



**MZIMA SPRINGS  
SACCO LTD**

Your Personal Anchor

# **Annual Report and Financial Statements**

**For the Year Ended 31<sup>st</sup> December 2020**

Ministry of Industrialization,  
Trade and Enterprise Development,  
Fax : 731511/2731507/0730080

Weblink:  
[https://www.industrialization.go.ke/index.php/  
departments/36-co-operatives-directorate](https://www.industrialization.go.ke/index.php/departments/36-co-operatives-directorate)

Nairobi



# Notice of the 2021 Annual General Meeting

Mzima Springs Sacco Ltd, hereby invites you to our Virtual Annual General Meeting (AGM) to be held on:

**DATE: SATURDAY, 27TH MARCH 2021**

**TIME: 1:30 PM**

**PLACE: ZOOM MEETING**

**ZOOM LINK:** <https://strathmore.zoom.us/j/9uUy6MN8Mdp>


The agenda of the day will be:

1. Confirmation of the previous minutes
2. Chairman's report
3. Supervisory committee report
4. Presentation of audited financial statements
5. Treasurer's report and budget estimates for the year 2021/2022
6. Appointment of auditor
7. Disposal of surplus (interest on deposits and dividends)
8. Resolutions
9. AOB (share any agenda item by 24th March 2021)

**NOTE:**

Please note that for the SACCO to conduct business, we need One Third of the members as quorum, we highly encourage you to join us on ZOOM via the link that has been shared.

Kind regards,



**WERE LWANGA,**

SECRETARY

Tel: +254 788 355 420

Email: [mzimasprings@strathmore.edu](mailto:mzimasprings@strathmore.edu)

Website: [www.mzima-sacco.com](http://www.mzima-sacco.com)

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## Our Vision

To be an organized, well managed and competitive source of development for the better of Mzima Springs SACCO members.

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## Our Mission

To provide leadership in lending and promote wise borrowing to Mzima membership in collaboration with employer centres.

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## Our Core Values

Values  
Integrity  
Excellence  
Collaboration  
Innovation

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# SOCIETY INFORMATION

**C/S NO 3981**

**MZIMA SPRINGS SAVINGS & CREDIT CO-OPERATIVE SOCIETY LTD.**

**Annual Report and Financial Statements for the Year Ended 31st December 2020**

|   |  |                       |
|---|--|-----------------------|
|   | Society Information                          |                       |
|   | Management and Supervisory Committee Members |                       |
|   |  |                       |
|   | <b>MANAGEMENT COMMITTEE MEMBERS</b>          |                       |
| 1 | Chairman                                     | Mr. Fredrick Odhiambo |
| 2 | Vice-Chairman                                | Ms. Loice Orege       |
| 3 | Secretary                                    | Mr. Were Lwanga       |
| 4 | Treasurer                                    | Dr. David Mathuva     |
| 5 | Credit committee (Chair)                     | Ms. Anysia Nabangi    |
| 6 | Credit committee (member)                    | Mr. Fredrick Otieno   |
| 7 | Credit committee (member)                    | Mr. John Ouko         |
|   |  |                       |
|   |  |                       |
|   | <b>SUPERVISORY COMMITTEE MEMBERS</b>         |                       |
| 1 | Chairman                                     | Mr. Julius Mamicha    |
| 2 | Secretary                                    | Ms. Emily Cherono     |
| 3 | Member                                       | Mr. Chrispine Oloo    |
|   |  |                       |

## REGISTERED OFFICE

Mzima Springs SACCO Society Ltd.  
 Strathmore University next to Madaraka Estate  
 P.O. Box 59857-00200  
 Nairobi  
 Telephone: +254 788 355 420

## PRINCIPAL BANKER

Co-operative Bank of Kenya limited  
 Ukulima Branch  
 Nairobi.

## INDEPENDENT AUDITORS

County Director Co-operative Audit  
 Ministry of Industry, Trade and Industry  
 P.O Box 30547-00100  
 Nairobi County

# MANAGEMENT TEAM

## Management Committee Members


The Management Committee members who served in 2020 are as follows:

|   |  |  |
|---|--|--|
|    | <b>Fredrick Odhiambo,</b><br>Chair, Management Committee | Frederick is currently a Doctoral Fellow at Strathmore University. He holds a Masters in Communication from the University of Nairobi and has over 13 years of working experience as a teacher and has also served as a secretary of another SACCO. He joined Mzima in September 2014. |
|    | <b>Loice Orege,</b><br>Vice Chair, Management Committee  | Loice currently works with Strathmore Cleaning Department. She has been a Mzima member for over six years with diverse experience in administrative aspects.   |
|   | <b>Were Lwanga,</b><br>Secretary, Management Committee   | Were currently works with Strathmore School as a Teacher with over 9 years of experience. He holds Post Experience Diploma in Education Management. Were has substantial administrative experience at Strathmore School.   |
|  | <b>David Mathuva,</b><br>Treasurer, Management Committee | David is currently a Senior Lecturer at Strathmore University and has previously worked with KPMG East Africa. He holds a Doctorate in Accounting and Finance, a Masters in Forensic Accounting and a Bachelor of Commerce, Finance.   |
|  | <b>Anyisia Nabangi,</b><br>Chair, Credit Sub-Committee   | Anyisia is currently a Senior Auditor at Ernst and Young and has previously worked as the Revenue Officer at Kianda School. She holds a Bachelor of Commerce from Strathmore and is Certified Public Accountant of Kenya.  |
|  | <b>John Ouko,</b><br>Member, Management Committee        | John currently works with the Admissions Office at Strathmore University. He holds a Bachelor of Laws degree.  |
|  | <b>Fredrick Otieno,</b><br>Member, Management Committee  | Fredrick is currently a Doctoral Fellow at Strathmore University. He holds a Master of Commerce in Forensic Accounting and a Bachelor of Commerce. He is also a Certified public Accountant.   |




### Supervisory Committee Members

The Supervisory Committee members who served in 2020 are as follows:

|  |  |  |
|--|--|--|
|   | <b>Julius Mamicha,</b><br>Chair,<br>Supervisory<br>Committee               | Julius is based at Strathmore School where he has served for over 12 years in administration. He holds a Diploma in Management from Kenya Institute of Management.   |
|   | <b>Emily Cherono,</b><br>Member,<br>Supervisory<br>Committee               | Emily Cherono currently works with Kibondeni College. She holds a Bachelor of Science in Hospitality and Tourism Management, an Advanced Diploma in Technical Education and a Diploma in Catering and Accommodation Management.  |
|  | <b>Chrispine Oloo</b><br>Member,<br>Supervisory<br>Committee<br>(Co-opted) | Currently the Librarian at Strathmore School, Chrispine is a BSc in LIS graduate from Catholic University (CUEA) with Diplomas in Business IT and Information Studies from SU and Kenya Polytechnic respectively and nearly 15 yrs of experience gained from public & private sector institutions, including: Strathmore School; Infoman Consultants; African Economic Research Consortium; International Development Research Centre - ESARO; the UoN and KIM among others. |

### SACCO Management Team

Below are the officers of Mzima Springs SACCO, their experience and qualifications.

|   |   |  |
|---|---|--|
|  | <b>Isaac Maingi,</b><br>Senior Accountant                       | Isaac is currently a Senior Accountant at Mzima Springs SACCO. He is pursuing his Certified Public Accountancy qualification. He has over 12 years of experience in Accounting and general administration. He has interests in Accountancy & Finance.                              |
|  | <b>Hannah Muduya Kagehi,</b><br>Administrator                   | Hannah is currently an Administrator at Mzima Springs SACCO where she has worked for over ten years. She holds a Diploma in Front Office Management and a Diploma in Business Management. She believes that Mzima has taught her how to place members at the centre of everything. |
|  | <b>Faith Kimani,</b><br>Assistant Accountant<br>& Loans Officer | Faith is currently an Assistant Accountant at Mzima Springs SACCO. She holds a Bachelor of Business Information Technology and is currently pursuing her CPA qualification. She has over 3 years of working experience.  |





## OUR HISTORY

About fifteen employees of Strathmore School registered Mzima Springs SACCO in 1983. When it was registered, it was meant to only serve the subordinate staff. As Strathmore School expanded, more and more members joined in and by 1990 all employees of the School were eligible to join the SACCO.

The section of the college was moved over to Madaraka estate in 1992 and this threatened the continuity of the SACCO. However it was agreed rather than register a new SACCO, the current members of the college will continue being members of Mzima Springs SACCO with an appropriate management structure put in place to serve the interest of both groups.

This agreement was vital as it led to the growth of the SACCO serving the Strathmore fraternity. This was because any person employed by any of the Strathmore institutions is eligible to be a member of the SACCO. These institutions included Kianda School, El Molo, Kibondeni and Tigoni.

Currently as a result of expansion of the institutions membership the SACCO is comprised of the following Centres:

- |                                    |   |
|------------------------------------|---|
| 1. Alumni staff                    | 20. Mzima Student                         |
| 2. Eastlands College of Technology | 21. QuestWorks Ltd                        |
| 3. El Molo Residence               | 22. Roshani                               |
| 4. Ewaso Catering                  | 23. Samara House                          |
| 5. Faida Club                      | 24. Samawati Medical Centre               |
| 6. Fanusi Study Centre             | 25. Satima Study Centre - Imara           |
| 7. Fontana Book Services           | 26. Senaca International                  |
| 8. Hodari Boys Club                | 27. Strathmore Business School            |
| 9. Imara Educational Foundation    | 28. Strathmore Cafeteria                  |
| 10. Karima Residence               | 29. Strathmore Creates                    |
| 11. Kianda Catering                | 30. Strathmore Educational Trustees       |
| 12. Kianda School                  | 31. Strathmore Research Centre            |
| 13. Kibondeni College              | 32. Strathmore School                     |
| 14. Kimlea G TT Centre             | 33. Strathmore School Catering Department |
| 15. Kivulini Residence             | 34. Strathmore Tenants                    |
| 16. Mvule Catering Dept            | 35. Strathmore University                 |
| 17. Mzima Junior                   | 36. Thigiri Catering Department           |
| 18. Mzima Springs Investment Co.   | 37. Tigoni Study Centre                   |
| 19. Mzima Springs Sacco Ltd        | 38. Watani House                          |

As at 31st December 2020, the total active members were 998.

