



MOMBO
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MOMBO SACCO LIMITED

Annual Report and Financial statements

For the year ended December 2017

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MOMBO SACCO LIMITED

Annual report and financial statements For the year ended 31 December 2017

1. Society information

I. The Management Committee Members

- | | |
|------------------|------------------|
| • Peter Mombo | - Chairman |
| • Ann Perez | - Vice Chairman |
| • Kathambi Rwito | - Hon -Secretary |
| • Stephen Kioko | - Hon-Treasurer |

II. Registered Office

MOMBO SACCO LIMITED
Landmark Plaza-11th Floor
P.O.Box 105034-00101
Nairobi
Kenya

III. Principal Bankers

Cooperative Bank of Kenya
Upper hill Branch
P.O Box 30415-00100
Nairobi

IV. Auditors

Bitta and Associates
Certified Public Accountants
Box 46982 – 00100
Nairobi
Tel. 020 3506169
Info.bittaassociates@yahoo.com



2. Chairman's report

Preamble and Business environment

On behalf of the Board of the Directors, I have the pleasure to present the Annual report and financial statements for the year ending December 2017. In the year, the Kenyan economy was surrounded by a long electioneering period fetching uncertainties in the business operating environment as well as drought. The tough operating environment was also as a result of the interest rate capping in the country that affected the banking industry and consequently the lending industry. Despite the hard-hitting operating environment in the country, Gross Domestic Product registered a growth of 4.9% compared to 5.9% in 2016.

2017 Performance recap

The business recorded remarkable and satisfactory performance notwithstanding the exacting operating environment. We posted a surplus of 0.66 million surplus before tax. Our membership increased from 39 to 74 due to great and strengthened marketing as well as the great brand of our Sacco. As illustrated below in the statistical information page, the business maintained healthy ratios in terms of liquidity, capital and operating efficiency. To drive this growth and make it sustainable members are advised to increase their savings in the business and take bigger loans. The management remains committed to maintain a sustainable growth to increase shareholders wealth.

Future strategy and plans

As we strive to grow our business, the society will continue to aggressively market its business to existing and new members. This in turn will optimize the return of investments of our members. The strategy remains to ensure a sustainable business growth and retention of our members for the benefits of the Sacco and the members. In terms of governance, the board remains unequivocally committed to the highest standards of corporate governance and ethics in accordance with Sacco's best practice and existing laws.

Acknowledgments

I would like to thank the members for the support extended to the Board and the committee members in the year 2017. I thank you for the commitment exhibited by you all in the affairs of the Sacco.

Peter Mombo
Chairman



3. Board of Directors Report

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors submits their report and the audited accounts for the year ended 31st December 2017, which shows the state of the society's financial affairs.

INCORPORATION

The society was incorporated in Kenya under the corporative society Act Cap 49 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 saving amongst its members by affording them the opportunity for accumulating their savings and thereby creating a source of funds from which loans can be made to them exclusive for providence or productive purpose at fair and reasonable rates of interest.

Board of Directors Responsibility

The societies Act CAP 490 requires the board of directors to prepare financial statements for the year which give a true and a 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 international financial reporting standards, it also requires the board of directors to ensure that the society keeps the 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 society is conducted in accordance with its objectives, by-laws and any other resolution made at society's general meeting. The management committee accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable policies and prudent judgments and estimates, in conforming to international financial reporting standards and in the manner required by the society Act cap 490.

The management committee is of the opinion that the financial statements give 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 management committee further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as



Nothing has come to the attention of the partners to indicate that the firm will not remain a going concern for at least twelve months from the date of this statement.

