

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	
Mr. Benard Wanjala	Vice-Chairman	
Mr Edward Gitau	Treasurer	- Resigned on 1 st November 2011
Ms Josephine Muli	Hon. Secretary	
Ms. Lynnete Malago	Member	- Resigned on 1 st September 2011
Ms Lynnete Obare	Member	

2. SUPERVISORY COMMITTEE

Ms Grace Ochieng	Chairman	
Mr. Peter Kachupe	Secretary	- Resigned on 1 st June 2011
Mr. Stephen Maina	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: 606940, 606955 Ext. 2336

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 2011

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Membership	341	336	318
Members'Deposits	53,928,728	47,269,287	40,510,451
Core Capital	4,375,169	5,788,407	4,798,732
Loans to Members	54,100,358	43,137,031	40,271,447
Investments	88,038	10,000	-
Assets	61,465,722	53,576,453	45,425,079
Liabilities	57,090,553	47,788,045	40,626,347
Interest Income	5,702,207	5,030,063	4,033,956
Other Incomes	13,770	5,518	-
Key Ratios			
Liquidity Ratio	2.18:1	1.12:1	1.11:1
% of Expenses to Gross Turnover	82.50%	78.72%	64.27%
%of Interest on Members Deposits to Turnover	43.70%	46.20%	25.50%

MANAGEMENT COMMITTEE REPORT

The Management Committee submits its report and audited accounts for the year ended on 31st December 2011.

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>2011</u> <u>Kes</u>	<u>2010</u> <u>Kes</u>
Surplus/(Deficit) for the period	846,343	971,604
Tax Provision	(4,131)	(1,530)
Transfer to Statutory Reserve Fund	<u>168,442</u>	<u>(195,055)</u>
Retained Surplus for the Year	<u>673,770</u>	<u>875,019</u>
Interest on Members Deposits	<u>2,500,000</u>	<u>2,327,275</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 2011. They have expressed their willingness to continue in office and have offered themselves for re-appointment.

By Order of the Management Committee

MS JOSEPHINE MULI

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 2011.

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 _____ 2012

Treasurer _____ Date _____ 2012

Hon. Secretary _____ Date _____ 2012

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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 2011.**

We have audited the financial statements set out on pages 6 to 14 which comprise of Statement of Financial Position as at 31st December 2011, 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 2011, 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.

Mũli Sylvanus & Associates

Certified Public Accountants of Kenya,
Nairobi, Kenya

Date: _____2012

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MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED ON 31ST DECEMBER 2011

	Notes	<u>2011</u> <u>Kes</u>	<u>2010</u> <u>Kes</u>
<u>INCOME</u>			
Interest from Members Loans	11	5,702,207	5,030,063
Other Incomes	11	13,770	5,518
Net Interest Income		5,715,977	5,035,581
Administrative Expenses	12	4,717,345	4,063,976
Net Operating Surplus/(Deficit) for the year		998,632	971,604
Loss on Sale of an asset		(152,279)	-
Income tax		(4,131)	(1,530)
Net Surplus/(Deficit) for the Year after tax		842,222	970,074

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MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2011

	Notes	<u>2011</u> <u>Kes</u>	<u>2010</u> <u>Kes</u>
<u>ASSETS</u>			
Cash and Bank Balances	2	5,288,549	8,255,020
Receivables and Prepayments	3		

		1,614,302	1,619,612
Loans to Members	4	54,100,358	43,137,031
Investments	5	88,038	34,038
Plant, Furniture and Equipment	6	189,731	530,752
Intangible Asset	7	<u>184,744</u>	<u>-</u>
TOTAL ASSETS		<u>61,465,722</u>	<u>53,576,453</u>

LIABILITIES

Members Deposits	10	53,928,728	47,269,287
Payables and Accruals	8	654,094	517,228
Tax Provision		7,731	1,530
Interest on Members' Deposits	9	<u>2,500,000</u>	<u>-</u>
		<u>57,090,553</u>	<u>47,788,045</u>

EQUITY

Reserves		<u>4,375,169</u>	<u>5,788,407</u>
TOTAL LIABILITIES AND EQUITY		<u>61,465,722</u>	<u>53,576,453</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 2011