## PRODUCTS & SERVICES

Below are the loan products offered by the SACCO.

|   | Loan product     | Purpose   | Interest rate                    | Suggested limit, terms & incentives  | Suggested maximum term |
|---|------------------|---|----------------------------------|--|------------------------|
| 1 | Normal Loans     | Granted for investment, development or personal purposes                  | 1% per month on reducing balance | <ul style="list-style-type: none"> <li>Maximum of 3 times of member deposits or a limit of Kshs. 4,000,000 (subject to the 1/3 rule)</li> <li>Only one normal loan shall be granted at a time</li> <li>Easy loan top up facility possible at 1.5% of the top up amount</li> </ul>  | 72 months              |
| 2 | Emergency loan   | Granted due to unforeseen circumstances                                   | 1% p.m. on reducing balance      | <ul style="list-style-type: none"> <li>Maximum of 3 times of member deposits or a limit of Kshs. 250,000 (subject to the 1/3 rule)</li> <li>Processed within 7 working days</li> <li>Only one emergency loan shall be granted at a time</li> <li>Easy loan top up facility possible at 1.5% of the top up amount</li> </ul>  | 18 months              |
| 3 | School fees loan | Granted for educational purposes  | 1% per month on reducing balance | <ul style="list-style-type: none"> <li>Maximum of 3 times of member's deposits up to a maximum of Kshs. 150,000 (subject to the 1/3 rule)</li> <li>Only one school fees loan can be granted at a time</li> <li>School fees invoice</li> <li>Easy loan top up facility possible at 1.5% of the top up amount</li> <li>Paid directly to school</li> </ul>  | 12 months              |
| 4 | Karibu Loan      | Granted to new members who have not attained the 6 month probation period | 1 % per month reducing balance   | <ul style="list-style-type: none"> <li>Maximum of 3 times of member's deposits up to a maximum of Kshs. 100,000 (subject to the 1/3 rule)</li> <li>Only one Karibu loan can be granted at a time</li> <li>Easy loan top up facility possible</li> <li>Loan should be fully guaranteed.</li> <li>Upon attainment of the 6 month period, a member cannot be offered the Karibu loan.</li> <li>A processing fee of 3% of the amount applied.</li> </ul> | 12 months              |

|   |                                |   |  |   |  |
|---|--------------------------------|---|--|---|--|
| 5 | Student loan                   | Targeted to Strathmore students who have borrowed funds to cater for their needs or for investment purposes | 1% per month reducing balance                                | <ul style="list-style-type: none"> <li>Maximum is equivalent to student member deposit.</li> <li>The loan should be fully guaranteed (fellow student members can guarantee)</li> <li>Only one student loan can be granted at a time</li> <li>Easy loan top up facility possible at 1.5% of the top up amount</li> </ul> | 24 months  |
| 6 | Insurance premium finance loan | Advanced to members to pay insurance premiums   | 1.5% per month on reducing balance                           | <ul style="list-style-type: none"> <li>Amount shall be equivalent to the actual insurance premium</li> <li>Loan amount paid directly to insurance company</li> </ul>  | 12 months  |
| 7 | Salary advance                 | Shall be granted against a member's salary  | A commission of 5% graduating to 6% and 7% in month 2 and 3. | <ul style="list-style-type: none"> <li>One salary advance per month</li> <li>No guarantors needed</li> <li>Maximum of Ksh. 30, 000</li> </ul>   | Up to 3 months   |
| 8 | Buyout loan                    | To acquire loans taken with other financial institutions  | 1% per month   | <ul style="list-style-type: none"> <li>Buyout loan repayment period is determined by the previous loan repayment period.</li> <li>2% of the top up amount processing fees.</li> </ul>   | Period is equivalent to the remaining period of the old loan |

#### Our Savings Products:

- Children savings scheme
- Special savings scheme for members and students



**Fredrick Odhiambo**  
Chairman,  
Management Committee  
Mzima Springs SACCO

## CHAIRMAN'S MESSAGE

Fellow members and all the invited guests welcome to our 2021 AGM.

### **The Sacco's 2020 Review**

The fact that 2020 was a uniquely challenging year needs no emphasis. The hallmark of the same was the cancellation of our annual April AGM which was only to held later on in the year as a special online AGM. During the trying period, and indeed the period is not yet over, the Management Committee did put in place some Business Continuity Plans (BCPs) that were principally geared towards shielding the Sacco from the ravages of economic meltdown while still dutifully attending to members demands. We sincerely thank you for the confidence and the support that you have continuously offered during these challenging times. It is because of your support and the Management's Committee's BCPs, the Supervisory Committee's and the staff's guidance that our Sacco remains very strong amidst a struggling economy.

### **Bereavement**

In the last one year and due to different reasons Mzima Springs Sacco lost four of its esteemed members: Beatrice Adhiambo, Gregory Kahuni, Monica Ndura and Ruth Adoyo. Kindly join me in a minute of silence to respect the souls of these dear members. May their souls R.I.P.

### **Sacco growth**

Despite the difficult year, the Sacco registered some growth in its asset base which as at December 31st 2020 stood at Kshs 292,643,554.30 up from Kshs. 259,333,375.45 December 31st, 2019 and Kshs 225,137,678.33 in 2018.

Due to the measures put in place to shield the Sacco from the Covid-19 ravages, we were able to comfortably lend even though in a regulated fashion aimed at guarding the Sacco from possible losses during the harsh period.

### **Investments**

Mzima Springs Sacco limited in the year ended 2020 was able to increase the investment savings in the money market to Kshs 16,739,756.91 up from Kshs 6 million in 2019. It is the Management Committee's quest that this pool of investment keeps growing so that members can enjoy more benefits from their savings.

### **Mzima Spring Sacco Website**

The website has been revamped and has a new updated look.

**Mzima Springs' Sacco's 5-year Strategic Plan**

1. Annual strategy to give an 11% on interests on deposits.
2. Target a membership of over to 1,000 by the year 2021
3. Create standards that impact on the membership.
4. Create honesty, integrity and other virtues in the Sacco.
5. The long -term plan is to have a Mzima Springs Fosa.

**Interest Rebate and Dividend Payments.**

The Management has set aside Kshs. 14,4000,000 up from Kshs 14,100,000.00 in 2019 towards payment of interest on deposits in the year ended 2020. In addition, we have set aside Kshs. 500,000.00 towards dividend payment.

**SASRA Membership.**

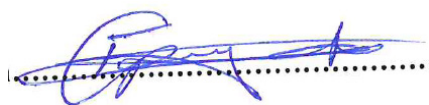
On May 5th 2020, Mzima Sacco and indeed the rest of the Saccos in the country received a circular from the Cabinet Secretary for Agriculture, Livestock, Fisheries and Cooperatives which among other things demands that a non-deposit taking SACCO in which the total non-withdrawable deposits from members is equal to or exceeds the sum of one hundred million Kenya shillings is expected to register with The SACCO Societies Regulatory Authority (SASRA) by June 30th 2021 failure to which the affected Sacco may not be permitted to transact business. Mzima Sacco finds itself in this category and has no option but to register. This of course comes with some effects that shall be spelt out in due course.

**Mzima MCs and Staff Re-organization**

Most of the MC members' terms come to an end today. On behalf of you the members, allow me to thank the possibly exiting team for the great job they have done in steering the Sacco to its stability. As you vote in new office holders, kindly vote wisely.

**Conclusion**

May God guide Mzima Sacco and bless its members. Thank you.

**Fredrick Odhiambo**

Chairman, Management Committee  
Mzima Springs SACCO





**Julius Mamicha**  
Chairman, Supervisory  
Committee  
Mzima Springs SACCO

## SUPERVISORY COMMITTEE MESSAGE

### Our Mandate and Summary of Audit Findings

As Mzima's Supervisory Committee, we exercised our mandate as stipulated in section 59.1 of the Mzima Sacco By-laws and here below present a highlight of report for the year ending 31st December 2020:

- 1. Membership:** Whereas total Sacco membership stood at 1,413 by 31<sup>st</sup> December, 2020 compared to 951 in 2019, up to 415 of these are inactive, representing 29.37%, which is rather unfortunate situation that could easily be abused by unscrupulous officers engaging fraudulent illegal inter-account transfers using the dormant accounts hence notes the need for MC to engage the dormant members with the view to have them reactivate the accounts or if unable, decided to terminally close them down altogether sooner than later.
- 2. Loans:** Loans issued in 2020 were procedural and paid within timeline defined in Credit Policy and diligent recovery going on as expected on a monthly basis. Total loans default rate stood at **Kshs 19,033,853.74**, out of which loans worth **Kshs. 11,374,431.27** are now with debt collectors for recovery. Commendably, MC now undertaken to engage a multi-thronged approach - CRB listing and debt collectors/auctioneers. All Sacco officials and staff with loans were issued the loans procedurally and recovery continues diligently as required.
- 3. Expenditure vis-à-vis Budget:** This we found to be commendably within the projected & approved provisions as budgeted. Statutory deductions: corporate tax, income tax, withholding tax, NHIF, and NSSF payable in 2020 were accurately computed and diligently deducted for remission to the necessary government agencies as required. All petty cash expenses incurred were fairly reasonable, duly approved and properly accounted for using adequate supporting documents as required. The Committee meetings were held regularly, attended satisfactorily by the members as required and their proceedings diligently recorded for filing thereafter as complete records of the deliberations. Total payouts balanced perfectly with attendance record.
- 4. Profit and Loss Statement:** Noted that the Sacco's profit margin commendably grew by **1.02%** from **Kshs. 15,051,406.06** in 2019 to **Kshs 15,204,252.61** in 2020.
- 5. Education Day/SGM Attendance:** Members' attendance of this event held virtually in 2020 due to Covid-19 was rather dissatisfactory at less than 50%! There's need for members to take more seriously such events in future, considering the importance of decisions made and lessons taught during such events.
- 6. Investments:** We confirmed commendable exhaustive discussion of investment decisions made in 2020 by the MC and all necessary information needed considered before approval/disapproval. With regard to Sacco Assets, we noted lack of a verifiable way of uniquely

identifying each of the Sacco's assets currently hence recommended need to embrace the practice of asset tagging, involving assigning a unique number to each asset for ease of physical verification during physical audit.

#### Other matters:

- **Procurement:** Generally executed above board, fairly and transparently despite noted lack of formal policy in place. Recommended fast-tracking of development and roll-out of a policy to guide future procurement and enable guided, fair evaluation of procurement decisions in future.
- **Staff Job Descriptions:** Flagged overlapping of some duties across more than one role contrary to best HR practice and suggested review to update the JDs and minimize unwarranted overlap of tasks, where possible.
- **Customer Care:** Noting that poor customer service could easily lead to dissatisfaction by members and unceremonial pull-out, we note the need to support the staff to go for a suitable Customer Experience Training workshop or seminar to help improve their handling of members.
- **Remittances:** We noted a reported marginal drop in remittances from most Centers due to salary cuts and/or deferments occasioned by Covid-19 impact.
- **The Website:** We commend the MC for efforts to revamp the old website. However, we note the need to engage the developer to photos relating to real Mzima events, e.g. AGM, education day, CSR, etc. on the website.

#### Conclusion

In conclusion, we are glad to report to you that based on our quarterly reviews conducted in 2020, we are satisfied that the MC diligently observed the prevailing internal control measures, which in effect managed to mitigate possible occurrence of any frauds and/or errors. In addition, the MC also notably complied with the Sacco's by-laws in force in executing their mandate throughout the year under review. Last but not least, we are satisfied as your watchdog that the Financial Statements of the Sacco presented to you in 2020 is reasonably complete, accurate and reliable.