_____)
Peter Mombo

_____)
Kathambi Rwito

_____)
Stephen Kioko

Dated: _____



4. Report of the independent auditor

- a. We have audited the accompanying financial statements of Mombo Savings and Credit Co-operative Society Ltd, set out on pages 15 to 24 which comprise the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

b. The Directors' Responsibility for the Financial Statement

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with international financial reporting standards, generally accepted accounting practice, the co-operative society (Amended) Act 2004 and the Kenyan Sacco Society's Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the 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 circumstances.

c. 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 of 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 amounts and disclosures in the financial statements. The procedure selected depends on the auditors' judgment, including the assessment of material misstatement, whether due to fraud or error. In making those risk assessment, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statement 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 effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and reasonable policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

d. Opinion

In our opinion, the financial statement give a true and fair view of the financial position of Mombo Savings and Credit Co-operative Society Limited as at 31st



December, 2017 and of its financial performance and its cash flows for the year then ended in accordance with international financial reporting standards , the Kenyan co-operative society (amended) Act 2004.

e. Reports on other legal requirements

As required by the Kenya co-operative societies (Amended) Act 2004 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 believe were necessary for purposes of audit.
- ii.) In our opinion , proper books of accounts have been kept by the society , so far appears from our examination of those books; and
- iii.) The statement of financial position of the society is in agreement with books of account

The engagement partner responsibility for the audit resulting in this independent auditor's report

**CPA Lawrence O. Bitta P/No. 858
BITTA AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS (K)**



5. **Statistical Information**
MOMBO SACCO LIMITED
Annual report and financial statements
For the year ended 31 December 2017

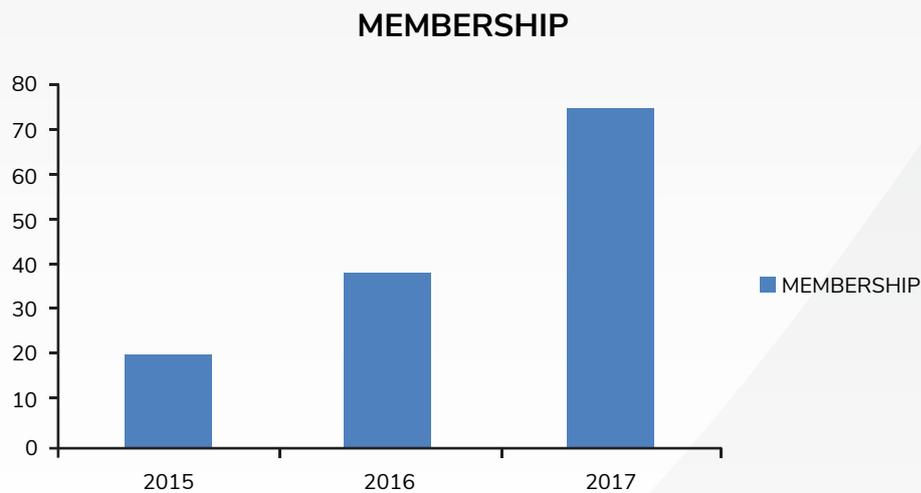
Year	2017	2016	YOY Growth
Membership			
Number of Members - Active	74	39	95%
- Non- active			
Total	74	39	95%
Financial Summary			
Total Assets	12,822,140	7,249,147.00	>75%
Trade and Other payables	97,812	50,800.00	93%
Member Savings	9,427,090	3,748,129.00	>100%
Loans and Advances to members	12,285,925	7,147,777.00	72%
Share Capital	617,830	362,365.00	70%
Statutory Reserves	175,550	43,061.00	>100%
Appropriation Account	661,266	131,310.00	>100%
Turnover	3,705,270	1,147,967.00	>100%
Net Surplus before Tax	662,445	215,304.00	> 100%



