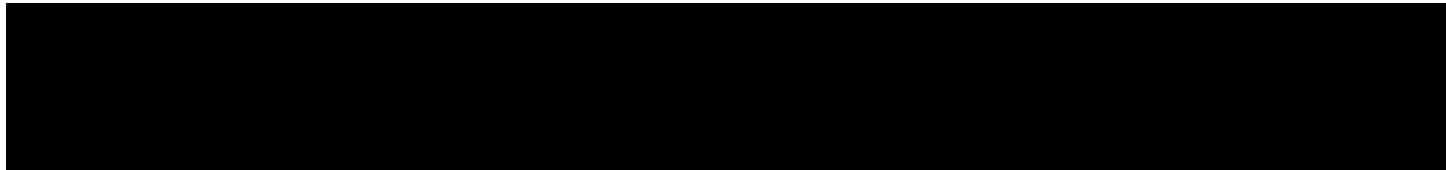
(c) Statutory Reserve

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

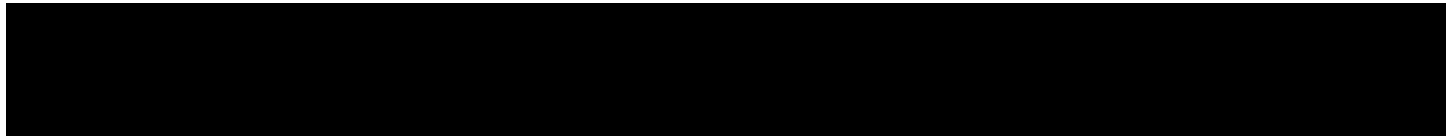
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MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST DECEMBER
2013

