



MZIMA SPRINGS NWDT SACCO

— Your Personal Anchor —



Mzima Springs Regulated Non-WDT
Sacco Society Limited CS/3981

Annual Report and Financial Statements For The Year Ended 31st December 2023



YOUR TRUSTED,
CARING,
LISTENING AND
RELIABLE SOCIAL
AND FINANCIAL
PROVIDER



**Mzima Springs Regulated Non-WDT Sacco Society Limited
CS/3981**

**Annual Report and Financial Statements
For The Year Ended 31 December 2023**



**Omambia & Associates
Certified Public Accountants (Kenya)
P.O. Box 40886-00100
Nairobi**

<https://www.mzimasacco.com/>

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Notice of the 2023 Annual General Meeting

ANNUAL GENERAL MEETING

TO ALL MEMBERS OF MZIMA SPRINGS NWD T SACCO

Notice is hereby given that the Annual General Meeting (AGM) of Mzima Springs Non-Withdrawable Deposit-Taking (NWD T) Sacco will be held on:

DATE	Saturday, 24th February 2024
TIME	12.00 pm – 2.00 pm
VENUE	Hybrid AGM: Physically at Strathmore University Auditorium & Virtual

Agenda:

Item #.	Description	Responsible
1.	Welcome and registration.	Registration desk team
2.	Opening remarks and calling the meeting to order.	John Ouko
3.	Confirmation of the 2023 AGM minutes	Hon. Secretary
4.	Chairman's report	Frederick Odhiambo
5.	Supervisory Committee report	Julius Mamicha
6.	Presentation of 2023 Audited Financial Statements	Omambia & Associates
7.	Treasurer's report and 2025 Budget estimates	Dr. David Mathuva
8.	Appropriation of 2023 surplus	Ministry representative
9.	Message from SASRA/Ministry/other stakeholders	Ministry representative
10.	Resolutions	Ministry representative
11.	Appointment of external auditors	Ministry representative
12.	Elections	Ministry representative
13.	AOB	Frederick Odhiambo
14.	Closure	

Note:

- Members are requested to submit their questions/clarifications regarding various AGM reports to: mzimaagm@starthmore.edu by **Wednesday, 21st February 2024**.
- Members attending in person and virtually are required to ensure that they register with their full names and telephone numbers ahead of the AGM. The registration link will be shared.

By Order of the Board

Were Lwanga

Hon. Secretary

Dated: Friday, February 9th, 2024

Vision, Mission, Values



Vision

To be an organized, well managed and competitive source of development for the better of *Mzima* Springs Regulated Non-WDT SACCO members



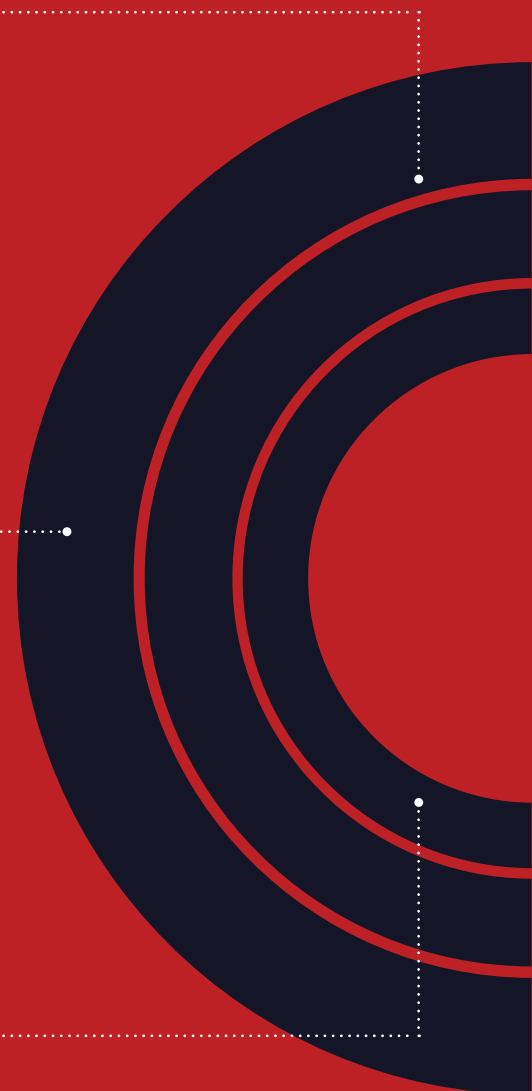
Mission

To provide leadership in lending and promote wise borrowing to *Mzima* membership in collaboration with employer centers



Values

- Stability
- Integrity
- Excellence
- Collaboration
- Innovation



Society Information

The Board and Supervisory Committee Members

<i>Board Members</i>	Mr. Fredrick Odhiambo	Chairman
	Ms. Loice Orege	Vice Chairperson
	Mr. Were Lwanga	Secretary
	Dr. David Mathuva	Treasurer
	Mr. Fredrick Otieno	Credit Committee
	Mr. John Ouko	Credit Committee
	Ms. Perpetua Muema	Credit Committee

<i>Supervisory Committee</i>	Mr. Julius Mamicha	Chairperson
	Ms. Emily Cherono	Secretary
	Mr. Chrispin Oloo	Member

Registered Office: Mzima Springs Sacco Society Ltd.
 Student Centre, 1st Floor
 Strathmore University
 Ole Sangale Road
 P.O. Box 59857 – 00200
 Nairobi, Kenya
 Telephone: 0703034331 /0797686484
 Email: mzimasprings@strathmore.edu
 Website: www.strathmore.edu/mzima

Principal Bankers: Cooperative Bank of Kenya Limited
 Ukulima Branch
 P.O. Box 38666 - 00100
 Nairobi

Auditor: Omambia & Associates
 Certified Public Accountants (Kenya)
 P.O. Box 40886-00100
 Nairobi

CEO Mr. Justin Ndeti
 P. O Box 59857 – 001 00 GPO
 Nairobi

Management Team

Board Members

The Board members who served during the year are as follows:



Fredrick Odhiambo,
Chair, Board

Frederick is currently a Doctoral Fellow at Strathmore University. He holds a Masters in Communication from the University of Nairobi and has over 20 years of working experience as a teacher and has also served as a secretary of another SACCO. He joined Mzima in September 2014.



Loice Orege,
Vice Chair, Board

Loice has a diverse experience in administrative aspects and currently working with Strathmore University Housekeeping Department. She holds a degree in Hospitality management and currently pursuing her Masters in Hospitality Business Management at Strathmore University.



Were Lwanga,
Secretary, Board

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.



Dr. David Mathuva,
Treasurer, Board

David is currently a Senior Lecturer at Strathmore University and has previously worked with KPMG East Africa. He holds a PhD in Accounting and Finance, a Masters in Forensic Accounting and a Bachelor of Commerce, Finance. Dr. Mathuva is a member of the ICPAK.



Fredrick Otieno,
Chair, Credit 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.



John Robert Ouko,
Member, Credit Committee

Marketing Executive at Strathmore University. He holds a Bachelor degree in Commerce (Marketing and Human Resource Management options) and CPA II. Currently pursuing Master of Commerce (Strategic Management option).



Perpetua Muema,
Credit Sub-Committee

Perpetua holds a degree in Business Management (Human Resource Option) and a Certificate in Food and Beverage Production and Service. She has a wide range of experience in management and cleaning. And serves in the Board of Management at Kyome Mixed Secondary School and also in the Board of Trustees of Kianda School Staff Retirement Benefit Scheme.

Supervisory Committee Members

The Supervisory Committee members who served during the year are as follows:



Julius Mamicha,
Chair, Supervisory Committee

Julius is based at Strathmore School where he has served for over 15 years in administration. He holds a Diploma in ECDE and Business Management



Emily Cheron,
Member, Supervisory Committee

Emily Cheron currently works Masai Technical Training Institute. 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.



Chrispine Oloo
Member, Supervisory Committee

Chrispine currently works as the Librarian at Strathmore School, laving ton and has previously worked for assorted public & private sector institutions, including: Infoman Consultants; the African Economic Research Consortium (AERC); the International Development Research Centre, Nairobi Office (IDRC ESARO; the University of Nairobi and the Kenya Institute of Management (KIM) among others. Chrispine prides in over 15 years' hands-on experience in information service provision. A graduate of the Catholic University for East Africa's BSc in LIS programme, Chrispine also holds a Diploma in Information Studies from the Kenya Polytechnic (now TUK) and Diploma in Business Information Technology (DBIT) from Strathmore University respectively.

SACCO Management Team

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



Justin Ndeti,
CEO

Justin Ndeti is a seasoned co-operative professional with over 10 years' experience, mostly with Savings and Credit Co-operative at senior management level, contributing to areas of growth strategy, efficient business operations and financial management. Justin has been instrumental in helping Saco's to deliver on key corporate strategies by identifying growth opportunities and reshaping service delivery while promoting co-operative culture and values that work within the changing needs of the society. Additionally, Justin has deep exposure in the real estate industry. He is currently pursuing MBA (Strategic Management) and a graduate of Bachelors of Commerce (Finance option) from The University of Nairobi. He is CPA finalist from Strathmore University. He is passionate about co-operative business as a transformational model and enjoys working with member based organizations for growth and development.



Isaac Maingi,
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.



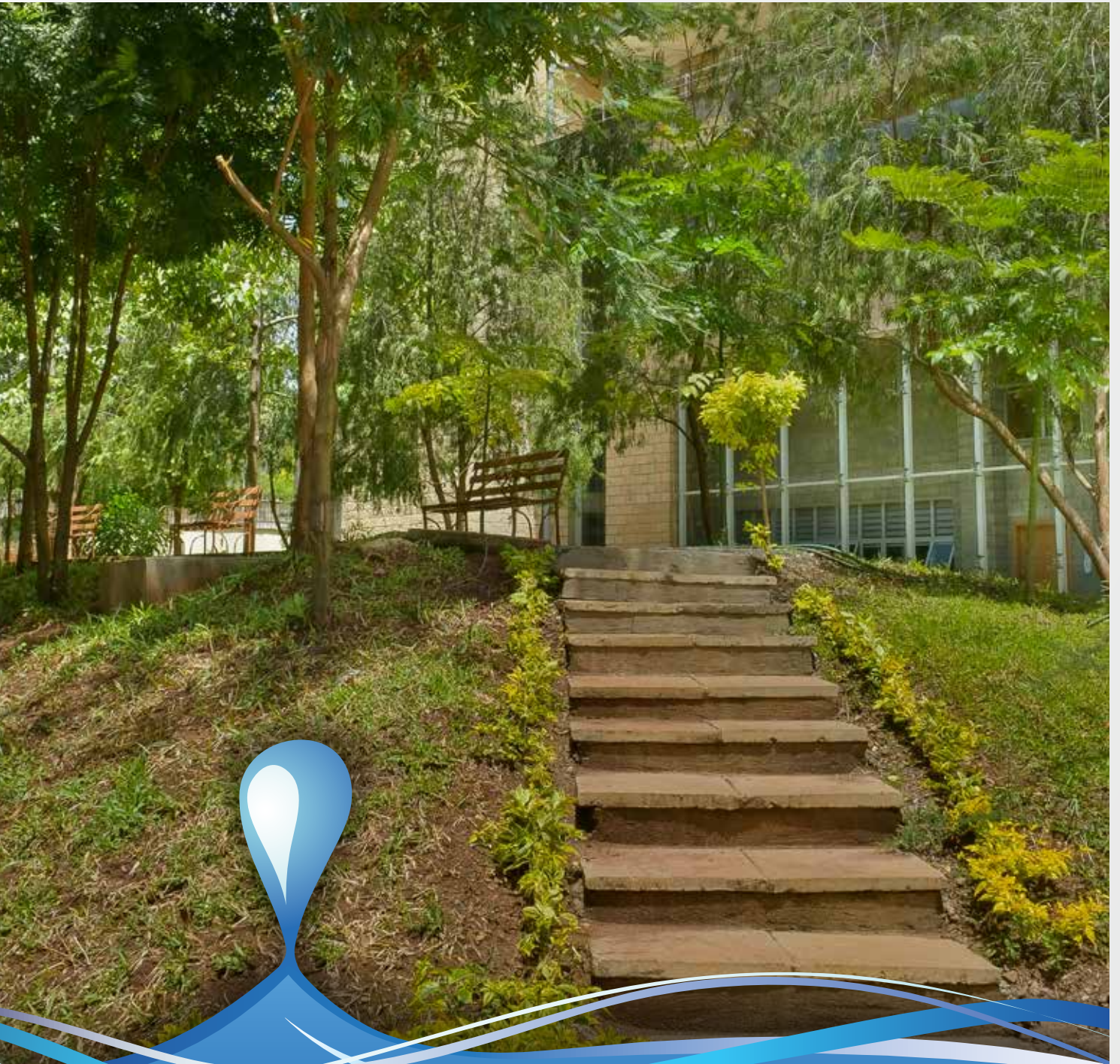
Faith Kimani,
Assistant Accountant & Loans Officer

Faith is currently an Assistant Accountant at Mzima Springs SACCO. She holds a Bachelor of Business Information Technology and is currently pursuing her CPA and Cooperatives Diploma qualification. She has over 4 years of working experience.



Natacha Mucholi,
Administrative & Operations Assistant

Natasha is a dedicated person with a Diploma in Co-operative Management from The Cooperative University, currently pursuing an ACCA certification at Strathmore University, she brings a blend of administrative expertise and financial acumen to the table. Her professional journey includes valuable experience gained during her internship at Mzima Springs Sacco Ltd, where she transitioned into the role of Administrative and Operational Officer. Natasha is passionate about serving others and thrives in environments where she can make a meaningful impact. Her commitment to excellence and attention to detail has consistently driven her pursuit of knowledge and growth in the field of accounting and co-operative management.



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. In 2021, the Sacco was licensed as Mzima Springs Regulated Non-Withdrawable Deposit-Taking (WDT) Sacco and is currently regulated by SASRA.

Current position

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

- | | |
|-------------------------------------|--------------------------------|
| 1. Strathmore Café | 19. Satima |
| 2. Creates | 20. Strathmore Business School |
| 3. Eastlands College | 21. SRCC |
| 4. Elmolo | 22. Strathmore School |
| 5. Ewaso Club | 23. Strathmore University |
| 6. Faida | 24. Thigiri |
| 7. Fanusi | 25. Tigoni |
| 8. Fontana | 26. Watani |
| 9. Hodari | 27. Strathmore School Catering |
| 10. Karima | 28. Mzima Sacco |
| 11. Kianda Catering | 29. Mzima Investment |
| 12. Kianda School | 30. Imara Educational Center |
| 13. Kibondeni | 31. Mvule |
| 14. Kimlea | 32. Alumni Staff |
| 15. Quest Works | 33. Mzima Student |
| 16. Strathmore Educational Trustees | 34. Mzima Junior |
| 17. Roshani | |
| 18. Samara Centre | |

As at 31st December 2023, the total active members were

1,172



PRODUCTS AND SERVICES

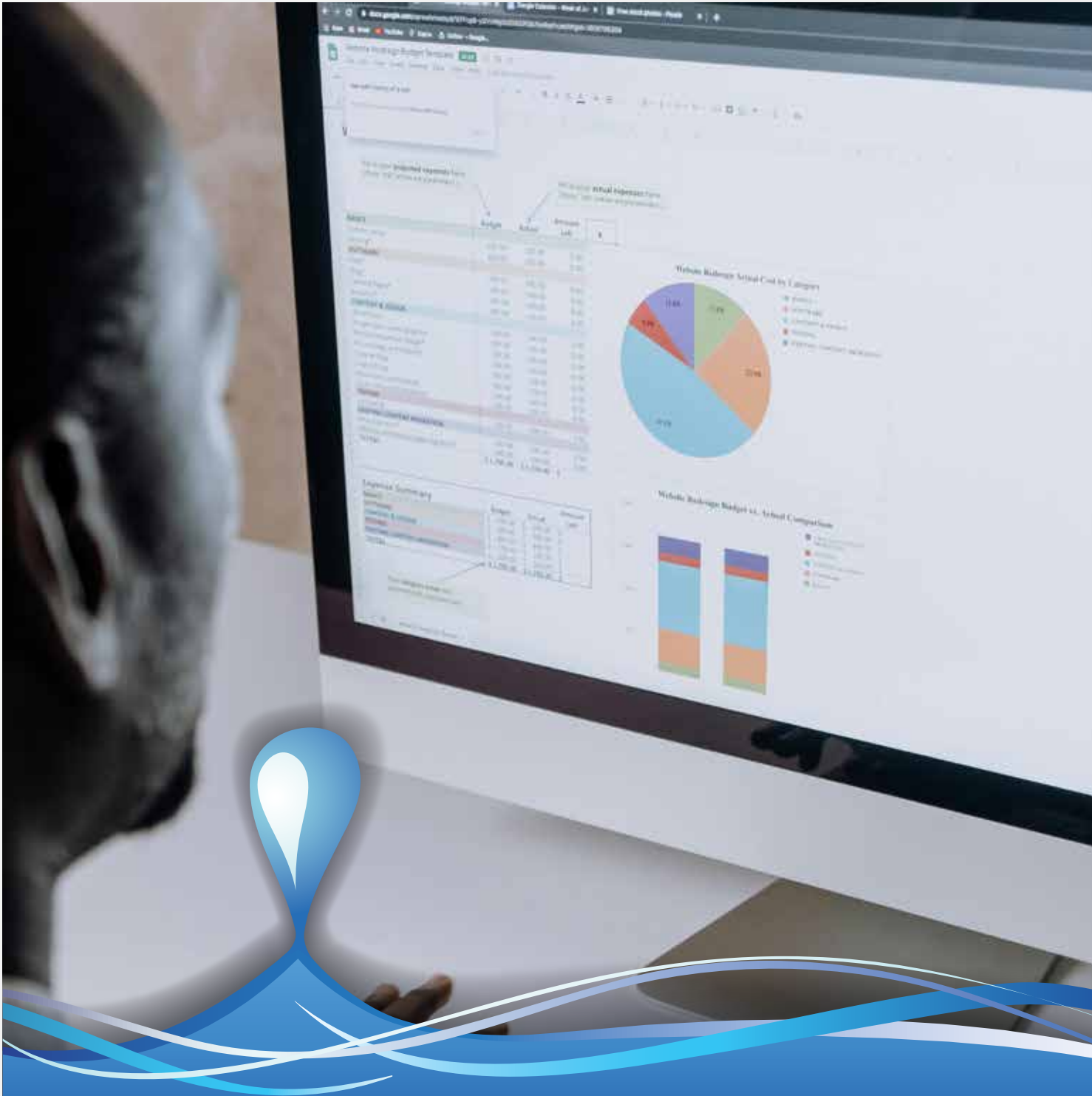
Below are the loan products offered by the SACCO.

	Loan product	Purpose	Interest rate	Suggested limit, terms & incentives	Suggested maximum term
1	Normal Loan	Granted as short-term loans for investment purposes and repayment through check off system	1% per month on reducing balance	<ul style="list-style-type: none"> Maximum of 3 times of member deposits or a limit of Kshs 4,000,000 (subject to 1/3 rule) Only one normal 1 loan shall be granted at a time Easy loan top up facility possible 	84 months
2	Normal Loan 2 (Off Payroll)	Loan serviced through bank standing orders, bank debit advice and not through check- off system.	1% per month on reducing balance. Interest rate for this loan shall be revised by the MC from time to time	<ul style="list-style-type: none"> Maximum of 3 times of member deposits or a limit of Kshs 3,000,000 Only one-off payroll loan shall be granted at a time Easy loan top up facility possible The minimum number of guarantors shall be four 	72 months
4	Emergency loan	Granted due to unforeseen circumstances	1% p.m. on reducing balance	<ul style="list-style-type: none"> Maximum of 3 times of member deposits or a limit of Kshs. 500,000 (subject to 1/3 rule) Only one emergency loan shall be granted at a time Easy loan top up facility possible 	24 months
5	School fees loan	Granted for educational purposes	1% per month on reducing balance	<ul style="list-style-type: none"> Maximum of 3 times of member's deposits up to a maximum of Kshs. 150,000 (subject to the 1/3 rule) Only one school fees loan can be granted at a time school fees invoice Easy loan top up facility possible 	12 months
6	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"> Maximum is equivalent to student member deposit. The loan should be fully guaranteed (fellow students can guarantee) Only one student loan can be granted at a time Easy loan top up facility possible 	24 months
7	Insurance premium finance loan	Advanced to members to pay insurance premiums	1.5% per month on declining balance	<ul style="list-style-type: none"> Amount shall be equivalent to the actual insurance requirement. The loan should be fully guaranteed 	6 months

	Loan product	Purpose	Interest rate	Suggested limit, terms & incentives	Suggested maximum term
8	Salary advance	Shall be granted against a member's salary	A commission will be charged as follows: <ul style="list-style-type: none"> • 5% on the first month • 6% on the second month • 7% on the third month 	<ul style="list-style-type: none"> • One salary advance per month • No guarantors needed 	3 months
9	Refinance Loan (TOP UP)	Loan is issued where a member is unable to finalize a project with the loan earlier taken, and needs a top up to finish his/her project	<ul style="list-style-type: none"> • 1% per month 	<p>New/refinancing loan repayment period is determined by the previous loan repayment period.</p> <ul style="list-style-type: none"> • 2% of the top up amount processing fees. • Refinancing is possible after servicing the older loan for a period of more than one year 	Period is equivalent to the remaining period of the old loan
9	Karibu Loan	Granted to new members who have not attained the 6 months' probation period but have been in the SACCO for at least 3 months	<ul style="list-style-type: none"> • 1% per month 	<ul style="list-style-type: none"> • Maximum of 3 times of member's deposits up to a maximum of Kshs. 100,000 (subject to the 1/3 rule) • Only one Karibu loan can be granted at a time • Loan should be fully guaranteed. • Upon attainment of the 6-month period, a member cannot be offered the Karibu loan. 	12 months

Our Savings Products

- Children' Savings (Mzima Junior)
- Special Savings
- Mzima Student Savings



STATISTICAL INFORMATION AS AT 31ST DECEMBER 2023

		2023	2022
Membership	Active	1,172	1,042
	Dormant	570	538
Total		1,742	1,580
Financial		Kshs.	Kshs.
Total assets		423,788,752	368,659,684
Members' deposits		362,153,460	321,730,294
External borrowing		-	-
Loans and advances to members		372,289,776	290,372,355
Investments		11,744,550	41,092,001
Core capital		36,459,536	24,823,414
Share capital		18,258,100	12,352,300
Institutional capital		18,265,436	12,535,114
Total revenue (income)		43,305,785	34,020,908
Total interest income		41,079,410	31,570,380
Total expenses		13,783,059	12,471,107
Employees of the Sacco (2 female, 2 male)		4	2
Key ratios:			
Capital Adequacy Ratios	Statutory minimum	2023	2022
Core capital/Total assets	8%	8.60%	6.73%
Core capital/Total deposits	5%	10.07%	7.72%
Retained earnings and disclosed reserves/Core capital	50%	50.10%	50.50%
Liquidity Ratio (15%)			
Liquid assets/Short term liabilities	10%	67.62%	204.78%
Operating Efficiency/Loan quality ratios			
Total expenses/Total revenue		31.83%	36.66%
Interest on member deposits/Total revenue		48.58%	55.85%
Interest rate on members' deposits		7.45%	7.40%
Dividend rate on members share capital		14.50%	14.50%
Total delinquent loans/Gross loan portfolio		3.26%	4.15%
	Maximum		
Financial investments/Total deposits	30%	3.24%	11.15%



CHAIRMAN'S REPORT YEAR 2023

It is with great pleasure that I welcome you all to the Annual General Meeting of Mzima Spring (NON-WDT) Sacco Limited. This gathering serves as a pivotal moment for us to reflect on our accomplishments, chart our course for the future, and strengthen the bonds within our community.