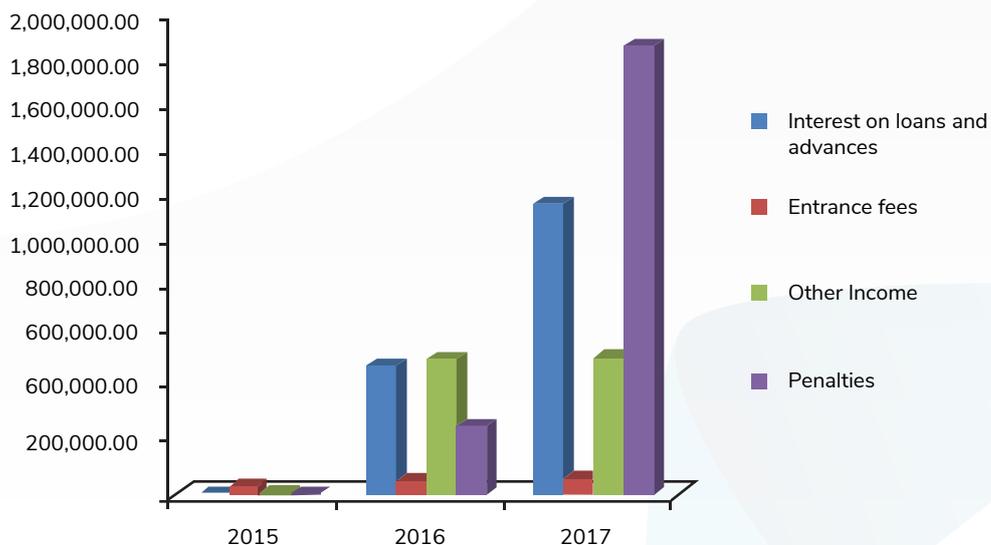
6. Management analysis of the statistical information

6.1.1.1 Growth in membership

In the year under review, the Mombo Sacco growth membership was on an ascending trend from 20 members in 2015 to 74 members in 2017 representing an over 100% rise year on year.



6.1.1.2 Analysis of the Income Statement

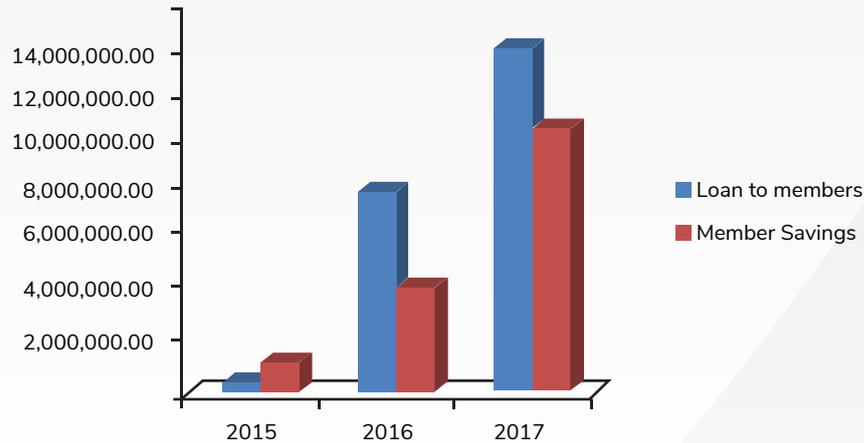


Year on Year revenue for the Sacco grew by over 100% compared to 2016. The constituent of the other income revenue line is mainly service charge on loan advances and penalties for defaults and late payments. There are no staff expenses in the period as the directors do not earn any salaries.



6.1.1.3 Growth in Loans versus Deposits

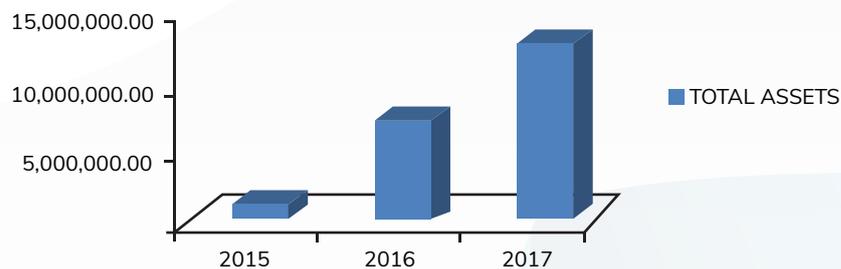
The society's loan book grew by 72% to 12.2 Million as at end of the year. The increase in the loan book is attributable to increase in membership and uptake of more loans by existing members. Member's deposits grew by over 100% in the same period of time.