Sincerely yours



**Julius Mamicha**

Chair, Supervisory Committee



## TREASURER'S REPORT

Greetings Wana-Mzima.

I welcome to our 2021 Annual General Meeting, which is being held virtually once again, given the current pandemic of which we are experiencing a third wave. The Covid-19 pandemic did present significant challenges globally and Saccos were not immune from this. The tough economic times faced by our members were felt and the Management Committee instituted a number of measures to cushion the Sacco from adverse impacts occasioned by the pandemic. This was demonstrated through the business continuity plan developed in 2020 to ensure that the Sacco survives and thrives through the pandemic. Owing the initiatives contained in the continuity plan, the Sacco was able to sail through the pandemic and posted good results, which are a manifestation of the prudent measures undertaken by the management to ensure continued good performance and stability of the Sacco.

During the year just ended, despite a decline in our revenue by 1.71%, we were able to grow other income from investments by 53.07%. Over the last 2 years, the Sacco has been growing its investment income with Old Mutual, CIC and other investment agencies with the total fund growing to Kshs. 16.7 million as of 31st December 2020. The management continues to diversify income sources for the Sacco by investing the excess liquidity which grew by 96% to Kshs. 57 million in 2020. We also reported an increase in lending by 2.47% while member deposits grew at a faster rate 13.9%. We also had a number of loans restructured and 47 new members joined the Sacco in 2020.

In the year just ended, we were prudent in managing expenditure and keeping it on check and this resulted to a reduction of expenditure by 8%. The overall effect of the measures undertaken by the management led to improved surplus available for distribution by 24%. Through all these measures, we were able to maintain the interest payable on deposits at Kshs. 14.4 million at a time-weighted rate of 7%, with Kshs. 500,000 proposed as dividends at a time-weighted rate of 11%.

- Overall, Mzima continues to post impressive performance and looking forward to 2021, the Sacco is actively pursuing the following strategic matters.
- Revenue diversification through an increase in investments to a target Kshs. 25 million.
- Increased focus on improved member service, and recruitment of more members.
- Increased focus on staff welfare so that they get to serve the Sacco much better.
- Compliance with SASRA requirements as we transition to being regulated under SASRA from June 2021.
- Value adding and strategic partnerships for the benefit of members.

We hope that the Sacco will be able to sustain its record of good performance over the years as we strive to promote our members social as well as economic welfare. Thank you.



Dr. David Mathuva,  
Treasurer, Mzima Springs Sacco Ltd



**Dr. David Muthuva,**  
Treasurer,  
Mzima Springs SACCO

# CORPORATE GOVERNANCE REPORT

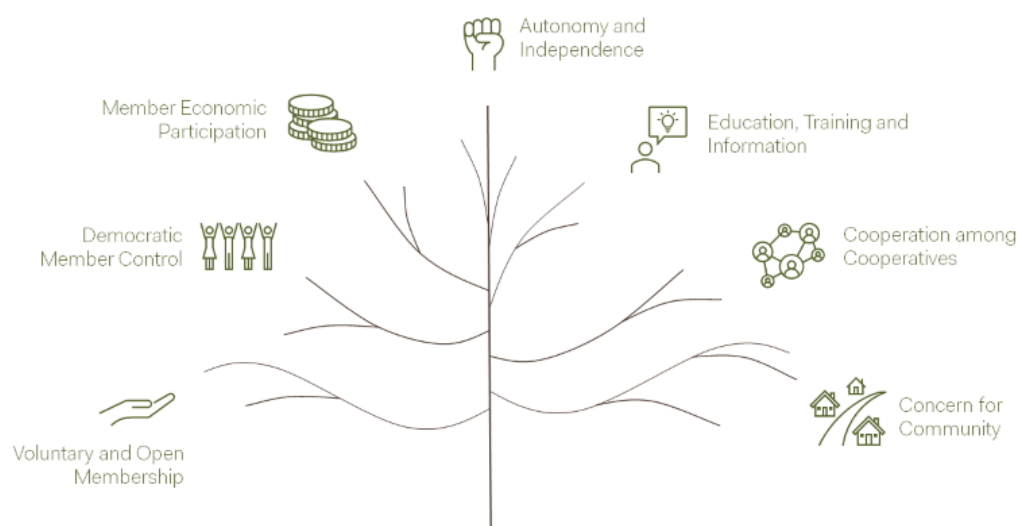
Previous research has shown that corporate governance in SACCO's in Kenya has not been effectively regulated and supervised. It is important to emphasize that good corporate governance practices in the SACCOs are imperative if the cooperative movement is to effectively play a key role in the overall development in Kenya. The Center for Corporate Governance and SASRA have recommended good corporate governance principles that the SACCO has tried to adopt and implement.

## Our Corporate Governance Principles

Mzima Springs SACCO lives by the following Cooperative values and principles:

| Cooperative values  | Cooperative Principles  |
|---|---|
| <ul style="list-style-type: none"> <li>• Self-help</li> <li>• Self-responsibility</li> <li>• Democracy</li> <li>• Equality</li> <li>• Equity</li> <li>• Solidarity</li> </ul> | <ul style="list-style-type: none"> <li>• Voluntary and Open Membership</li> <li>• Democratic Member Control</li> <li>• Member Economic Participation</li> <li>• Autonomy and Independence</li> <li>• Education, Training, and Information</li> <li>• Cooperation among Cooperatives</li> <li>• Concern for Community</li> </ul> |

## Our Principles



Source: <https://www.nbs.net/articles/how-to-adopt-a-cooperative-business-model>

| Management Committee Responsibilities  | Supervisory Committee Responsibilities  |
|--|---|
| <ul style="list-style-type: none"> <li>Develop, review and uphold the bylaws.</li> <li>Set and implement a strategic direction for the SACCO.</li> <li>Ensure SACCO meets legislative requirements.</li> <li>Develop SACCO policies and procedures and ensure they are documented and in a manual.</li> <li>Manage SACCO resources, both financial and non-financial.</li> <li>Manage membership.</li> <li>Records and document management.</li> <li>Deliver on delegated tasks and assignments.</li> <li>Drive the SACCO strategy.</li> </ul> | <ul style="list-style-type: none"> <li>Counterchecking, the effectiveness of the society's internal control systems through:               <ol style="list-style-type: none"> <li>Verification of all transactions of the SACCO society</li> <li>Writing periodic report to be tabled at board meetings</li> <li>Submission of its reports to the commissioner</li> <li>Presenting its reports to general meeting.</li> </ol> </li> <li>The supervisory committee shall not perform the duties or exercise any of the powers of the board.</li> </ul> |

The following table shows the membership in the various sub-committees of the Management Committee.

## Management Committee Meetings in 2020

[illegible]

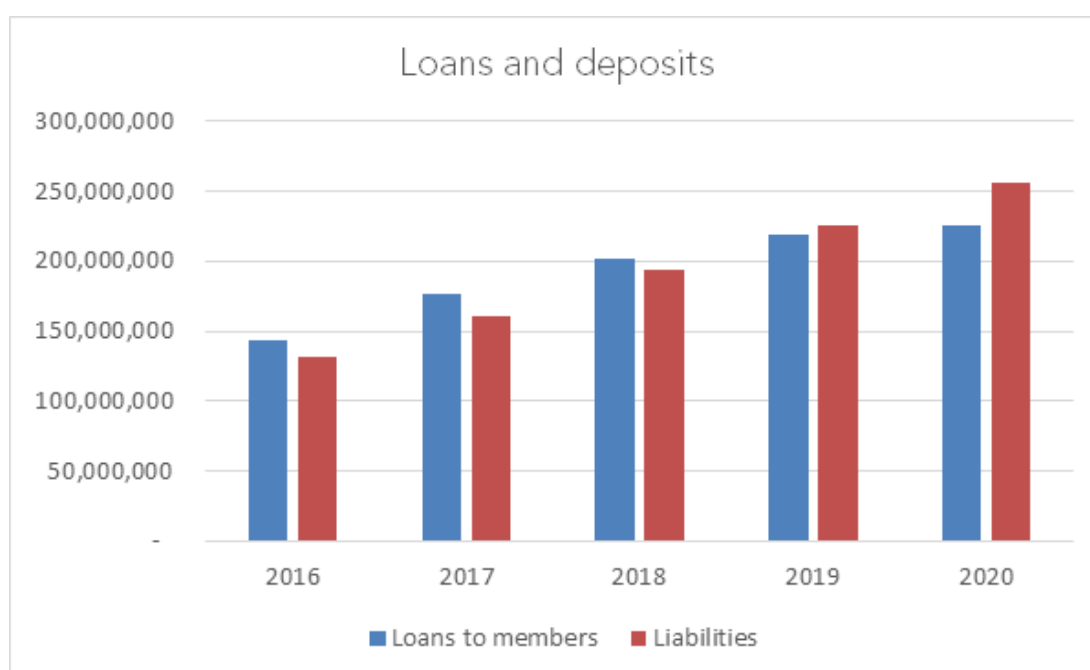
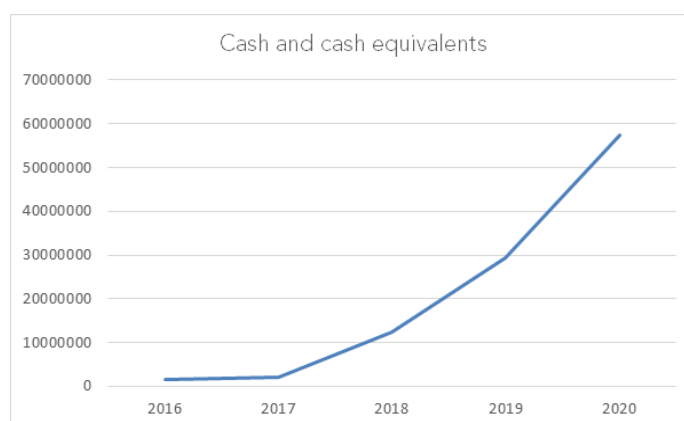
### Supervisory Committee Meetings in 2020

