

MWITO CO-OPERATIVE SAVINGS

&

CREDIT SOCIETY LIMITED

CS / 3047

ANNUAL REPORT

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FINANCIAL STATEMENTS

2012

CS/3047 MWITO CO-OPERATIVE SAVINGS AND CREDIT SOCIETY LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER, 2012

The Board and Supervisory committee members

Board Members:-

- Mr. James O. Nyakundi - Nat. Chairman
- Mr. John M. Kariuki - Vice Chairman
- Mr. Samuel K. Kiplagat - Hon Secretary
- Mrs. Roseline D. Karimi - Treasurer
- Ms. Wilda K. Ombongi - Board member
- Mr. Evans O. Magena - Board member
- Ms Angeline A. Owino - Board member
- Mr. Isaac B. Wekesa - Board member
- Mr. Ephantus W. Githu - Board member

Supervisory committee:-

- Mr. John Njehia - Chairman
- Mr. Hudson Kamau - Secretary
- Mr. Joseph Ongei - Member

Registered office

Mwito Co-operative Savings & Credit Society Limited,
Mwito House, Desai Road,
P O Box 56763 – 00200,
Nairobi.
Telephone +254 20 3505209, Email info@mwitosacco.com

Bankers

Co-operative Bank of Kenya Limited,
University Way Branch,
P O Box 60800,
Nairobi.

Co-operative Bank of Kenya Limited,
Stima Plaza Branch,
P O Box 38764,
Nairobi.

Kenya Commercial Bank Ltd,
Sarit Centre Branch,
P O Box 14959,
Nairobi.

Housing Finance Co. of Kenya Limited,
Rehani House Branch,
P O Box 20691,
Nairobi.

Auditors

Aggrey & Company,
Certified Public Accountants of Kenya,
P O Box 62494 – 00100,
Nairobi.

The Chief Executive Officer

Mr. George M. Mugambi,
P O Box 56763 – 00200,
Nairobi.

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STATISTICAL INFORMATION

	2012	2011
	Kes	Kes
Membership – Active	5,032	4,678
- Dormant	212	188
Total	<u>5,244</u>	<u>4,866</u>

Financials	Kes	Kes
- Total Assets	726,611,777	623,801,754
- Members' deposits	600,372,676	518,125,159
External Borrowings	-	-
Loans and advances to members'	663,915,455	549,207,451
Investments	7,909,592	7,861,325
Core capital	42,032,447	37,295,249
Share capital	25,992,000	24,242,000
Institutional capital	34,122,855	29,433,924
Total revenue	68,582,475	57,116,517
Total interest income	66,020,986	54,496,567
Total expenses	63,530,194	54,072,756
Employees of the Sacco	13	11

Key ratios	2012	2011
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Capital adequacy ratio		
Core capital / total assets	5.8%	6.0%
Core capital / total deposits	7.0%	7.2%
Institutional capital / total assets	4.7%	4.7%

Liquidity ratio (15%)

Liquid assets/total deposits & long term liabilities	5.0%	8.2%
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Operating efficiency / loan quality ratio

Total expenses / Total revenue	0.93	0.95
Interest on members deposits / Total revenue	0.48	0.45
Interest rate on member's deposits	5.5%	5.0%
Dividend rate on member's share capital	0.0%	7.5%
Total delinquency loans / Gross loan portfolio	0.1%	0.1%

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CHAIRMANS REPORT

Fellow Co-operators, it is my pleasure to present to you our financial reports and statement for the year ended 31st December 2012.

The year 2012 was an eventful one with the Kenya Shillings gaining ground after recovering from the shock depreciation of the year 2011. The shilling stabilized at Kshs.86 against the US dollar for most of the year.

The rise of the Central Bank rate resulted into a credit squeeze with the commercial banks slowing their aggressively marketed personal loans. This was however short-lived and competition gained momentum towards the end of the year.

During the year our deposits grew by 16% from Ksh.518 Million to 600 Million. On the other hand our share capital grew from ksh.24,242,0000 to Ksh.25,992,000.

Our membership mildly grew by 8% rising from 4678 to 5032.

During the year the loan portfolio recorded a 21% growth rising from Ksh.549 Million to Ksh 663 Million.

On behalf of the board of directors, I wish to reiterate our resolve to turn around our Sacco and make it one of the most efficient both in service delivery and on return to shareholders.

Finally, may I take this early opportunity to register my appreciation to all our customers and shareholders for their confidence in our Sacco.

Long Live the Cooperative Movement

Long Live MWITO SACCO SOCIETY LTD

James O. Nyakundi, HSC
Chairman

January 29, 2013

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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 31 December 2012, which discloses the state of affairs of the Society.