THE SACCO'S 2023 REVIEW

Enhanced Leadership Team

I am happy to announce that over the past year, Mzima Spring (NON-WDT) Sacco limited has made significant strides in enhancing our leadership team. We were fortunate to hire a highly dedicated and hardworking C.E.O Mr Justin Ndetei, whose vision and commitment have already begun to positively impact our organization. Let us extend our appreciation for their contributions thus far. I am also delighted to share that our efforts in bolstering our operational capacity have borne fruit. We have successfully recruited an Administrative and Operations Officer, scheduled to join us early in March 2024. Their expertise and enthusiasm will undoubtedly bolster our efficiency and effectiveness in serving our members

Automation of the Sacco processes

In line with our commitment to innovation and automation, I am pleased to announce the successful procurement of a new system from Core-Tec Limited known as CoopMis. This system will automate all our Sacco processes, streamlining our operations and enhancing our service delivery. This advancement has been long overdue, and its implementation marks a significant milestone in our journey towards excellence.

Strategic Partnerships

I am excited to announce that Mzima Spring Sacco has forged strategic partnerships with reputable entities such as Roto Tank, Mabati Rolling Mills, and Maridady Motors. Through these collaborations, we aim to provide our members with exclusive discounts and free transport services, ensuring that they reap maximum benefits from their association with our Sacco.

Sustainable Performance

The SACCO has continued to report sustainable performance over the years, with 2023 being a remarkable year. During the year, the SACCO managed to report improved recovery on its previously defaulted loans. This is in addition to an improvement in the share capital position for the SACCO following a resolution by members to increase share capital during the 2023 Annual General Meeting.

Financial Health

As of December 31, 2023, our total asset base stood at Kshs. 423,788,752, showing substantial growth from previous years. We also increased lending, with a total of Ksh. 372,289,776 lent out, demonstrating our commitment to supporting our members' financial needs.

Investments

The Sacco has invested a gross of K.sh 11,744,550 in the various money markets (MMF) which have continued to generate for the Sacco some passive income. As of 31st December 2023, the interest income earned on these investments amounted to Kshs. 2,226,375.

Interest Rebate and Dividend Payments

A total of Kshs 21,039,381 has been set aside for rebates up from Kshs 19,000,000 the previous year. Similarly, Kshs 1,803,023 has been allocated for member dividends. This is a true reflection of our commitment to rewarding our members for their contributions.

Challenges Ahead

Amidst our achievements, it is crucial to acknowledge the challenges that lie ahead. The proposed introduction of an annual levy for non-deposit taking Sacco's under supervision at 0.1 percent of the total non-withdrawable deposits they hold at the close of the preceding financial year by the Sacco Societies Regulatory Authority (SASRA) for sustenance of its office poses a new hurdle for us to navigate. Rest assured, we are actively engaging with relevant stakeholders to address this matter and safeguard the interests of our members.

Mzima Board Re-organization

Some of the Board and Supervisory Committee members' terms have their terms come to an end today. We would like to thank you most sincerely for the great support and the confidence you bestowed on us. As you vote in new officeholders, kindly vote wisely.

Conclusion

I wish to express my heartfelt appreciation to each and every one of our members for their unwavering support and dedication. It is through your collective efforts and commitment that Mzima Spring (NON-WDT) Sacco continues to thrive and evolve. As we embark on this journey together, let us remain united in our pursuit of excellence and prosperity.

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

Fred Odhiambo,

Mzima Springs Sacco Chairman, Board of directors Mzima Springs NWD T Sacco ltd.



RIPOTI YA MWENYEKITI MWAKA 2023

Ni kwa furaha kubwa ninakaribisha nyote kwenye Mkutano Mkuu wa Kawaida wa Mzima Spring (NON-WDT) Sacco Limited. Mkusanyiko huu ni wakati muhimu kwetu kutafakari mafanikio yetu, kuchora mkondo wetu kwa siku zijazo, na kuimarisha uhusiano ndani ya jamii yetu.

TATHMINI YA MWAKA 2023 YA SACCO

Kuboreshwa kwa Timu ya Uongozi

Nina furaha kutangaza kwamba katika mwaka uliopita, Mzima Spring (NON-WDT) Sacco Limited imepiga hatua kubwa katika kuboresha timu yetu ya uongozi. Tulikuwa na bahati ya kumchukua Bwana Justin Ndeti, Mkurugenzi Mtendaji mwenye bidii na kufanya kazi kwa bidii sana, ambaye maono yake na azimio lake tayari vimeanza kuathiri chanya shirika letu. Tuchukue nafasi hii kuwashukuru kwa michango yao hadi sasa. Pia, ninafurahi kushiriki kwamba juhudi zetu za kuimarisha uwezo wetu wa uendeshaji zimezaa matunda. Tumeweza kuajiri Afisa wa Utawala na Uendeshaji, ambaye atajiunga nasi mwanzoni mwa Machi 2024. Ujuzi na shauku yao bila shaka itaongeza ufanisi na ufanisi wetu katika kutumikia wanachama wetu.

Kuendeleza Mchakato wa SACCO

Kufuatia ahadi yetu ya ubunifu na kiotomatiki, nina furaha kutangaza ununuzi mafanikio wa mfumo mpya kutoka CoreTec Limited unaoitwa CoopMis. Mfumo huu utaendesha kiotomatiki mchakato wote wa SACCO yetu, kusimamia uendeshaji wetu na kuboresha utoaji wa huduma wetu. Hatua hii imechelewa kwa muda mrefu, na utekelezaji wake unawakilisha hatua kubwa katika safari yetu kuelekea utimilifu.

Ushirikiano wa Mkakati

Ninafurahi kutangaza kuwa Mzima Spring Sacco imeunda ushirikiano wa mkakati na taasisi zenye sifa kama Roto Tank, Mabati Rolling Mills, na Maridady Motors. Kupitia ushirikiano huu, lengo letu ni kutoa wanachama wetu punguzo maalum na huduma za usafirishaji wa bure, kuhakikisha wanapata faida kubwa kutokana na uhusiano wao na SACCO yetu.

Utendaji endelevu

SACCO imeendelea kuonyesha utendaji endelevu miaka baada ya miaka, na 2023 ikiwa mwaka wa kipekee. Wakati wa mwaka, SACCO iliweza kuripoti marejesho bora juu ya mikopo yake iliyokuwa imechelewa. Hii ni pamoja na kuboresha nafasi ya mtaji wa hisa kwa SACCO baada ya uamuzi wa wanachama wa kuongeza mtaji wa hisa wakati wa Mkutano Mkuu wa Kawaida wa 2023.

Afya ya Kifedha

Kufikia Desemba 31, 2023, msingi wetu wa mali jumla ulifikia Kshs. 423,788,752, ukionyesha ukujia mkubwa kutoka miaka iliyopita. Pia tuliongeza mikopo, na jumla ya Ksh. 372,289,776 ilikopwa, iki-onyesha ahadi yetu ya kusaidia mahitaji ya kifedha ya wanachama wetu.

Uwekezaji

SACCO imewekeza jumla ya K.sh 11,744,550 katika masoko mbalimbali ya pesa (MMF) ambayo yameendelea kuzalisha kwa SACCO mapato ya pasipoti. Kufikia Desemba 31, 2023, mapato ya riba yaliyopatikana kwenye uwekezaji huu yalifikia Kshs. 2,226,375.

Malipo ya Riba na Gawio

Jumla ya Kshs 21,039,381 imetengwa kwa malipo ya riba, ikiongezeka kutoka Kshs 19,000,000 mwaka uliopita. Vivyo hivyo, Kshs 1,803,023 zimetengwa kwa gawio la wanachama. Hii ni picha halisi ya ahadi yetu ya kurejesha wanachama wetu kwa michango yao.

Changamoto

Mbele Kati ya mafanikio yetu, ni muhimu kutambua changamoto zilizoko mbele yetu. Utekelezaji unaopendekezwa wa ushuru wa kila mwaka kwa SACCO zisizochukua amana chini ya usimamizi kwa asilimia 0.1 ya jumla ya amana zisizoweza kujitwisha wanazo na Sacco Societies Regulatory Authority (SASRA) kwa kusimamia ofisi yake unatupa changamoto mpya ya kushughulikia. Hakikisha, tunashiriki kikamilifu na wadau husika kushughulikia suala hili na kulinda maslahi ya wanachama wetu.

Upyaishaji wa Bodi ya Mzima

Baadhi ya wanachama wa Bodi na Kamati ya Uangalizi wamemaliza muda wao leo. Tunapenda kuwashukuru sana kwa msaada mkubwa na imani walivyotupa. Kwa kuchagua viongozi wapya, tafadhali piga kura kwa busara.

Hitimisho

Napenda kutoa shukrani zangu za dhati kwa kila mmoja wa wanachama wetu kwa msaada na kujitolea kwao usio na kifani. Ni kwa juhudi zenu pamoja na ahadi yenu kwamba Mzima Spring (NON-WDT) Sacco inaendelea kukua na kustawi. Tunapoanza safari hii pamoja, tuendeleo kuwa kitu kimoja katika kutafuta utimilifu na mafanikio.

Mungu aiongoze Mzima Sacco na awabariki wanachama wake. Asante.

Salamu zenye upendo.

Fred Odhiambo,

Mwenyekiti, Mzima Springs Sacco.



SUPERVISORY COMMITTEE REPORT

Introduction

Granted, the 2023-24 financial year had its fair share of highs and lows that directly impacted on the operations and day-to-day running of Mzima NWDT Sacco.

However, as your trusted watchdog, the SC team faithfully carried out its mandate as outlined in the prevailing Society's By-laws and related governing legislations in force during the year under review and dutifully compiled quarterly reports in which we flagged issues that required further clarification by the board, where applicable.

On behalf of the SC team, allow me to briefly share with you some highlights on our general observations and findings with regard to the overall running of the Sacco during the 2023/24 fiscal period in terms of "Notable Successes and "Noted Areas for Possible Improvement".

Notable Successes

i.) Revenue Growth

Total revenue increased from **Kshs. Kshs. 34,020,908.49** in 2022 to **Kshs. 41,079,410** in 2023 representing a commendable growth margin of **30%**.

ii.) Loan Uptake

A total of **Kshs 282,174,854** was disbursed in 2023 compared to **Kshs 205,886,315** in 2022, representing a **37%** growth margin. All insider loans to board and staff were procedurally issued and commendably in good standing in terms of repayment.

iii.) Monthly Deposits

Total members' deposits grew by 13%, increasing from **Kshs. 321,730,294** in Dec. 2022 to **Kshs 362,153,460** on 31 Dec. 2023.

iv.) Share Capital

Total share capital recorded a whopping **48%** growth margin, moving from **Kshs. 12,352,300** as of December 31, 2022 to **Kshs 18,258,100** /- on December 31, 2023.

v.) Board and Staff Training

In 2023, both the board and staff were empowered through various training seminars and workshops as part of capacity building, allowing them to better contribute to the successful performance of their respective duties and enhanced Sacco efficiency.

vi.) Membership

Total membership grew by **12.48%** in 2023, rising to **1172** members up from **1042** in December 2022 (or 130 new members).

Noted Areas for Possible Improvement

i.) Member Deposits

Although member deposits have steadily increased year after year, there may be a compelling need to reconsider an upward review of the minimum monthly subscription of **Ksh. 1,000/** besides rolling out a carefully crafted targeted marketing and member education strategy aimed at encouraging more members to at least save more than just the bare minimum. This will not only partly enable the Sacco to access additional cash for investment and lending, but also somewhat minimize liquidity issues akin to what the Sacco faced during a significant part of 2023/24 fiscal year.

ii.) Dormant Membership

This issue continues to be a source of concern, despite some progress being recorded. Consequently, we continue to urge the board to put its best feet forward in an effort to resolve this issue definitively in order to avoid any potential fraudulent usage of such accounts, as was noted in the case reported during last year's SGM.

iii.) Inconsistent Recovery of Defaulted Loans from Applicable Guarantors

On this front, the Supervisory team registered its concern over a few instances in which some guarantors for specific defaulted loans had paid their portions of the defaulted amounts while other guarantors for the same defaults remained unaffected. To that end, the SC recommends that the board strives adhere to a uniform enforcement of section **2.18 of the Credit Policy** provisions to ensure fairness and justice to all affected guarantors without any favour.

iv.) Corporate Social Responsibility (CSR)

Despite the SC's recommendation at the 2023 SGM that the Sacco crafts an official policy guidelines on CSR to underpin the fund's administration going forward, it's regrettable to note that this suggestion remains in limbo to date as the board hasn't taken any action yet. We urge the board pri-

oritize this matter for action this year.

v.) **Delay in Receipt of Responses to Issues Flagged by SC in Quarterly Reports**

We believe that this is a matter that the board needs to address definitively going forward since any unresolved issue flagged by the SC makes the report to remain incomplete. Consequently, we recommend that moving forward the SC should be allowed to present their reports in a physical meeting expressly scheduled for that purpose. This will enable meaningful deliberation and prompt feedback from the board during the session and should any issue still remain inconclusively addressed at the end of the session some, then the board should strive to resolve such pending issues within a reasonable timeline and share written feed-back with the SC team before the next quarterly report falls due.

vi.) **Liquidity Concern**

Although the Sacco has generally enjoyed financial stability over the last few years, there were moments of liquidity concern experienced during a sizable proportion of 2023/24 financial year, which the SC partly attributes to the unyielding cases of defaulted loans that not only deprives the Sacco of the projected monthly repayments from the non-performing loans to help replenish its cash valves for further investment and sustenance but also causes the Sacco to attract surcharge by the regulators. This calls for the board to “think outside the box” on how best to tame the unyielding default portfolio, which notably stood at **Ksh. 13,375,498.30** by close of December 31, 2023 compared to **Ksh 16,346,459 in 2022**.

vii.) **Introduction of Centre Representative**

While the SC applauds the board’s wisdom on this move, we have issue with their unilateral appointment by the board, which we felt, may lead to these Centre reps being perceived as not truly representing the interests of the Centre members but rather those of their appointer (the board). To correct such a misconception, we suggest that Centre Reps should ideally be elected by members of the particular Centres that they represent in order for them to be perceived as actually serving the interests of the members rather than their appointer. We further suggest

that the issue of how to onboard Centre reps should be brought before members at the AGM for their deliberation and decision.

Conclusion

We conclude by noting that, despite the concerns raised above, our reviews revealed that the board generally carried out its mandate diligently within the confines of existing control frameworks, with appreciable fidelity to both internal and external regulatory measures in place, thereby mitigating the possibility of any deliberate fraud or error.

We are thus confident that the financial accounts and accompanying reports presented before you at this 2024 AGM fairly reflects Mzima’s achievements in 2023!

Lastly, we conclude by urging members to keep rallying our support to the Mzima NWDT Sacco’s board and staff as they diligently continue stewarding the Sacco with devotion and dedication for even greater success.

God bless Mzima NWDT Sacco; God bless us all.

This report has been compiled by the SC Team

Julius Mamicha

Chairman, Supervisory Committee

Mzima Springs SACCO



RIPOTI YA KAMATI YA UKAGUZI

Utangulizi

Ni dharihiri kwamba mwaka wa kifedha wa 2023-24 ulikuwa na changamoto si haba ambayo iliathiri kwa njia moja au nyingine, shughuli na uendeshaji wa kila siku wa Mzima NWDT Sacco.

Hata hivyo, timu ya SC iliweza kutekeleza wajibu wake kwa uadilifu ikiongozwa na mwongozo ya Sheria ziliomo za Mzima NWDT Sacco (By-laws) pamoja na sheria zingine husika na kuandaa ripoti za robo mwaka ambapo tulinakili masuala mbali mabili yaliohitaji ufafanuzi zaidi ya bodi simamizi.

Kwa niaba ya timu ya SC, niruhusu nimshirikishe kwa ufupi baadhi ya mambo muhimu kutokana na uchunguzi wetu wa jumla na matokeo ya utafiti wetu kuhusu uendeshaji wa jumla wa Mzima NWDT Sacco katika kipindi cha kifedha cha 2023/24 kwa kuangazia: "Mafanikio muhimu" na "Mambo yanayohitaji kuboreshwa".

Mafanikio Muhimu

i.) Ukuaji wa Mapato

Jumla ya mapato yaliongezeka kutoka kwa asilimia **30%**, kutoka **Kshs. 34,020,908.49** mwaka 2022 hadi **Kshs. 41,079,410** mwaka 2023.

ii.) Mikopo

Kadiri ya **Ksh 282,174,854** zilitolewa kama mikopo mwaka 2023 ukilinganisha na **Kshs. 205,886,315** zilitolewa kama mkopo mwaka wa 2022. Hii inaashiria ukuaji wa 37%.

iii.) Amana za Kila Mwezi

Amana za wanachama iliongezeka kwa asilimia **13%**, kutoka **Kshs. 321,730,294** mnamo Desemba 2022 hadi **Kshs. 362,153,460** mwishoni mwa Desemba 2023.

iv.) Hisa za Wanachama

Jumla ya hisa za wanachama ulirekodi ukuaji wa **48%**, kutoka **Kshs 12,352,300/-** mnamo tarehe 31 Desemba 2022 hadi **Kshs. 18,258,100/-** tarehe sawiya Desemba 2023. La kushabikiwa hata zaidi ni kwamba mikopo yoye iliotolewa kwa wafanyakazi na wanabodi ilifanyika kwa mujibu wa sheria na wote wanalipa mikopo yawo inavyostahili.

v.) Mafunzo Zaidi kwa Wafanyakazi na Bodi

Mnamo 2023, bodi na wafanyakazi walihudhuria semina na warsha mbalimbali za mafunzo kama njia moja ya kuwawezesha kuchangia vyema utendakazi yao na kuimarisha hata zaidi ufanisi wa Sacco.

vi.) Uanachama

Uanachama ulirekodi ukuaji ya asilimia 12.48% kufikia mwisho wa 2023, jumla ya wanachama wa Sacco walikuwa wanachama 1172 ikilinganishwa na 1042 mwishoni mwa 2022, ikiwakilisha kiwango cha ukuaji maradufu cha 12.48% (au wanachama wapya 130).

