

MINISTRY OF INDUSTRIALIZATION  
& ENTERPRISE DEVELOPMENT  
**MAIN REGISTRY**  
23 APR 2014

**CS/7062**

**LONTELS SACCO SOCIETY LIMITED  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER, 2013**

No. ....  
P. O. Box 30547-00100  
GPO, NAIROBI, KENYA.



**MUGO-MUNGAI & CO.**  
*Certified Public Accountants*  
Auditors, Tax & Financial Advisors

**CS/ 7062**

**LONTELS SACCO SOCIETY LIMITED**

**AUDITED ACCOUNTS**

**AND**

**FINANCIAL REPORTS**

**FOR THE YEAR ENDED**

**31ST DECEMBER 2013**

**CS/ 7062: LONTELS SACCO SOCIETY LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2013  
ANNUAL REPORT AND FINANCIAL STATEMENTS**

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**CS/ 7062: LONTELS SACCO SOCIETY LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2013**

**SOCIETY INFORMATION**

**MANAGEMENT COMMITTEE**

A.Bonde	-	Chairman
P.Rioba	-	Vice - Chairman
R.Mwangi	-	Hon. Secretary
L.Omar	-	Hon.Tresurer
S.Mungai	-	Member
E.Aberi	-	Member
P.lbeere	-	Member
K.Mwashighadi	-	Member

**SUPERVISORY COMMITTEE MEMBERS:**

Hamza Mohamed	-	Chairman
Felishina Mukuhi	-	Secretary
Nicholas Wambugu		

**REGISTERED OFFICE :**

THE NORFOLK HOTEL  
PO.BOX 58581-00200,  
NAIROBI.

**AUDITORS:**

MUGO- MUNGAI & CO.  
CERTIFIED PUBLIC ACCOUNTANTS (K.),  
UTALII HOUSE,  
P.O BOX 42844-00100  
NAIROBI.

**PRINCIPAL BANKERS:**

CO-OPERATIVE BANK OF KENYA  
UNIVERSITY WAY BRANCH  
NAIROBI

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**STATISTICAL INFORMATION**

	2013	2012
Membership Number - Active	244	210
- Dormant	-	-
	<u>244</u>	<u>210</u>

**FINANCIAL:-**

Total Assets	57,131,036	43,374,185
Members Deposits	45,721,248	34,868,605
Loan and advances to members	48,787,037	39,749,104
Investments	126,987	130,250
Share Capital	6,358,750	4,286,900
Total Interest Income	5,149,613	3,879,115

**KEY RATIOS:-**

**Liquidity Ratio:-**

Liquid Assets/current liabilities	13.10%	12.10%
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**REPORT OF THE MANAGEMENT**

The Management have the pleasure to present its report and audited financial Statements for the year ended 31 December 2013.

**PRINCIPAL ACTIVITY**

The society continued with its principal activity of receiving savings from, and giving loans to its members at an interest rate of 1% per month on reducing balance

**MANAGEMENT COMMITTEE**

The Management Committee during the close of the period are shown on page 1.

**INDEPENDENT AUDITORS**

Mugo-Mungai & Co. Certified Public Accountants(K) were appointed in office and have expressed willingness to continue in office subject to the members approval at the Annual General Meeting.

**BY ORDER OF MANAGEMENT COMMITTEE**

**SECRETARY**

DATE ..... *Ry. April* ..... 2014

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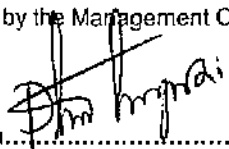
**STATEMENT OF THE RESPONSIBILITIES**

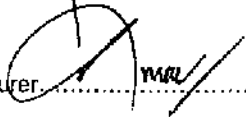
The Co-operative Societies requires the Management Committee to prepare accounts of each financial period which give a true and fair view of the affairs of the Society at the end of the financial period and its operating results for that year in accordance with IFRS. It also requires the Management to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


The Management accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Co-operative Societies Act. The Management are 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. The Management further accept 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 control.

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

Approved by the Management Committee on 16.12......2014 and signed on its behalf

Chairman.....

Treasurer.....