6.1.1.4 Growth in the Asset Base

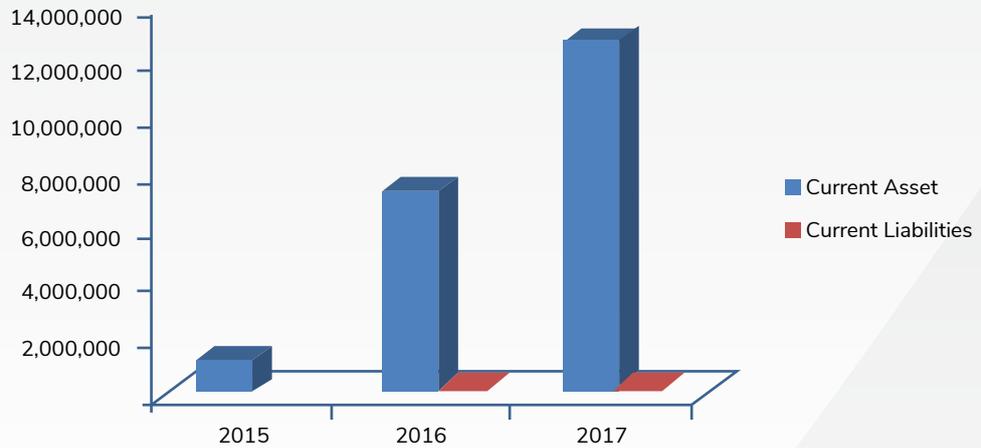
As discussed above, the company asset base stands at 12.8 Million. The significant asset growth is attributable to growth in the cash and cash equivalents and increase in the loan book.

TOTAL ASSETS

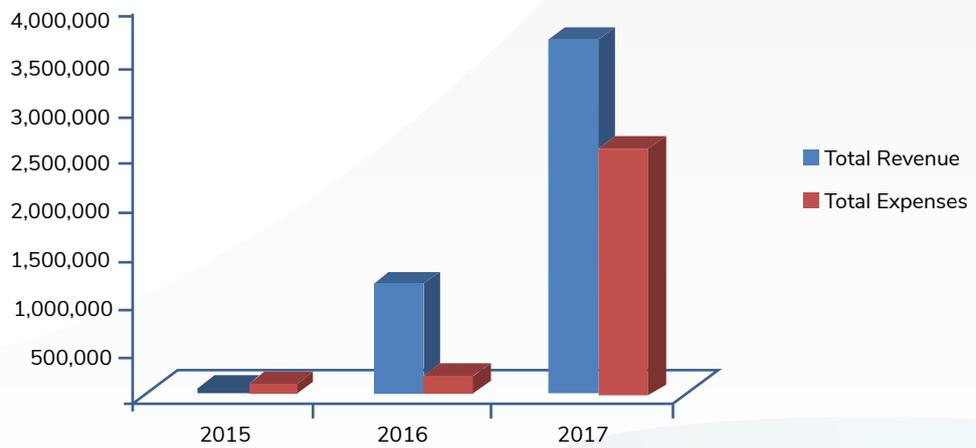




6.1.1.5 Current Assets Vs Current liabilities analysis



6.1.1.6 Total revenue V.S Total expenses analysis





7. Key Ratios

Key Ratios	Statutory Requirements %		
Capital Adequacy Ratios			
Core Capital / Total Assets	10.00%	12%	8%
Core Capital / Total Deposits	8.00%	16%	14%
Liquidity Ratios			
	Preferred ratios		
Liquid assets/ Total deposits and long term liabilities	15.00%	111%	108%
Current Ratio	Times	129	143
Working Capital		12,524,228	7,198,347
Business Solvency Ratios			
Equity Assets Ratio		12%	7%
Return on Investments (ROI)	15%	47%	40%
Debt to Asset Ratio		5%	28%
Profitability Ratios			
Return on Equity (ROE)		47%	40%
Net Profit Ratio		19%	19%
Financial Efficiency Ratios			
Assets Turnover ratio		29%	16%
Total Expenses / Total Revenue		69%	46%
Interest on members / Total Revenue		31%	>100%



8. Management analysis of the key ratios

8.1.1.1 Capital Adequacy Ratio

The statutory requirement for Sacco in terms of Core Capital / Total Assets and Core Capital / Total Deposits percentages is 10% and 8% respectively. The Sacco is adequately capitalised over and above the required percentages at 12% and 16%. Compared to 2016 the ratios are still decent and above the requirement.