Mamabo Yanayohitaji Kuboreshwa

i.) Amana za Wanachama

Ingawa amana za wanachama zimeongezeka mwaka baada ya mwaka, kuna haja ya kufikiria kuongeza malipo ya kila mwezi zaidi ya **Ksh. 1,000/** ilioko sasa kando na kuzindua mikakati unaolenga kuhimiza wanachama zaidi angalau kuwekeza zaidi ya kiwango cha chini tu ili kuwezesha Sacco kupata fedha za ziada kwa ajili ya uwekezaji na kukopesha, mbali na kupunguza masuala ya ukwasi sawa na yale ambayo Sacco ilikabiliana nayo katika sehemu kubwa ya mwaka wa fedha wa 2023/24.

ii.) Akaunti za Wanachama Zisizofanya Kazi

Suala hili ingali linaendelea kuzua tata mwaka moja tangu kuangaziwa na wana SC wakati wa 2023 SGM. Kwa hivyo, tunahimiza bodi kuipa suala hili kipa umbele katika juhudi ya kutatua suluhu ya kudumu na kuzuia uwezekano wa matumizi mbaya ya akaunti hizi kwa mambo ya ulaghai kama vile ilivyobainishwa katika kesi zilizoripotiwa kwa mkutano ya SGM mwaka jana.

iii.) Ukusanyaji wa mikopo isiolipiwa kutoka kwa wadhamini

Ukaguzi wetu ulibainisha kesi chache za mikopo ambazo hazihudumiwi na wakopeshaji ambapo baadhi ya wadhamini wameweza kulipa au wanaendelea kulipa sehemu wanazodaiwa huku wadhamini wengineo wa mikopo hiyo hiyo wakiwa hawajaanza kulipishwa. Kama SC, ni pendekezo letu kwamba bodi iweze kufuata utaratibu au utekelezaji sawa wa kifungu cha 2.18 cha masharti ya Sera ya Mikopo (Credit Policy) ili kuhakikisha usawa na haki kwa wadhamini wote walioathirika bila upendeleo wowote.

iv.) Wajibu wa Shirika kwa Jamii (CSR)

Licha ya pendekezo la SC katika SGM ya 2023 kwamba Sacco itengeneze miongozo rasmi ya sera kuhusu CSR ili kuimarisha usimamizi wa hazina hiyo kwenda mbele, inasikitisha kwamba pendekezo hili bado haijatekelezwa hadi sasa na bodi. Tunashauri sana bodi

kuipa suala hili kipaumbele mwaka huu ili kufanikisha utekelezaji wake.

v.) **Kuchelewa Kwa Majibu za Bodi kwa Masuala Yaliyoripotiwa na SC katika Ripoti za Kila Robo**

Hili ni suala ambalo kwa hakika bodi inahitaji kushughulikia kimakilifu na upesi kwani suala lolote ambalo halijatatuliwa kwa ripoti za SC linafanya ripoti hizi kubaki kuwa ripoti isio kamili. Kwa hivyo, ni wazo la SC kwamba keunda mbele, bodi iwajibike na kuruhusu SC kutoa ripoti zao katika mkutano wa kawaida uliopangwa mahsusi kwa madhumuni hayo. Hii itatoa nafasi kwa pande zote kujadili masuala yote yaliyoibuliwa na kupokea maoni ya haraka kutoka kwa bodi wakati wa kikao. Masuala mengine yote ambayo hayatakuwa yameshughulikiwa mkutano ukitiya kikomo yaweze kuangaziwa na jibu hitajika kuwasilishwa na bodi kabla ya ripoti inayofuata.

vi.) **Hoja ya ukwasi wa kifedha (Liquidity Concern)**

Ingawa Sacco kwa ujumla imekuwa na utulivu wa kifedha katika miaka michache iliyopita, kulikuwa na kipindi cha ukwasi wa kifedha ilioathiri kwa kiasi mwaka wa 2023/24 kutokana na kuongezeka kwa kiwango cha mikopo isiolipwa, ambacho kilifikia kadiri ya Ksh13,375,498.30 mwishoni mwa Desemba 2023. Mikopo isiyolipika sio tu inanyima Sacco makadirio ya marejesho ya kila mwezi kwa uwekezaji zaidi bali pia husababisha Sacco kuvutia tozo za adhabu (penalty) na wadhibiti (regulators). Suala hili linahitaji bodi kufikiria upya mikakati bora ya kudhibiti au kupunguza ukuaji ya mikopo isiolipwa ili kuzuia marudio ya vipindi vya ukuasi za kifedha.

vii.) **Introduction of Centre Representative**

Tunapongeza bodi kwa wazo hili la busara ya kutoa nafasi ya wawakilishi wa vituo. Hata hivyo, tunatoa tahadhari kwamba wawakilishi hawa huenda wataonekana kama vibaraka wa bodi kutokana na jinsi walivyo pendekezwa na bodi bila kuhusisha wanachama. Kurekebisha dhana kama hii, tungependekeza kwamba wawakilishi waweze kuchaguliwa na wanachama wa vituo wa naotarajiya kuwakilisha badala ya bodi kuwateua kama ilivyofanyika.

Mwisho kabisa, ikiwezekana, suala hili la wawakilishi lijadiliwe na wanachama na uamuzi wa kudumu ufikiwe kwa pamoja kwenye Mkutano Mkuu wa Mwaka wa 2024.

Hitimisho

Kwa kuhitimisha, ni jambo la kutia moyo kuona kwamba, licha ya changamoto zilizoitikumba Sacco yetu mwakani, bodi simamizi iliweza kutekeleza jukumu lake kwa bidii na uadilifu kwa kufuata mifumo iliyopo ya udhibiti zilizowekwa, hivyo basi kupunguza uwezekano wa ulaghai au makosa yoyote ya kimakusudi.

Kwa hivyo, tuna uhakika kwamba hesabu za fedha na ripoti zinazoambatana zilizowasilishwa mbele yenu kwenye Mkutano Mkuu huu wa 2024 zinaonyesha kwa uwazi mafanikio ya Mzima NWDT Sacco mwaka wa 2023/2024!

Mwisho kabisa, tunamalizia kwa kuwasihi wanachama kuendelea kuunga mkono bodi na wafanyakazi wa Mzima NWDT Sacco ili waendeleo kuisimamia Sacco yetu kwa moyo wa kujitolea ili tupata mafanikio makubwa zaidi katika mwaka wa 2024.

Mungu abariki Mzima NWDT Sacco, Mungu atubariki sote!

Julius Mamicha

Chairman, Supervisory Committee

Mzima Springs SACCO



TREASURER'S REPORT FOR THE YEAR 2023

Greetings wana-Mzima!

It is with great pleasure and joy that I stand before you today as the Treasurer of Mzima Springs Non-WDT Sacco Limited, reflecting on the remarkable journey we have undertaken over the years. Our Sacco's tremendous remarkable growth, progress and service to members have been nothing short of extraordinary, and I am honored to share some key insights into our financial, operational and social performance.

GENERAL ECONOMIC OUTLOOK

The year 2023 saw Kenya's economic growth improve in 2023 with GDP growth growing from 4.8% in 2022 to an estimated 5% in 2023. This is despite the challenges faced, some of which were compounded by decline in agricultural production and a reduction in disposable incomes of Kenyans due to increased cost of living, inflation, and additional levies on their earnings. The average inflation stood at 8.36% in 2023 from 6.62% in 2022, with government securities, especially treasury bills giving returns of 12.13% in 2023. Lending rates were at 13.34% on average and this saw a number of customers switch their borrowings to Saccos, which propelled Sacco lending. Mzima Springs non-WDT was not left out as the loans grew by 28%, the highest growth we have ever reported in the last 5 years. This upsurge in loan uptake led to slowed liquidity growth of 29% which was still an improvement from the previous years. Despite this growth in loans, deposits reported a decelerated growth of 13%, with the average deposit per member standing at Kes. 207,895. The average monthly deposits per member stands at Kes. 3,462. It is this reduced deposit per member that the SACCO is encouraging its membership to enhance their contributions for better products and services.

SACCO PERFORMANCE OVER THE YEARS

1. TOTAL ASSETS

Let me start by highlighting the remarkable growth we've witnessed in our total assets during this period. Our prudent management practices have led to a significant increase in loan advances, resulting in a **15%** growth in our total assets from **Kes 368,659,684 to Kes 423,788,752** as of 31st December 2023. This is the highest asset growth we have recorded in the last 5 years and is a testament to our Sacco's growth in the lending portfolio and the ability to service loans in good time

2. MEMBERS' DEPOSITS

Our members' deposits have also seen significant growth during this period. In the year just ended, we posted a remarkable **13%** increase in members' deposits from **Kes 321,730,294 to Kes. 362,153,460**, underscoring the trust and confidence our members have in Mzima Spring (NON-WDT) Sacco Limited as their preferred financial institution. This growth in deposits reflects our commitment to providing safe and reliable savings options for our members.

3. LOANS AND ADVANCES

I am proud to announce that we've ensured timely disbursement of loans, catering to the diverse financial needs of our members. This commitment has contributed to maintaining stable liquidity within the SACCO, as well as consistent growth of loans advances by **28%** from **Kes 290,372,355 to Kes 372,289,776**. Our focus on enhancing performance and refining loan appraisal processes has yielded promising results. Notably, raising our loan limits from 3 million to 5 million empowered our members with greater financial flexibility.

4. TOTAL INCOME

Our income has experienced a notable boost, primarily attributable to increased loan advances. We witnessed a remarkable **27%** increase in income **from Kes 34,020,908 to Kes 43,305,785** demonstrates this upward trajectory, reflecting our SACCO's financial robustness.

5. TOTAL EXPENSES

Regarding our Sacco's expenses over this period, I am pleased to report that we have maintained disciplined financial management practices. Our expenses have been carefully monitored and controlled, allowing us to allocate resources efficiently while delivering value to our members. This led to a decrease in the total expenses to total revenue ratio from **36.66%** to **31.83%** in 2023. Given the increased scale of operations and the recruitment of a substantive SASRA-approved CEO, we witnessed a **9%** increase in total expenses from **Kes 12,471,107 to Kes 13,783,059**. This prudent approach has enabled us to achieve sustainable growth and profitability

6. CAPITAL, OPERATIONAL AND LIQUIDITY RATIOS

Overall, I am happy to share that Mzima Spring (NON-WDT) Sacco Limited is on a growth trajectory, driven by our strong financial performance and unwavering commitment to excellence. We have achieved the regulated capital threshold ratios and have even surpassed them in 2023. Our operational ratios and liquidity ratios have also surpassed regulator requirement of **10%** by achieving a liquidity ratio of **67.62%** in 2023, reflecting our Sacco's sound financial health and operational efficiency.

CONCLUSION

As I exit the scene as a Board Member and Treasurer of Mzima Springs Non-WDT Sacco, I am extremely confident that the Sacco is headed to greater heights. Given the 48.54% (383 active members) growth in members from 789 in 2016 to 1,172 in 2023, Mzima is on a good trajectory towards a greater future. The returns to members have improved over the years from a 6.29% interest rebate in 2016 to a 7.45% interest rebate in 2023. There has been remarkable growth in loans, assets, deposits and share capital. These achievements, together with being licensed by SASRA in 2021 and all that came with it, has demonstrated that Mzima Springs Non-WDT is poised for greater heights. I am quite happy that we have seen our staff members' turnover greatly reduce, our liquidity improve drastically, and service to members and professionalism in running Mzima affairs greatly improve. This is something we should be grateful and happy about. As we chart the way to the future Mzima, the "*Mzima We Want*", **Mzima 3.0**, I am optimistic that the Sacco stands a greater chance to grow even much more and serve its members much better.

With this, I want to express my heartfelt appreciation to each and every one of YOU, our members for your continued support and trust in Mzima Springs Non WDT Sacco Limited. Together, we shall get to achieve our individual as well as collective aspirations, and this will help Mzima prosper for many years and generations to come.

God Bless Mzima, God Bless Mzima members!

I remain, Your Servant in Cooperativism,

CPA (Dr.) David Mathuva

Treasurer, Mzima Springs Non-WDT Sacco



RIPOTI YA MWEKA HAZINA KWA MWAKA 2023

Salamu wana-Mzima!

Ni furaha na furaha kwamba nasimama mbele yenu leo kama Mweka Hazina wa Mzima Springs Non-WDT Sacco Limited, nikitafakari safari ya ajabu tuliyoifanya kwa miaka mingi. Ukuaji wa ajabu wa Sacco yetu, maendeleo na huduma kwa wanachama umekuwa wa ajabu sana, na nina furaha kushiriki baadhi ya maarifa muhimu kuhusu utendaji wetu wa kifedha, kiutendaji na kijamii.

MTAZAMO WA UCHUMI WA JUMLA

Mwaka wa 2023 ulishuhudia ukuaji wa uchumi wa Kenya ukiimarika mnamo 2023 huku ukuaji wa Pato la Taifa ukikua kutoka 4.8% mwaka wa 2022 hadi wastani wa 5% mwaka wa 2023. Hii ni licha ya changamoto zinazokabili, ambazo baadhi zilichangiwa na kushuka kwa uzalishaji wa kilimo na kupungua kwa mapato yanayoweza kutumika. ya Wakenya kutokana na kuongezeka kwa gharama ya maisha, mfumuko wa bei, na ushuru wa ziada kwenye mapato yao. Wastani wa mfumuko wa bei mwaka 2023 ulisimama kwa asilimia 8.36 kutoka 6.62% mwaka 2022, huku dhamana za serikali, hususani bili za hazina zikitoa faida ya asilimia 12.13 mwaka 2023. Viwango vya mikopo vilikuwa 13.34% kwa wastani na hii ilisababisha idadi ya wateja kubadili mikopo yao kwa Saccos. , ambayo ilichochea ukopeshaji wa Sacco. Mzima Springs isiyo ya WDT haikuachwa kwani mikopo ilikua kwa 28%, ukuaji wa juu zaidi ambao tumewahi kuripoti katika miaka 5 iliyopita. Ongezeko hili la uchukuaji wa mikopo lilisababisha kupungua kwa ukuaji wa ukwasi wa 29% ambao ulikuwa bado uboreshaji kutoka miaka iliyopita. Licha ya ukuaji huu wa mikopo, amana ziliripoti ukuaji uliopungua wa 13%, huku amana ya wastani kwa kila mwanachama ikisimama kwenye Kes. 207,895. Wastani wa amana za kila mwezi kwa kila mwanachama ni Kes. 3,462. Ni amana hii iliyopunguzwa kwa kila mwanachama ambayo SACCO inahimiza wanachama wake kuboresha michango yao kwa bidhaa na huduma bora.

UTENDAJI WA SACCO KWA MIAKA

1. JUMLA YA MALI

Acha nianze kwa kuangazia ukuaji wa ajabu ambao tumeshuhudia katika jumla ya mali zetu katika kipindi hiki. Mbinu zetu za usimamizi wa busara zimesababisha ongezeko kubwa la ufadhili wa mikopo, na kusababisha ukuaji wa 15% katika jumla ya mali zetu kutoka Kes 368,659,684 hadi Kes 423,788,752 kufikia tarehe 31 Desemba 2023. Huu ndio ukuaji wa juu zaidi wa mali ambao tumerekodi katika miaka 5 iliyopita. na ni uthibitisho wa ukuaji wa Sacco yetu katika kwingineko ya ukopeshaji na uwezo wa kuhudumia mikopo kwa wakati mzuri.

2. AMANA ZA WANACHAMA

Amana za wanachama wetu pia zimeshuhudia ukuaji mkubwa katika kipindi hiki. Katika mwaka uliomalizika hivi karibuni, tulichapisha ongezeko kubwa la 13% la amana za wanachama kutoka Kes 321,730,294 hadi Kes. 362,153,460, jambo linalodhihirisha imani na imani ambayo wanachama wetu wanayo kwa Mzima Spring (NON-WDT) Sacco Limited kama taasisi yao ya kifedha wanayopendelea. Ukuaji huu wa amana unaonyesha kujitolea kwetu kutoa chaguo salama na za kuaminika za akiba kwa wanachama wetu.

3. MIKOPO NA MAENDELEO

Ninajivunia kutangaza kwamba tumehakikisha utoaji wa mikopo kwa wakati unaofaa, unaokidhi mahitaji mbalimbali ya kifedha ya wanachama wetu. Ahadi hii imechangia kudumisha ukwasi thabiti ndani ya SACCO, pamoja na ukuaji thabiti wa ufadhili wa mikopo kwa asilimia 28 kutoka Kes 290,372,355 hadi Kes 372,289,776. Mtazamo wetu katika kuimarisha utendakazi na kuboresha michakato ya tathmini ya mikopo umetoa matokeo ya kuridhisha. Hasa, kuongeza kikomo cha mikopo yetu kutoka milioni 3 hadi milioni 5 kuliwawezesha wanachama wetu na kubadilika zaidi kifedha.

4. JUMLA YA MAPATO

Mapato yetu yameongezeka kwa kiasi kikubwa, hasa kutokana na ongezeko la mikopo. Tulishuhudia ongezeko kubwa la 27% la mapato kutoka Kes 34,020,908 hadi Kes 43,305,785 linaonyesha mwelekeo huu wa kupanda, kuonyesha uimara wa kifedha wa SACCO yetu.

5. JUMLA YA GHARAMA

Kuhusu gharama za Sacco yetu katika kipindi hiki, nina furaha kuripoti kwamba tumedumisha nidhamu ya usimamizi wa fedha. Gharama zetu zimefuatiliwa na kudhibitiwa kwa uangalifu, na kuturuhusu kutenga rasilimali kwa ufanisi huku tukitoa thamani kwa wanachama wetu. Hii ilisababisha kupungua kwa jumla ya gharama na uwiano wa mapato ya jumla kutoka 36.66% hadi 31.83% mwaka 2023. Kwa kuzingatia ukubwa wa shughuli na kuajiri Mkurugenzi Mtendaji mkuu aliyeidhinishwa na SASRA, tuli-

shuhudia ongezeko la 9% la gharama zote kutoka Kes. 12,471,107 hadi Kes 13,783,059. Mbinu hii ya busara imetuwezesha kufikia ukuaji endelevu na faida

6. MTAJI, UENDESHAJI NA KIOEVU

Kwa ujumla, nina furaha kushiriki kuwa Mzima Spring (NON-WDT) Sacco Limited iko kwenye mkondo wa ukuaji, ikichochea na utendaji wetu thabiti wa kifedha na kujitolea bila kuyumbayumba kwa ubora. Tumefikia viwango vilivyodhibitiwa vya kiwango cha mtaji na hata kuvivuka mwaka wa 2023. Uwiano wetu wa uendeshaji na uwiano wa ukwasi pia umevuka mahitaji ya wadhibiti ya 10% kwa kufikia uwiano wa ukwasi wa 67.62% mwaka 2023, inayoakisi afya bora ya kifedha na ufanisi wa uendeshaji wa Sacco yetu.

HITIMISHO

Ninapotoka kwenye eneo la tukio kama Mjumbe wa Bodi na Mweka Hazina wa Mzima Springs Non-WDT Sacco, nina imani kubwa kuwa Sacco hii inaelekea kwenye kilele cha juu zaidi. Kwa kuzingatia ukuaji wa asilimia 48.54 (wanachama hai 383) kutoka 789 mwaka 2016 hadi 1,172 mwaka 2023, Mzima iko kwenye njia nzuri kuelekea mustakabali mkubwa zaidi. Mapato kwa wanachama yameimarika kwa miaka mingi kutoka punguzo la riba la 6.29% mwaka 2016 hadi 7.45% mwaka 2023. Kumekuwa na ukuaji wa ajabu wa mikopo, mali, amana na mtaji wa hisa. Mafanikio haya, pamoja na kupewa leseni na SASRA mwaka 2021 na yote yaliyokuja nayo, yamedhahirisha kuwa Mzima Springs Non-WDT iko tayari kwa urefu zaidi. Nina furaha sana kwamba tumeona mauzo ya wafanyakazi wetu yakipungua kwa kiasi kikubwa, ukwasi wetu kuimarika kwa kiasi kikubwa, na huduma kwa wanachama na taaluma katika kuendesha mambo ya Mzima inaboreka sana. Hili ni jambo ambalo tunapaswa kushukuru na kufurahiya. Tunapopanga njia ya siku zijazo za Mzima, "Mzima Tunayotaka", Mzima 3.0, nina matumaini kuwa Sacco ina nafasi kubwa zaidi ya kukua zaidi na kuwahudumia wanachama wake vyema zaidi.

Kwa hili, nataka kutoa shukrani zangu za dhati kwa kila mmoja wenu, wanachama wetu kwa kuendelea kutuunga mkono na kuamini katika Mzima Springs Non WDT Sacco Limited. Kwa pamoja, tutaweza kufikia matarajio yetu binafsi na ya pamoja, na hii itasaidia Mzima kustawi kwa miaka mingi na vizazi vijavyo.

God Bless Mzima, God Bless Mzima members!

Nabaki, Mtumishi wako katika Ushirikiano,

CPA (Dk.) David Mathuva

Mweka Hazina, Mzima Springs Non-WDT Sacco



CHIEF EXECUTIVE OFFICER'S REPORT FOR THE YEAR 2023

Our Esteemed members, welcome to our Annual General Meeting of Mzima Spring (NON-WDT) Sacco Limited for the year 2023.

It is with a great sense of honor and privilege that I join you today for my first Annual General Meeting as the first Chief Executive Officer of Mzima Spring (NON-WDT) Sacco Limited. This moment marks a significant milestone in the history of our Sacco, and I am deeply grateful for the opportunity to serve alongside such dedicated members.

As we gather here today, I am filled with a sense of optimism and determination for the future of our Sacco. Looking ahead, I am committed to leading our Sacco towards greater heights, with a clear vision and strategic direction. Together, we will navigate the path ahead with resilience, innovation, and unwavering dedication to our members' best interests.

As we look to propel Mzima Spring (NON-WDT) Sacco Limited to the next level, I am excited to unveil highlights of the strategies that will guide our journey towards growth and success. The five key pillars of this strategies are carefully crafted to address the unique needs and challenges facing our Sacco, and I am confident that by anchoring our efforts on these pillars, we will achieve our objectives and realize our vision.

1. Strategic Positioning

We will emphasize the recognition of the Mzima Sacco brand by strategically positioning the Sacco within its pool of members and Strathmore fraternity. This will involve enhancing our visibility, reputation, and relevance within the Sacco Centers, thereby attracting new members and fostering stronger relationships with existing ones.

2. Aggressive Marketing

Our focus will be on the acquisition of new members and increasing loan uptake through targeted and innovative marketing strategies. By identifying and capitalizing on market opportunities, we will leverage various channels and platforms to effectively reach our target audience and communicate the value proposition of Mzima Spring (NON-WDT) Sacco Limited.

3. Enhancing Member Experience

Ensuring member satisfaction will be a top priority, as we recognize that our members are the lifeblood of our Sacco. From simplified application processes to personalized financial advice and introducing innovative products and services that cater to the evolving needs of our members, we aim to make our members' journey with us fulfilling and enriching. We will prioritize exceptional service delivery, responsiveness to member needs, and personalized engagement, thereby cultivating a strong sense of loyalty and commitment among our members.

4. Effective Resource Utilization

Efficient utilization of available resources is crucial to achieving operational excellence. We will optimize our processes, systems, and workflows to enhance productivity, reduce costs, and streamline operations. By fostering a culture of continuous improvement and innovation, we will position Mzima Spring (NON-WDT) Sacco Limited as a leader in operational efficiency within the industry.

5. Risk Management

We will enhance our risk management practices by identifying, assessing, and mitigating risks effectively, thereby safeguarding the stability and sustainability of the Sacco. This includes implementing robust risk management frameworks, enhancing internal controls, and fostering a culture of risk awareness and accountability.

