

MINISTRY OF INDUSTRIALIZATION  
& ENTERPRISE DEVELOPMENT  
**MAIN REGISTRY**  
11 MAY 2016  
No.....  
P. O. Box 30547-00100  
CS/7062  
NAIROBI, KENYA

**LONTELS SACCO SOCIETY LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2015**



**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 2015**

**CS/ 7062: LONTELS SACCO SOCIETY LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2015  
ANNUAL REPORT AND FINANCIAL STATEMENTS**

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ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2015**

**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.Ibeere	-	Member
K.Mwashighadi	-	Member
K.Mwangi	-	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.),  
UKC APT3, STATE HOUSE ROAD  
P.O BOX 42844-00100  
NAIROBI.

**PRINCIPAL BANKERS;**

CO-OPERATIVE BANK OF KENYA,  
UNIVERSITY WAY BRANCH  
NAIROBI

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**STATISTICAL INFORMATION**

	2015	2014
Membership No. -Active	248	249
-Dormant	97	11
	<u>345</u>	<u>260</u>

**FINANCIAL:-**

Total Assets	79,658,344	69,496,740
Members Deposits	61,349,082	54,541,582
Loan and advances to members	77,751,623	68,550,308
Investments	120,462	123,725
Share Capital	10,082,753	8,489,200
Total Interest Income	8,113,588	6,885,661

**KEY RATIOS:-**

**Liquidity Ratio:-**

Liquid Assets/current liabilities	13%	13%
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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 2015

**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 .....  .....2016

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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 7 May 2016 and signed on its behalf

Chairman..... 

Treasurer..... 

Secretary..... 

Member..... 

Date..... 7 May 2016



# MUGO-MUNGAI & CO.

*Certified Public Accountants*

**Auditors, Tax & Financial Advisors**

## REPORT OF THE INDEPENDENT AUDITOR

We have audited the accompanying financial statements of Lontels Sacco Society Ltd set out on page 6 to 13 which comprises of statement of financial position as at 31 December 2015, statement of comprehensive income, statement of changes in equity and the cash flow statement 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 statements 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 that are free from material misstatement.

### AUDITORS 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 Standard on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain reasonable evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making the risk assessment, the auditor considers internal control relevant to the entity's 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 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 as at 31 December 2015 and of its cash flows for the year then ended in accordance with International Financial Reporting Standard and the requirements of the Kenyan Co-operative Societies Act.

*The engagement partner responsible for the audit resulting in this Independent Auditor's report is CPA Mugo Mungai Practicing*

*Certificate No. P/1772*

*Mugo-Mungai & Co.*

MUGO MUNGAI & CO

CERTIFIED PUBLIC ACCOUNTANTS

Date *10<sup>th</sup> May* 2016



**CS/ 7062 LONTELS SACCO SOCIETY LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

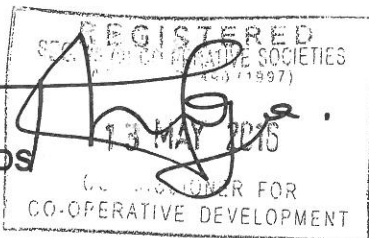
**INCOME STATEMENT**

	NOTES	2015 KShs	2014 KShs
<b>REVENUE</b>			
Interest from members loans		8,111,907	6,854,377
Other Interest Income		1,681	31,284
<b>Total Interest Income</b>		<u>8,113,588</u>	<u>6,885,661</u>
Interest Expense on Members Deposit		(6,500,000)	(5,300,000)
<b>Net Interest Income</b>		<u>1,613,588</u>	<u>1,585,661</u>
Other Incomes-entrance fees	9	164,100	-
<b>Total Net Income</b>		<u>1,777,688</u>	<u>1,585,661</u>
<b>EXPENDITURE</b>			
Administrative Expenses	10	1,262,271	1,217,073
Other Operating Expenses		51,517	65,570
<b>Total expenses</b>		<u>1,313,788</u>	<u>1,282,643</u>
<b>Net Operating Surplus Before Tax</b>		<u>463,901</u>	<u>303,018</u>
Income Tax Expense		(221)	(221)
<b>Net Surplus for the year</b>		<u>463,680</u>	<u>302,797</u>
20% transfer to Statutory Reserve		(92,736)	(60,559)
<b>Surplus for the period available for distribution</b>		<u>370,944</u>	<u>242,238</u>