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 is to promote thrift amongst its members by offering them an opportunity for accumulating their savings thereby a source of funds from which loans can be made to them exclusively for provident and productive purposes at fair and reasonable rate of interest.

Operating results

The results of the society for the year under review are set out below.

	2012	2011
	Kes	Kes
Surplus / (deficit) before taxation	5,643,454	3,436,753
Income tax expenses	<u>(384,223)</u>	<u>(392,992)</u>
Surplus / (deficit) after taxation	<u>5,259,230</u>	<u>3,043,760</u>
Interest on members deposits	<u>33,024,497</u>	<u>25,906,258</u>

Dividends / interest on deposits

The board of directors' recommends the payment of first and final dividends of Kes 2.00 per share (2011, Kes 1.50 per share). They also recommend interest on members' deposits of 5.5% (2011, 5.0%).

The Board of Directors

The members of the Board of directors who served during the year and to the date of this report are as listed on page 3 above.

Auditors

The Auditors, Aggrey & Company held office during the year under review, and has expressed their willingness to continue in office.

By order of the Board: -

Mr. Samuel K. Kiplagat
HON SECRETARY

Date/January, 2013

Statement of 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..... and signed on its behalf by:

..... Chairman

Signature

..... Board Member

Signature

..... Board Member

Signature

Aggrey & Company
CERTIFIED PUBLIC ACCOUNTANTS OF KENYA

Report of the Independent Auditors to the Members' of Mwito Co-operative Savings and Credit Society Limited

We have audited the accompanying financial statements of MWITO SACCO LIMITED, set out on pages 10 to page 29 which comprise the statement of financial position as at December 31, 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Sacco's Societies Act. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of society's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements that are in agreements with the accounting records were properly kept and gives a true and fair view of the financial affairs of the Society as at December 31, 2012 and the results of its operations and of its cash flow for the period under review. The financial statements are in accordance with International Financial Reporting Standards and comply with the Co-operative Society Act.

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Report of the Independent Auditors to the Members' of Mwito Co-operative Savings and Credit Society LimitedCont.....

Report on other legal requirements

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

- i. In accordance with the provisions of the Co-operatives Societies Act
- ii. In accordance with the co-operative Society's objectives, by-laws and other resolutions made by the society at a general meeting.

Aggrey & Company
Certified Public Accountants (K)
January 30, 2013

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Statement of Comprehensive Income

		2012	2011
		Kes	Kes
Revenue			
Interest from loans		66,020,986	54,496,567
Other interest income		2,561,489	2,619,950
Total Interest	13	<u>68,582,475</u>	<u>57,116,517</u>
Interest expenses	14	<u>(33,024,497)</u>	<u>(26,990,744)</u>
Net interest income		<u>35,557,978</u>	<u>30,125,773</u>
Other operating income	15	206,950	-
Administrative expenses	16	<u>(30,121,474)</u>	<u>(26,689,020)</u>
Surplus / (deficit) before taxation		5,643,454	3,436,753
Income tax expenses	10	<u>(384,223)</u>	<u>(392,992)</u>
Surplus / (deficit) after taxation		<u>5,259,230</u>	<u>3,043,760</u>

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Statement of Financial Position

	Notes	2012 Kes	2011 Kes
Assets			

Property, plants & equipment's	4	24,698,386	23,756,547
Investments	5	7,909,592	7,861,325
Loans to members'	6	663,915,455	549,207,451
Trade and other receivables	7	25,374,932	35,792,186
Taxation	10	224,307	137,806
Total Assets		<u>722,122,672</u>	<u>616,755,315</u>
Liabilities			
Members' deposits'	11	624,666,036	534,771,914
Benevolent fund		14,468,101	13,332,536
Trade and other payables	9	2,352,683	2,684,545
Dividends payable		2,599,100	1,818,150
Interest on members' deposits		33,024,497	25,906,258
Honorarium		335,500	-
Cash and bank balances	8	2,644,309	284,095
		<u>680,090,226</u>	<u>578,797,499</u>
Financed by:			
Share capital		25,992,000	24,242,000
Capital reserves		261,800	261,800
Statutory reserves		7,798,002	6,746,156
Revenue reserves		7,980,644	6,707,860
Total Equity		<u>42,032,447</u>	<u>37,957,816</u>
Total Liabilities and Equity		<u>722,122,672</u>	<u>616,755,315</u>

The financial statements set out on pages 10 - 29 were authorized for issue by the Board of Directors on/ March 2012 and were signed on its behalf by:-

Chairman / Vice Chairman

Board Member

Board Member