By aligning our efforts with these five key pillars, we will chart a course for Mzima Spring (NON-WDT) Sacco's growth and success. I am excited about the opportunities that lie ahead, and I am confident that together, we will realize our full potential and achieve our collective aspirations.

Under my leadership, Mzima Spring Sacco has reached remarkable milestones, transforming and strengthening the Sacco in great ways. Let me share with you some of our notable achievements.

1. Successful Implementation of a New System

We are currently in the process of implementing a new system aimed at automating all our operations and enhancing efficiency.

2. Membership Drive Success

Through a targeted membership registration drive, we successfully recruited over 70 new members, injecting fresh capital into our Sacco and increasing our membership base to 1192.

3. Enhanced Committee Involvement

I have ensured active involvement of all committees, fostering smoother operations and better governance within our Sacco.

4. Improved Credit Policy

I have spearheaded changes to our credit policy to safeguard our membership while maintaining financial stability.

5. Introduction of New Credit Items

We are launching new credit products aimed at expanding our loan portfolio and enhancing our financial resilience.

Conclusion

I want to express my deepest appreciation to each and every one of you for your unwavering support and dedication. Together, let us continue to strive for excellence, innovation, and resilience, as we build a stronger, more prosperous Mzima Spring (NON-WDT) Sacco Limited for the benefit of all.

Thank you.

Justin Ndetei

CEO, Mzima Spring Sacco



RIPOTI YA AFISA MTENDAJI MKUU

**Heshima Wajumbe Wetu Wapend-
wa, karibuni kwenye Mkutano
Mkuu wa Kawaida wa Mwaka wa
Mzima Spring (NON-WDT) Sacco
Limited kwa mwaka 2023.**

Ninajisikia heshima kubwa na upendeleo ninapowakaribisha leo kwenye Mkutano Mkuu wangu wa kwanza kama Afisa Mtendaji Mkuu wa kwanza wa Mzima Spring (NON-WDT) Sacco Limited. Dakika hii inaashiria hatua kubwa katika historia ya SACCO yetu, na ninashukuru sana kwa fursa ya kutumikia pamoja na wanachama wenye bidii kama ninyi.

Tunapokusanyika hapa leo, ninafurahi na kujawa na matumaini na azimio kwa mustakabali wa SACCO yetu. Ninahakikisha kuongoza SACCO yetu kuelekea mafanikio makubwa, na mwelekeo wa dhahiri na mwelekeo mkakati. Pamoja, tutapita njia mbele kwa uthabiti, ubunifu, na azma isiyoyumbishwa kwa masilahi bora ya wanachama wetu.

Tunapojiandaa kupeleka Mzima Spring (NON-WDT) Sacco Limited kiwango kinachofuata, ninafurahi kutangaza muhtasari wa mikakati itakayotuongoza katika safari yetu kuelekea ukuaji na mafanikio. Nguzo tano muhimu za mikakati hii zimeundwa kwa makini kushughulikia mahitaji na changamoto za kipekee zinazokabili SACCO yetu, na nina imani kwamba kwa kutegemea juhudi zetu kwenye nguzo hizi, tutafikia malengo yetu na kufikia maono yetu.

1. Kuweka Mikakati Kimkakati

Tutazingatia kutambua chapa ya Mzima Sacco kwa kuweka mkakati wa kimkakati SACCO ndani ya wanachama wake na jamii ya Strathmore. Hii itajumuisha kuboresha uonekano wetu, sifa, na umuhimu katika Vituo vya SACCO, hivyo kuvutia wanachama wapya na kukuza mahusiano imara na wale waliopo.

2. Uuzaji wa Kibabe

Tutazingatia kupata wanachama wapya na kuongeza upatikanaji wa mikopo kupitia mikakati ya uuzaji iliyolengwa na ya ubunifu. Kwa kutambua na kuitumia fursa za soko, tutatumia njia na majukwaa mbalimbali kufikia kikamilifu hadhira yetu lengwa na kuwasilisha pendekezo la thamani la Mzima Spring (NON-WDT) Sacco Limited.

3. Kuboresha Uzoefu wa Wanachama

Kuhakikisha kuridhika kwa wanachama itakuwa kipaumbele cha juu, kwani tunatambua kuwa wanachama wetu ndio damu ya SACCO yetu. Kutoka kwenye michakato iliyorahisishwa ya maombi hadi ushauri wa kifedha wa kibinafsi na kuanzisha bidhaa na huduma za ubunifu ambazo zinakidhi mahitaji yanayoendelea ya wanachama wetu, lengo letu ni kufanya safari ya wanachama wetu nasi iwe ya kuridhisha na kustawisha. Tutaweka kipaumbele kwa utoaji wa huduma bora, kujibu mahitaji ya wanachama, na kushirikisha kwa kibinafsi, hivyo kukuza hisia imara ya uaminifu na azma kati ya wanachama wetu.

4. Matumizi Bora ya Rasilimali

Matumizi yenye ufanisi wa rasilimali zilizopo ni muhimu kwa kufikia ushindi wa uendeshaji. Tutakuza michakato yetu, mifumo, na mifumo ya kazi ili kuongeza ufanisi, kupunguza gharama, na kusawazisha uendeshaji. Kwa kuendeleza utamaduni wa maboresho na uvumbuzi endelevu, tutaiweka Mzima Spring (NON-WDT) Sacco Limited kama kiongozi wa ufanisi wa uendeshaji ndani ya tasnia.

5. Usimamizi wa Hatari

Tutaimarisha mazoea yetu ya usimamizi wa hatari kwa kutambua, kutathmini, na kudhibiti hatari kwa ufanisi, hivyo kulinda utulivu na uimara wa SACCO. Hii ni pamoja na utekelezaji wa viwango vya usimamizi thabiti wa hatari, kuimarisha udhibiti wa ndani, na kuchochea utamaduni wa ufahamu na uwajibikaji wa hatari.

Kwa kuunganisha juhudi zetu na nguzo hizi tano muhimu, tutapanga mkondo wa ukuaji na mafanikio ya Mzima Spring (NON-WDT) Sacco. Ninahisi hamu kubwa kwa fursa zilizo mbele yetu, na nina imani kwamba pamoja, tutatimiza uwezo wetu kamili na kufikia matarajio yetu ya pamoja.

Chini ya uongozi wangu, Mzima Spring Sacco imefikia hatua muhimu sana, ikibadilisha na kuimarisha SACCO kwa njia kuu. Niruhusu kushiriki nawe baadhi ya mafanikio yetu muhimu.

1. Kutekelezwa kwa Mfumo Mpya

Tunaendelea na mchakato wa kutekeleza mfumo mpya unaolenga kiotomatiki kazi zetu zote na kuboresha ufanisi wetu.

2. **Mafanikio ya Kukusanya Wanachama**

Kupitia kampeni ya usajili iliyolengwa kwa wanachama, tumeweza kuajiri zaidi ya wanachama 70 wapya, kuingiza mtaji mpya kwenye SACCO yetu na kuongeza msingi wa wanachama wetu hadi 1192.

3. **Ushiriki Imara wa Kamati**

Nimewahakikishia ushiriki wa kazi wa kamati zote, kukuza uendeshaji wa laini na utawala bora ndani ya SACCO yetu.

4. **Mabadiliko Mema kwenye Sera ya Mikopo**

Nimeongoza mabadiliko kwenye sera yetu ya mikopo kwa lengo la kulinda wanachama wetu wakati bado tunadumisha utulivu wa kifedha.

5. **5.Uzinduzi wa Vipengee Vipya vya Mikopo**

Tunazindua bidhaa mpya za mikopo zilizolenga kupanua mfuko wetu wa mikopo na kuboresha utimilifu wetu wa kifedha.

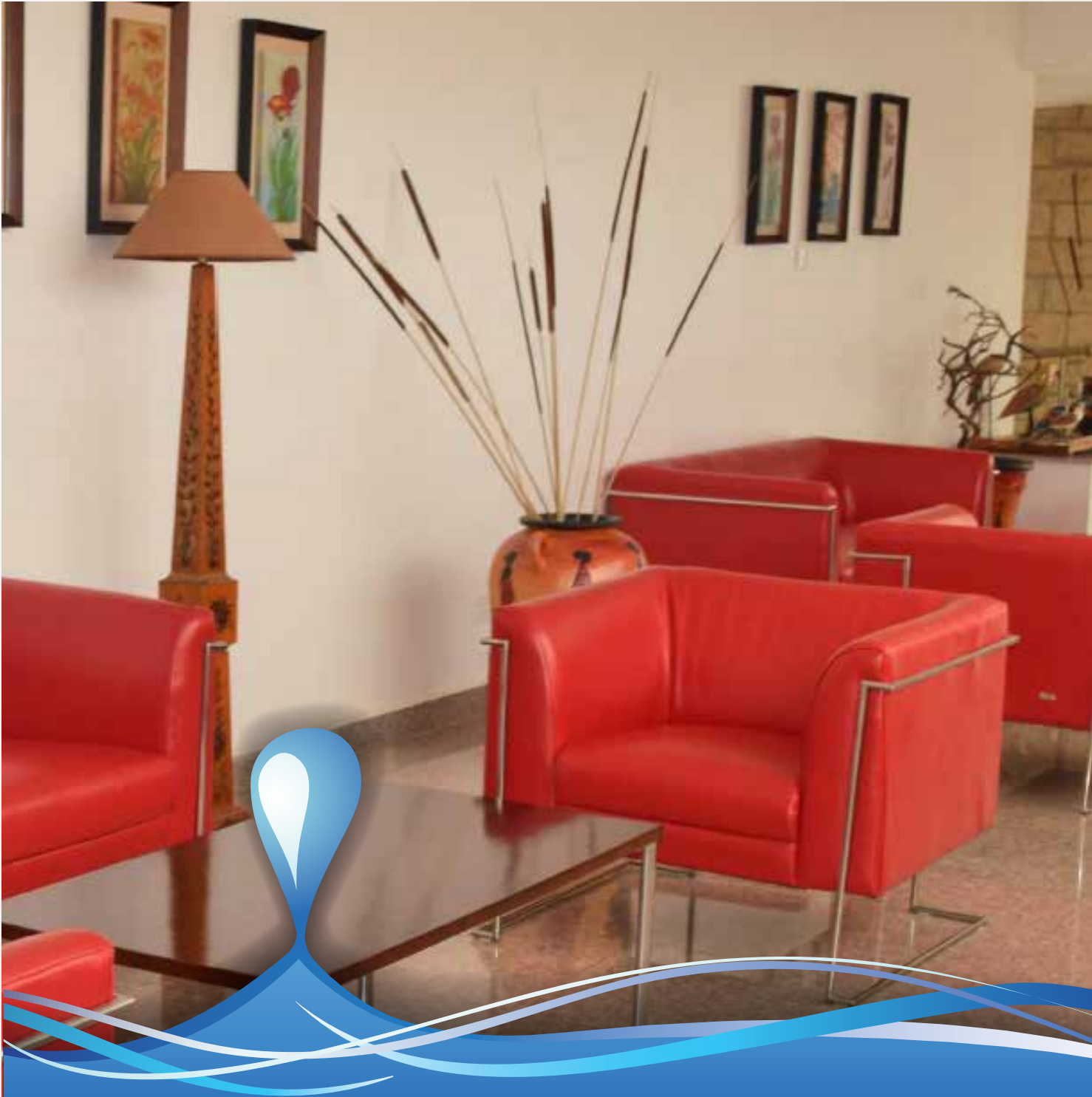
Hitimisho

Napenda kutoa shukrani zangu za dhati kwa kila mmoja wenu kwa msaada na ujitoaji wenu usio na kifani. Pamoja, tuiendeleo kufuatilia kwa bidii, ubunifu, na uthabiti, tukijenga Mzima Spring (NON-WDT) Sacco Limited imara na yenye mafanikio kwa faida ya wote.

Asante.

Justin Ndeti

Afisa Mtendaji Mkuu,
Mzima Spring 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 Centre for Corporate Governance and SASRA have recommended good corporate governance principles that the SACCO has tried to adopt and implement. The governance of the Sacco is taken care by the Management Committee and the Supervisory Committee. The roles and functions of the 2 committees are independent of each other, and we usually have quarterly meetings to assess the progress of the Sacco jointly. The board is guided by the Mzima Springs Board Charter and responsible for ensuring adherence to the code of corporate governance or board charter. At the beginning of each year, the board agrees to a work plan and schedule of meetings and agenda, which is timeously communicated by the hon. Secretary ahead of time. All minutes of the board and supervisory committee meetings are kept. The reports of the supervisory committee are presented to the board for consideration and action. The same reports are presented to the members during the AGM, including actions taken by the board.

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

Our principles

At Mzima Springs Sacco, we are guided by the 7 global cooperative principles which include:



- | | | |
|------------------------------------|--|------------------------------|
| 1. Voluntary and open membership | 4. Autonomy and independence | 7. Concern for the community |
| 2. Democratic member control | 5. Education, training and information | |
| 3. Member's economic participation | 6. Cooperation among cooperatives | |

Sacco committees and their responsibilities

The roles of the two key committees in a SACCO are outlined below:

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

Management sub-committees, composition and their responsibilities

The term of appointment into the board is 3 years after which board members can offer themselves for re-election for another maximum of 2 additional periods. Board members are first nominated using a pre-defined checklist which captures their years as Sacco members, level of savings, default status and shareholding. They are then subjected to the AGM for election by the members. Upon on boarding, the new members are taken through their responsibilities and work closely with other board members who orient them to the job and their responsibilities. Supervisory committee members are also elected on a rotational 2-year period through the AGM. Any resignations and co-opted members are disclosed during the AGM and the vacant positions filled using the criteria discussed above. Board members are subject to annual performance evaluation where the board members and subcommittees get to evaluate their performance individually and jointly as a board. Every year, the board and supervisory committee receives training on corporate governance. Board remuneration is approved by the members during the AGM as indicated on the budget. All board members are required to fill in the fit and proper test form and also provide wealth declaration by filling out the requisite forms. The board is usually committed to compliance with all applicable regulations and keeps updating its register of regulations and guidelines to ensure compliance at all times.

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

Sub-committee	Members	Responsibilities
Executive Committee	<ul style="list-style-type: none"> • Fredrick Odhiambo (Chair) • Loice Orege • Were Lwanga • Dr. David Mathuva 	<ul style="list-style-type: none"> • This sub-committee is responsible for all administrative, finance, investment and strategic planning matters.
Credit Committee	<ul style="list-style-type: none"> • Fredrick Otieno (Chair) • John Ouko • Perpetua Muema 	<ul style="list-style-type: none"> • This sub-committee is responsible of reviewing and overseeing the overall lending policy of the SACCO Society

Sub-committee	Members	Responsibilities
Education and Nomination Committee	<ul style="list-style-type: none"> Loice Orege (Chair) Were Lwanga John Ouko 	<ul style="list-style-type: none"> This sub-committee is responsible for marketing and providing education and training to the members, delegates, staff, management, and the board as well as ensuring the SACCO is governed in accordance with its code of corporate governance and all other relevant guidelines.

Management Committee Meetings during the year

The following table shows the attendance of the Management Committee to the scheduled meetings during the year ended 31st December 2023.

Name	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fredrick Odhiambo	√	√	√	√	√	√	√	√	√	√	√	√
Loice Orege	√	√	√	√	√	√	√	√	√	√	√	√
Were Lwanga	√	√	√	√	√	√	√	√	√	√	√	√
David Mathuva	√	√	√	√	√	√	√	√	√	√	√	√
Perpetua Muema	√	√	√	√	√	√	√	√	√	√	√	√
Owino, Fredrick Otieno	√	√	√	√	√	√	√	√	√	√	√	√
John Robert	√	√	√	√	√	√	√	√	√	√	√	√

Supervisory Committee Meetings during the year

The following table shows the attendance of the Supervisory Committee members to the scheduled meetings during the year ended 31st December 2023.

Name	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	Jan. - Mar.	Apr. - Jun.	Jul. - Sept.	Oct. - Dec.
Julius Mamicha	√	√	√	√
Emily Cheron	√	√	√	√
Chrispine Oloo	√	√	√	√



Society's Five-Year Financial Performance Review

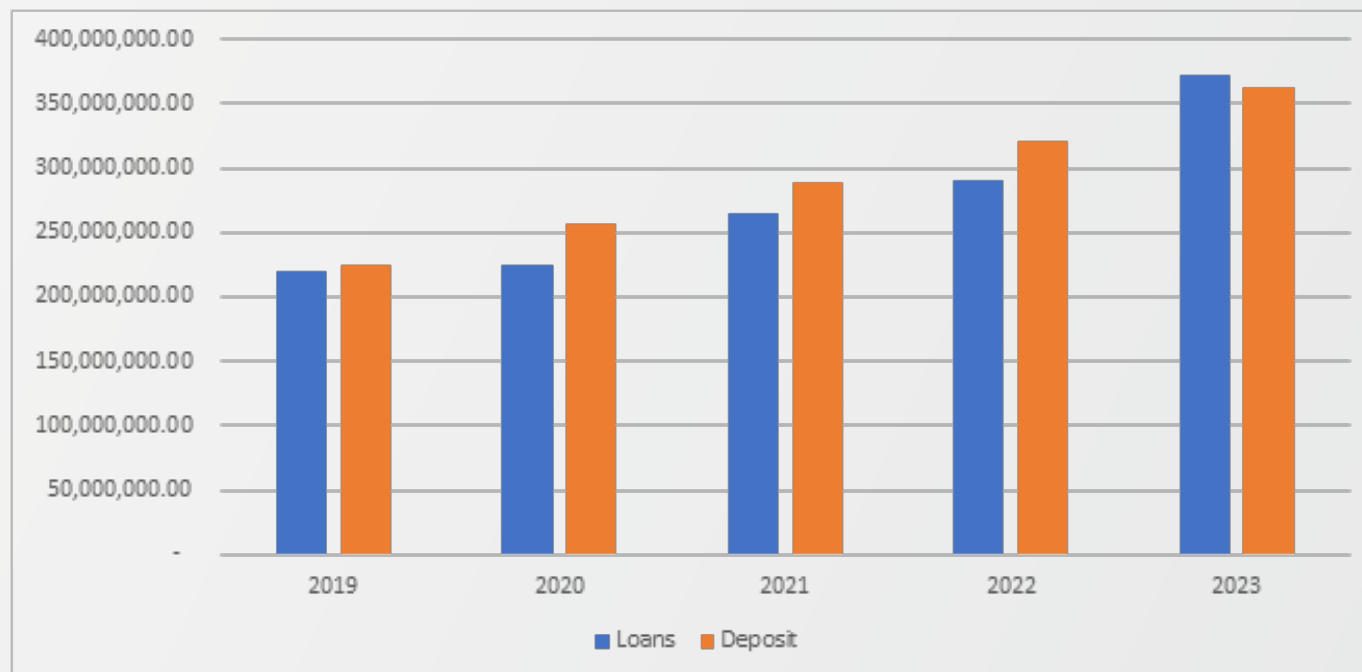
Year	2019	2020	2021	2022	2023
Membership (active)	951	998	979	1,042	1,172
Membership (dormant)	381	415	462	538	570
Total	1,332	1,413	1,441	1,580	1,742
(a) Statement of financial position					
Assets	Kshs	Kshs	Kshs	Kshs	Kshs
Loans to members	219,722,988	225,145,607	265,558,765	290,372,355	372,289,776
Cash and cash equivalents	29,286,952	57,403,820	28,914,627	4,046,091	5,236,578
Other assets	10,323,436	10,094,127	30,882,056	74,241,237	46,262,398
Total assets	259,333,375	292,643,554	325,355,449	368,659,684	423,788,752
Equity and liabilities					
Equity					
Share capital	5,495,900	5,933,400	6,251,900	12,352,300	18,258,100
Reserves	10,085,429	10,480,660	11,805,312	12,535,114	18,265,436
Total equity	15,581,329	16,414,060	18,057,212	24,887,414	36,523,536
Liabilities					
Member deposits	225,108,129	256,403,713	288,729,040	321,730,294	362,153,460
Other liabilities	18,643,917	19,825,782	18,569,197	22,041,976	25,111,756
Total liabilities	243,752,046	276,229,495	307,298,237	343,772,270	387,265,216
Total equity and liabilities	259,333,375	292,643,554	325,355,449	368,659,684	423,788,752
(b) Statement of profit or loss					
Total income	21,961,791	21,805,189	28,730,034	34,020,908	43,305,785
Interest income	21,563,973	21,196,247	27,198,935	31,570,380	41,079,410
Other income	397,818	608,942	1,531,099	2,459,528	2,226,375
Profit after tax	1,135,454	1,413,194	2,674,652	2,549,802	8,483,345
Other disclosures					
Interest rate on deposits (%)	8.00%	7.00%	6.90%	7.40%	7.45%
Dividend on shares (%)	11.00%	11.00%	13.50%	14.50%	14.50%
Dividend on shares Kshs)	500,000	500,000	700,000	1,070,000	1,803,023
Interest on deposits (Kshs)	14,100,000	14,400,000	16,000,000	19,000,000	21,039,381