**CS/ 7062: LONTELS SACCO SOCIETY LIMITED  
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**STATEMENT OF THE FINANCIAL POSITION  
AS AT 31 DECEMBER 2015**

	NOTES	2015 KShs	2014 KShs
<b>ASSETS</b>			
Computers	1	59,180	73,975
Cash and Cash equivalent	2	855,039	506,692
Debtors and Receivables	3	172,040	242,040
Loan to members	4	77,751,623	68,550,308
Collateral-FDR		700,000	-
Financial Investments	5	120,462	123,725
<b>TOTAL ASSETS</b>		<b>79,658,344</b>	<b>69,496,740</b>
<b>LIABILITIES</b>			
Members Deposits	6	61,349,082	54,541,582
Creditors ,Accruals and Provisions	7	492,491	370,361
Proposed Interest on Members Deposits	8	6,622,404	5,058,284
Corporation Tax		3,735	3,514
Proposed Honoraria		249,980	249,980
<b>TOTAL LIABILITIES</b>		<b>68,717,693</b>	<b>60,223,721</b>
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital		10,082,753	8,489,200
Statutory Reserve Fund		329,206	188,470
Entrance Fees		-	149,600
Appropriation Account		528,693	445,749
		<b>10,940,652</b>	<b>9,273,019</b>
<b>Total Liabilities and Shareholders fund</b>		<b>79,658,344</b>	<b>69,496,740</b>

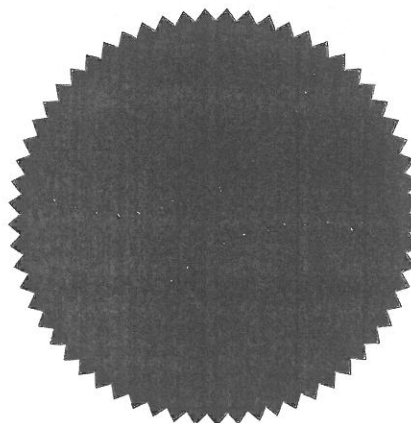


The Financial Statements set out on pages 6 to 10 were approved by the management committee on 7th May 2016 for issue and signed on their behalf by:

Chairman..... 

Treasurer..... 

Secretary..... 



**CS/ 7062: LONTELS SACCO SOCIETY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	SHARE CAPITAL	ENTRANCE FEE	STATUTORY RESERVE	APPROPRIATION ACCOUNT	TOTAL
YEAR ENDED 31.12.2015	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Balance as at 1.01.2015</b>	<b>8,489,200</b>	-	<b>236,470</b>	<b>397,749</b>	<b>9,123,419</b>
Issues of shares	1,593,553	-	-	-	1,593,553
Additions	-	-	-	-	-
Proposed Honoraria	-	-	-	(240,000)	(240,000)
Prior year adjustments	-	-	-	-	-
Surplus(Deficit) for the year	-	-	92,736	370,944	463,680
<b>Balance as at 31.12.2015</b>	<b>10,082,753</b>	-	<b>329,206</b>	<b>528,693</b>	<b>10,940,652</b>