	STATUTORY RESERVE sh.	ENTRANCE FEES sh.	RETAINED SURPLUS sh.	TOTAL sh.
As at 1st January 2010	2,995,209	48,300	1,755,223	4,798,732
Changes in Equity in 2010				
Surplus for the Year	-	-	971,604	971,604
Income tax	-	-	(1,530)	(1,530)
Received during the year	-	16,800	-	16,800
Adjustment	-	-	2,800	2,800
Transfer from Surplus Statutory Reserve Fund	195,055	-	(195,055)	-
As at 31st December 2010	3,190,264	65,100	2,533,043	5,788,406
As at 1st January 2011	3,190,264	65,100	2,533,043	5,788,407
Changes in Equity in 2011				
Surplus for the Year	-	-	846,353	846,353
Tax Provision for the year	-	-	(4,131)	(4,131)
Received during the year	-	15,400	-	15,400
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	935,963	4,375,168

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MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED ON 31ST DECEMBER 2011

	<u>2011</u>	<u>2010</u>
	<u>Kes</u>	<u>Kes</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Net Surplus before taxation	846,353	1,071,605
Adjustment for non-cash items		
Depreciation	6 67,743	97,949
Amortization for intangible asset	7 79,176	
Loss on Sale of Fixed Assets	152,279	-
Interest on Members Deposits	9 2,500,000	-
Prior Year Adjustments	<u>2,067</u>	<u>2,800</u>
	3,647,618	1,172,354
Movements in Working Capital		
(Increase)/Decrease in Debtors and Prepayments	29,348	(612,270)
Increase/(Decrease) in Creditors and Accruals	<u>136,866</u>	<u>2,734,290</u>
Net Cash flow from Operations	3,813,832	3,294,374
CASH FLOW INVESTING ACTIVITIES		
Purchase of property and equipment	6 (79,000)	(109,345)
Purchase of Intangible asset	(263,920)	-
Purchase of Investment Securiries	(78,038)	(10,000)
(Increase)/Decrease in Members Loans	<u>(10,963,327)</u>	<u>(2,865,584)</u>
Net Cash flow from investing activities	(11,384,285)	(2,984,929)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(Decrease) in Members Deposits	6,659,441	6,758,836
Increase/(Decrease) in Entrance Fees	<u>15,400</u>	

		16,800
Net Cash flow from financing activities	6,674,841	6,775,636
CASH FLOW FROM OTHER ACTIVITIES		
Proceeds from Sale of Buildings	200,000	-
Tax paid	-	(5,682)
Dividends Paid	(2,270,861)	(2,327,275)
Net Cash flow generated from Other activities	(2,070,861)	(2,332,957)
Increase in Cash and Cash equivalents	(2,966,471)	4,752,124
Cash and Cash equivalents January 1, 2011	8,255,020	3,602,896
Cash and Cash Equivalents December 31, 2011	5,288,549	8,255,020

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MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST DECEMBER 2011

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 2011**

2. BANK AND CASH BALANCES

	<u>2011</u> <u>Kes</u>	<u>2010</u> <u>Kes</u>
Cash in Hand	28,870	29,462
Current Account-Coop Bank	<u>5,259,679</u>	<u>8,225,558</u>
Balance carried forward	<u>5,288,549</u>	<u>8,255,020</u>

3. RECEIVABLES AND PREPAYMENTS

Sundry Debtors	4,050	-
Resigned Members Loans	1,530,942	1,446,362
Prepaid Insurance	<u>79,310</u>	<u>173,250</u>
	<u>1,614,302</u>	<u>1,619,612</u>

4 LOANS TO MEMBERS

Control Account Balance	54,100,358	43,137,031
Balance per Members Individual Accounts	<u>54,100,358</u>	<u>43,137,031</u>
Variance	<u>-</u>	<u>-</u>

5. INVESTMENTS (AT COST)

KUSCCO	64,000	-
Others		

	<u>24,038</u>	<u>10,000</u>
TOTAL	<u>88,038</u>	<u>10,000</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 2011