SACCO growth over the years

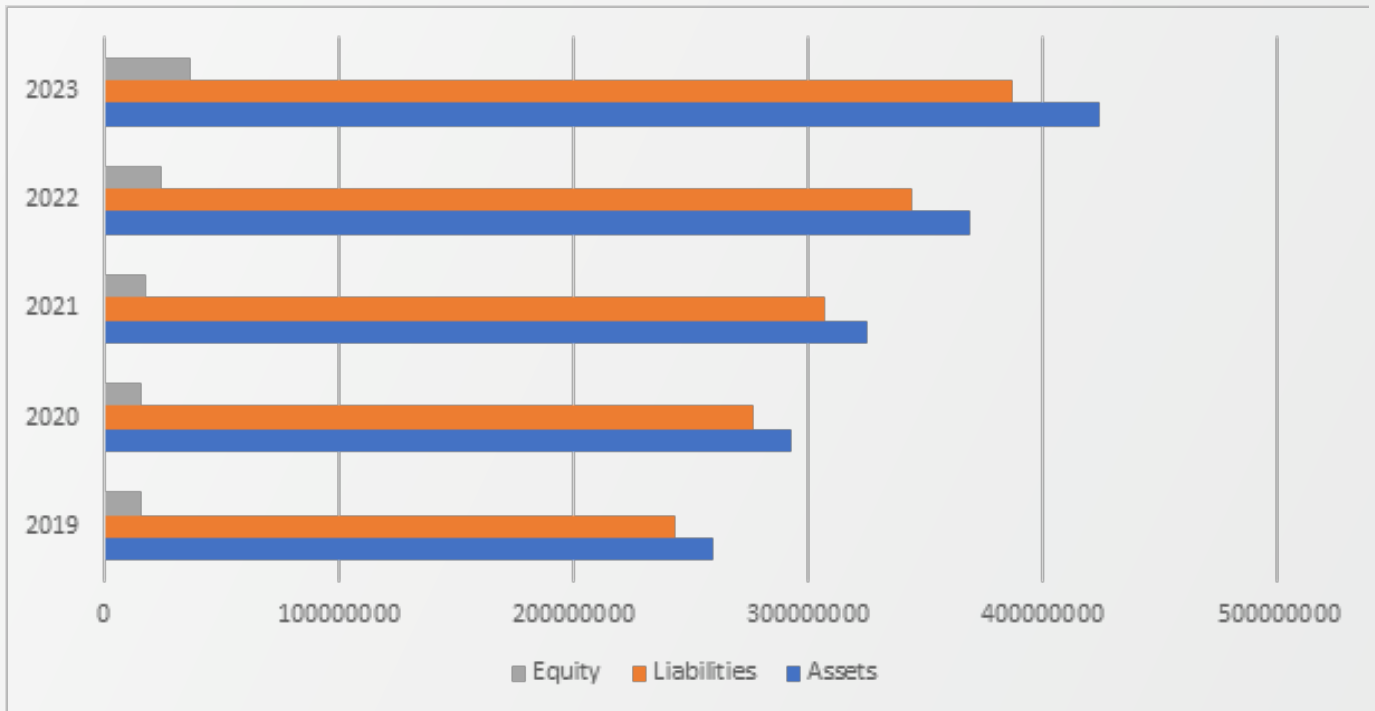
Membership



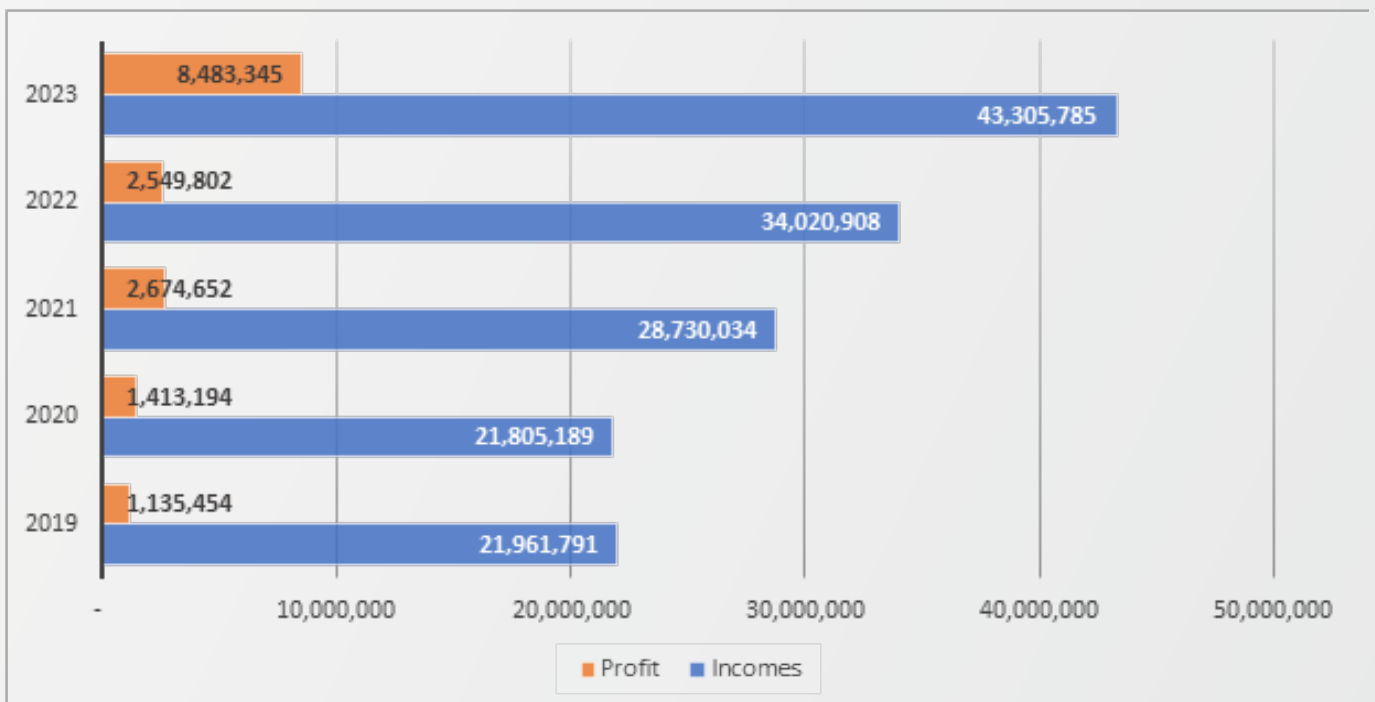
Loans and deposits



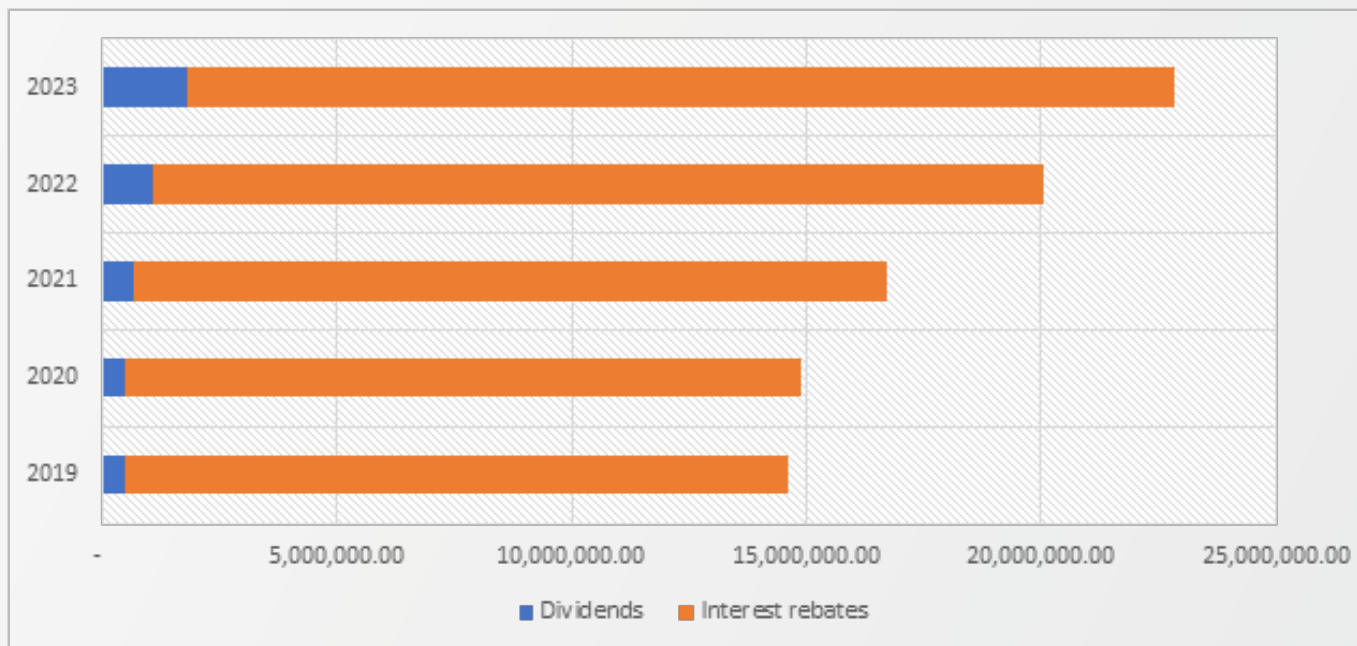
Assets, liabilities and equity



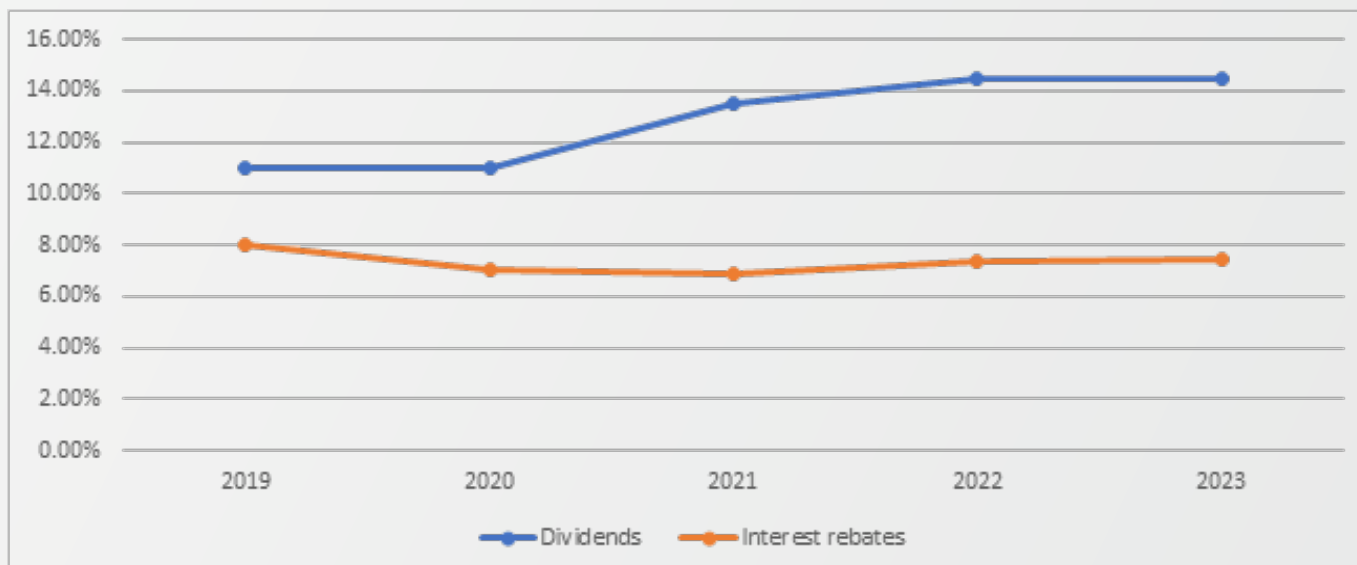
Income and profits



Dividend and interest rebate (Kshs)



Dividend and interest rebate (percent)

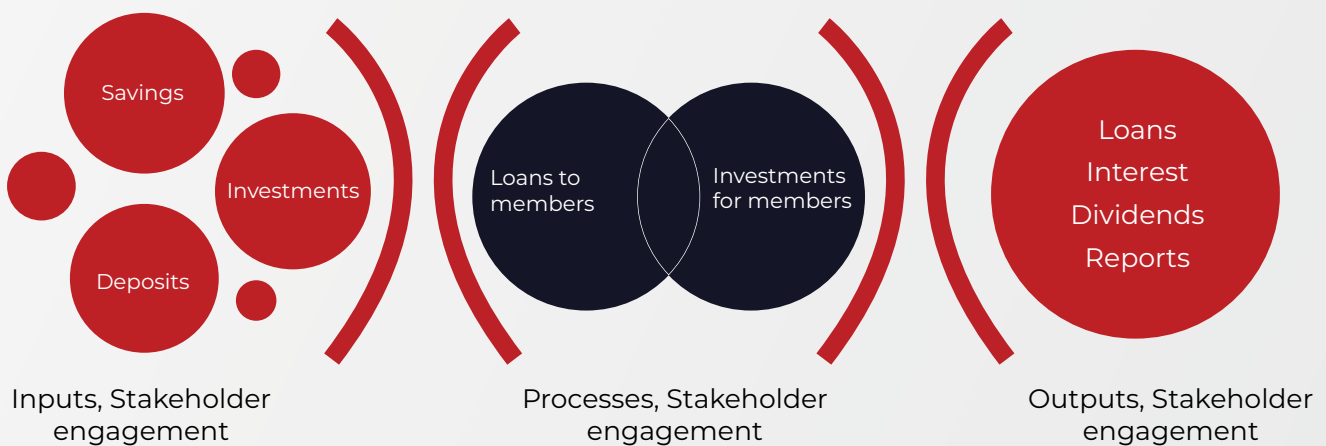


Sustainability report and value creation for members

Our business model

Mzima Springs Sacco is a Non-Withdrawable Deposit Taking Sacco that is regulated by SASRA.

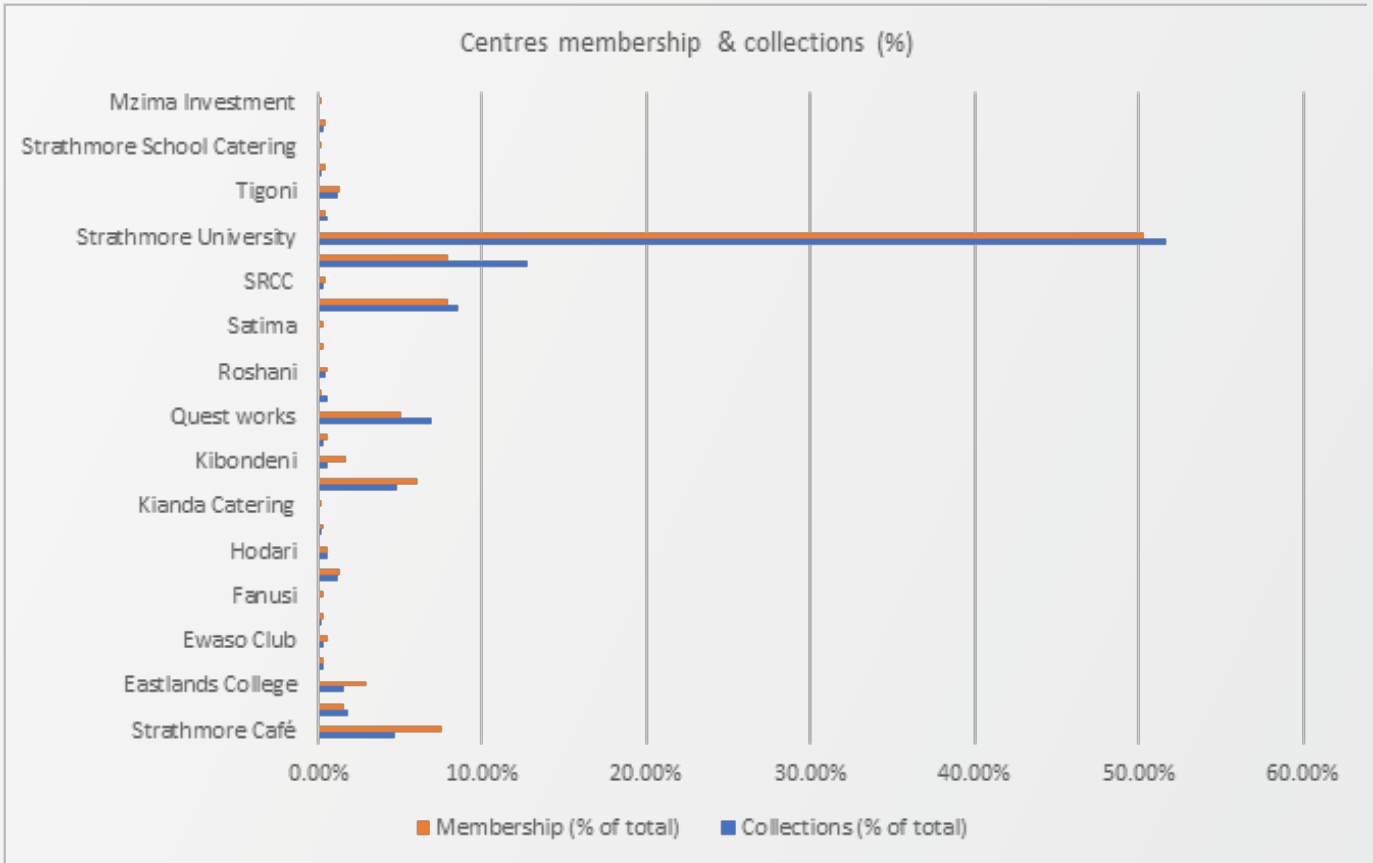
It operates as BOSA (Back Office Services Activities) whereby a member makes a prescribed minimum contribution (non-withdrawable deposits) every month. This money is used as collateral for loans in which you borrow 3 times. The maximum allowable loan a member can take at any given point in time is Kshs. 4 million. At the end of December 2023, our average deposit per member was Kshs. 3,129 with our minimum deposit contribution being Kshs. 200 and the maximum being Kshs. 50,000. Our value creation processes are depicted as follows:



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. We also constantly engage our members throughout and using various means of communication such as email, SMS, Education days, or the AGM. At Mzima, we have adopted an “open door” policy where each staff member or members of the Sacco are free to communicate any matter affecting them at all times. Action is usually taken immediately to address the matter, while ensuring that law and human rights and dignity are upheld as far as possible. We also ensure that we communicate the relevant information (financial performance, updates etc.) on our website and also seek member views through the same. 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:

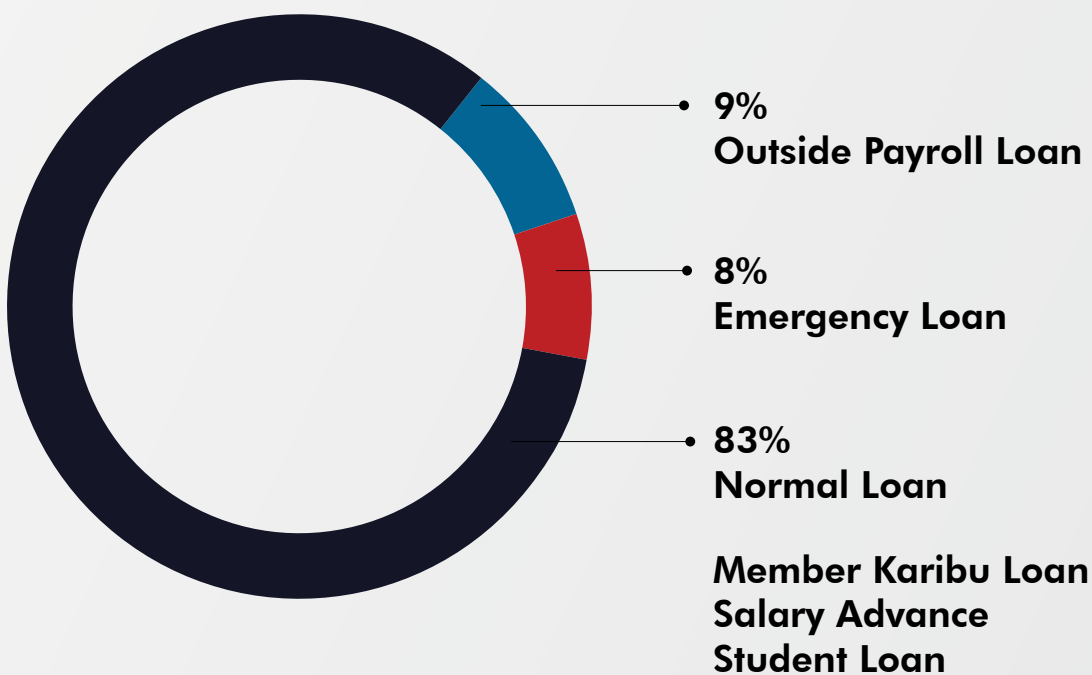
- Sustained membership drives to boost deposits
- Encouraging members to take loans and faster processing of the same
- Growing the number of centers affiliated to Strathmore and its partners
- Constantly assessing and managing risks in the operating environment
- Revenue diversification through investing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

Our membership in the various centers and collections is depicted in the figure below:



Loan distribution in 2023

During the year ended December 2023, the members' loans grew by 28% owing to increased uptake of loans by members.



Our deposits grew by 13% and having surpassed the minimum deposit base of Kshs. 100 million stipulated by SASRA, the SACCO applied for registration with SASRA. A certificate was issued on 28th November 2023 after paying Kshs. 50,000 for the initial license and subsequent renewal fees of Kshs. 30,000 have been paid since then and an operational license issued.

Our strategy in summary 2023 and performance/achievements.

During the Year ended 31st December 2023, the Sacco's membership stood at 1,172. Currently February 2024), the active members are at 1,198. The Sacco was also able to revamp its strategic plan 2021-2024 and comply with most of SASRA's requirements and developed various policies and procedures (e.g., revamped credit, dividend, financial, human resource, investment, and procurement policies). The SACCO's 2021-2024 strategy envisages the following:

- To ensure growth of membership to 1,000 by 2024 through recruitment and retention.
- To ensure growth of the asset base to Kshs. 400 million by 2024 (15% growth p.a.)
- Grow annual income to Kshs. 26 million by 2024 (a 5% growth p.a.).
- Reduce liquidity gap by Kshs. 5 million by 2024.
- To build the SACCO's internal capacity for better internal controls, performance, and service delivery.
- Recruit a competent CEO.
- Build its share capital and reserve base.
- Explore the feasibility of becoming FOSA Sacco.

Strategic achievements in 2023

Some of the achievements by the SACCO in the year just ended include:

- Sustained year on year growth in asset, loans and deposit base.
- Loans are dispensed bi-weekly
- Mzima Springs SACCO Limited was able to invest a total of Kshs. 11,744,550 million in the money market (Kshs. 2,226,375 earned as interest income to date).
- The SACCO revamped its website which has a new look with frequent updates.
- The SACCO was able to grow shares progressively from a total of 12.35 million to 18.2 million.
- The Sacco was able to recruit a competent CEO for the day to day running of the institution.