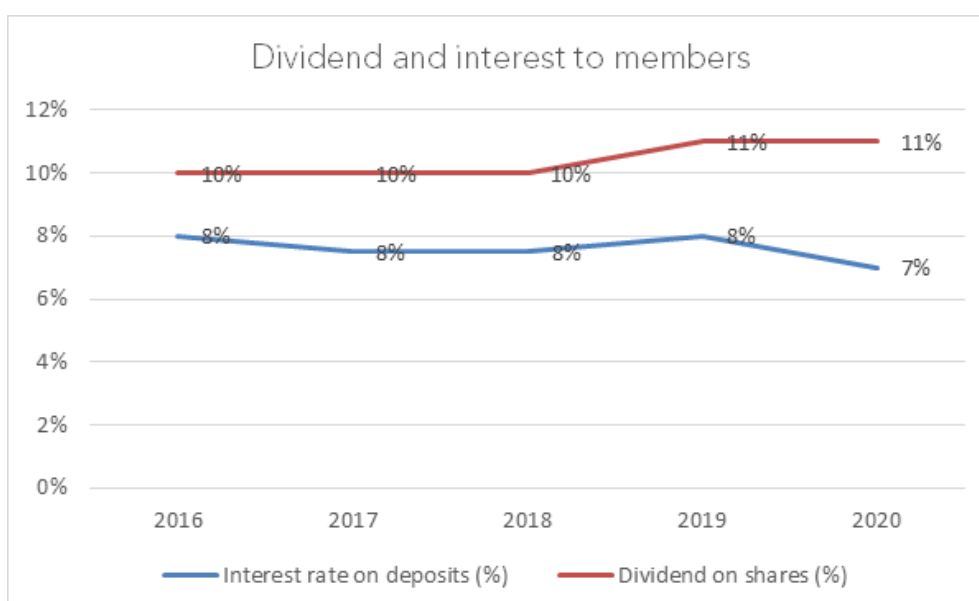
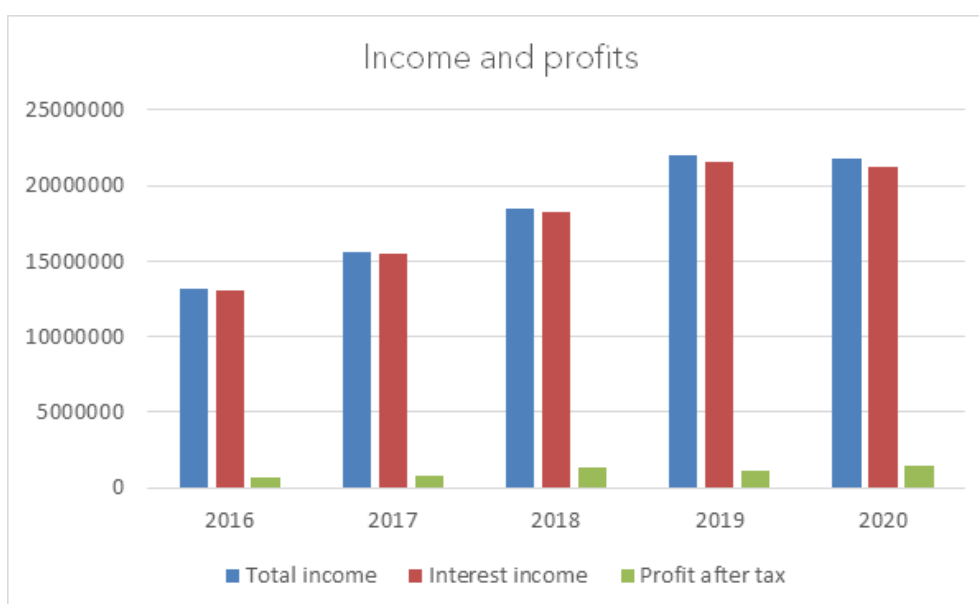
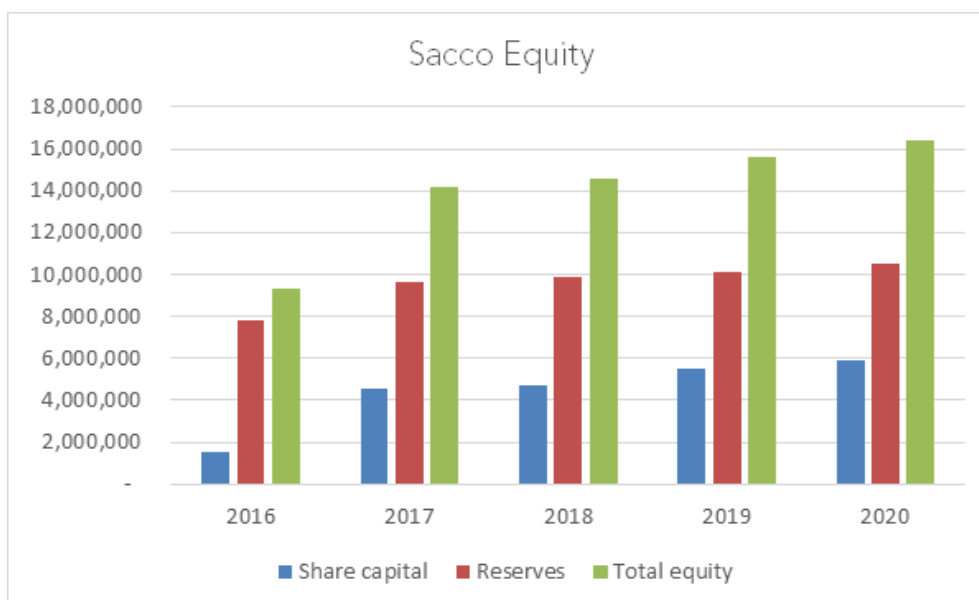
The following table shows the attendance of the Supervisory Committee members to the scheduled meetings during the year ended 31st December 2020.

| Name                                   | 1st Quarter | 2nd Quarter | 3rd Quarter  | 4th Quarter |
|--|-------------|-------------|--------------|-------------|
|  | Jan. - Mar. | Apr. - Jun. | Jul. - Sept. | Oct. - Dec. |
| Julius Mamicha                         | √           | √           | √            | √           |
| Emily Cherono                          | √           | √           | √            | √           |
| Julian Sila (resigned in March 2020)   | √ x         | x           | x            |             |
| Chispine Oloo (co-opted in April 2020) | √           | √           | √            | √           |

### Society's Five-Year Financial Review

|                                     | 2016        | 2017        | 2018        | 2019           | 2020            |
|-------------------------------------|-------------|-------------|-------------|----------------|-----------------|
|                                     | Kshs        | Kshs        | Kshs.       | Kshs           | Kshs            |
| Membership (active)                 | 789         | 815         | 853         | 951            | 998             |
| (a) Statement of financial position |             |             |             |                |                 |
| Assets                              |             |             |             |                |                 |
| Loans to members                    | 143,021,257 | 177,123,442 | 201,933,791 | 219,722,987.93 | 225,145,607.4   |
| Cash and cash equivalents           | 1,416,334   | 2,010,763   | 12,450,306  | 29,286,951.76  | 57,403,820.25   |
| Other assets                        | 9,942,381   | 187,385,730 | 10,758,879  | 10,323,435.76  | 10,094,126.68   |
| Total assets                        | 154,379,972 | 189,396,493 | 225,142,977 | 259,333,375.45 | 292,643,554.3   |
| Equity and liabilities              |             |             |             |                |                 |
| Equity                              |             |             |             |                |                 |
| Share capital                       | 1,559,300   | 4,568,900   | 4,749,900   | 5,495,900.00   | 5,933,400.00    |
| Reserves                            | 7,785,695   | 9,637,058   | 9,855,273   | 10,085,429.23  | 10,480,659.54   |
| Total equity                        | 9,344,995   | 14,205,958  | 14,605,173  | 15,581,329.23  | 16,414,059.5385 |
| Liabilities                         |             |             |             |                |                 |
| Member deposits                     | 131,813,562 | 161,265,880 | 193,908,861 | 225,108,129.28 | 256,403,713     |
| Other liabilities                   | 13,221,415  | 13,924,655  | 16,628,943  | 18,643,916.94  | 19,825,781.81   |
| Total liabilities                   | 145,034,977 | 175,190,535 | 210,537,804 | 243,752,046.22 | 276,229,494.8   |
| Total equity and liabilities        | 154,379,972 | 189,396,493 | 225,142,977 | 259,333,375.45 |                 |
| (b) Statement of profit or loss     |             |             |             |                |                 |
| Total income                        | 13,201,515  | 15,583,574  | 18,424,419  | 21,961,791.10  | 21,805,189.11   |
| Interest income                     | 13,078,015  | 15,475,443  | 18,226,062  | 21,563,973.46  | 21,196,247.41   |
| Other income                        | 123,500     | 108,131     | 198,357     | 397,817.64     | 608,941.7       |
| Profit after tax                    | 660,835     | 793,384     | 1,311,486   | 1,135,454.42   | 1,413,194.309   |
| (c) Other disclosures               |             |             |             |                |                 |
| Interest rate on deposits (%)       | 8.00%       | 7.50%       | 7.50%       | 8%             | 7%              |
| Dividend on shares (%)              | 10.00%      | 10.00%      | 10.00%      | 11%            | 11%             |
| Dividend on shares Kshs)            | 155,930     | 315,757     | 430,000     | 500,000.00     | 500,000.00      |
| Interest on deposits (Kshs)         | 8,500,000   | 9,600,000   | 10,732,323  | 14,100,000.00  | 14,400,000.00   |







# SUSTAINABILITY REPORT & Value Creation for Members

## Our business model

We believe that, to provide value to the member and our stakeholders, we have to constantly engage and find out ways of establishing sustainable relationships to sustain our business model. With this, we place members and our people at the very core of our operations, and ensure that we make the most use of the resources availed to us for improved service to members. The Sacco continues to undertake measures such as:

- Sustained membership drives to boost deposits;
- Encouraging members to take loans and faster processing of the same;
- Growing the number of centres affiliated to Strathmore and its partners;
- Constantly assessing and managing risks in the operating environment;
- Revenue diversification through investing excess cash and creation of new products.

## Strategy

Our overall strategy 2019-2021 contains the following objectives:

1. Annual strategy to give an 11% on interests on deposits.
2. Target a membership of over to 1,000 by the year 2021.
3. Create standards that impact on the membership.
4. Create honesty, integrity and other virtues in the Sacco.
5. The long -term plan is to have a Mzima Springs FOSA.