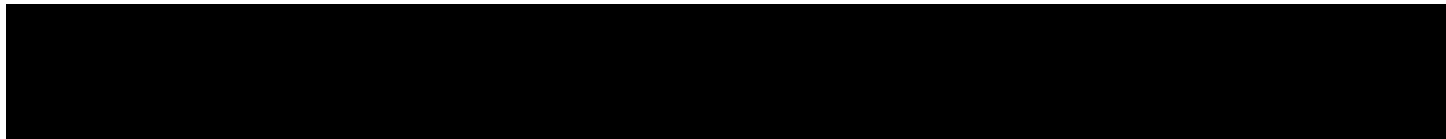
2. BANK AND CASH BALANCES



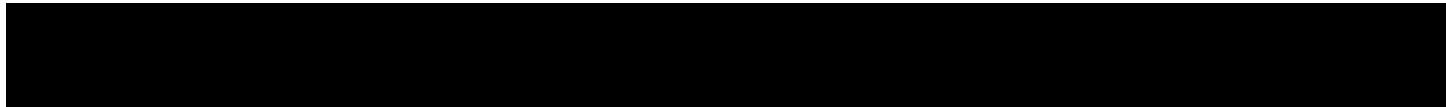
3. RECEIVABLES AND PREPAYMENTS



4. LOANS TO MEMBERS



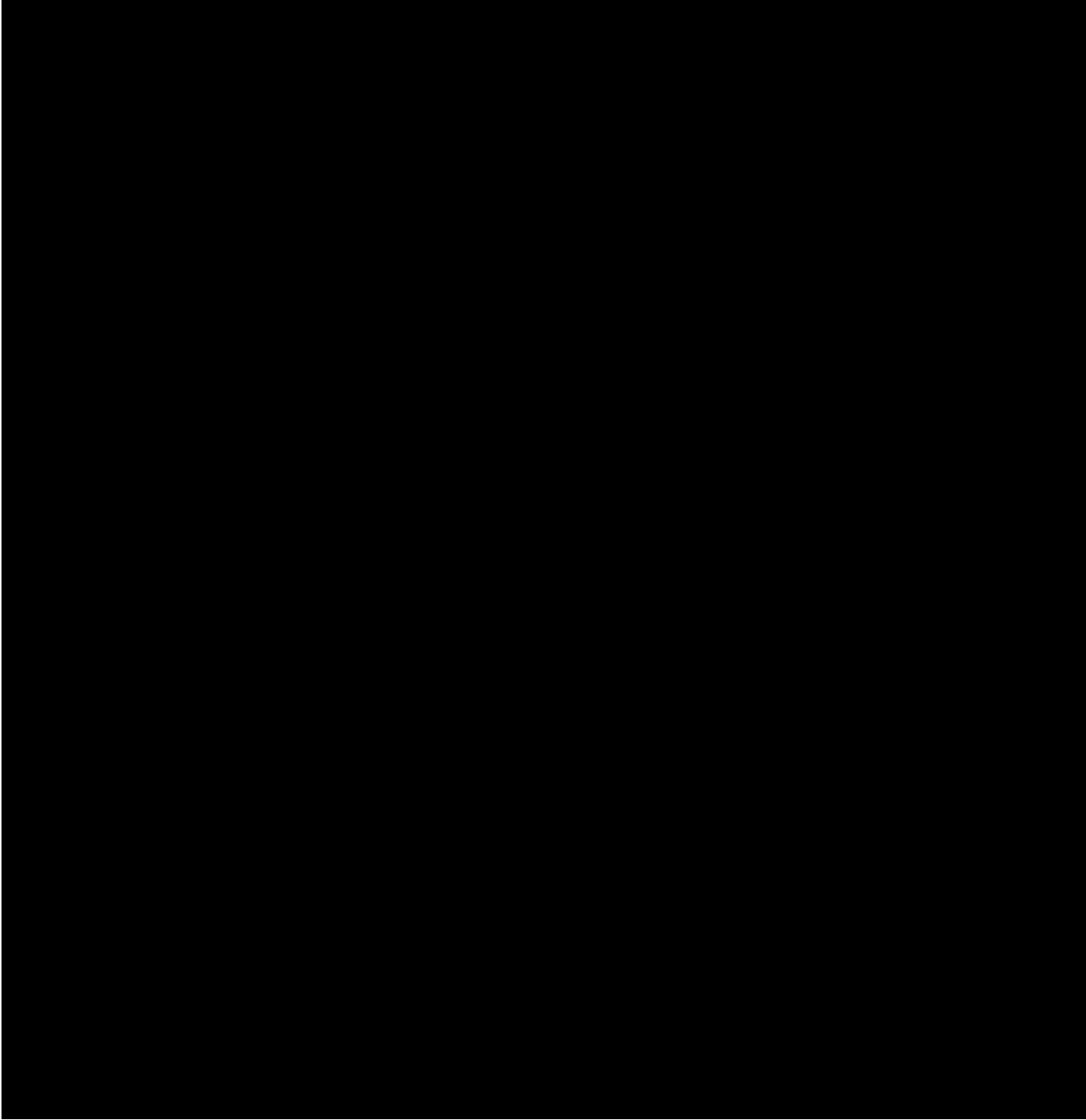
5. INVESTMENTS (AT COST)



CS/3982

MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST DECEMBER 2013

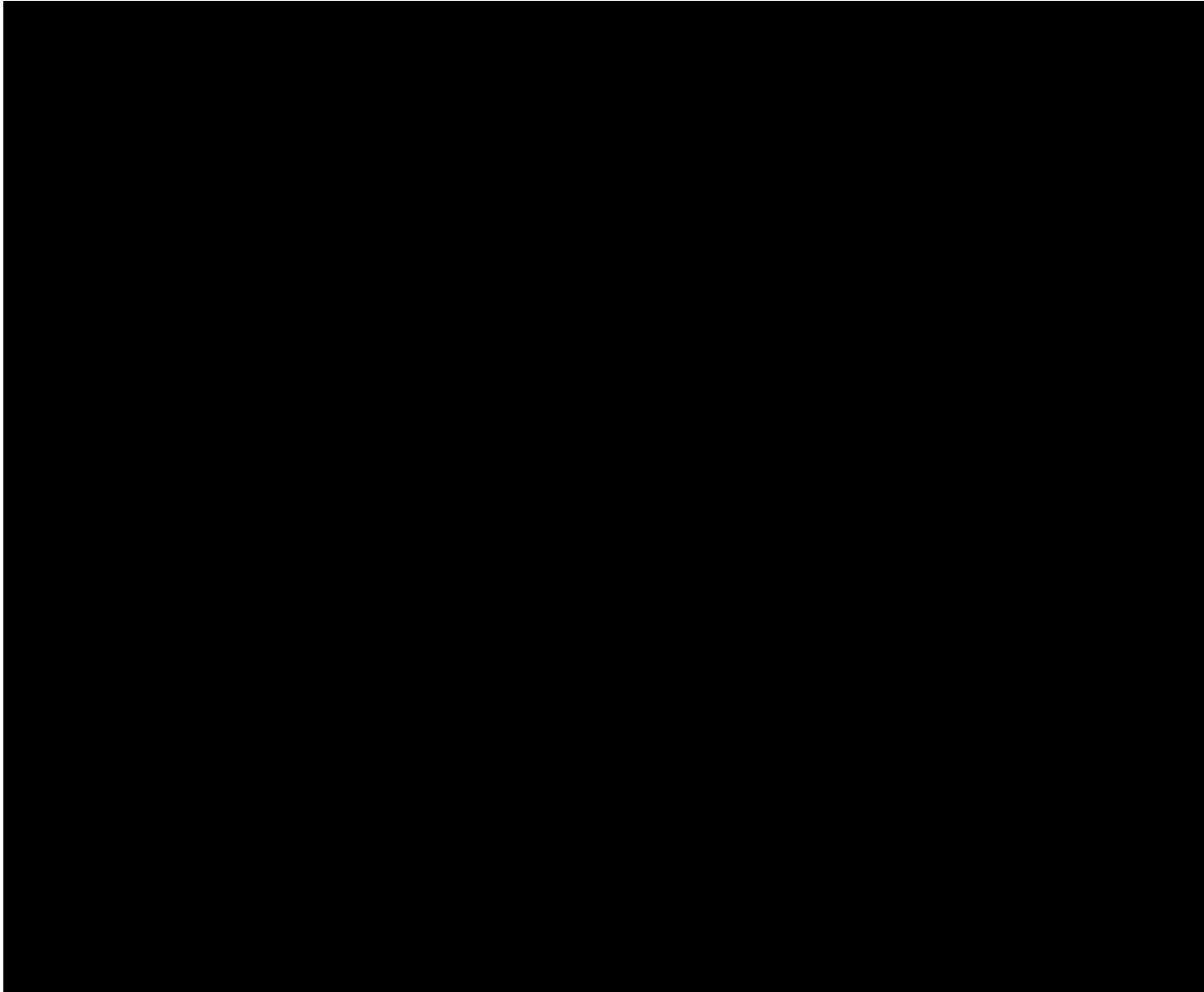
6. PROPERTY, FURNITURE AND EQUIPMENT SCHEDULE