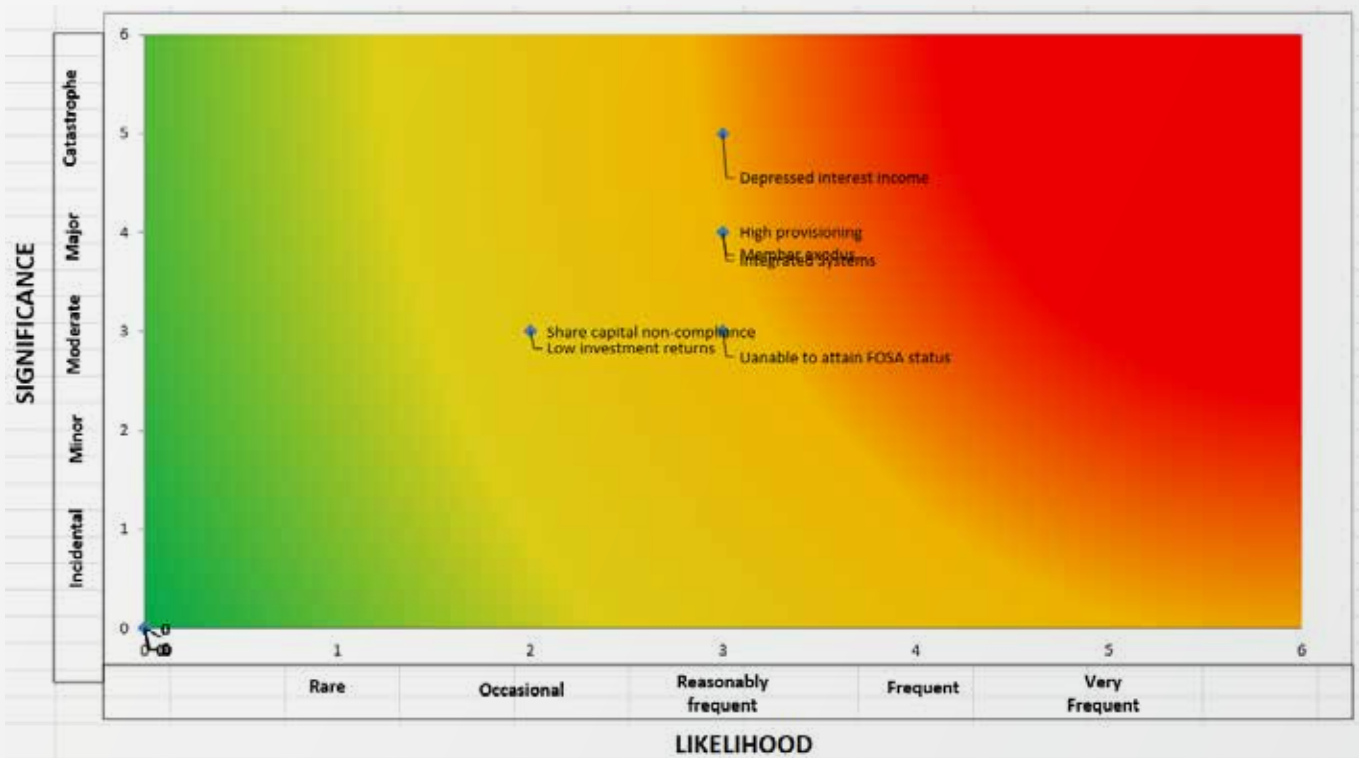
Risks and risk management

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 top risks facing the Sacco include:

Risk	How to mitigate
1. Depressed interest income due to increased default rates and amounts.	Follow up with the concerned members to repay, use of debt collectors, credit referencing with bureaus (Metropol), engaging guarantors
2. Depressed interest income due to high provisioning.	Gradual provisioning of NPLs, use of debt collectors, credit referencing with bureaus (Metropol), engaging guarantors
3. Low returns from other investment vehicles.	Selection of investment vehicles with reasonably higher returns, diversification of investments
4. Member exodus to other competitive Sacco's.	Doing exit surveys, customer satisfaction surveys, striving to higher returns and higher maximum loan amount

Risk	How to mitigate
5. Noncompliance with regulatory requirements on shareholding	Engaging the regulator closely to understand requirements, educating members on the need to increase shareholding for stability and returns, reviewing regulatory pieces periodically
6. Inability to attain the FOSA status due to dismal/underperformance	Encouraging members to help in recruitment, meeting SAS-RA threshold requirements, compliance with requirements
7. Lack of an integrated management information system to integrate lending and financial reporting processes	Engaging different providers for a possible solution, setting aside funds (budget) for the system

A risk heat map with top risks assessed is depicted below:

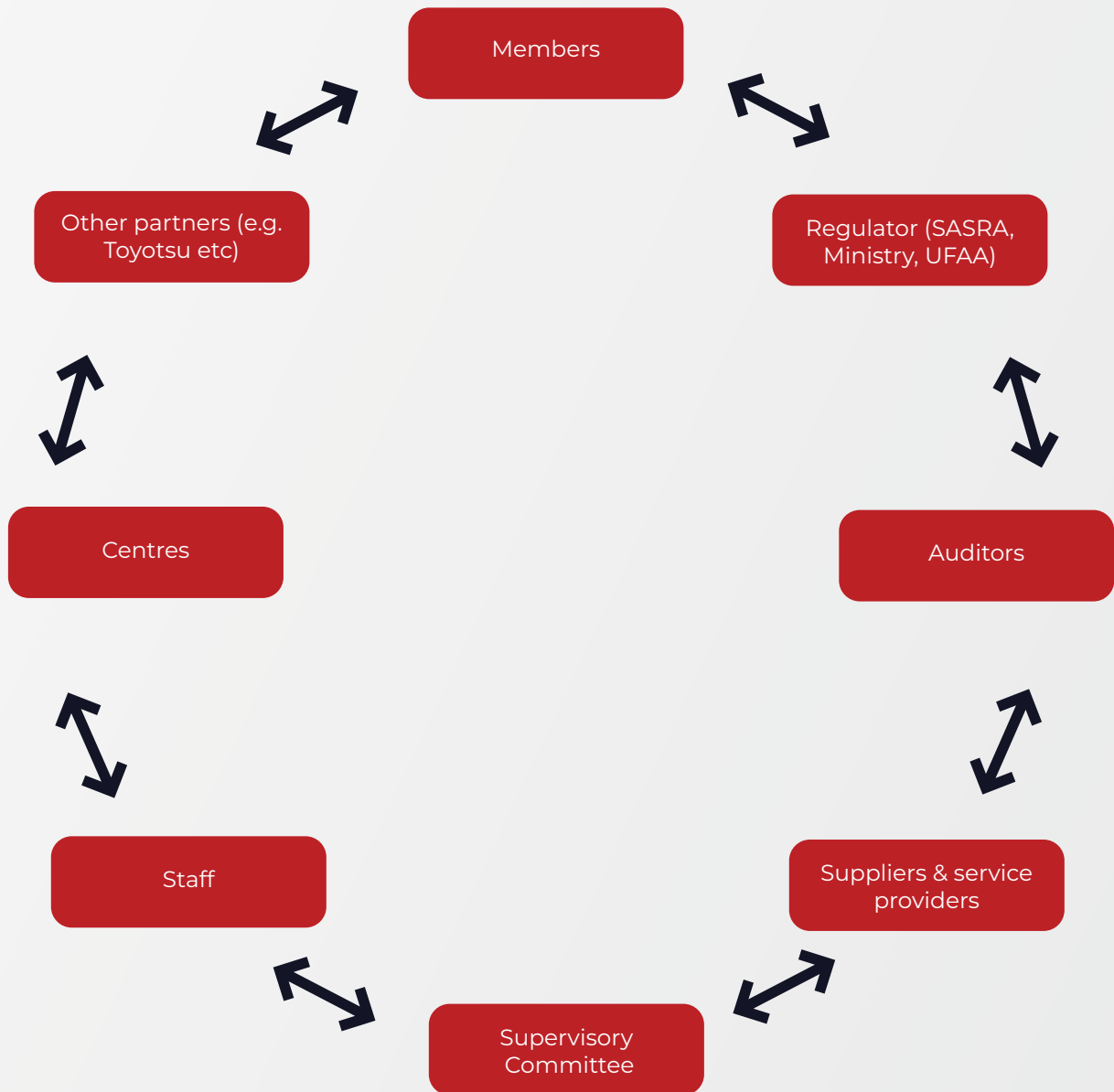


The Sacco continuously reviews its risk register and assesses the various risks affecting it while suggesting measures to deal with the risks.

Sustaining our business model

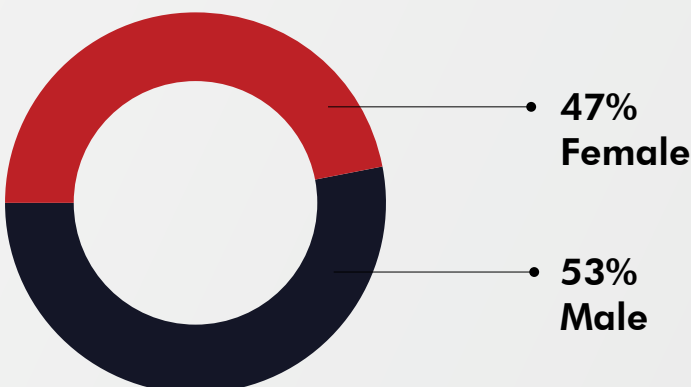
At Mzima Springs Sacco, sustainability is very core as we execute our business model. We are committed to a sustainable enterprise, sustainable societies and people. To this end, the Sacco pays special attention to societal needs as well as those of its members, staff and other stakeholders. The figure below depicts the stakeholders the Sacco engages in its day-to-day operations:

These stakeholders are critical to the continued existence of the Sacco and we therefore ensure that we map out our dealings with them as we work on how to partner with them for the benefit of the Sacco. Our existing policies ensure that all stakeholders are treated fairly and granted equal opportunity in line with the cooperative principles of equity and equality.



(i) **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. As of 31st December 2023, we had a total of 1,742 members with 1,172 as active members. The gender distribution of our members as of 31st December 2023 is depicted below:



A total of **127** members joined the Sacco with **1%** rejoining the Sacco and **99%** being new members. In 2023 we did not lose any member many thanks to GOD.

(ii) **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. During the year then ended, the credit policy was revamped, and the Sacco products, offerings, terms and conditions revised to meet member needs in a convenient and timely manner. The loan processing periods were revised to twice a week as opposed to the weekly processing which was in place before.

(iii) **Human Resources**

The Sacco developed and implemented a Human Resource Policy in 2021 in line with SASRA requirements. 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. The policy includes a depiction of the hiring, performance, and capacity building of employees of the Sacco. Over the years, we have consistently improved the salary and pay of our employees, including annual bonuses which is aligned with individual as well as Sacco performance. The Sacco has 3 staff members, 1 male and 2 females. Our staff's health and safety is of priority, and we ensure that the building occupied is OSHA compliant. All staff are entitled to 21-working day annual leave with full pay. In addition, we grant our staff study leave depending on the course being pursued. We also sponsor our staff on a merit basis, and on a case-by-case basis, depending on the importance of the training on service delivery in the Sacco. During the year ended, the Sacco was able to sponsor one of its staff members to pursue a Diploma in Cooperative Management in addition to granting other staff members study leave to pursue their various certifications. The staff welfare kitty has been in place and the management has ensured that staff health and other needs (e.g., meals) are catered for as and when they arise.

(iv) **The Society**

Over the past years Mzima Springs SACCO has been contributing to various Centers towards charitable activities. In 2023, the SACCO gave back a tot of Kshs. 1,500 to the various affiliate centres as donation.

(v) **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. We ensure that our staff and members are served in a very clean environment, and we utilize the water dispenser to help minimize the use of plastics. We further utilize energy saving equipment such as UPS to conserve energy as far as possible. When the office is not in use, we encourage staff to ensure that they switch off the lights to conserve energy. Following the pandemic, we have largely moved our operations online, which has helped reduce our dependence on printed paper, which is a major boost to forest conservation. We are committed to cutting our reliance on printed paper by automating most of the loan application processes.

(vi) **Market place practices**

At Mzima, we ensure that the loan products and other savings products offered are developed in consultation with the members. For instance, the increment of maximum loan to Kshs. 4 million was arrived at following consultation with members, the "Karibu" loan facility was created to take care of members who had just joined the Sacco and have not met the required 6 months with the Sacco to be eligible for a normal loan. We partner and collaborate with all our centres and ensure that we have a good working relationship since we depend on each other. To achieve this, we have ensured that we have members who are representatives in each centre who inform us on the ongoing in the respective

centre. In addition, the board is inclusive and takes care of the various centres we have, as far as possible. Mzima is committed to competitively sourcing and paying its suppliers in good time.

(vii) **Our systems**

Currently, the Sacco has a lending management system and an accounting module. The board is responsible for IT governance in the cooperative and takes responsibility in ensuring the operation, security and capacity of the systems. To this end, the Sacco has ensured that the current system is scalable, secure and capable of being upgraded to take care of emerging and growing needs of the Sacco.

Overall, the board has demonstrated its commitment to sustainability (and by extension, integrated reporting) by ensuring that the Sacco's business model is aligned with the sustainability expectations. We have also ensured that our business practices, including the returns we offer to members, and the running of the cooperative takes into consideration the welfare and interests of the members while ensuring the long-term survival of the cooperative. This is a commitment made by the entire board, and the supervisory committee and we strive to educate members in this regard at all times.

Our capitals and value creation

During the year just ended, the Sacco was able to create value for its members through its 6 capitals as follows:

Capital	How we created value in 2023
Financial capital	In 2023, our share capital grew from Kshs. 12.35 million to Kshs.18.26 million. Our total equity increased by 47% to Kshs. 36.52 million. Our loan to deposit ratio is 103% in 2023
Manufactured capital	Our investments remained at Kshs. 11.74 million.
Natural capital	Our electricity cost increased from Kshs. 22,313 to Kshs. 24,002 owing to re-sumption to physical operations. Our printing and stationery also increased by 143% owing reduced paper work, Our travel expense reduced by 27%
Social and network capital	Our new members in 2023 were 127 with 1,172 active members.
Human Capital	The Sacco has a total of 4 staff members who are well qualified to carry out their roles.
Intellectual Capital	The Sacco is in the process of procuring new system to support all digital services.



REPORT OF THE BOARD OF DIRECTORS

The members of the Board of Directors submit their annual report together with the audited financial statements for the year ended 31st December 2023.

Incorporation

The society is incorporated in Kenya under the Cooperative Societies Act, Cap 490 and licensed under the Sacco Societies Act No. 14 of 2008 and is domiciled in Kenya.

Principal Activity

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

Results

	2023	2022
	Kshs.	Kshs.
Surplus (deficit) before tax	8,483,345	2,549,802
Income Tax expense	-	-
Net surplus (deficit) after tax (but before donations)	8,483,345	2,549,802
Donations	-	-
Retained surplus for the year	4,033,653	219,841
Interest on members' deposit	21,039,381	19,000,000
Dividend on members' shares	1,803,023	1,070,000

Dividend/Interest on members' deposits

The Board of Directors recommends payment of first and final dividend of Kshs. 10.00 per share - (2022, Kshs. 8.66 per share) on time-weighted shares as of 31st December 2023. They also recommend interest on members' deposit of 7.45% - (2022, 7.40%) on time-weighted deposits as at 31st December 2023.

By order of the Board

Signature:
 Secretary **WERE HWANTA**

Date: 08/02/2024

Statement of The Board of Directors' Responsibilities

The SACCOs Act, no 14 of 2008 requires the Board of Directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the society as at the end of the financial year and of its operating results for that year in accordance with IFRS. It also requires the Board of Directors 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 of the society has been conducted in accordance with its objectives, by-laws and any other resolutions made at the society's general meeting. The Board of Directors 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 the manner required by the SACCO Societies Act No. 14 of 2008.


The Board of Directors 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 of its operating results in accordance with the IFRS. The Board of Directors 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 Board of Directors to indicate that the society will not remain a going concern for at least twelve months from the date of this statement.

Approved by the Board of Directors on 8 February 2024 and signed on its behalf by:

 Chairman
Signature

 Treasurer
Signature

 Board Member
Signature **WERE LUWANGA**

Report of the Independent Auditor to the members of Mzima Springs Sacco Limited

Opinion

Mzima Springs Regulated Non-WDT-Sacco Society Ltd. Financial statements comprise the Statement of Financial Position as at 31st December 2023 and the Statement of Profit or Loss and other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the annual report and financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the annual report and financial statements present fairly, in all material respects, the financial position of Mzima Springs Regulated Non-WDT Sacco Society Ltd. as at 31st December 2023 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Co-operative Societies Act Cap 490.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual report and financial statements section of our report. We are independent of the Sacco in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA code. We believe that the audit evidence has obtained is sufficient and appropriate to provide a basis for the opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significant in 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. This comprises of the following:

Key audit matter	How we addressed it during our audit
<p><i>Valuation of other financial instruments</i></p> <p>The values of these assets are based on entity developed internal models and not on quoted market prices in an active market. Given the significance of their value and significant measurement uncertainties involved in their valuation, valuation of these instruments was significant to our audit.</p>	<p>We assessed and tested the design and operating effectiveness of controls over valuation and model. In those cases, where external information and confirmation was required, we contacted the relevant institutions. Overall, our view in spite of the inherent uncertainties we were able to conclude that the other financial assets are fairly stated.</p>

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by the Co-operative Societies Act Cap 490 which we obtained prior to the date of this report. Our opinion on the Annual report and financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual report and financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual report and financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board's Responsibility for the Annual Report and Financial Statements

The Board and the management are responsible for the preparation and fair presentation of the annual report and financial statements in accordance with International Financial Reporting Standards and the requirements of the Co-operative Societies Act Cap 490, and for such internal control as the directors determine is necessary to enable the preparation of Annual report and financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual report and financial statements, the directors are responsible for assessing the Sacco's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Sacco or to cease operations, or have no realistic alternative but to do so. The directors are responsible for overseeing the Sacco's financial reporting process.

Auditors' Responsibilities for the Audit of the Annual Report and Financial Statements

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Annual report and financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sacco's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sacco's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual report and financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sacco to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Annual report and financial statements, including the disclosures, and whether the Annual report and financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

Report on other Requirements

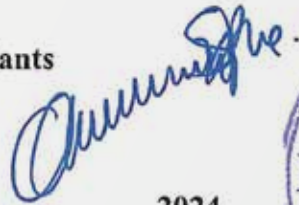
As required by the International Standards on Auditing, we report to you, based on our audit, that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii) In our opinion proper books of accounts have been kept by the Sacco, so far as appears from our examination of those books.
- iii) In our opinion, the financial information given in the directors' report for the year ended 31 December 2023 is consistent with the Sacco's Annual report and financial statements; and
- iv) The Sacco's statement of financial position and statement of surplus or deficit and other comprehensive income are in agreement with the books of accounts.

The Engagement Partner responsible for the audit resulting in this Independent Auditor's Report is CPA Kiphone O. Omambia - P/No 2364.