We are constantly pursuing our strategic initiatives as outlined in our 2019-2021 strategy which detail the following:

| Pillar 1:                    | FINANCIAL OBJECTIVES                        |                                  |   |  |   |  |   |   |  |
|------------------------------|---|----------------------------------|---|--|---|--|---|---|--|
| <b>Strategic Initiatives</b> | Achieve an annual growth in revenue of 10%. | Achieve 25% Net Interest Margin. | Diversify income and increase income from non-interest sources. | Pay a higher interest on deposits of 9%. | Pay a higher dividend rate to members of 12%. | Reduce our administrative cost to income ratio (CIR) to 30% and keep it below 30%. | Reduce liquidity gap by Kes. 5 million per month. | Continuously monitor loan processing and repayment process to curb any improprieties. | Produce quarterly reports: management reports, supervisory, financial reports and cash flow forecasts. |

| Pillar 2:                    | MEMBER RELATED OBJECTIVES                                       |   |   |   |  |   |  |   |   |
|------------------------------|---|---|---|---|--|---|--|---|---|
| <b>Strategic Initiatives</b> | Increase our member base by 10% per annum (current: 815: 3.30%) | Expand the number of centers from current 31 to 40 by 2021. | Meet all members in the centres at least once every year. | Organize for one members' education day per year. | Analyse, classify and target members according to their financial behaviour and needs. | Develop loan products that meet member needs. | Reduce loan processing lead time to 2-3 days (current: 1 - 1½ week). | Pay a higher interest on deposits of 9%.<br>Pay a higher dividend rate to members of 12%. | Track the utilization (or at least the reason) for borrowing. |

| Pillar 3:                    | INTERNAL PROCESSES OBJECTIVES                     |  |   |                                   |   |  |   |   |  |   |                                      |                                 |  |                                 |                             |
|------------------------------|---|--|---|-----------------------------------|---|--|---|---|--|---|--------------------------------------|---------------------------------|--|---------------------------------|-----------------------------|
| <b>Strategic Initiatives</b> | Create an integrated policy and procedures manual | Update the integrated policy and procedures manual every year. | Improve response to member inquiries significantly. | Improve communication to members. | Reduced waiting time in the office (queue). | Automate the accounting and financial reporting processes. | Integrate the Accounting Module with the Loan Module. | Document and close follow up on defaulted loans and increased recovery efforts. | Proactive annual member feedback surveys | Sufficient and competent human resources. | Open service offices in key centres. | Automate loan approval process. | Reduce turnaround in EFT payment approval. | Timely remittances from centres | Semi-annual internal audits |

| Pillar 4:                    | ORGANIZATIONAL LEARNING & GROWTH OBJECTIVES |  |                             |                             |                             |                            |  |                            |
|------------------------------|---|--|-----------------------------|-----------------------------|-----------------------------|----------------------------|--|----------------------------|
| <b>Strategic Initiatives</b> | Recruit a competent Sacco Manager           | Invest in Sacco staff training<br>Motivate staff | Invest in Sacco MC training | Invest in Sacco SC training | Participate in Ushirika Day | Participate in FiRe Awards | Integrated and automated Accounting and Loan system. | Expand the Sacco to a FOSA |

## Risks and risk management

The Sacco's management constantly reviews the risks facing the Sacco and has put in place a risk management framework to take care of the risks as assessed. Among the main risks facing the Sacco include:

- The adverse effects occasioned by Covid-19
- Depressed interest income due to increased default rates and amounts.
- Failure to adjust in time given changed market conditions.
- Member exodus to other competitive Saccos.
- Increased default rates.
- Tough economic conditions affecting member's ability to pay.
- Understaffing given the growth in the Sacco

## Our stakeholders and service offering

### 1. Members

Our member base continues to grow and this means that we have to make deliberate efforts to serve them much better. To do this, we have invested in information systems, mobile based payments and other activities to ensure that we reach out to our members conveniently and serve them better. We also obtain feedback on the level of satisfaction of our esteemed members with our services. We try our level best to respond to member issues and any complaints are handled in the quickest way possible.

### 2. Products and Services

Our products are tailored to meet our member needs. We constantly review the performance of the current product offering and look for ways of making the products value adding to our members.

### 3. Human Resources

We ensure that our Human Resources are well qualified and adequately trained to meet the changing needs of members and the changing SACCO landscape. We also provide reasonably fair remuneration and benefits for our members, including training where necessary.

### 4. The Society

Over the past years Mzima Springs SACCO has been contributing to various Centres towards charitable activities. In 2020, owing to the pandemic and its effects, the Sacco focused on achieving its business continuity plan and hence did not make any contributions to charity. We hope to revive this in 2021.

### 5. Environment

We are constantly conscious of the environment and ensure that we save on the printing paper and the water we utilize in our office. We also ensure that we conserve energy whenever there is no need to keep energy consuming equipment running.

**C/S NO 3981****MZIMA SRINGS SAVINGS & CREDIT CO-OPERATIVE SOCIETY LTD**

Annual Report and financial Statements for the year ended 31st December 2020

**REPORT OF THE MANAGEMENT COMMITTEE**

The members of the Management Committee submit their annual report together with the Audited financial statement for the year ended 31<sup>st</sup> December 2020

**Incorporation**

The society is incorporated in Kenya under the Co-operative Society Act. Cap 490 of 1997 amended 2004 and is domiciled in Kenya.

**Principal Activity**

The principal activity of the society is receiving savings from and provision of loans to its members.

**Results**

|                                    | 2020         | 2019         |
|------------------------------------|--------------|--------------|
|                                    | KSHS         | KSHS         |
| Surplus before tax                 | 1,413,194.31 | 1,135,454.42 |
| Proposed Dividends                 | 500,000.00   | 500,000.00   |
| Proposed Honoraria                 | 400,000.00   | 400,000.00   |
| Proposed Staff Bonus               | 150,000.00   | 0.00         |
| Net Surplus(deficit)               | 1,413,194.31 | 1,135,454.42 |
| Retained Surplus/loss for the Year | 80,555.45    | 8,363.54     |
| Interest on members deposits       | 7.00%        | 8.0%         |

**Dividends/Interest on members deposits**

The Management Committee recommends payment of first and final dividend of 11% per share (2019: 11%) subject to deduction of applicable withholding tax.

They also recommend payment of interest on members weighted average deposits at the rate of 7.0% (2019: 8.0%) on deposit balances held by the society as of 31<sup>st</sup> December 2020 and will be paid subject to deduction of applicable withholding tax. Calculation of interest and dividends payable is based on the number of months the deposits and shares were held by the society during the year.

**Management Committee**

The members of the Management Committee who served during the year to date of this report is as listed on page 1

By order of Management Committee

Secretary .

WERE LWANZA

Signature .....

Hanga

Date .....

18/03/2021 ..

| <b>C/S NO 3981</b>  |         |                |  |                |
|---|---------|----------------|--|----------------|
| <b>MZIMA SPRINGS SAVINGS &amp; CREDIT CO-OPERATIVE SOCIETY LTD</b>                      |         |                |  |                |
| Annual Report and Financial Statement for the year ended 31 <sup>st</sup> December 2020 |         |                |  |                |
|   |         |                |  |                |
|   |         |                |  |                |
| <b>Statistical Information as at 31<sup>st</sup> December 2020</b>                      |         |                |  |                |
|   |         |                |  |                |
|   |         | 2020           |  | 2019           |
| Number of members -   | Active  | 998            |  | 951            |
|   | Dormant | 415            |  | 381            |
|   |         | 1413           |  | 1332           |
| Employees   |         | 3              |  | 3              |
|   |         |                |  |                |
| <b>Financial</b>  |         | <b>KSHS</b>    |  | <b>KSHS</b>    |
| Share Capital   |         | 5,933,400.00   |  | 5,495,900.00   |
| Members Deposits  |         | 256,403,712.95 |  | 225,108,129.28 |
| Statutory Reserve Fund  |         | 5,760,694.86   |  | 5,478,055.99   |
| Retained Earnings   |         | 4,719,964.68   |  | 4,607,373.24   |
| Loans to members  |         | 225,145,607.37 |  | 219,722,987.93 |
| Total Assets  |         | 292,643,554.30 |  | 259,333,375.45 |
| Total liabilities   |         | 276,229,494.76 |  | 243,752,046.22 |
| Share holders Funds   |         | 16,414,059.54  |  | 15,581,329.23  |
| Interest income   |         | 21,196,247.41  |  | 21,563,973.46  |
| Current Assets  |         | 67,184,249.05  |  | 39,363,186.54  |
| Current Liabilities   |         | 19,825,781.81  |  | 18,643,916.94  |
| Revenue   |         | 21,196,247.41  |  | 21,563,973.46  |
|   |         |                |  |                |
| <b>KEY RATIOS</b>   |         |                |  |                |
| Liquidity Ratio   |         | 3.4:1          |  | 2.1:1          |
| Percentage of expenses to revenue   |         | 28.27%         |  | 30.20%         |
| Interest on members deposits  |         | 7.00%          |  | 8.00%          |
| Dividend rate   |         | 11%            |  | 11%            |

**C/S NO 3981****MZIMA SPRINGS SAVINGS & CREDIT CO-OPERATIVE SOCIETY LTD.**Annual Report and Financial Statements for the Year Ended 31<sup>st</sup> December 2020**STATEMENT OF THE MANAGEMENT COMMITTEE RESPONSIBILITIES**


The Co-operative Societies Act Cap 490 requires Management Committee to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the Society at the end of the financial year and its operating results for that year in accordance with IFRS. It also requires the Management Committee to ensure that the Society keeps proper accounting records, which disclose, with reasonable accuracy, at any time the financial position of the Society. They are also responsible for safeguarding the assets of the Society and ensuring that the business has been conducted in accordance to its objectives, bylaws and any other resolutions made at the society's general meeting.

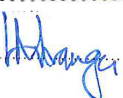
The Management Committee accepts responsibility for the Annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in a manner required by the Co-operative Societies Act Cap 490. 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 operating results in accordance with IFRS. The Management Committee further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of Internal Financial Control.

Nothing has come to the attention of the Management Committee to indicate that the Society going concern is not certain for at least the next twelve months from the date of this statement.

Approved by the management committee on.....18<sup>th</sup> MARCH 2021.....and signed on its behalf by:

Chairman: 

Treasurer: ....

Secretary: ....

Date: .....18<sup>th</sup> MARCH 2021.....

**C/S NO 3981****MZIMA SPRINGS SAVINGS & CREDIT CO-OPERATIVE SOCIETY LTD.**Annual Report and Financial Statements for the Year Ended 31<sup>st</sup> December 2020**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS MZIMA SPRINGS SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LTD.****Opinion**

We have audited the accompanying financial statements of Mzima Springs Savings and Credit Co-operative Society Limited, which comprise the Statement of Financial Position as at 31<sup>st</sup> December 2020, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cashflows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Society as at 31<sup>st</sup> December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Co-operative Societies Act.

**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.

**Directors' responsibility for the financial statements**

The directors of the Society are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Co-operative Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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



**Report on other legal requirements**

As required by the Kenyan cooperative societies Act we report to you that the financial statements are in agreement with the books kept by the society and that, based on our audit, nothing has come to our attention that causes us to believe that the society's business has not been conducted:

(a) In accordance with the provisions of the Cooperative Societies Act.

(b) In accordance with the Co-operatives objectives, by-laws and any other resolutions made by the Society at a general meeting.