6. PROPERTY, FURNITURE AND EQUIPMENT SCHEDULE

COST OR VALUATION	Buildings	Furniture & Fittings	Computers	TOTAL
	<u>Kes</u>	<u>Kes</u>	<u>Kes</u>	<u>Kes</u>
At January 1, 2010	456,024	94,793	413,625	964,442
Additions	-	-	-	-
Disposals	-	-	-	-
December 31, 2010	<u>456,024</u>	<u>94,793</u>	<u>413,625</u>	<u>964,442</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>

ACCUMULATED DEPRECIATION

At January 1, 2010	64,603	39,623	231,515	335,741
Charge for the Year	39,142	6,888	51,918	97,948
Disposals	-	-	-	-
December 31, 2010	<u>103,745</u>	<u>46,511</u>	<u>283,433</u>	<u>433,689</u>
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>
NET BOOK VALUE				
December 31, 2011	<u>-</u>	<u>47,497</u>	<u>142,234</u>	<u>189,731</u>
December 31, 2010	<u>352,279</u>	<u>48,282</u>	<u>130,192</u>	<u>530,753</u>

CS/3982**MZIMA SPRINGS COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST DECEMBER 2011****7. INTANGIBLE ASSET SCHEDULE**

	Software	Total
COST OR VALUATION		
At January 1, 2011	-	-
Additions	263,920	263,920

At December 31, 2011	<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>
NET BOOK VALUE		
At December 31, 2011	<u>184,744</u>	<u>184,744</u>

8. PAYABLES AND ACCRUALS

Dues to resigned Members	595,314	434,449
Audit Fees	40,000	50,000
VAT	-	8,000
Disbursements	-	5,000
Sundry Payables	14,579	14,579
Ministry of Cooperative & Marketing	<u>4,200</u>	<u>5,200</u>
	<u>654,094</u>	<u>517,228</u>

9. INTEREST ON MEMBERS DEPOSITS

Balance brought forward	2,270,861	2,327,275
Paid during the year	(2,270,861)	(2,327,275)
Provision for the year	<u>2,500,000</u>	<u>2,270,861</u>
	<u>2,500,000</u>	<u>2,270,861</u>

10. MEMBERS DEPOSITS

Balance per members personal accounts	53,928,728	47,269,287
Balance per Control Accounts	<u>53,928,728</u>	<u>47,269,287</u>
	<u>-</u>	<u>-</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 201110.

11. INCOME

	<u>2011</u> <u>Kes</u>	<u>2010</u> <u>Kes</u>
Interest from Members Deposits	5,702,207	5,030,063
Sundry income	13,665	5,518
Interest(Investment)	<u>105</u>	<u>-</u>
	<u>5,715,977</u>	<u>5,035,581</u>

12. OPERATING AND ADMINISTRATIVE EXPENSES

Financial Expenses and Bank charges

Interest on Members Deposits	2,500,000	2,327,275
Bank Charges and Commissions	51,590	26,210

Administrative Expenses

Salaries and Wages	693,172	590,866
Administration Expenses	130,000	120,000
Printing and Stationery	81,364	51,391
Telephone and Postage	4,410	54,143
Sundry Expenses	-	39,235
Depreciation Expense	67,743	97,949
Amortization of Intangible Asset	79,176	-
AGM Expenses	210,652	79,958
Committee Sitting Allowance	396,000	396,000

Staff Welfare	30,888	-
Repairs	2,760	-
Insurance Expenses	158,620	112,750
Disbursements	-	5,000
Training expenses	7,650	-
Travelling expenses	8,170	-
Entertainmenet	24,000	-
Cleaning expenses	1,700	-
Supervision Fees	4,200	5,200
Audit fees	40,000	50,000
VAT on Audit Fees	-	8,000
Computer Expenses	24,700	-
Supervisory Fees	30,000	-
Filing returns	2,000	-
Donations	150,000	100,000
Medical Expenses	13,550	-
NSSF Employers Portion	5,000	-
Total Expenses	<u>4,717,345</u>	<u>4,063,977</u>