Secretary.....

Member.....

Date.....16.12.2014.....2014

**MUGO-MUNGAI & CO.**

Certified Public Accountants

Auditors, Tax &amp; Financial Advisors

**REPORT OF INDEPENDENT AUDITOR**

We have Audited the accompanying financial statements of Lontels Sacco Society Ltd set out on page 6 to 13 which comprises of financial position for the year ended 31 December 2013, statement of comprehensive income, statement of changes in equity and statement of cashflows for the year then ended and the summary of significant accounting policies and other explanatory notes

**The Management Committee Responsibility for the Financial Statements**

The Management are responsible for the preparation and fair presentation of these financial Statement in accordance with International Financial Reporting Standards and the requirement of the Kenya Saccos Societies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements are free from material misstatement.

**Auditors Responsibility**

Our responsibility is to express an independent opinion on these financial statements based on our Audit. We have 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 reasonable evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditors judgement including the assessment of the risks of material misstatement of the financial statements whether due to fraud or an error. In making those risk assesment, the auditors considers internal control relevant to the entity's presentation of the financial statements in order to design audit procedure that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.

An Audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management Committee as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the Society for the year ended 31 December 2013 and its cashflows for the year in accordance with International Financial Reporting Standard and the requirements of the Kenyan Co-operative Societies Act.

*Hugo Mungai & Co.*

MUGO-MUNGAI & CO  
CERTIFIED PUBLIC ACCOUNTANTS

Date: 17th April 2014





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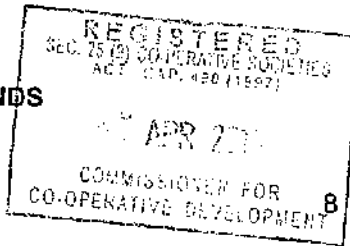
INCOME STATEMENT

	NOTES	2013 KShs	2012 KShs
<b>REVENUE</b>			
Interest from members loans		5,058,763	3,878,542
Other Interest Income		90,850	573
<b>Total Interest Income</b>		<u>5,149,613</u>	<u>3,879,115</u>
Interest Expense on Members Deposit		(3,700,000)	(2,700,000)
<b>Net Interest Income</b>		<b>1,449,613</b>	<b>1,179,115</b>
<b>EXPENDITURE</b>			
Administrative Expenses	9	1,333,129	1,140,629
Other Operating Expenses		47,910	17,105
<b>Total expenses</b>		<u>1,381,039</u>	<u>1,157,734</u>
<b>Net Operating Surplus Before Tax</b>		<b>68,574</b>	<b>21,381</b>
Income Tax Expense		(221)	(221)
<b>Net Surplus for the year</b>		<u>68,353</u>	<u>21,160</u>
20% transfer to Statutory Reserve		(13,671)	(4,232)
<b>Surplus for the period available for distribution</b>		<u>54,682</u>	<u>16,928</u>

**CS/ 7062: LONTELS SACCO SOCIETY LIMITED  
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**STATEMENT OF THE FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

	NOTES	2013 KShs	2012 KShs
<b>ASSETS</b>			
Computers	1	146,808	112,908
Cash and Cash equivalent	2	4,672,498	2,761,593
Debtors and Receivables	3	3,397,706	620,330
Loan to members	4	48,787,037	39,749,104
Financial Investments	5	126,987	130,250
<b>TOTAL ASSETS</b>		<b>57,131,036</b>	<b>43,374,185</b>
<b>LIABILITIES</b>			
Members Deposits	6	45,721,248	34,868,605
Creditors ,Accruals and Provisions	7	387,674	406,004
Proposed Interest on Members Deposits		3,707,069	3,070,455
Corporation Tax		3,293	3,072
Proposed Honoraria		249,980	129,980
<b>TOTAL LIABILITIES</b>		<b>50,069,264</b>	<b>38,478,116</b>
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital		6,358,750	4,286,900
Statutory Reserve Fund		175,911	162,240
Entrance Fees		131,600	106,100
Appropriation Account		395,511	340,829
		7,061,772	4,896,069
<b>Total Liabilities and Shareholders fund</b>		<b>57,131,036</b>	<b>43,374,185</b>