8.1.1.2 Liquidity Management

The Sacco has strong cash reserves for now as indicated by the Current ratio (129 times), Working Capital Ratio (12.5M) and Liquid assets/ Total deposits and long term liabilities at above 100% as such it's able to meet any short term maturing obligations as and when they fall due. It is well positioned to meet any unexpected costs despite the unavailability of any overdraft facilities from the Bank. The Sacco also has a financing from Mombo investments as such it can meet any liquidity management once they arise. The Liquid assets/ Total deposits and long term liabilities is at over 100% over and above the preferred requirement of 15%

8.1.1.3 Business Solvency Ratios

The Business is able to meet its long term obligations. The business is expanding using members' deposits and borrowings from Mombo investments. This forms the basis of the Sacco's debt and Equity. The business is geared with a calm debt to asset and Debt to equity ratio as a result of financing from members deposits. To rally this we need to increase the company's equity through more share capital reserves from members compared to the liabilities. The shareholders need to inject more funds in terms of equity.

8.1.1.4 Profitability Ratios

The profitability of the Sacco is strong as shown by Return on Equity (ROE) and Net Profit Ratio; however the Debt to Income ratio is feeble. The company is liabilities (members deposits) compared to the total Income is high. Reduction of debt or increase in loans to grow the revenue will remedy this. Notwithstanding there is no cause of alarm as a Sacco is funded by members deposits which in this case form our liabilities. The business has showed great growth in profitability year on year.

8.1.1.5 Financial Efficiency Ratios

The Sacco has managed its costs efficiently as shown by the Assets Turnover ratio, Total Expenses / Total Revenue and Interest on members / Total Revenue. However, the Sacco doesn't pay salaries or directors fees. To better these ratios, the firm either needs to maintain flat costs and increase the revenues. In summary apart from the liabilities the business is a going concern, can meet its obligations and it's profitable. However, it needs to increase its Equity.



9. Statement of Profit Loss and other comprehensive income for the year ended 31st December 2017.

Statement of Comprehensive Income for the period ended 31st December 2017				
	Notes	2017 Kshs	2016 Kshs	Var %YOY
Revenue				
Interest Income		1,205,114	533,896	>100%
Penalties		1,861,044	285,879	>100%
Service Charge		569,112	272,192	>100%
Entrance fees		70,000	56,000	-11%
Total Revenue		3,705,270	1,147,967	>100%
Return on Investment to the Investor				
Interest paid		441,725	749,625	-41%
Gross Margin		3,263,545	398,342	>100%
Operating Expenses				
Bank Charges	7	42,703	32,395	32%
Interest on borrowings	7	292,555	15,732	>100%
Rent expenses	7	435,000		
Amortisation of the Intangible asset	7	99,900		
Other Costs	7	149,972	7,445	>100%
Impairment of loans	13	1,530,370	102,266	>100%
Audit fees		50,600	25,200	>100%
Total Operating expenses		2,601,100	183,038	>100%
Net Operating Surplus(loss)		662,445	215,304	>100%
Profit for the year		662,445	215,304	86%

- The notes set out on pages 17 to 21 form an essential part to these financial statements