For and on behalf of:

MINISTRY OF INDUSTRY, TRADE AND CO-OPERATIVES



CPA BETTY C. RONO  
DEPUTY COUNTY DIRECTOR CO-OP AUDIT  
NAIROBI CITY COUNTY

Date: 22/02/2021

| <b>C/S NO 3981</b>   |       |                       |                       |
|--|-------|-----------------------|-----------------------|
| <b>MZIMA SPRINGS SAVINGS &amp; CREDIT CO-OPERATIVE SOCIETY LTD</b>                       |       |                       |                       |
| Annual Report and Financial Statements for the year ended 31 <sup>st</sup> December 2020 |       |                       |                       |
| Income statement for the year ended 31 <sup>st</sup> December 2020                       |       |                       |                       |
| REVENUE  | NOTES | 2020                  | 2019                  |
|  |       | KSHS                  | Kshs                  |
| Interest on members loans  | 2     | 21,196,247.41         | 21,563,973.46         |
| Interest on member deposits  | 2a    | (14,400,000.00)       | (14,100,000.00)       |
| Interest expense   | 2b    | -                     | (213,769.28)          |
| <b>Net Interest Income</b>   |       | <b>6,796,247.41</b>   | <b>7,250,204.18</b>   |
| Other operating income   | 3     | 608,941.70            | 397,817.64            |
| <b>Net revenue</b>   |       | <b>7,405,189.11</b>   | <b>7,648,021.82</b>   |
| Administrative expenses  | 4     | (5,848,687.53)        | (6,357,499.99)        |
| Other Operating expenses   | 5     | (143,307.27)          | (155,067.41)          |
| <b>Total expenditure</b>   |       | <b>(5,991,994.80)</b> | <b>(6,512,567.40)</b> |
| <b>Surplus /deficit before income tax</b>  |       | <b>1,413,194.31</b>   | <b>1,135,454.42</b>   |
| <b>Surplus/deficit after income tax</b>  |       | <b>1,413,194.31</b>   | <b>1,135,454.42</b>   |
| 20% transfers to statutory reserve   |       | (282,638.86)          | (227,090.88)          |
| <b>Surplus available for distribution</b>  |       | <b>1,130,555.45</b>   | <b>908,363.54</b>     |
| Provision for dividends  |       | (500,000.00)          | (500,000.00)          |
| Provision for honorarium   |       | (400,000.00)          | (400,000.00)          |
| Staff bonus  |       | (150,000.00)          | -                     |
| <b>Surplus to retained earnings</b>  |       | <b>80,555.45</b>      | <b>8,363.54</b>       |

**C/S NO 3981****MZIMA SPRINGS SAVINGS & CREDIT CO-OPERATIVE SOCIETY LTD**Annual Report and Financial Statements for the year ended 31<sup>st</sup> December 2020**Statement of financial position as at 31<sup>st</sup> December 2020**

| ASSETS  | NOTES | 2020<br>KSHS          | 2019<br>Kshs          |
|---|-------|-----------------------|-----------------------|
| Cash and Cash equivalent                          | 6     | 57,403,820.25         | 29,286,951.76         |
| Trade and other receivables                       | 7     | 9,780,428.80          | 10,076,234.78         |
| Loans to Members                                  | 8     | 225,145,607.37        | 219,722,987.93        |
| Other Financial Assets                            | 11    | 64,000.00             | 64,000.00             |
| Property plant and Equipment                      | 20    | 205,039.28            | 119,402.98            |
| Intangible Assets                                 | 20    | 44,658.60             | 63,798.00             |
| <b>Total Assets</b>                               |       | <b>292,643,554.30</b> | <b>259,333,375.45</b> |
| <b>LIABILITIES</b>                                |       |                       |                       |
| Members Deposits                                  | 13    | 256,403,712.95        | 225,108,129.28        |
| Interest on Members Deposit                       | 9     | 14,400,000.00         | 14,100,000.00         |
| Smart Saver Deposits                              | 10    | -                     | -                     |
| Dividends payable                                 | 9a    | 500,000.00            | 500,000.00            |
| Trade and Other payables                          | 16    | 4,925,781.81          | 4,043,916.94          |
| <b>Total Liabilities</b>                          |       | <b>276,229,494.76</b> | <b>243,752,046.22</b> |
| <b>SHARE HOLDERS EQUITY</b>                       |       |                       |                       |
| Share Capital                                     | 14    | 5,933,400.00          | 5,495,900.00          |
| Reserves  | 15    | 10,480,659.54         | 10,085,429.23         |
| <b>Total Shareholders' Equity</b>                 |       | <b>16,414,059.54</b>  | <b>15,581,329.23</b>  |
| <b>Total Liabilities and Share holders Equity</b> |       | <b>292,643,554.30</b> | <b>259,333,375.45</b> |

The financial statement on pages 31 to 34 were authorized by the Management Committee on 18th March, 2021 and signed on its behalf by:

CHAIRMAN.....

SECRETARY.....

TREASURER.....

DATE 18<sup>th</sup> MARCH 2021.....

**C/S NO 3981****MZIMA SPRINGS SAVINGS & CREDIT CO-OPERATIVE SOCIETY LTD****Annual Report and Financial Statements for the year ended 31<sup>st</sup> December 2020****STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020**

|                                | SHARE        | STATUTORY    | RETAINED     | TOTALS        |
|--------------------------------|--------------|--------------|--------------|---------------|
|                                | CAPITAL      | RESERVE FUND | EARNINGS     |               |
|                                | KSHS         | KSHS         | KSHS         | KSHS          |
| Changes in equity 2018         |              |              |              |               |
| At start of the year 2018      | 4,568,900.00 | 5,042,381.84 | 4,594,676.64 | 14,205,958.48 |
| Prior year adjustment          |              |              |              |               |
| Surplus for the Year/(deficit) |              |              | 1,042,916.33 | 1,042,916.33  |
| Statutory Reserve fund         |              | 208,583.27   | (208,583.27) | -             |
| Contribution                   | 181,000.00   |              |              | 181,000.00    |
| Transfer from Deposits         |              |              |              |               |
| Honoraria                      |              |              | (400,000.00) | (400,000.00)  |
| Provision for dividends        |              |              | (430,000.00) | (430,000.00)  |
| Balance C/F 31/12/2018         | 4,749,900.00 | 5,250,965.11 | 4,599,009.70 | 14,599,874.81 |
| Changes in equity 2019         |              |              |              |               |
| At start of the year 2019      | 4,749,900.00 | 5,250,965.11 | 4,599,009.70 | 14,599,874.81 |
| Prior year adjustment          |              |              |              |               |
| Surplus for the Year/(deficit) |              |              | 1,135,454.42 | 1,135,454.42  |
| Statutory Reserve fund         |              | 227,090.88   | (227,090.88) | -             |
| Contribution                   | 108,500.00   |              |              | 108,500.00    |
| Transfer from Deposits         | 637,500.00   |              |              | 637,500.00    |
| Honoraria                      |              |              | (400,000.00) | (400,000.00)  |
| Provision for dividends        |              |              | (500,000.00) | (500,000.00)  |
| Balance C/F 31/12/2019         | 5,495,900.00 | 5,478,055.99 | 4,607,373.24 | 15,581,329.23 |
| Changes in equity 2020         |              |              |              |               |
| At start of the year 2020      | 5,495,900.00 | 5,478,055.99 | 4,607,373.24 | 15,581,329.23 |
| Prior year adjustment          |              |              | 32,036.00    | 32,036.00     |
| Surplus for the Year/(deficit) |              |              | 1,413,194.31 | 1,413,194.31  |
| Statutory Reserve fund         |              | 282,638.86   | (282,638.86) | -             |
| Contribution                   | 82,000.00    |              |              | 82,000.00     |
| Transfer from Deposits         | 355,500.00   |              |              | 355,500.00    |
| Honoraria                      |              |              | (400,000.00) | (400,000.00)  |
| Provision for dividends        |              |              | (500,000.00) | (500,000.00)  |
| Provision for Staff Bonus      |              |              | (150,000.00) | (150,000.00)  |
| Balance C/F 31/12/2020         | 5,933,400.00 | 5,760,694.86 | 4,719,964.68 | 16,414,059.54 |

| <b>C/S NO 3981</b>   |                      |                      |
|--|----------------------|----------------------|
| <b>MZIMA SPRINGS SAVINGS &amp; CREDIT CO-OPERATIVE SOCIETY LTD</b>                       |                      |                      |
| Annual Report and Financial Statements for the year ended 31 <sup>st</sup> December 2020 |                      |                      |
| Cashflow statement for the year ended 31 <sup>st</sup> December 2020                     |                      |                      |
|  | 2020                 | 2019                 |
|  | KSHS                 | Kshs.                |
| <b>Cashflows from operating activities</b>   |                      |                      |
| Interest receipts  | 21,196,247.41        | 21,563,973.46        |
| Other operating income   | 608,941.70           | 397,817.64           |
| Interest payment   | (14,100,000.00)      | (11,542,533.28)      |
| Payment to employees and suppliers   | (5,305,644.41)       | (5,038,790.89)       |
|  | 2,399,544.70         | 5,380,466.93         |
| <b>Increase/decrease in operating assets</b>   |                      |                      |
| Trade and other receivables  | 295,805.98           | 381,750.84           |
| Loan to members  | (5,422,619.44)       | (17,794,495.25)      |
|  | (5,126,813.46)       | (17,412,744.41)      |
| <b>Increase/decrease in operating liabilities</b>  |                      |                      |
| Deposits from members  | 31,295,583.67        | 31,199,268.30        |
| Smart savers deposits  | -                    | (990,034.00)         |
| Trade and accrued expenses   | (245,530.42)         | (1,656,311.44)       |
| <b>Net cashflow from operating activities before tax</b>                                 | <b>31,050,053.25</b> | <b>28,552,922.86</b> |
| Income tax   |                      |                      |
| <b>Net cashflow from operating activities</b>  | <b>28,322,784.49</b> | <b>16,520,645.38</b> |
| <b>Cash flow from investing activities</b>   |                      |                      |
| Purchase of assets   | (143,416.00)         | -                    |
| Investment income  |                      | -                    |
| <b>Cash from investing activities</b>  | <b>(143,416.00)</b>  | <b>-</b>             |
| <b>Net cash from financial activities</b>  |                      |                      |
| Dividends paid   | (500,000.00)         | (430,000.00)         |
| Share capital contribution   | 437,500.00           | 746,000.00           |
| <b>Net cash from financial activities</b>  | <b>(62,500.00)</b>   | <b>316,000.00</b>    |
| <b>Net decrease/increase in cash and cash equivalent</b>                                 | <b>28,116,868.49</b> | <b>16,836,645.38</b> |
| Cash and cash equivalent at the beginning of the year                                    | 29,286,951.76        | 12,450,306.36        |
| <b>Cash and cash equivalent at the end of the year</b>                                   | <b>57,403,820.25</b> | <b>29,286,951.76</b> |

**C/S NO 3981****MZIMA SRINGS SAVINGS & CREDIT CO-OPERATIVE SOCIETY LTD****Annual Report and Financial Statements for the year ended 31<sup>st</sup> December 2020****Notes on the Audited accounts for the year ended 31<sup>st</sup> December 2020****1. Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below.

**a) Statement of compliance and basis of preparation**

The financial are prepared in accordance and comply with International Reporting Standards. This financial statement are presented in the functional currency, Kenya Shillings (Kshs) and prepared under the historical cost convention, as modified by revaluation of assets as prescribed by IFRS.

**b) Revenue recognition**

Interest on loan to members is calculated on reducing balancing method on a monthly basis on rates applicable to each type of loan. Interest income is recognized on a time proportion basis by reference to the principal outstanding and the effective interest rate applicable.

**c) Investments**

These are investments in the equity shares of other co-operative entities and are recognized initially at cost. They are not listed in the open stock exchange.