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MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST DECEMBER
2013

7. INTANGIBLE ASSET SCHEDULE

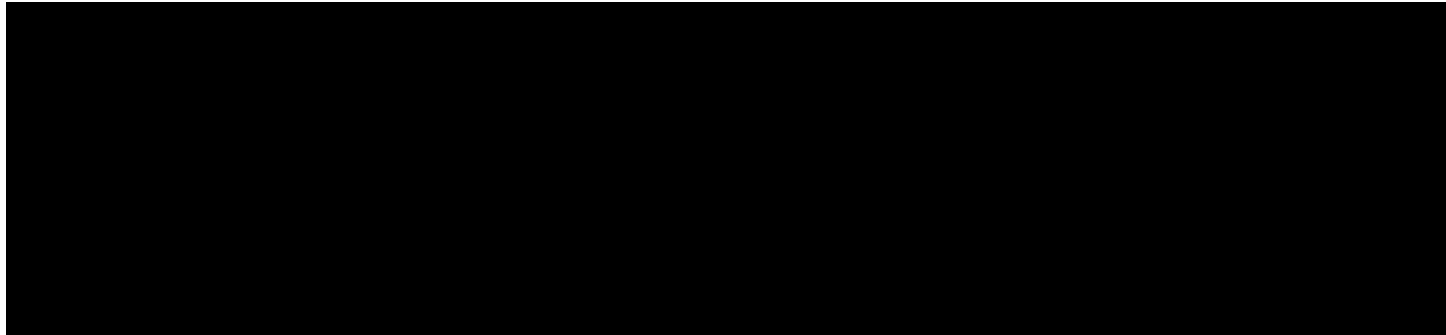


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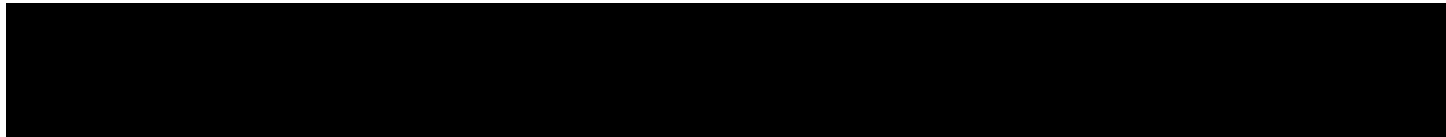
MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST
DECEMBER 2013.**