10. Statement of Financial position as at 31st December 2017

Statement of financial position as 31st December 2017				
	Notes	2017 Kshs	2016 Kshs	YOY growth
Assets				
Non-Current Assets				
Intangible assets (leased software) 3 (e)		300,000		
Amortization		99,900	-	
		200,100	-	
Current Assets				
Cash and cash equivalents	8	336,115	101,370	>100%
Loan to members	4	12,285,925	7,147,777	97%
Other Receivables		-	-	
		12,622,040	7,249,147	117%
TOTAL ASSETS		12,822,140	7,249,147	119%
Liabilities				
Member Savings	5	9,427,090	3,748,129	>100%
Interest due to members	12	1,191,350	749,625	59%
Insurance Fund			99,030	
Borrowings- Mombo Investments		651,242	2,064,827	>100%
		11,269,682	6,661,611	122%
Current liabilities				
Payables and accruals	6	97,812	50,800	72%
		-	50,800	
Total Liabilities		11,467,494	6,712,411	122%
Equity				
Share Capital	10	617,830	362,365	70%
Statutory Reserve	9	175,550	43,061	86%
Appropriation Account(revenue reserve)		661,266	131,310	>100%
Total equity		1,454,646	536,736	90%
Total Equity and Liabilities		12,822,140	7,249,147	>100%

The financial statements were approved by the Directors on.....2019 and signed by:

Chairman: **Peter Mombo** Date

Treasurer: **Stephen Kioko** Date

Board member; **Kathambi Rwito** Date





11. Statement of changes in Equity for the period ended 31st December 2017.

MOMBO SACCO LIMITED					
Annual report and financial statements					
For the year ended 31 December 2017					
Statement of changes in Equity for the period ended 31st December 2017					
		Share Capital	Statutory Reserve	Appropriation Account	Total
Year 2017					
	Notes	Kshs	Ksh	Kshs	Ksh
As at 01/01/2017	10	362,365	43,061	131,310	536,736
Net Surplus for the Year				662,445	148,437
additions	10	255,465	132,489	-132,489	255,465
Balance as at 31.12.2017		617,830	175,550	661,266	1,454,647
As at 01/01/2016		160,200	-	-40933	119,267
Net Surplus for the Year				215,304	215,304
additions		202,165	43,061	-43061	202,165
Balance as at 31.12.2016		362,365	43,061	131,310	536,736



12. Statement of cash flow for the period ended 31st December 2017.

MOMBO SACCO LIMITED			
Annual report and financial statements			
For the year ended 31 December 2017			
Statement of Cash flow for the period ended 31st December 2017			
	Note	2017 Kshs	2016 Kshs
Cash Generated from operations			
Interest and penalty receipts		3,066,158	533,896
Non - Interest receipts	11	569,112	558,071
Payments to employees / Suppliers		(873,018)	(55,372)
		2,762,252	1,036,595
Increase / Decrease in Operating Assets			
Net loans to members	4	(6,667,277)	(6,784,120)
Trade and other receivables		-	745,630
Increase / Decrease in Operating liabilities			
Members savings	5	5,678,961	2,703,855
Trade and Accrued Expenses		(50,800)	-
Insurance Fund		(99,030)	-
		1,624,106	(2,298,040)
Net cash from Operating Activities			
Cash Generated from investing activities			
Purchase of Intangible asset	3(e)	(300,000)	-
Other Interests from members/ Investments		-	-
		(300,000)	-
Net cash from investing activities			
Cash flow from Financing Activities			



Entrance Fees		70,000	56,000
Share Capital Contribution	10	255,465	202,165
Borrowings		(1413,585)	2,064,827
Interest on members Savings		-	-
Other Sources		(1,241)	(3,236)
Net cash from Financing Activities		(1,159,361)	2,263,756
Net Increase /Decrease in Cash and Cash equivalent		234,745	21,716
Analysis of changes in Cash			
Cash and cash equivalent as at 1st January 2017		101,370	79,654
Cash and cash equivalent as at 31st December 2017		336,115	101,370
Increase in Cash and cash equivalent		234,745	21,716



13. Notes to the Annual Reports and Financial statements for the period ended 31st December 2017

MOMBO SACCO LIMITED

Annual report and financial statements
For the year ended 31 December 2017

1. GENERAL INFORMATION

The society is incorporated in Kenya under the society Act, Cap 490 and domiciled in Kenya.