The financial statements set out on pages 6 to 10 were approved by the Management committee on 16/11/2014 for issue and signed on their behalf by:

Chairman [Signature]

Treasurer [Signature]

Secretary [Signature]

**CS/ 7062: LONTELS SACCO SOCIETY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

	SHARE CAPITAL	ENTRANCE FEE	STATUTORY RESERVE	APPROPRIATION ACCOUNT	TOTAL
YEAR ENDED 31.12.2013	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 1.01.2013	4,286,900	106,100	162,240	340,829	4,896,069
Issues of shares	2,071,850				2,071,850
Additions		25,500			25,500
Prior year adjustments					-
Surplus(Deficit) for the year			13,671	54,682	68,353
Balance as at 31.12.2013	<u>6,358,750</u>	<u>131,600</u>	<u>175,911</u>	<u>395,511</u>	<u>7,061,772</u>

	Kshs	Kshs	Kshs	Kshs	Kshs
YEAR ENDED 31.12.2012	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 1.01.2012	2,690,800	85,100	158,008	323,901	3,257,809
Issues of shares	1,596,100				1,596,100
Additions		21,000			21,000
Prior year adjustments					-
Surplus(Deficit) for the year			4,232	16,928	21,160
Balance as at 31.12.2012	<u>4,286,900</u>	<u>106,100</u>	<u>162,240</u>	<u>340,829</u>	<u>4,896,069</u>

**CS/7062:LONTELS SACCO SOCIETY LIMITED  
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**CASH FLOW STATEMENT**

	2013	2012
	KShs	KShs
<b>OPERATING ACTIVITIES</b>		
Net surplus before tax	68,574	21,381
Adjustments for		
Depreciation	184,600	111,767
Provision for honoraria	240,000	120,000
Provisions for rebates	3,700,000	2,700,000
Finance charges	3,263	
Cash generated from operations	<u>4,196,437</u>	<u>2,953,148</u>
<b>(Increase)/decrease in operating assets</b>		
Loans to members	(9,037,933)	(11,931,595)
Receivables	(2,777,376)	2,303,963
<b>Increase/(decrease) in operating liabilities</b>		
Members deposit	10,852,643	8,134,326
Payables	(18,330)	91,450
Honoraries paid	(120,000)	(120,000)
<b>Net cashflow from Operating Activities</b>	<u><u>3,095,441</u></u>	<u><u>1,431,292</u></u>
<b>Cashflows from investing activities</b>		
Purchase of computers	(218,500)	(27,300)
Rebates to members	(3,063,386)	(2,024,845)
Entrance fees	25,500	21,000
Sharecapital	2,071,850	1,596,100
<b>Net cashflow from Investing Activities</b>	<u><u>(1,184,536)</u></u>	<u><u>(435,045)</u></u>
Net Increase /(Decrease) in cash and cash equivalents	1,910,905	996,246
Cash and cash equivalent at the beginning of the year	2,761,593	1,765,347
Cash and cash equivalent at the end of the year	<u><u>4,672,498</u></u>	<u><u>2,761,593</u></u>

**CS/ 7062: LONTELS SACCO SOCIETY LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS**

**1 ACCOUNTING POLICIES:**

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

**a) Basis of Accounting**

The financial statements are prepared on going concern basis and in accordance and compliance with Financial International Reporting Standards (IFRSs) .The financial statements are presented in the functional currency, Kenya Shillings (Kshs) and prepared under historical costs conventional.

**b) Revenue Recognition**

Interest on loans to members is computed at 1% per month on reducing balance basis. Revenue is recognized on accrual basis.