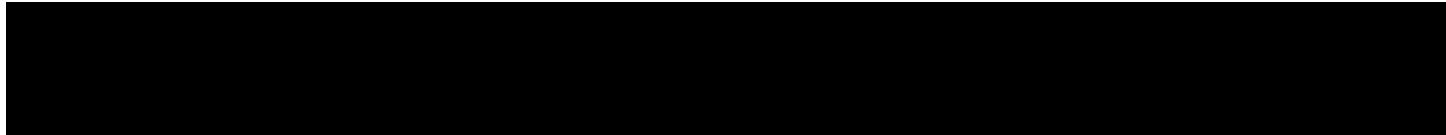
8. PAYABLES AND ACCRUALS



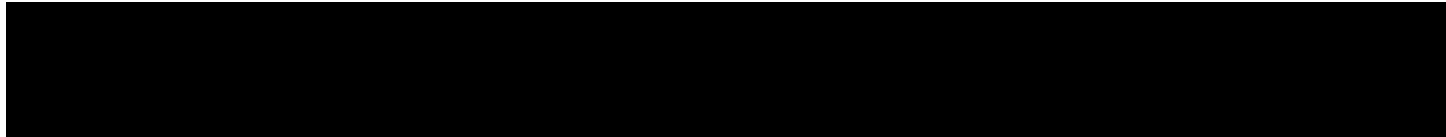
9. INTEREST ON MEMBERS DEPOSITS



10. MEMBERS DEPOSITS



11. SHARE CAPITAL



12. INCOME

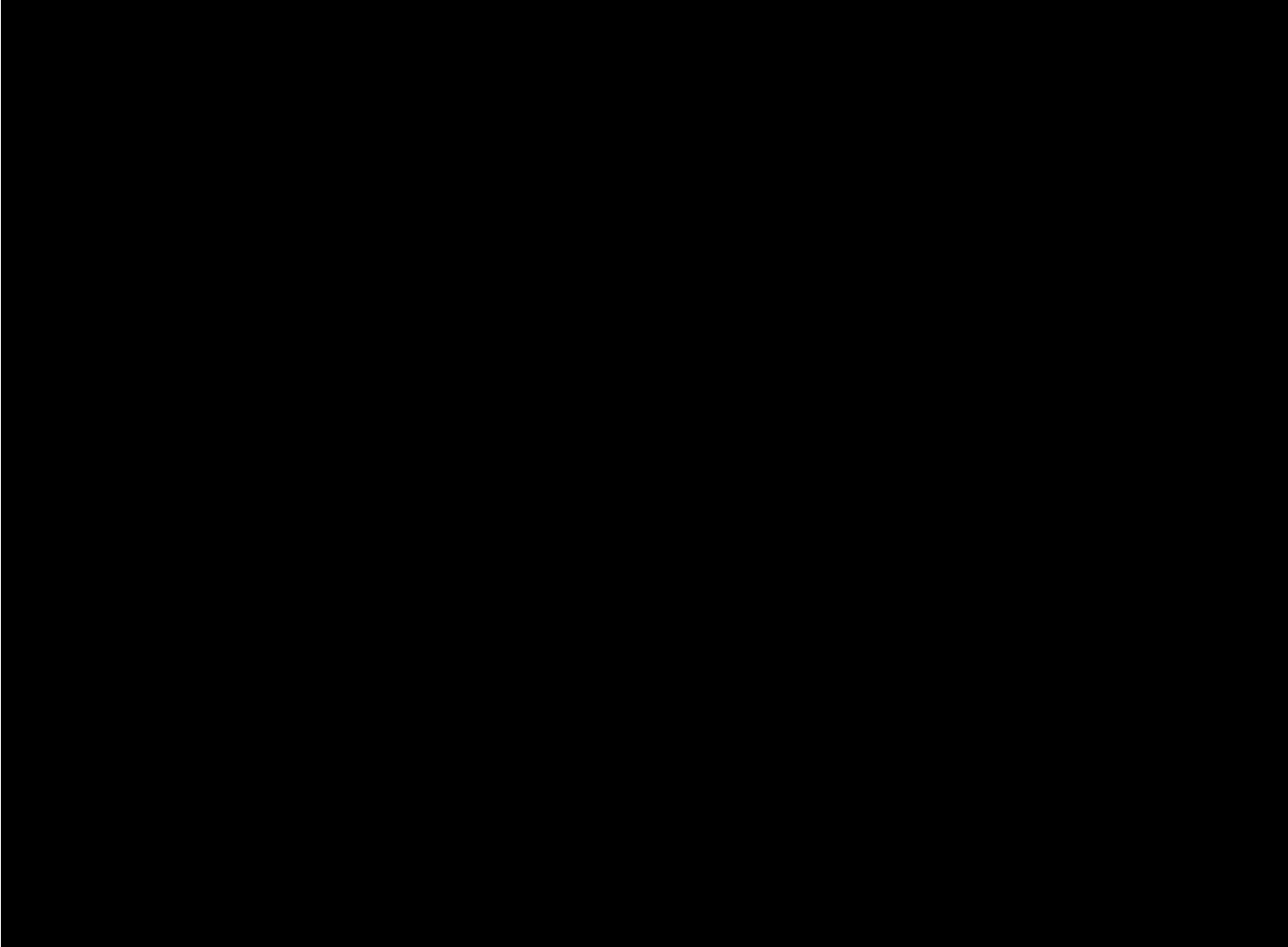


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MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST
DECEMBER 2013.**

13. OPERATING AND ADMINISTRATIVE EXPENSES



Mũli Sylvanus & Associates

Certified Public Accountants of Kenya,

Nairobi, Kenya

Date: _____2014