

5/Dec/18/AR/FS

**CS/NO. 1726
MOMBASA PORT SACCO SOCIETY LIMITED
REPORT OF THE BOARD OF DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2018**

The Board of Directors submit their annual report together with the audited financial statements for the year ended 31 December 2018.

INCORPORATION

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

PRINCIPAL ACTIVITY

The Society's principal activity is to receive deposits from members and advance loans on interest.

RESULT

	2018 Kshs	2017 Kshs
Surplus for the year	220,159,588	249,845,993
Taxation	(12,277,749)	(14,977,865)
Surplus after tax	<u>207,881,839</u>	<u>234,868,128</u>

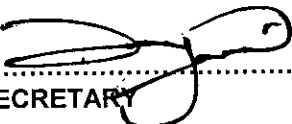
INTERESTS ON MEMBERS DEPOSITS AND DIVIDENDS ON SHARE CAPITAL

The Board of Directors propose interest on members' deposits and dividends on share capital at the rate of 12.5% and 20% respectively.

INDEPENDENT AUDITOR

The Sacco's auditors, Messrs Ronalds and Associates, Certified Public Accountants (K) who were appointed during the year have expressed their willingness to continue in office in accordance with section 25(4) of the Co-operative Societies(Amendment) Act No.2 of 2004.

BY ORDER OF THE BOARD OF DIRECTORS


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SECRETARY

DATE 02/02/2019

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MOMBASA PORT SACCO SOCIETY LIMITED
STATISTICAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
Number of members	Active	7,938	6,684
	Dormant	253	180
Total		8,191	6,864
Number of Employees		30	31
		Kshs	Kshs
Core Capital		1,617,703,640	1,461,130,334
Share Capital		117,627,243	31,439,463
Institutional Capital		1,500,076,397	1,429,690,871
Members' Deposits and Savings		2,668,337,830	2,300,181,529
Statutory reserve		313,301,147	271,724,779
Insurance reserve		106,958,764	106,958,764
Loans to Members		3,469,128,553	3,252,915,028
Total Assets		5,319,222,130	4,619,265,373
Total Liabilities		3,044,117,345	2,623,759,635
Liquid Assets		842,308,533	506,830,966
Investments		535,973,452	535,973,452
Total Revenue		705,864,582	670,147,968
Total Interest Income		618,477,190	477,841,441
Total Expenses		493,117,652	414,795,347

Key Ratios

STDs

Capital adequacy ratio

Core capital/ Total assets	>10%	30.41%	31.63%
Core capital/Total deposit	>8%	60.63%	63.52%
Institutional capital/ Total assets	>8%	28.20%	30.95%
Share capital/Total assets	>2%	2.21%	0.68%
Equities & investments/ Total deposits	<5%	20.09%	23.30%
Net Loans / Total assets	70-80%	65.22%	70.42%
Saving/ Total assets	70-80%	50.16%	49.80%

Liquidity ratio

Liquid assets/ Total deposits and long term liability	>15%	31.57%	22.03%
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Operating efficiency ratios

Total Expenses/ Total Revenue		69.86%	61.90%
Total expenses/ Average assets	<5%	18.54%	17.96%
Total delinquency loan /Gross loan portfolio	<5%	2.80%	2.85%
Interest rate on members deposits		12.5%	12.5%
Dividend rate on members share capital		20%	20%

Investment ratios

Land and Buildings/ Total assets	<5%	6.79%	6%
Financial Investments/ Core capital	<40%	33%	37%

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MOMBASA PORT SACCO SOCIETY LIMITED

STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2018

The Sacco Society 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 its operating results for that year in accordance with International Financial Reporting Standards (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 society's general meeting.

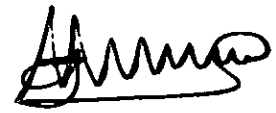
The Board of Directors accepts responsibility for the annual financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Co-operatives Societies Act, Cap 490. 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 International Financial Reporting Standards (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.

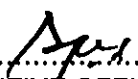
Approved by the Board of Directors on 02/02/ 2019 and signed on its behalf by:



CHAIRMAN



TREASURER



CHIEF EXECUTIVE OFFICER

8/DEC/18/AR/FS



Ronalds & Associates

Audit • Tax • Consulting • Advisory

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MOMBASA PORT SACCO SOCIETY LIMITED

Report on the financial statements

Opinion

We have audited the accompanying financial statements of Mombasa Port Sacco Society Limited set out on pages 9 to 23 which comprise the statement of financial position as at 31 December 2018 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.

In our opinion, the financial statements give a true and fair view of the state of the society's financial affairs at 31 December 2018, the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Sacco Societies Act.