2. PRINCIPAL ACTIVITIES

The principal of the society is to promote thrift amongst its members by affording them an opportunity for accumulating their savings and thereby creating a source of funds from which loans can be made to them exclusively for providence or productive purposes at fair and reasonable rates of interest.

3. SUMMARY OF SIGNIFICANCE ACCOUNTING POLICIES

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

a) Statement of compliance and basis of information

The financial statements are prepared in accordance with international financial reporting (IFRS) These financial statements are presented in Kenya shilling rounded to the nearest thousand (000) and are prepared under the historical cost convention.

b) Revenue recognition

Interest on loan to members is calculated on the reducing loan balance and is charged at the rate of 1% per month

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.

Increase in carrying value arising on revaluations are credited to other comprehensive income and accumulated in revaluation reserve 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 asset original cost is transferred to retained earnings.



Depreciation

Depreciation is calculated using the reducing balance 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 %
Furniture, fittings and equipment	12.5%
Computer, photocopier accessories	30.0%

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

The assets residual gains 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 evaluation reserve relating to that asset is transferred to retained earnings.

d) De-recognition

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

- i.) On disposal; or
- ii.) When no future economic benefits are expected from its use or disposal.
- iii.) The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognized. Gains shall not be classified as revenue.

e) 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 software to its residual value over the estimated useful life using an annual rate of 33.3%

This constitutes system acquired at 300,000 Ksh.

4. Loans to members

LOANS TO MEMBERS		
	2017	2016
At the Start of the Year	7,147,777	363,657
Disbursement during the Year	17,405,886	10,546,070
Interest and penalties	3,066,158	874,755
Repaid during the Year	(13,701,260)	(4,533,198)
Impairment of loans and Waivers	(1,632,636)	(103,507)
At the end of the Year	12,285,925	7,147,777



5. Members Savings

	2017	2016
At the start of the Year	3,748,129	1,044,274
Contributions during the Year	5,678,961	2,703,855
Withdrawals	-	-
At the end of the Year	9,427,090	3,748,129

6. Accounts Payable

Audit & Supervision	50,600	50,800
Rent	36,250	-
CRB	10,962	-
Total	97,812	50,800

7. Administrative Expense

Administration Expenses		
Bank Charges	42,703	32,395
Interest on borrowings	292,555	15,732
Rent expenses	435,000	-
Amortisation of the Intangible asset	99,900	-
Other Costs	149,972	-
Impairment of loans	1,530,370	102,266
Audit fees	50,600	25,400
Total	2,601,100	175,793

8. Cash and Bank Balances

Co-operative Bank	281,400	7,746
MPESA	54,714	93,624
Total	336,115	101,370

9. Statutory Reserve 20% of the net operating surplus after tax

The balance for the year is shown in the statement of changes in equity on page 17.



10. Share Capital

Share Capital	2017	2016
At the start of the Year	362,365	160,200
Contributions during the year	255,465	202,165
At the end of the Year	617,830	362,365

11. Non-Interest Income

Non-Interest Income	2017	2016
Entrance Fees	70,000	56,000
Loan Administration	569,112	198,260
Late payment Penalty	1,861,044	285,879
Money Transfer		20,193
Loan Insurance		
Debt recovery and collection		53,739
	2,500,156	614,071

12. Due to members

Due to Members	2017	2016
Balance brought forward	749,625	
Interest on deposit charged for the year	441,725	749,625
Amount Paid during the Year		
Balance carried forward	1,191,350	749,625

13. Impairment schedule

YEAR	2017	Impairment rate	Provision amount	Classification
Past due up to 30 days	10,579,634	7%	740,574	Watch
Past due up to 180 days	3,115,892	30%	934,768	Substandard
Past due up to 365 days	223,035	65%	144,973	Doubtful
Past due Over 365 days	-	100%	-187,679	Loss account
Total	13,918,561		1,632,636	

Total Provision as above	1,632,636
Less Provision already charged to P&L	102,266
Amount charged to P&L IN 2017	<u>1,530,370</u>



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