**d) Loans**

Loans are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate so as to allocate the interest income over the relevant period, and so as to exactly amortise the loan(including all fees, transaction costs and premiums) over the expected life of the loan.

**e) Statutory reserves**

Transfers are made to the statutory reserve fund at the rate of 20% of the net operating surplus after tax provision of section 47(1&2) of the cooperative society act Cap490

**f) Trade and other payables**

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

**g) Cash and cash equivalents**

Cash and Cash equivalent comprise cash at hand and demand deposit and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of change in value.

**h)Tax**

The incomes of the society wholly comprise sources that do not attract tax under the income tax Act and as a result, no tax has been provided on account of the income of the society.

**C/S NO 3981****MZIMA SRINGS SAVINGS & CREDIT CO-OPERATIVE SOCIETY LTD**Annual Report and Financial Statements for the year ended 31<sup>st</sup> December 2020

Notes on the Audited Accounts continued

|   |   | 2020          | 2019          |
|---|---|---------------|---------------|
|   |   | KSHS          | Kshs          |
| 2   | Interest Income                             | 21,196,247.41 |               |
|   | Interest from loans to members              | 21,196,247.41 | 21,563,973.46 |
| 2a  | Interest Expense                            |               |               |
|   | Interest on members deposit                 | 14,400,000.00 | 14,100,000.00 |
| Interest on members deposits is payable to members at the rate of 7% on approval in the AGM |   |               |               |
| 2b  | Other Interest Expense                      |               | 213,769.28    |
| 3   | Other Operating Income                      |               |               |
|   | Entrance fees                               | 94,500.00     | 92,000.00     |
|   | Investment interest                         | 514,441.70    | 305,817.64    |
|   | Total                                       | 608,941.70    | 397,817.64    |
| 4   | Administrative Expenses                     |               |               |
|   | Salaries and wages(includes Paye,Nssf,NHIF) | 2,006,430.38  | 1,522,200.00  |
|   | Printing and Stationery                     | 29,690.00     | 91,506.00     |
|   | Telephone and postage                       | 43,103.00     | 38,900.00     |
|   | Depreciation                                | 57,779.70     | 26,350.68     |
|   | Armotization                                | 19,139.40     | 27,342.00     |
|   | Staff welfare                               | 61,650.00     | 150,730.00    |
|   | AGM Expenses                                | 371,000.00    | 574,050.00    |
|   | Insurance                                   | 261,721.16    | 282,325.33    |
|   | CMC Sitting allowance                       | 1,474,500.00  | 1,444,500.00  |
|   | Supervisory Committee allowance             | 72,000.00     | 135,000.00    |
|   | Travelling Expenses                         | 11,860.00     | 8,750.00      |
|   | Audit and Supervision fee                   | 60,000.00     | 60,000.00     |
|   | Internet Expenses                           | 59,000.00     | -             |
|   | Internal audit                              | -             | 15,000.00     |
|   | Donation                                    | -             | 150,000.00    |
|   | Kuscco Subsription                          | 10,000.00     | 10,000.00     |



|   |                                  |                     |  |                     |
|---|----------------------------------|---------------------|--|---------------------|
|   | Website Charges                  | 40,349.00           |  | -                   |
|   | Medical Expenses                 | 76,262.93           |  | 45,024.00           |
|   | Interest on deposit Over applied | 61,304.94           |  | 28,554.04           |
|   | Auditorium Charges               | 11,439.19           |  | -                   |
|   | Nssf Employer                    | -                   |  | 4,800.00            |
|   | SMS                              | 1,500.00            |  | -                   |
|   | Committee Subsistence allowance  | 11,280.00           |  | 54,070.00           |
|   | Rent and service charge          | 215,927.64          |  | 215,927.61          |
|   | Professional fee                 | -                   |  | 16,000.00           |
|   | Electricity                      | 1,428.35            |  | 13,947.50           |
|   | Provision for loan loss          | 549,431.29          |  | 1,345,083.83        |
|   | Debt Collection Charges          | 326,890.55          |  | 25,520.00           |
|   | Management Committee Training    | -                   |  | 10,000.00           |
|   | Members' Education Day           | 15,000.00           |  | 46,919.00           |
|   | Internship Allowance             | -                   |  | 15,000.00           |
|   | <b>Total</b>                     | <b>5,848,687.53</b> |  | <b>6,357,499.99</b> |
|   |                                  |                     |  |                     |
| 5 | <b>Other Operating expenses</b>  |                     |  |                     |
|   | Bank charges and commissions     | 143,307.27          |  | 155,067.41          |
|   | <b>Total</b>                     | <b>143,307.27</b>   |  | <b>155,067.41</b>   |

| <b>C/S NO 3981</b>   |  |                       |  |                       |
|--|--|-----------------------|--|-----------------------|
| <b>MZIMA SRINGS SAVINGS &amp; CREDIT CO-OPERATIVE SOCIETY LTD</b>            |  |                       |  |                       |
| Annual Report and Financial Statements for the year ended 31st December 2020 |  |                       |  |                       |
| Notes on the Audited Accounts continued                                      |  | 2020                  |  | 2019                  |
|  |  | KSHS                  |  | Kshs                  |
| <b>6</b>   | <b>Cash and cash equivalents</b>                                 |                       |  |                       |
|  | Cash in hand   | 2,673.00              |  | 11,972.00             |
|  | Bank current account (co-op bank) reconciled                     | 36,042,575.34         |  | 8,930,382.55          |
|  | Savings account: Co-operative bank Ltd.                          | 4,618,815.00          |  | 14,118,815.00         |
|  | Investment in money market (CIC/Old Mutual)                      | 16,739,756.91         |  | 6,225,782.21          |
|  |  | <b>57,403,820.25</b>  |  | <b>29,286,951.76</b>  |
|  | Cash should be verified every year end and a certificate issued. |                       |  |                       |
| <b>7</b>   | <b>Trade and other receivables</b>                               |                       |  |                       |
|  | Sundry debtors (employer centres)                                | 8,424,105.82          |  | 8,823,306.34          |
|  | Due from ex-members  | 859,108.00            |  | 859,108.00            |
|  | Prepaid insurance  | 130,860.58            |  | 94,108.44             |
|  | Prepaid withholding tax  | 148,318.00            |  | 148,318.00            |
|  | Staff insurance medical fund                                     | 122,367.40            |  | -                     |
|  | Prepaid rent and rent deposit                                    | 95,669.00             |  | 95,669.00             |
|  | Prepaid fixed deposit receivable                                 | -                     |  | 55,725.00             |
|  |  | <b>9,780,428.80</b>   |  | <b>10,076,234.78</b>  |
| <b>8</b>   | <b>Loans to members</b>  |                       |  |                       |
|  | At start of the year   | 219,722,987.93        |  | 201,928,492.68        |
|  | Granted during the year  | 109,886,258.73        |  | 134,508,383.00        |
|  | Repayment during the year  | (104,463,639.29)      |  | (116,767,496.95)      |
|  | <b>At the end of the year</b>                                    | <b>225,145,607.37</b> |  | <b>219,722,987.93</b> |
|  | <b>Balance as per MPA</b>  | <b>225,145,607.37</b> |  | <b>219,669,378.73</b> |
|  | <b>Difference</b>  | <b>-</b>              |  | <b>53,609.20</b>      |
| <b>9</b>   | <b>Interest on members deposits</b>                              |                       |  |                       |
|  | Balance brought forward  | 14,100,000.00         |  | 11,328,764.00         |
|  | Payment during the year  | (14,100,000.00)       |  | (11,328,764.00)       |
|  | Adjustments  | -                     |  | -                     |
|  | Provision for the year   | 14,400,000.00         |  | 14,100,000.00         |
|  |  | <b>14,400,000.00</b>  |  | <b>14,100,000.00</b>  |
| <b>9a</b>  | <b>Dividend payable</b>  |                       |  |                       |
|  | Opening balance  | 500,000.00            |  | 430,000.00            |
|  | Paid within the year   | (500,000.00)          |  | (430,000.00)          |

|    |   |            |  |              |
|----|---|------------|--|--------------|
|    | Provision for the year  | 500,000.00 |  | 500,000.00   |
|    |   | 500,000.00 |  | 500,000.00   |
|    | Dividends are payable to members at the rate of 11% on approval in the AGM. |            |  |              |
|    |   |            |  |              |
| 10 | <b>Smart saver account</b>  |            |  |              |
|    | Balance brought forward   |            |  | 990,034.00   |
|    | Amount received during the year   |            |  | -            |
|    | Amount refunded during the year 2019 - (after maturity)                     |            |  | (990,034.00) |
|    |   |            |  | -            |
|    |   |            |  |              |
| 11 | <b>Other financial assets</b>   |            |  |              |
|    | Kuscco shares   | 64,000.00  |  | 64,000.00    |
|    |   | 64,000.00  |  | 64,000.00    |

| C/S NO 3931  |  |                           |                  |                  |
|--|--|---------------------------|------------------|------------------|
| MZIMA SRINGS SAVINGS & CREDIT CO-OPERATIVE SOCIETY LTD                       |  |                           |                  |                  |
| Annual Report and Financial Statements for the year ended 31st December 2020 |  |                           |                  |                  |
| Notes on the Audited Accounts continued                                      |  |                           |                  |                  |
|  |  | 2020                      |                  |                  |
|  |  | KSHS                      | KSHS             | KSHS             |
| 12   | Shares   | Deposit and Loan balances |                  |                  |
|  |  | Shares                    | Deposits         | Loans            |
|  | Balance as per control account                       | 5,933,400.00              | 256,403,712.95   | 225,145,607.37   |
|  | Balance as per MPA                                   | (5,933,400.00)            | (256,403,712.95) | (225,145,607.37) |
|  | Difference   | -                         | -                | -                |
|  |  |                           |                  |                  |
|  |  | 2020                      | 2019             |                  |
| 13   | Members deposits                                     |                           |                  |                  |
|  | As at 1 <sup>st</sup> January 2019                   | 225,108,129.28            | 193,908,860.98   |                  |
|  | Contribution during the year                         | 41,598,943.92             | 39,942,380.87    |                  |
|  | Other deposits (not in system)                       | 847,327.96                | 1,278,127.21     |                  |
|  | Refunds during the year                              | (10,795,188.21)           | (9,383,739.78)   |                  |
|  | Transfer to Share Capital                            | (355,500.00)              | (637,500.00)     |                  |
|  | Balance as per control at 31 <sup>st</sup> Dec. 2020 | 256,403,712.95            | 225,108,129.28   |                  |
|  | Balance as per members deposit                       | 256,403,712.95            | 225,108,129.28   |                  |
|  | Difference   | -                         | -                |                  |
|  |  |                           |                  |                  |
| 14   | Share Capital  |                           |                  |                  |
|  | As at 1 <sup>st</sup> January 2020 @ Kshs 100.       | 5,495,900.00              | 4,749,900.00     |                  |
|  | Contribution during the year                         | 82,000.00                 | 108,500.00       |                  |
|  | Transfer from members deposits account               | 355,500.00                | 637,500.00       |                  |
|  | Balance as at 31 <sup>st</sup> December 2020         | 5,933,400.00              | 5,495,900.00     |                  |
|  |  |                           |                  |                  |
|  |  |                           |                  |                  |
| 15   | Reserves   |                           |                  |                  |
|  | Statutory reserve fund                               | 5,760,694.86              | 5,478,055.99     |                  |
|  | Retained earnings                                    | 4,719,964.68              | 4,607,373.24     |                  |
|  | Total  | 10,480,659.54             | 10,085,429.23    |                  |