Omambia & Associates
Certified Public Accountants
Nairobi, Kenya

Nairobi _____ 2024



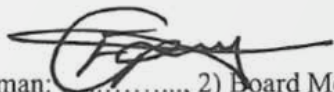
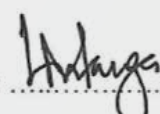
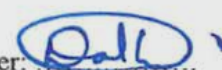

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2023	2022
		Kshs.	Kshs.
Revenue			
Interest on loans and advances	3	41,079,410	31,570,380
Other interest income		-	-
Total interest income		41,079,410	31,570,380
Interest expenses	4	(21,039,381)	(19,000,000)
Net interest income		20,040,029	12,570,380
Other operating income	5	2,226,375	2,450,528
Financial Expense	a	(3,466,917)	(4,428,860)
Personnel Expenses	b	(4,276,529)	(2,857,698)
Administration expenses	c	(2,538,238)	(1,997,772)
Governance expenses (member related costs)	d	(3,427,950)	(3,128,135)
Depreciation/Amortization	6e	(52,344)	(41,838)
Marketing expenses	6f	(21,080)	(16,804)
		(11,556,684)	(10,020,579)
Net operating surplus/(deficit) before income tax		8,483,345	2,549,802
Net surplus/(deficit) for the year		8,483,345	2,549,802
Total comprehensive income before tax		8,483,345	2,549,802
Tax		-	-
Statutory reserve - (20% of the reported current year surplus)		(1,696,669)	(509,960)
Dividends	17	(1,803,023)	(1,070,000)
Honorarium	17	(650,000)	(550,000)
Staff bonus	17	(300,000)	(200,000)
Net surplus for the year		4,033,653	219,841

Statement of Financial Position as at 31st December 2023

	Notes	2023	2022
		Kshs.	Kshs.
Assets			
Cash and cash equivalents	8	5,236,578	4,046,091
Prepayments and sundry receivables	9	18,102,190.78	15,458,136
Loans to members - net	10	372,289,776	290,372,355
Unreconciled loans - net	21	16,189,717	17,539,717
Other financial assets (short-term)	11	11,744,550	41,092,001
Intangible assets - software	12	15,318	21,883
Property, plant and equipment	13	210,622	129,501
Total Assets		423,788,752	368,659,684
Liabilities			
Members' deposits	14	362,153,460	321,730,294
Dividends payable	23	1,803,023	1,070,000
Provision for interest on member deposits	22	21,039,381	19,000,000
Trade payables and accrued expenses	15(b)	1,312,578	1,015,201
Sundry creditors	15(a)	956,775	956,775
Total liabilities		387,265,216	343,772,270
Equity			
Share capital	16	18,258,100	12,352,300
Reserves	17	18,265,436	12,535,114
Total equity		36,523,536	24,887,414
Total Liabilities and Equity		423,788,752	368,659,684

The financial statements on pages 12-50 were authorized for issue by the Board of Directors on
on 8 FEB 2024 and signed on its behalf by:

1) Chairman:  2) Board Member:  3) Board Member: 



Statement of Changes in Equity for the Year Ended 31st December 2023

	Notes	Share capital	Statutory reserve	Retained earnings	Total
		Kshs.	Kshs.	Kshs.	Kshs.
As at 1st January 2022					
As previously reported		6,251,900	6,295,625	5,509,687	18,057,212
Prior period adjustments		-	-	-	-
As restated		6,251,900	6,295,625	5,509,687	18,057,212
Change in equity in 2022					
Profit/(loss) for the year		-	-	2,549,802	2,549,802
Total comprehensive income for the year		-	-	2,549,802	2,549,802
Statutory reserve fund			509,960	(509,960)	-
Transactions with owners:					-
Additional shares	16	1,510,500			1,510,500
Transfer from deposits	14	4,589,900			4,589,900
Dividends:					-
Final for 2021					-
Proposed for 2022				(1,070,000)	(1,070,000)
Honoraria				(550,000)	(550,000)
Staff bonus				(200,000)	(200,000)
As at 31st December 2022		12,352,300	6,805,586	5,729,528	24,887,414
As at 1st January 2023					
As previously reported		12,352,300	6,805,586	5,729,528	24,887,414
Prior period adjustments		-	-	-	-
As restated		12,352,300	6,805,586	5,729,528	24,887,414
Change in equity in 2023					
Profit/(loss) for the year				8,483,345	8,483,345.483
Total comprehensive income for the year		-	-	8,483,345	8,483,345
Statutory reserve fund			1,696,669	(1,696,669)	-
Transactions with owners:					-
Additional shares	16	913,500.00			913,500.00
Transfer from deposits	14	4,992,300			(4,992,300)
Dividends:					
Proposed for 2023				(1,803,023)	(1,803,023)
Honoraria				(650,000)	(650,000)
Staff bonus				(300,000)	(300,000)
Transfer of excess depreciation					-
As at 31st December 2023		18,258,100	8,502,255	9,763,181	26,538,936

Statement of Cash Flows for the year ended 31st December 2023

	Notes	2023	2022
		Kshs.	Kshs.
Cash flows from operating activities			
Interest receipts	3	41,079,410	31,570,380
Other operating income	5	2,226,375	2,450,528
Interest payments	4	(19,000,000)	(16,000,000)
Payments to employees and suppliers		(11,658,234)	(9,088,566)
		12,647,551	8,932,343
(Increase)/decrease in operating assets			
Net Loans to members	10	(83,589,903)	(26,695,185)
Trade and other receivables	9	(2,644,055)	(4,518,126)
Short term investments	11	29,347,451	(16,213,908)
Increase / (decrease) in operating liabilities			
Deposits from members	14	40,423,166.34	33,001,254
Trade and accrued expenses	15(b)	297,376.39	102,780
Net cash from operating activities before income taxes		(3,518,413)	(5,390,842)
Net cash from operating activities		(3,518,413)	(5,390,842)
Cash flow from investing activities			
Purchase of property and equipment	13	(126,900)	-
Net cash from investing activities		(126,900)	-
Cash flow from financing activities			
Share capital contributions	16	5,905,800.00	6,100,400
Dividends paid		(1,070,000)	(700,000)
Net cash from financing activities		4,835,800	5,400,400
Net (decrease)/increase in cash and cash equivalents		1,190,487	9,558
Cash and cash equivalent at the beginning of the year	8	4,046,092	4,036,534
Cash and cash equivalents at the end of the year	8	5,236,578	4,046,092

Notes to the Financial Statements

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 & basis of preparation**
The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRSs). IAS 21.55 These financial statements are presented in the functional currency, Kenya shillings (KShs) rounded to the nearest thousand (000) and prepared under the historical cost convention, except as specified below under fair value measurement in accordance with applicable IFRSs.
- b) **Revenue recognition**
Interest on loans to members is calculated on a reducing balance method. Interest income is recognized on a time proportion basis by reference to the principal outstanding and the effective interest rate applicable.
- c) **Property, plant and equipment**
All property, plant and equipment are initially recorded at cost. Certain classes of property, plant and equipment are subsequently shown at revalued amounts, based on periodic valuations by the independent valuers, less subsequent. All other property plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Increases in carrying value arising on revaluations are credited to other comprehensive income and accumulated in revaluation reserves in equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve. All other decreases are charged against the profit or loss. Each year, the difference between the depreciation based on the revalued carrying amount of the asset (the depreciation charged to the income statement) and depreciation based on the assets original cost is transferred to retained earnings.

Depreciation is calculated using the straight line method to write down the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates in use are:

Asset	Rate (%)
Freehold land and buildings	2%
Plant and machinery	20%
Motor vehicles	25%
Furniture, fittings and equipment	10%
Computers, photocopiers, and other accessories	25%

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of a revalued asset, amount in the revaluation reserve relating to that asset is transferred to retained earnings.

Derecognition

The carrying amount of an item of property, plant and equipment shall be derecognized:

- a) on disposal; or
- b) when no future economic benefits are expected from its use or disposal.
- c)

The gain or loss arising from the recognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised (unless IFRS 16 requires otherwise on a sale and leaseback). Gains shall not be classified as revenue

d) **Leases**

Finance and operating leases recognized as assets by lessee shall be disclosed as required in IFRS 16, *Leases*:

- i) *Finance lease*
Leases of property, plant and equipment where the society assumes substantially all the benefits and risks of ownership are classified as finance leases. Assets acquired under finance leases are capitalized at the inception of the lease at the lower of their fair values and the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rentals obligations, net of finance charges are included in non-current liabilities while the interest element of the finance charge is charged to the profit or loss account over the lease period.
- ii) *Operating leases*
Leases of assets where a significant proportion of the risks and rewards are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the lease period. Prepaid operating lease rentals are recognized as assets and are subsequently amortized over the lease period. Under the new IFRS 16, *Leases*, operating leases shall be reported as right of use assets on the statement of financial position and depreciated accordingly.

e) **Financial Instruments**

The Sacco classifies its financial instruments into the following categories:

- i) *Financial assets and financial liabilities at fair value through profit or loss*, which comprise financial assets and financial liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term or to generate short-term profit-taking; AND/OR
- ii) *Financial assets and financial liabilities at fair value through profit or loss*, which comprise financial assets or financial liabilities designated by the company at fair value through profit or loss and which are managed and their performance evaluated on a fair value basis in accordance with the company's investment strategy.
- iii) *Held-to-maturity investments*, which comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has a positive intention and ability to hold to maturity.
- iv) *Loans and receivables*, which comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and excludes assets which the entity intends to sell immediately or in the near term or those which the entity upon initial recognition designates as at fair value through profit or loss or as available-for-sale financial assets.
- v) *Available-for-sale financial assets*, which comprise non-derivative financial assets that are designated as available-for-sale financial assets, and not classified under any of the other categories of financial assets.

Financial assets

All financial assets are recognized initially using the trade date accounting which is the date the company commits itself to the purchase or sale. Financial assets carried at fair value through profit or loss are initially recognized at fair value and the transaction costs are expensed in the profit and loss account. All other categories of financial assets are recorded at the fair value of the consideration given plus the transaction cost.

Subsequently, held-to-maturity investments and loans and receivables are carried at amortized cost using the effective interest method, while all other financial assets are carried at their fair values, without deduction for transaction costs that may be incurred on sale.

Amortized cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortization

using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The fair value for quoted shares is determined using the quoted bid price at the reporting date while that of non-quoted shares is determined using valuation techniques **AND/OR** Investment in equity shares classified as available-for-sale assets for which there is no active market and whose fair value cannot be reliably measured are carried at cost.

Impairment of Financial Assets

The entity assesses at each reporting date whether there is objective evidence that a financial asset is impaired. If any such evidence exists, an impairment loss is recognized. Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. In the case of held-to-maturity investments and loans and receivables, the recoverable amount is the present value of the expected future cash flows, discounted using the asset's effective interest rate.

Changes in fair value of financial assets at fair value through profit or loss are recognized in the profit or loss account.

Changes in fair value for available-for-sale financial assets are recognized in other comprehensive income, except for impairment losses (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognized in profit or loss), which are recognized in the profit and loss account. In the year of sale, the cumulative gain or loss recognized in other comprehensive income is recognized in the profit or loss account as a reclassification adjustment.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the company has transferred substantially all risks and rewards of ownership.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate. A provision for impairment is recognized in the profit or loss in the year when the recovery of the amount due as per the original terms is doubtful. The provision is based on the difference between the carrying amount and the present value of the expected cash flows, discounted at the effective interest rate.

Receivables not collectible are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the profit or loss in the year of recovery.

Financial liabilities and equity instruments issued by the Sacco

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an

entity after deducting all of its liabilities. Equity instruments issued by the Sacco are recorded at the proceeds received, net of direct issue costs. The capital comprises primarily of minimum share capital prescribed under the By-laws of the Sacco.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

All financial liabilities are recognized initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognized at fair value and the transaction costs are expensed in the statement of comprehensive income.

Subsequently, all financial liabilities are carried at amortized cost using the effective interest method except for financial liabilities through profit or loss which are carried at fair value.

All financial liabilities are classified as non-current except financial liabilities at fair value through profit or loss, those expected to be settled in the company's normal operating cycle, those payable or expected to be paid within 12 months of the reporting date and those which the company does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

Derecognition of Financial Liabilities

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

Provision for liabilities and charges

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Other financial liabilities

All other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

f) **Investment property**

An investment property comprises a building or part of a building and land held for long term yields and /or capital appreciation and which are not occupied by the society and is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is carried at fair value representing market value determined annually by external independent valuers. Changes in fair values are recognized in the income statement.

On disposal of an investment property, the difference between the net disposals proceeds and the carrying amount is charged or credited to the profit or loss.

g) **Intangible assets**

Software license costs are stated at historical cost less estimated accumulated amortization and

accumulated impairment losses. Amortization is calculated using the straight-line method to write down the cost of the software to its residual value over the estimated useful life using an annual rate of 30%

h) **Impairment of non-financial assets**

The carrying amounts of the society's tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such condition exists, the recoverable amount of the asset is estimated to determine the extent of impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount impairment loss is recognized immediately, unless the relevant asset is carried at revalued amount in which case the impairment loss is treated as a decrease in revaluation reserve. The respective asset is reduced to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss had been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in revaluation reserve.

i) **Employee entitlements**

Employee entitlement to long service awards are recognized when they accrue to employees. Provision is made for the estimated liability of such entitlements as a result of services rendered by employees up to the reporting date. The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognized as an expense accrual.

j) **Retirement benefit obligations**

The Society operates a defined contribution scheme for all employees. A defined contribution plan is a pension plan under which the society pays fixed contributions into a separate entity. The assets of these schemes are held in a separately administered fund that is funded by contribution from the society and employees.

The Society has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior period. The society's contributions to the defined contribution schemes are charged to the profit or loss in the year to which they relate.

The society also contributes to a mandatory statutory defined contribution pension scheme, the National Social Security Fund (NSSF) at varying values for its employees as legislated from time to time.

k) **Tax**

Current tax is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation. Note that for Sacco's, dividend and/or interest expense is deducted before computing/charging tax.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability. Currently enacted tax rates are used to determine deferred income tax.

Deferred income tax assets are recognized only to the extent that it is probable that the future taxable profits will be available against which temporary differences can be utilized.

l) **Statutory reserves**

Co-op Act Transfers are made to the statutory reserve fund at a rate of 20% of net operating surplus after tax in compliance with the provision of section 47 (1& 2) of the Co-operative Societies Act, Cap 490.

m) **Translation of foreign currencies**

Transactions in foreign currencies during the year are converted into Kenya shillings at rates ruling at the transaction dates. Assets and liabilities which are expressed in foreign currencies are translated into Kenya shillings at the exchange rates ruling at the reporting sheet date. The resulting differences from translation are dealt with in the profit or loss in the year in which they arise.

n) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value net of bank overdrafts.

o) **Provisions for liabilities and other charges**

Provisions are recognized when the Sacco has a present obligation (legal or constructive) as a result of a past event, it is probable that the Sacco will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

p) **Non-Current Assets Held for Sale or Discontinued Operations**

i) *Non-current assets held for sale*

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

For assets to be classified as held for sale the asset(s) (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

ii) *Non-current assets that are to be abandoned*

The Sacco does not classify as held for sale a non-current asset (or disposal group) that is to be abandoned. This is because its carrying amount will be recovered principally through continuing use. However, if the disposal group to be abandoned meets the criteria in paragraph 32(a)–(c), the entity shall present the results and cash flows of the disposal group as discontinued operations in accordance with paragraphs 33 and 34 at the date on which it ceases to be used. Non-current assets (or disposal groups) to be abandoned include non-current assets (or disposal groups) that are to be used to the end of their economic life and non-current assets (or disposal groups) that are to be closed rather than sold.

iii) *The Sacco discloses:*

(a) a single amount in the statement of comprehensive income comprising the total of:

- (1) the post-tax profit or loss of discontinued operations and
- (2) the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

iii) *The Sacco presents non-current asset(s) classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position.*

No depreciation (or amortization) of a non-current asset takes place while it is classified as held for sale or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale

shall continue to be recognized

p) **Collateral**

The Sacco discloses:

- (a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with IFRS 9, *Financial Instruments*; and
- (b) the terms and conditions relating to its pledge.

When the Sacco holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose:

- (a) the fair value of the collateral held;
- (b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and
- (c) the terms and conditions associated with its use of the collateral.

q) **Adoption of new and revised standards**

In the current year, the Society has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2009. These are:

Application of new and revised International Financial Reporting Standards (IFRSs)

- (i) *Relevant new standards and amendments to published standards effective for the year ended 31st December 2021.*

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the entity has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The entity has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

The standard amends the classification and measurement models for financial assets as set out below:

a) **Classification and measurement of financial assets**

The entity has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 July 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 July 2018 have not been restated where appropriate in accordance with the transition provisions of the standard.

The Entity's statement of financial position contains the following financial assets:

- 1) Trade and other receivables
- 2) Bank balances

There have been changes in the measurement criteria for some of the entity's financial assets on adoption of IFRS 9 after the consideration of the business model and cash flow characteristics. Specifically, the other receivables typically held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount out-

standing, are measured subsequently at amortised cost and are subject to impairment. See (b) below.

b) *Impairment of financial assets*

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39.

Specifically, IFRS 9 requires the entity to recognise a loss allowance for expected credit losses on its financial assets as listed in (a) above. The Entity measured the loss allowance for other receivables at an amount equal to lifetime expected credit loss (ECL).

(ii) *Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 31 December 2022 and future annual periods*

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The Management of the entity anticipate that the application of IFRS 16 in the future will not have a significant impact on amounts reported in respect of the Entity's financial assets and financial liabilities.

The Management of the entity do not anticipate that the application of the amendments in the future will have an impact on the entity's financial statements.

Annual Improvements to IFRS Standards 2015-2022 Cycle

The Annual Improvements to IFRS Standards 2015-2022 cycle makes amendments to the following standards:

- IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in of income and expenditure, regardless of how the tax arises.
- IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.
- IFRS 16: Leases – entails the need to recognize right of use assets on the statement of financial position.

The Management do not anticipate that the application of the amendments in the future will have an impact on the entity's financial statements.

(iii) *Early adoption of standard*

The entity did not early-adopt any new or amended standards in the period.

r) ***New and revised standards and interpretations which have been issued but are not effective***

The following revised standards and interpretations have been published and was effective for the first time in the year ending 31st December 2021. The company has not early adopted any of these amendments or interpretations.

a) IFRS 17: Insurance Contracts

The Directors have assessed the potential impact of the above and expect that they will not have a significant impact on the company's financial statements for 2022.

2. Estimation uncertainty and significant judgments

(a) ***Key source of estimation uncertainty***

These are assumptions applied in estimating the carrying amounts and the underlying estimation uncertainty may lead to those amounts changing materially in the next 12 months. Examples of situations involving estimation uncertainty:

1. In the absence of recently observed market prices, future oriented estimates are necessary to measure the recoverable amounts of classes of property, plant and equipment.
2. The effect of technological obsolescence on inventories
3. Provisions subject to future outcome of litigation in progress
4. In determining the liability for long-service payments (explained in note 20), management must make an estimate of salary increases over the following five years, the discount rate for the next five years to use in the present value calculation, and the number of employees expected to leave before they receive the benefits

(b) ***Significant judgment(s) in applying the Society's accounting policies***

Disclosure is made of significant judgments (apart from those involving estimations) made in applying the accounting policies that have the most significant effect on the amounts recognized in the financial statements. Examples of judgments:

1. When substantially all the significant risks and rewards of ownership of financial assets are transferred to other entities
2. Whether in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue
3. Whether the relationship with a special purpose entity indicates control of the Special Entity

3. Society income

	2023	2022
	Kshs.	Kshs.
BOSA Loans	41,079,410	31,570,380
Total	41,079,410	31,570,380

4. Interest expense

	2023	2022
	Kshs.	Kshs.
Member's deposits (BOSA or Non-withdrawable)	21,039,381	19,000,000
Total	21,039,381	19,000,000

5. Other operating income

	2023	2022
	Kshs.	Kshs.
Entrance fee	127,000	103,000
Income from short term investments (money market)	2,099,375	2,347,528
Total	2,226,375	2,450,528

6. Operating expenses

	2023	2022
	Kshs.	Kshs.
a Financial Expense		
Other Expense (bank charges)	444,436	338,157
Net Provision for Loan Losses	1,672,481.76	1,881,595
Provision on unreconciled loan item	1,350,000	1,350,000
Provision on doubtful Trade receivable from members	-	859,108
Total	3,466,917	4,428,860
b Personnel Expenses		
Salaries and wages	3,532,367	2,386,200
Staff benefits – (medical insurance covers)	507,017	231,198
Staff training	-	66,920
Lunch allowance	237,145	173,380
Total	4,276,529	2,857,698

c	Administration expenses		
	Travelling and subsistence	1,840	2,532
	Printing and stationery	26,425	87,799
	Insurance for loans - KUSCCO	1,363,751	1,091,252
	Debt collection charges	-	21,105
	Website maintenance	45,074	35,898
	Supervision fees to SASRA	30,000	30,000
	KUSCCO subscription	10,000	10,000
	Auditors' remuneration	70,000	70,000
	Legal fees	-	1,000
	Donations	1,500	180,000
	Electricity	24,002	22,313
	Rent	263,826	235,700
	Telephone and postage	70,000	74,000
	Repairs	1,500	-
	Internet charges	41,000	45,500
	SMS charges	11,400	11,000
	Sundry/office administration	53,484	3,826
	Interest on deposits over-applied	524,437	1,507
	Internal audit expense	-	74,340
		2,538,238	1,997,772
	The interest on deposits over-applied relates to a member who had retired from the Sacco and his account was inactive at the point of pulling interest on deposit schedule from system. The members claimed the interest on deposits later and we had to pay him for we had their deposits to the close of the financial year 2023		
d	Governance expenses (member related costs)		
	Board meetings	-	16,800
	Sitting allowance - Supervisory Committee	171,120	204,870
	Members' education	-	27,100
	Sitting allowance - Board	1,908,000	1,839,750
	Training - Board Members	8,000	41,000
	AGM expenses	1,274,830	932,615
	Auditorium charges	66,000	66,000
	Total	3,427,950	3,128,135
	List of Board of Directors year 2023 and gross allowance drawn.		
1	Fredrick Odhiambo (Chairman)	324,000	324,000

2	Loice Orege(Vice Chair)	252,000	246,750
3	Were Lwanga (Secretary	252,000	252,000
4	Dr. David Mathuva (Treasurer)	324,000	324,000
5	John Robert (Credit Committee)	252,000	241,500
6	Fredrick Otieno (Chair, Credit Committee)	252,000	246,750
7	Muema, Perpetua (Credit Committee)	252,000	204,750
	Sub total	1,908,000	1,839,750
List of supervisory Committee members year 2023 & Allowance drawn			
1	Julius Mamicha (Chairman)	57,040	68,290
2	Chrispin Oloo (Secretary)	57,040	68,290
3	Emily Cherono (Committee Member)	57,040	68,290
	Sub total	171,120	204,870
e	Depreciation/Amortization		
	Depreciation - Computer Equipment	33,564	20,939
	Depreciation - Furniture	12,214	11,520
	Amortization - Sacco Software	6,565	9,378
	Total	52,344	41,838
f	Marketing expenses		
	Public relations and advertisements	21,080	16,804
		21,080	16,804
	Total	13,783,059	12,471,107

	2023	2022
	Kshs.	Kshs.
7 a) Depreciation and amortization		
Depreciation of property, plant and equipment	45,779	32,459
Amortization of intangible assets	6,565	9,378
Total	52,344	41,838
b) Employee benefits expense		
Salaries and wages	3,532,367	2,386,200
Total	3,532,367	2,386,200

8. Cash and cash equivalents

	2023	2022
	Kshs.	Kshs.
Cash and cash equivalents at the end of the year comprise:		

Cash in hand (verified)	4,066	8,356
Cash at bank - Co-operative Bank (Current Account)	5,205,677	4,007,460
Cash at bank - Co-operative Bank (Savings Account)	26,835	30,275
Total	5,236,578	4,046,091

The bank accounts are domiciled at Co-operative Bank of Kenya Ltd where we have two accounts with following account numbers:

- Current account number - 01120040136300
- Savings account number – 01100040136300

The year-end cash and cash equivalents comprised cash in hand and deposits held at the bank.