**c) Statutory Reserve**

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

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**NOTES AND OBSERVATIONS**

	<b>2013</b>	<b>2012</b>
	KShs	KShs
<b>1 FIXED ASSETS-COMPUTERS</b>		
<b>COST</b>		
Balance as at 1st January 2013	325,300	298,000
Additions	218,500	27,300
Disposals		
Balance as at 31st December 2013	<u>543,800</u>	<u>325,300</u>
Disposals		
<b>Accumulated Depreciation</b>		
Balance as at 1st January 2013	212,392	100,625
Charge for the year	184,600	111,767
Balance as at 31st December 2013	<u>396,992</u>	<u>212,392</u>
Net Book Value as at 31 December 2013	<u>146,808</u>	<u>112,908</u>
<b>2 CASH &amp; CASH EQUIVALENT</b>		
Deposits with CIC	1,091,243	1,000,000
Current Account	2,752,334	1,153,279
Savings Account	318,921	158,314
Cash in Hand	510,000	450,000
Total	<u>4,672,498</u>	<u>2,761,593</u>
<b>3 DEBTORS &amp; PREPAYMENTS</b>		
Norfolk Hotel	2,619,283	-
Mara Safari Club	1,850	-
Olpejeta Ranching	464,533	272,909
Insurance CIC	198,201	205,026
Nextech Ltd	40,000	-
Alex Nganga	22,271	22,271
Amos Mathenge	40,014	40,014
K Maundu	61,404	61,404
S Muragu	13,900	13,900
Pamela Nyaga	-	20,884
Reuben Nderitu	-	17,669
Ruth Gachie	-	17,251
Provision for Bad Debts	(63,750)	(51,000)
Total	<u>3,397,706</u>	<u>620,330</u>

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**NOTES AND OBSERVATIONS**

**4 LOANS TO MEMBERS**

	<b>2013</b>	<b>2012</b>
	<b>KShs.</b>	<b>KShs.</b>
Bal b/f	39,749,104	27,817,509
Loan issued during the year	32,199,097	28,171,385
Interest for the year	5,058,763	3,878,542
Recovered during the year	(28,219,927)	(20,118,332)
<b>Total</b>	<b><u>48,787,037</u></b>	<b><u>39,749,104</u></b>

**5 INVESTMENTS**

KUSCCO- Membership	10,250	10,250
Shares	116,737	120,000
<b>Total</b>	<b><u>126,987</u></b>	<b><u>130,250</u></b>

**6 MEMBERS DEPOSIT**

Balance brought forward	34,868,605	26,734,279
Contribution for the year	15,123,607	9,662,227
Is	(1,221,396)	(1,527,901)
Transfer to loan	(3,024,568)	-
Transfer to entrance fee	(25,000)	-
<b>Balance carried forward</b>	<b><u>45,721,248</u></b>	<b><u>34,868,605</u></b>

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**NOTES AND OBSERVATIONS**

**7 PAYABLES & ACCRUALS**

	<b>2013</b>	<b>2012</b>
	<b>Kshs</b>	<b>Kshs</b>
Registration Fees	3,700	3,700
Sundry accruals ; Disbursements	8,465	5,965
Travel and Entertainments	4,500	4,500
AGM expenses	90,410	160,340
Service Charge Accrual	300	300
Training	246,135	190,635
Sundry receipts	2,529	2,529
Provision for Audit fees	30,000	35,000
VAT	1,635	3,035
<b>TOTAL</b>	<b><u>387,674</u></b>	<b><u>406,004</u></b>

**8 ENTRANCE FEES**

Balance brought forward	106,100	85,100
New entrants	25,500	21,000
Balance carried forward	<b><u>131,600</u></b>	<b><u>106,100</u></b>

**9 ADMINISTRATIVE EXPENSES**

Insurances	257,927	248,338
Printing and Stationery	15,630	25,320
Systems Expenses	80,020	77,200
AGM expenses	250,000	230,000
Audit Fees	40,000 ✓	40,000
VAT	6,400	6,400
Supervision fees and recoverable expenses	3,700 <sup>^</sup>	3,700
Training	75,000	70,000
Sitting allowances	59,125	80,190
transport travel & Accomodation	65,177	73,115
Postages	2,650	8,100
General Expenses	12,900	9,000
Bad Debts written off	17,250	17,250
Provision for Bad Debts	12,750	12,750
Depreciation	184,600	111,767
Disbursements	10,000	7,500
Honoraria Paid	240,000	120,000
	<b><u>1,333,129</u></b>	<b><u>1,140,630</u></b>