**C/S NO 3981****MZIMA SPRINGS SAVINGS & CREDIT CO-OPERATIVE SOCIETY LTD**Annual Report and Financial Statements as at 31<sup>st</sup> December 2020

Notes on the Audited accounts continued

|    |  | 2020                | 2019                |
|----|--|---------------------|---------------------|
|    |  | KSHS                | Kshs.               |
| 16 | <b>Trade, payables, and accrued expenses</b>   |                     |                     |
|    | Sundry creditors-ex members (2020)   | 956,775.00          | 434,104.00          |
|    | Provision for audit fees   | 60,000.00           | 60,000.00           |
|    | Provision for honoraria  | 400,000.00          | 400,000.00          |
|    | Professional fee   | 8,000.00            | 8,000.00            |
|    | PAYE   | 54,126.12           | 61,595.45           |
|    | NHIF   | 500.00              | 500.00              |
|    | NSSF   | 1,200.00            | 800.00              |
|    | Sundry payables (2016 c/d)   |                     | 522,671.00          |
|    | Due to Mzima Investment Company Ltd.   | 38,608.00           | 38,608.00           |
|    | Accrued sitting allowance - MC   | -                   | 2,650.00            |
|    | Staff bonus  | 150,000.00          | -                   |
|    | Electricity  | 3,273.41            | 5,031.68            |
|    | Accrued rent and service charge  | 299,899.50          | 29,989.40           |
|    | Prepaid rent -investment   | 2,697.66            | 2,697.58            |
|    | Corporation tax  | -                   | 32,036.00           |
|    | Internal audit   | 15,000.00           | 15,000.00           |
|    | Provision for loan loss  | 2,913,052.12        | 2,363,620.83        |
|    | Accrued staff party expense  | 22,650.00           | -                   |
|    | Salary control   | -                   | 620.00              |
|    | Printing expense - (accrued auditorium charges)  | -                   | 65,993.00           |
|    |  | <b>4,925,781.81</b> | <b>4,043,916.94</b> |
| 17 | <b>Commitments</b><br>The society has no commitments.  |                     |                     |
| 18 | <b>Contingent liabilities</b><br>The society has not given any guarantees to any third party that may give rise to contingent liabilities. |                     |                     |
| 19 | <b>Budget</b><br>The society operated within the budget approved during the AGM.   |                     |                     |

**C/S NO.3981****MZIMA SPRINGS CO-OPERATIVE SAVINGS & CREDIT SOCIETY LTD**

Annual Report and Financial Statement for the period ended 31st December 2020

Notes on the Audited Accounts continued

| 20 | Property/plant and equipment               | Furniture and Fittings | Computers & Accessories | Total      |
|----|--|------------------------|-------------------------|------------|
|    |  | 12.50%                 | 30.00%                  | Kshs       |
|    | Cost as at 1st Jan 2020                    | 244,893.00             | 609,725.00              | 854,618.00 |
|    | Additional during the year                 | 33,500.00              | 109,916.00              | 143,416.00 |
|    | Totals                                     | 278,393.00             | 719,641.00              | 998,034.00 |
|    | Accumulated depreciation                   |                        |                         |            |
|    | Balance as at 1st Jan 2020                 | 158,015.90             | 577,199.12              | 735,215.02 |
|    | Charge for the year                        | 15,047.14              | 42,732.56               | 57,779.70  |
|    | Accumulated depreciation as at 31 dec 2020 | 173,063.04             | 619,931.68              | 792,994.72 |
|    | Carrying amount                            |                        |                         |            |
|    | As at 31st December 2019                   | 86,877.10              | 32,525.88               | 119,402.98 |
|    | As at 31st December 2020                   | 105,329.963            | 99,709.32               | 205,039.28 |
|    |  | COMPUTER SOFTWARE      | TOTAL                   |            |
|    | Rate                                       | 30.00%                 |                         |            |
|    | Cost                                       |                        |                         |            |
|    | As at 1st January 2020                     | 465,000.00             | 465,000.00              |            |
|    | Additions                                  | -                      | -                       |            |
|    | As at 31st december 2020                   | 465,000.00             | 465,000.00              |            |
|    | Amortization                               |                        |                         |            |
|    | As at 1st January 2020                     | 401,202.00             | 401,202.00              |            |
|    | Charge for the year                        | 19,139.40              | 19,139.40               |            |
|    | As at 31st December 2020                   | 420,341.40             | 420,341.40              |            |
|    | Netbook value                              |                        |                         |            |
|    | As at 31st December 2019                   | 63,798.00              | 63,798.00               |            |
|    | As at 31st December 2020                   | 44,658.60              | 44,658.60               |            |

**C/S NO 3981****MZIMA SPRINGS SAVINGS & CREDIT CO-OPERATIVE SOCIETY LTD****Comparison Between Budget and Actual Financial Performance in 2020**

|     | Vote head                                  | 2020                | 2020                |                |
|-----|--|---------------------|---------------------|----------------|
| Sn. | Incomes                                    | Budget (B)          | Actual (A)          | % Change (B-A) |
| 1   | Interest Income                            | 21,745,500.00       | 21,196,247.41       | -2.59%         |
| 2   | Other Incomes                              | 170,000.00          | 608,941.70          | 72.08%         |
|     | Total Income                               | 21,915,500.00       | 21,805,189.11       | -0.51%         |
|     |  |                     |                     |                |
|     | <b>Expenditure</b>                         |                     |                     |                |
| 3   | Management Committee Expenses: total       | 1,488,000.00        | 1,474,500.00        | -0.92%         |
| 4   | Administration and other office expenses   | 1,009,600.00        | 986,816.51          | -2.31%         |
| 5   | Supervisory Committee Sitting Allowances   | 108,000.00          | 99,000.00           | -9.09%         |
| 6   | Donations to charity                       | 200,000.00          | -                   |                |
| 7   | Annual General Meeting Expenses            | 1,105,200.00        | 382,439.19          | -188.99%       |
| 8   | Education and training Expenses            | 100,000.00          | 15,000.00           | -566.67%       |
| 9   | Employees' Salaries (including interns)    | 2,483,200.00        | 2,006,430.38        | -23.76%        |
| 10  | Audit Fees                                 | 230,760.00          | 60,000.00           | -284.60%       |
| 11  | Insurance                                  | 384,000.00          | 261,721.16          | -46.72%        |
| 12  | Revision of by laws                        | 5,000.00            | -                   |                |
| 13  | Office furniture and refurbishment         | 133,500.00          | 34,500.00           | -286.96%       |
| 14  | Software and website Maintenance           | 240,000.00          | 40,349.00           | -494.81%       |
| 15  | Bank charges                               | 204,000.00          | 143,307.27          | -42.35%        |
| 16  | Office Computers                           | 70,000.00           | 109,916.00          | 36.32%         |
| 17  | Members ledger files                       | 20,000.00           | -                   |                |
| 18  | Provision for loan loss                    | 1,345,083.83        | 549,431.29          | -144.81%       |
|     | <b>Total Expenses</b>                      | <b>9,126,343.83</b> | <b>6,163,410.80</b> | <b>-48.07%</b> |
|     |  |                     |                     |                |
|     | Estimated Surplus for Interest on Deposits | 14,134,240.00       | 14,400,000.00       | 1.85%          |



| MZIMA SPRINGS SACCO SOCIETY |   |                       |                       |               |
|-----------------------------|---|-----------------------|-----------------------|---------------|
|                             | PROPOSED BUDGET FOR YEAR 31<br>JANUARY - 31 DECEMBER: | 2021                  | 2022                  | %<br>change   |
| Sn                          | Incomes   |                       |                       |               |
| 1                           | Interest Income                                       | 23,702,595.00         | 25,835,828.55         | 9.00%         |
| 2                           | Other Incomes   | 170,000.00            | 170,000.00            | 0.00%         |
|                             | <b>Total Income</b>                                   | <b>23,872,595.00</b>  | <b>26,005,828.55</b>  | <b>8.94%</b>  |
|                             |   |                       |                       |               |
|                             | Expenditure   |                       |                       |               |
| 3                           | Management Committee Expenses: total                  |                       |                       |               |
| a                           | Attending meetings                                    | 840,000.00            | 1,260,000.00          | 50.00%        |
| b                           | Sub-committee duties                                  | 504,000.00            | 504,000.00            | 0.00%         |
| c                           | Day to day management                                 | 144,000.00            | 144,000.00            | 0.00%         |
|                             | Total MC expenses                                     | 1,488,000.00          | 1,908,000.00          | 28.23%        |
| 4                           | Administration and other office expenses              | 859,600.00            | 1,184,000.00          | 37.74%        |
| 5                           | Supervisory Committee Sitting Allowances              | 135,000.00            | 171,120.00            | 26.76%        |
| 6                           | Donations to charity                                  | 200,000.00            | 200,000.00            | 0.00%         |
| 7                           | Annual General Meeting Expenses                       | 1,108,200.00          | 1,108,200.00          | 0.00%         |
| 8                           | Education and training Expenses                       | 110,000.00            | 210,000.00            | 90.91%        |
| 9                           | Employees' Salaries (including interns)               | 3,159,200.00          | 3,604,200.00          | 14.09%        |
| 10                          | Audit Fees  | 230,760.00            | 260,000.00            | 12.67%        |
| 11                          | Insurance   | 384,000.00            | 500,000.00            | 30.21%        |
| 12                          | Revision of by laws                                   | 5,000.00              | 50,000.00             | 900.00<br>%   |
| 13                          | Office furniture and refurbishment                    | 133,500.00            | 50,000.00             | -62.55%       |
| 14                          | Software and website Maintenance                      | 240,000.00            | 240,000.00            | 0.00%         |
| 15                          | Bank charges  | 240,000.00            | 240,000.00            | 0.00%         |
| 16                          | Office Computers                                      | 70,000.00             | 20,000.00             | -71.43%       |
| 17                          | Member's ledger files                                 | 20,000.00             | 20,000.00             | 0.00%         |
|                             | <b>Total Expenses</b>                                 | <b>(8,383,260.00)</b> | <b>(9,765,520.00)</b> | <b>16.49%</b> |
|                             |   |                       |                       |               |
|                             | Estimated Surplus for Interest on<br>Deposits         | 15,489,335.00         | 16,240,308.55         | 4.85%         |