9. Prepayments and sundry receivables.

	2023	2022
	Kshs.	Kshs.
Prepayments - rent	95,669	95,669
Prepayments - insurance	500,000	363,751
Deductions due from employers-net of provisions	17,346,617	14,714,770
Staff insurance medical fund	-	124,041
Prepaid withholding tax	148,318	148,318
Other, sundry receivables (Rent - Mzima Investment Ltd.)	11,587	11,587
Total	18,102,191	15,458,136

10. Loans to members

	2023	2022
	Kshs.	Kshs.
At the start of the year	290,372,355	265,558,765
Granted during the year	282,174,854	205,886,315
Repayment during the year	(191,551,049)	(174,038,824)
Sub total	380,996,160	297,406,257
Provisions	(8,706,384)	(7,033,902)
At year end	372,289,776	290,372,355

Movement in the allowance for doubtful debts

	2022	2021
	Kshs.	Kshs.
Balance at beginning of the year	5,152,306	2,913,052
Provision for the year	1,881,595	2,239,254
Balance at end of the year	7,033,902	5,152,306

11. Other Financial assets.

	2023	2022
	Kshs.	Kshs.
CIC Investment Managers Ltd	2,430,189	26,349,538
Genghis Capital	-	3,339,949
Old Mutual	-	3,049,768
Madison Asset Managers Ltd	9,250,361	8,288,747
Non-current - KUSCCO shares @ 100 par value	64,000	64,000
Total	11,744,550	41,092,001

12. Intangible assets; computerization and software

	2023	2022
	Kshs.	Kshs.
At start of year	465,000.00	465,000.00
Additions	-	-
Amortization charge	(449,682)	(443,117)
At end of year	15,318.09	21,882.71

13. Property, plant and equipment

	Furniture & fittings	Computer, computer accessories, copier & faxes	Total
Cost or valuation	Kshs	Kshs	Kshs
At 1 January 2020	278,393	719,641	998,034
Balance as at 1 January 2021	278,393	719,641	998,034
Additions	-	-	-
Balance at 31 December 2021	278,393	719,641	998,034
Accumulated depreciation & impairment			-
Balance as at 1 January 2020	158,016	577,199	735,215
Depreciation charge	15,047	42,733	57,780
Balance at 1 January 2021	173,063	619,932	792,995
Depreciation charge	13,166	29,913	43,079
Balance at 31 December 2021	186,229	649,844	836,074
Carrying amount			-
As at 31 December 2020	105,330	99,709	205,039
As at 31 December 2021	92,164	69,797	161,960
Balance as at 1 January 2022	278,393.00	719,641.00	998,034.00
Balance at 31 December 2022	278,393.00	719,641.00	998,034.00
Accumulated depreciation & impairment			
Balance at 1 January 2022	186,229.28	649,844.48	836,073.76
Depreciation charge	11,520.48	20,938.96	32,459.44
Balance at 31 December 2022	197,749.76	670,783.44	868,533.20
Carrying amount			
As at 31 December 2021	92,163.72	69,796.52	161,960.24
As at 31 December 2022	80,643.24	48,857.56	129,500.80
Balance as at 1 January 2023	278,393.00	719,641.00	998,034.00

Additions	41,500.00	85,400.00	126,900.00
Reclassified as held for sale	-	-	-
Balance at 31 December 2023	319,893.00	805,041.00	1,124,934.00
Accumulated depreciation & impairment			
Balance at 1 January 2023	197,749.76	670,783.44	868,533.20
Effect of prior year adjustment	-	-	-
Depreciation charge	12,214.32	33,564.39	45,778.71
Balance at 31 December 2022	209,964.08	704,347.83	914,311.91
Carrying amount			
As at 31 December 2022	80,643.24	48,857.56	129,500.80
As at 31 December 2023	109,928.92	100,693.17	210,622.09

14	Members' deposits	2023	2022
		Kshs.	Kshs.
	Savings deposits (special savings)		
	At the start of the year	1,186,863	846,428
	Deposits during the year	3,015,220	2,879,147
	Withdrawals/Refunds during the year	(2,890,650)	(2,538,713)
	Sub Total	1,311,433	1,186,863
	Short term deposits		
	Non-Withdrawable Deposits		
	At the start of the year	321,730,294	288,729,040
	Contribution during the year	51,745,878	75,291,597
	Deposits chargeable to member statements (reconcilable)	3,792,403	1,706,591
	Refunds during the year	(11,434,247)	(40,593,896)
	Transfer to share capital	(4,992,300)	(4,589,900)
	Sub Total	360,842,028	320,543,431
	Total	362,153,460	321,730,294

Deposits chargeable to member statements relates to cash deposits made to our current account which do not have a narration to whom they belong to, we are waiting on members to present deposits slips for them to be allocated appropriately. (I have attached a schedule to support the closing balance).

15(a) Trade and other payables		2023	2022
		Kshs.	Kshs.
Trade payables (sundry)		956,775	956,775
Sub total		956,775	956,775
<p>This balance has no movement in the books of account is a lump sum figure which do not have a breakdown of to whom the SACCO owes money - the SACCO does not owe anybody money as per the records we have maintained.</p>			
15(b) Payables to related parties		2023	2022
		Kshs.	Kshs.
Due to Mzima Investment Ltd.		38,608	38,608
Accrued rent and service charge		9,481	9,481
Accrued internal audit fees		15,000	15,000
Accrued PAYE		139,937	94,132
Accrued NHIF		5,600	-
Accrued NSSF		8,640	1,200
Accrued staff bonus		300,000	200,000
Provision for audit fees		70,000	70,000
Provision for honoraria		650,000	550,000
Staff medical fund		32,532	
Accrued Supervisory committee allowance		42,780	36,780
Total		1,312,578	1,015,201
Provision for loan loss		8,706,384	7,033,902

16 Share capital		2023	2022
		Kshs.	Kshs.
Balance brought forward (50 number of shares @ Kshs 100)		12,352,300	6,251,900
Contributions for the year		913,500	1,510,500
Transfer from member deposits		4,992,300	4,589,900
Total		18,258,100.00	12,352,300.00

			No. of ordinary shares
	Share capital		Kshs.
	At 1st January 2022	12,352,300	5,933,400
	Additional shares	5,905,800	318,500
	At 31st December 2023	18,258,100	6,251,900
	Additional shares	5,905,800	1,510,500
	At 31st December 2023	18,258,100	7,762,400

The total number of authorized ordinary shares is 18,258,3 (2022: 12, 352,3) with a par value of Kshs. 100 each.

No share premium arose during the year.

17. Reserves

	2023	2022
	Kshs.	Kshs.
Prior year's retained earnings	5,729,528	5,509,687
Current year's surplus before tax and appropriation –(Net of 20% statutory reserve)	6,786,676	2,039,841
Statutory reserve	8,502,255	6,805,586
Proposed dividends	(1,803,023)	(1,070,000)
Honoraria	(650,000)	(550,000)
Provision for staff bonus	(300,000)	(200,000)
Total	18,265,436	12,535,113.50

Transfers are made to the statutory reserve fund at a rate of 20% of net operating surplus after tax in compliance with the provision of section 47 (1& 2) of the Co-operative Societies Act of Cap 490.

The properties revaluation reserve arises on the revaluation of land and buildings. Where revalued land or Buildings are sold, the portion of the properties revaluation reserve that relates to that asset, and is effectively realized, is transferred directly to retained profits. This reserve is not available for distribution.

The investments revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectively realized, is removed from other comprehensive income and recognized in profit or loss. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognized in profit or loss.

Gains and losses transferred from equity into profit or loss during the period are included in other gains and losses.

The following should be included in the computation of reserves:

	2023	2022
	Kshs.	Kshs.
Prior year's retained earnings	5,729,528	5,509,687
Current year's surplus before tax and appropriation –(Net of 20% statutory reserve)	6,786,676	2,039,841
Statutory reserve	8,502,255	6,805,586
Proposed dividends	(1,803,023)	(1,070,000)
Honoraria	(650,000)	(550,000)
Provision for staff bonus	(300,000)	(200,000)
Total	18,265,436	12,535,113.50

All the loans to the Board, Supervisory Committee and Staff are issued at arm's length and are performing.

The society has no commitments under non-cancellable leases.

18. Related party transactions

a) Key management/supervisory committee remuneration

	2023	2022
	Kshs.	Kshs.
Short term employment benefits	-	-
Honorarium/allowances	650,000.00	550,000.00
Total	650,000.00	550,000.00

b) Loans to the Board of Directors, Supervisory Committee and Staff

	2023	2022
	Kshs.	Kshs.
At the start of the year	8,425,186	7,432,932
Granted during the period	5,341,000	4,932,000
Interest charged	218,915	816,085.55
Repayment	(3,316,897)	(3,939,747)
Total	10,449,289	8,425,186

c) Loans to the Supervisory Committee members

	2023	2022
	Kshs.	Kshs.
At the start of the year	865,536	1,117,177
Granted during the period	728,000	159,000

Interest charged	36,919	84,228
Repayment	559,378	(410,641)
Total	1,034,158	865,536

d Loans to Staff Members		
	2023	2022
	Kshs.	Kshs.
At the start of the year	1,521,959	858,566
Granted during the period	533,000	2,064,532
Interest charged	36,919	192,924
Repayment	(559,378)	(1,401,138)
Total	1,537,408	1,521,959

All the loans to the Board, Supervisory Committee and Staff are issued at arm's length and are performing.

The society has no commitments under non-cancellable leases.

19. Capital Risk management

The Sacco manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to members through the optimization of the debt and equity balance.

The capital structure of the Sacco consists of net debt calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents and equity (comprising issued capital, reserves and retained earnings). The Board of Directors reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Sacco has a target gearing ratio of x % determined as the proportion of net debt to equity. In order to maintain or adjust the capital structure, the Sacco may adjust the amounts of dividends paid to members or sell assets to reduce debt.

The Sacco's overall strategy remains unchanged from 2009. The debt-to-capital ratios at 31 December 2023 and 2022 were as follows:

19 Capital Risk Management

	2023	2022
	Kshs.	Kshs.
Total borrowings	-	-
Less cash and cash equivalents	-	-
Net debt	-	-
Total equity	34,673,629	24,887,414
Debt-to-adjusted capital ratio	0.00%	0.00%

The Sacco's debt adjusted capital ratio has been 0% since incorporation.

20. Financial risk management objectives

The Sacco's operations are exposed to financial risks. These risks include market risk (including currency risk, fair value, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Sacco's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Sacco's financial performance.

Risk management is carried out by the risk sub-committee under policies approved by the Board of Directors. The risk sub-committee identifies, evaluates and manage financial risks in close co-operation with various departmental heads. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

The sub-committee reports quarterly to the Board of Directors on all aspects of risks including nature of risks, measures instituted to mitigate risk exposures etc.

(a) Interest rate risk management

The Sacco is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed through maintaining an appropriate mix between fixed and floating rate borrowings. The Sacco's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

If interest rates had been 3% lower and all other variables were held constant, the post-tax profit would have been approximately Kshs. 815,969 (2020-KShs. 635,887) lower, arising mainly as a result of lower interest charge on borrowings.

If interest rates had been 3% higher and all other variables were held constant, the post-tax profit would have been Kshs. 454,256 (2020 - Kshs 365,176) higher, arising mainly as a result of higher interest charge on borrowings.

The Sacco's sensitivity to interest rates has remained relatively constant owing to the fixed interest rate on most of the loans offered by the Sacco.

(a) Other price risks

The Sacco is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Sacco does not actively trade these investments.

Equity price sensitivity analysis

The Sacco's sensitivity to equity prices has not changed significantly from the prior year.

(b) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Sacco and arises principally from the Sacco's loans and advances to its members. The amounts presented in the statement of financial position are net of impairment for doubtful debts, estimated by the committee based on prior experience and assessment of the current economic environment. The Sacco has adopted a policy (as contained in its by-laws) of only dealing with creditworthy counterparties and obtaining sufficient collateral, guarantors where appropriate, as a means of mitigating the risk of financial loss from defaults. The Sacco also structures the level of credit risk it undertakes by placing limits on amount of risk accepted in relation to one borrower or group of borrowers.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Sacco does not have any significant credit risk exposure to any single counterparty or any

Sacco of Counterparties having similar characteristics.

(c) **Liquidity risk management**

The committee has built an appropriate liquidity risk management framework for the management of the Sacco's short, medium and long-term funding and liquidity management requirements. The Sacco manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the Sacco's remaining contractual maturity for its financial liabilities. The table have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Sacco can be required to pay. The table includes both interest and principal cash flows.

At the year-end it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the amount included above is nil.

The following table details the Sacco's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period:

The Sacco has access to financing facilities, the total unused amount which is KShs.10 million at the reporting date. The Sacco expects to meet its other obligations from Operating cash flows and proceeds of maturing financial assets. The Sacco expects to maintain current debt to equity ratio, within 0% limits increasing it to 0%. This will be achieved through the issue of new debt and the increased use of secured bank loan facilities.

(d) **Fair value of financial instruments**

A The Sacco classifies fair value measurements using a fair value hierarchy that reflects the Significance of the inputs used in making the measurements. The fair value hierarchy has the following levels,

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

Assets Measured at Fair Value

Fair Value Measurement at end of the reporting Period	2023	Level 1	Level 2	Level 3
	KShs.	KShs.	KShs.	KShs.
	Description			
Financial Assets at fair value through comprehensive Income	64,000	-	64,000	-
Fair Value Measurement at end of the reporting Period	2023	Level 1	Level 2	Level 3
	KShs.	KShs.	KShs.	KShs.
Description				

Fair Value Measurement at end of the reporting Period	2023	Level 1	Level 2	Level 3
	KShs.	KShs.	KShs.	KShs.
	Available For Sale	64,000	-	64,000

The financial statements include shares amounting to Kshs. 64,000 held in KUSCCO at a par value of Kshs. 100.

21. Unreconciled loans

	2023	2022
	KShs.	KShs.
Unreconciled loans - gross at the beginning	17,539,717	18,889,717
Provisioning	(1,350,000)	(1,350,000)
Unreconciled loans - net	16,189,716.70	17,539,716.70

The unreconciled loan item was reported in our audited books year 2021 and we were advised by the regulator SASRA to start provisioning for it for a period of 15 years.

Provisioning for the unreconciled loans	2023	2022
	KShs.	KShs.
	2,700,000	1,350,000
Provision for the year 2023	1,350,000	1,350,000
Provisioning (lump sum)	4,050,000	2,700,000

22 Interest on member deposits	2023	2022
	KShs.	KShs.
At the start of the year	19,000,000	16,000,000
Payments during the year	(19,000,000)	(16,000,000)
At the close of the year	-	-
Proposed for the year 2023	21,039,381	19,000,000
At the close of the year	21,039,381	19,000,000

23 Dividends on shares	2023	2022
	KShs.	KShs.
At the start of the year	1,070,000	700,000
Payments during the year	(1,070,000)	(700,000)
At the close of the year	-	-
Proposed for the year 2023	1,803,023	1,070,000
At the close of the year	1,803,023	1,070,000

Comparison between Actual and Budget year 2023

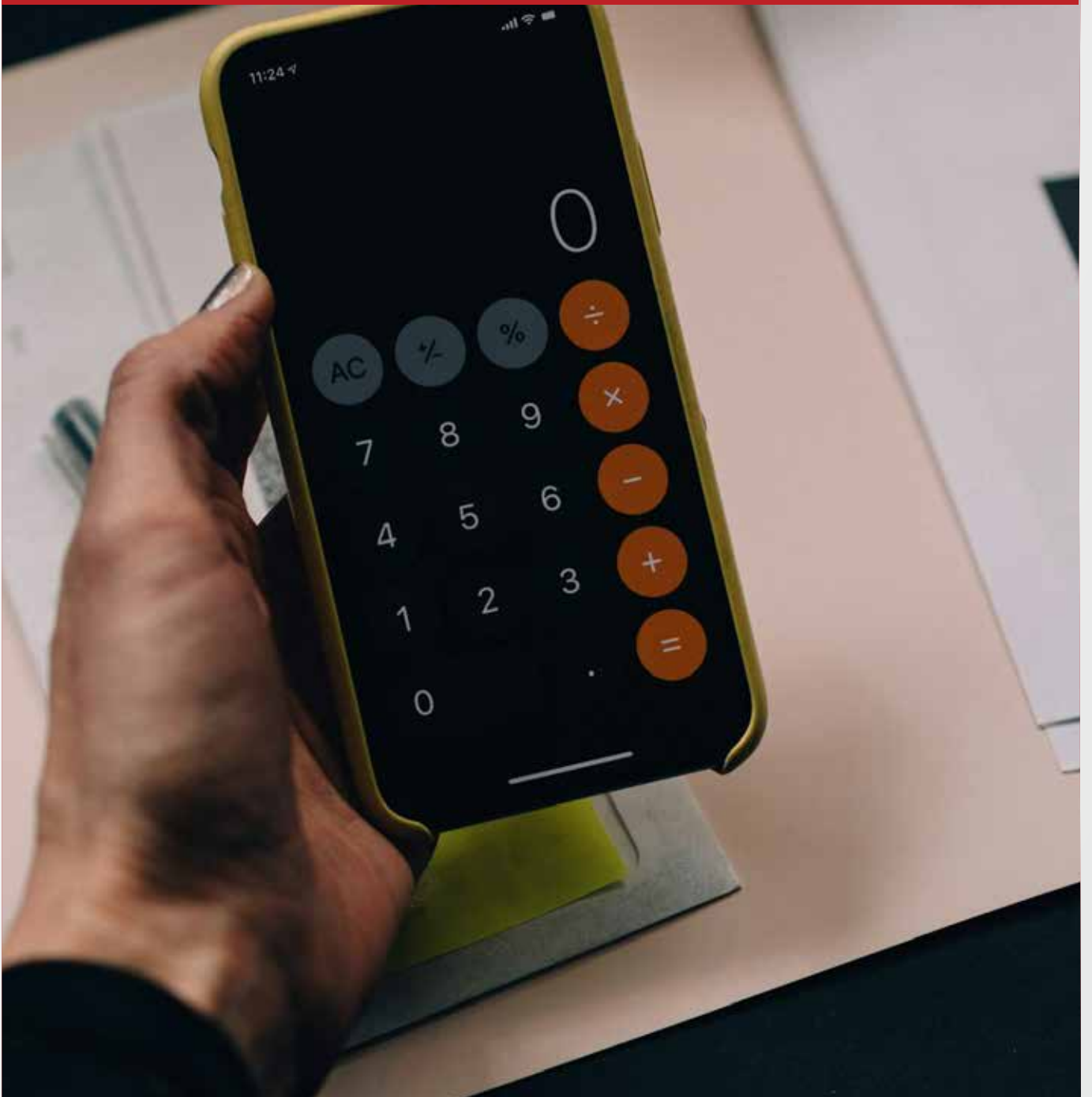
Description	Budget	Actual	% Variance	Comment
	A	B		
Interest Income	28,896,053.12	41,079,410	42%	
Other Incomes	170,000.00	2,099,375	1135%	
Total Income	29,066,053.12	43,178,785	49%	
Management Committee Expenses	1,908,000.00	1,908,000	0%	
Administration and other office expenses	1,052,000.00	1,124,068	(7%)	This expense vote head includes interest on deposits over applied to a tune of 0.5M which is not budgeted
Supervisory Committee Sitting Allowances	171,120.00	171,120	0%	
Donations to charity	150,000.00	1,500	99%	
Annual General Meeting Expenses	909,200.00	1,340,830	(47%)	This expense factors Education day allowance increment to K.es 1000 which was not budgeted
Education and training Expenses	240,000.00	8,000	97%	
Employees' Salaries (including interns)	4,594,200.00	4,276,529	7%	
Audit Fees	235,000.00	70,000	70%	
Insurance	700,000.00	1,363,751	(95%)	Growth in loan potflorio has lead raise in premium which has brought the variance
Revision of by laws	50,000.00	-	100%	
Software and website Maintenance	640,000.00	-	100%	
Bank charges	240,000.00	444,436	(85%)	Growth in transactions over the period has led to increased charges in the account
Members ledger files	20,000.00	-	100%	-
Total Expenses	10,909,520.00	10,708,234	2%	

Budget 2025

MZIMA SPRINGS SACCO SOCIETY				
BUDGET FOR YEAR 1st JANUARY - 31 DECEMBER				
		2024	2025	% change
Sn.	Incomes			
1	Interest Income	32,363,579.49	45,309,011.29	40%
2	Other Incomes			
a	Member entrance fee	100,000.00	500,000.00	400%
b	Investment income	2,500,000.00	2,500,000.00	0%
	Total Income	34,963,579.49	48,309,011.29	38%
	Expenditure			
3	Management Committee Expenses: total			
a	Attending meetings	1,575,000.00	1,575,000.00	0%
b	Sub-committee duties	504,000.00	504,000.00	0%
c	Day to day management	144,000.00	216,000.00	50%
	Total MC expenses	2,223,000.00	2,295,000.00	3%
4	Administration and other office expenses	1,501,000.00	3,133,000.00	109%
5	Supervisory Committee Sitting Allowances	276,120.00	276,120.00	0%
6	Donations to charity	150,000.00	150,000.00	0%
7	Annual General Meeting Expenses	1,859,200.00	2,513,200.00	35%
8	Education and training Expenses	625,000.00	975,000.00	56%
9	Employees' Salaries (including interns)	6,463,220.00	7,144,220.00	11%
10	Audit Fees	400,000.00	400,000.00	0%
11	Insurance	1,500,000.00	1,500,000.00	0%
12	Revision of by laws	-	-	
13	Office furniture and refurbishment	-	-	
14	Software and website Maintenance	1,940,000.00	1,960,000.00	1%
15	Bank charges	348,000.00	480,000.00	38%
16	Office Computers	-	340,000.00	
17	Members ledger files	20,000.00	-	-100%
	Total Expenses	(17,305,540.00)	(21,166,540.00)	22%
	Estimated Surplus for Interest on Deposits	17,658,039.49	27,142,471.29	54%

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mzimasprings@strathmore.edu

www.mzimasacco.com

+254 (0) 797 686 483

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