Basis of Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the society financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter			How the Audit matter was addressed
Prudential ratios			Our audit procedures included reviewing and reanalyzing the ratio to ascertain their effects on the overall financial statement as appertains compliance with the regulator. The management is to undertake strategies to ensure that the all the prudential ratios are attained.
The Sacco is yet to achieve some prudential ratios as shown;			
Item	Current Ratio	Recommended Ratio	
Net loans/Total asset	65.22%	70-80%	
Saving /Total asset	50.16%	70-80%	
Land & Building/Total Assets	6.79%	<5%	
Equity & Investments/Total Deposits	20.09%	<5%	

Other information

The Board of Directors are responsible for the other information. The other information comprises the budget and the chairman's report included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Other information (Cont'd)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, 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 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 Sacco's Society 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, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. The Kenya Co-operatives Societies Act also requires the Board of Directors to ensure that the society maintains proper books of accounts which are in agreement with the statement of comprehensive income and statement of financial position.

Auditors' Responsibility for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also;

- i) Identify and assess the risk of material misstatement of the 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, misrepresentation, or override of internal controls
- ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the society's internal control.
- iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors
- iv) 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 doubt on the society'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 financial statements or, if such disclosures

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Auditors' Responsibility for the audit of the financial statements(Cont'd)

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 society to cease to continue as a going concern.

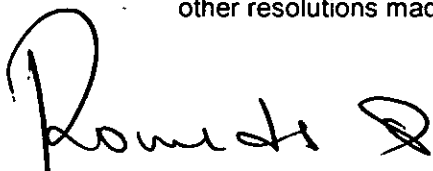
- v) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the society to express an opinion on the financial statements. We are
- vi) responsible for the direction, supervision and performance of the society audit. We remain solely responsible for the audit opinion.
- vii) We communicate with the directors regarding, among other matters, the planned scope and timing if the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the directors with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

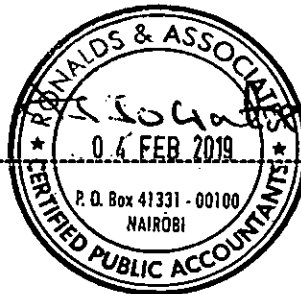
Report on other legal requirements

As required by the Sacco's 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 Sacco Society's Act.
- (ii) In accordance with the Co-operatives Societies objectives, by- laws and any other resolutions made by the Society at a general meeting.



Certified Public Accountants (K)
Nairobi



Ronald N. Bwosi
Practising No. P/1865

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MOMBASA PORT SACCO SOCIETY LIMITED

STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 Kshs	2017 Kshs
Revenue			
Interest on loans and advances	2	618,477,190	582,419,363
Other interest income	4	13,386,011	13,523,047
Total interest income		631,863,201	595,942,410
Interest expense	3	(321,583,345)	(272,066,704)
Net interest income		310,279,856	323,875,706
Other operating income	5	74,001,381	74,205,558
		384,281,237	398,081,264
Expenditure			
Administrative expenses	6	(24,478,267)	(22,251,136)
Other operating expenses	7	(28,822,189)	(30,499,751)
Personnel expenses	8	(64,495,017)	(61,399,843)
Governance expenses	9	(38,913,518)	(28,577,913)
Financial expenses	10	(7,412,658)	(5,506,628)
Net operating surplus		220,159,588	249,845,993
Tax (charge)		(12,277,749)	(14,977,865)
Net surplus for the year		207,881,839	234,868,128

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MOMBASA PORT SACCO SOCIETY LIMITED

STATEMENT OF FINANCIAL POSITION

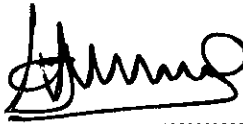
AS AT 31 DECEMBER 2018

	Notes	2018 Kshs	2017 Kshs
ASSETS			
Cash and cash equivalents	11	842,308,533	506,830,966
Trade and other receivables	12	87,470,055	28,179,678
Loans to members	13	3,469,128,553	3,252,915,028
Property and equipment	14	373,701,564	282,066,282
Intangible assets	15	10,639,973	13,299,967
Financial investments	16	535,973,452	535,973,452
TOTAL ASSETS		5,319,222,130	4,619,265,373
LIABILITIES			
Members' deposits and savings	17	2,668,337,830	2,300,181,529
Interest/Dividends to members	18	326,916,642	274,422,848
Deferred tax	19	19,568,624	19,568,624
Trade and other payables	20	29,105,882	25,040,222
Tax payable	21	188,367	4,546,412
TOTAL LIABILITIES		3,044,117,345	2,623,759,635
SHARE HOLDERS FUNDS			
Share capital(Page 11)		117,627,243	31,439,463
Reserves	23	2,126,939,993	1,949,595,703
Proposed Dividends & Honorarium(Page 11)		30,537,549	14,470,572
TOTAL SHAREHOLDERS FUNDS		2,275,104,785	1,995,505,738
TOTAL EQUITY AND LIABILITIES		5,319,222,130	4,619,265,373

The financial statements were approved and authorized for issue by the Board of Directors on

02/02/2019.....and signed on its behalf by:

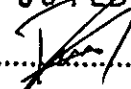

.....
CHAIRMAN


.....
TREASURER


.....
CHIEF EXECUTIVE OFFICER

APPROVED
for publication and presentation
to AGM or ADM subject to observations issued

05 FEB 2019

SIGN:.....


THE SACCO SOCIETIES REGULATORY AUTHORITY