	Kshs	Kshs	Kshs	Kshs	Kshs
<b>YEAR ENDED 31.12.2014</b>					
<b>Balance as at 1.01.2014</b>	<b>6,358,750</b>	<b>131,600</b>	<b>175,911</b>	<b>395,511</b>	<b>7,061,772</b>
Issues of shares	2,130,450	-	-	-	2,130,450
Additions	-	18,000	-	-	18,000
Prior year adjustments	-	-	-	-	-
Surplus(Deficit) for the year	-	-	60,559	242,238	302,797
Proposed Honoraria	-	-	-	(240,000)	(240,000)
<b>Balance as at 31.12.2014</b>	<b>8,489,200</b>	<b>149,600</b>	<b>236,470</b>	<b>397,749</b>	<b>9,273,019</b>

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

<b>OPERATING ACTIVITIES</b>	<b>2015 KShs</b>	<b>2014 KShs</b>
Interest received	8,113,588	6,885,661
Interest payments	(4,935,880)	(3,948,785)
Payments suppliers	(1,248,893)	(1,209,810)
	<b>1,928,816</b>	<b>1,727,066</b>
<b>increase/decrease in operating assets</b>		
loans to members	(9,201,315)	(19,763,271)
(Decrease ) in Receivables	70,000	3,155,666
Collateral-FDR	(700,000)	-
Honoraries paid	(240,000)	(240,000)
Finance investments	3,263	3,262
	<b>(8,139,237)</b>	<b>(16,844,343)</b>
<b>increase/decrease in operating liabilities</b>		
members deposit	6,807,500	8,820,334
payables	72,030	(17,313)
	<b>6,879,530</b>	<b>8,803,021</b>
<b>Net cashflow from Operating Activities</b>	<b>(1,259,706)</b>	<b>(6,314,256)</b>
<b>cashfows from investing activites</b>		
purchase of computers	-	-
Interest on members deposit	-	-
Net cashflow from Investing Activities	-	-
<b>Cashflow from Financing Activities</b>		
Share capital contributions	1,593,553	2,130,450
Entrance fee	14,500	18,000
	<b>1,608,053</b>	<b>2,148,450</b>
<b>Net Increase /(Decrease) in cash and cash equivalents</b>	<b>348,347</b>	<b>(4,165,806)</b>
Cash and cash equivalent at the beginning of the year	506,692	4,672,498
Cash and cash equivalent at the end of the year	<b>855,039</b>	<b>506,692</b>

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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 with the provision of section 47(1&2) of the Co-operative Act, Cap 490

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NOTES AND OBSERVATIONS

	2015 KShs	2014 KShs
<b>1 FIXED ASSETS-COMPUTERS</b>		
<b>COST</b>		
Balance as at 1st January		
Additions	543,800	543,800
Balance ast at 31st December	-	-
Disposals	<u>543,800</u>	<u>543,800</u>
<b>Accumulated Depreciation</b>		
Balance as at 1st January		
Charge for the year	469,825	396,992
Balance ast at 31st December	<u>14,795</u>	<u>72,833</u>
	<u>484,620</u>	<u>469,825</u>
Net Book Value as at 31 December	<u>59,180</u>	<u>73,975</u>
<b>2 CASH &amp; CASH EQUIVALENT</b>		
Current Account		
Savings Account	148,217	81,500
Cash in Hand	196,822	(84,808)
Total	<u>510,000</u>	<u>510,000</u>
	<u>855,039</u>	<u>506,692</u>
<b>3 DEBTORS &amp; Prepayments</b>		
Insurance CIC		
Nextech Ltd	158,201	158,201
Alex Nganga		40,000
Amos Mathenge	22,271	22,271
K Maundu	40,014	40,014
S Muragu	61,404	61,404
Provision for Bad Debts	13,900	13,900
Total	<u>(123,750)</u>	<u>(93,750)</u>
	<u>172,040</u>	<u>242,040</u>
<b>4 LOANS TO MEMBERS</b>		
Bal b/f		
Loan issued during the year	68,550,308	48,787,037
Interest for the year	37,545,358	48,420,500
Recovered during the year	8,050,854	6,854,377
	<u>(36,394,897)</u>	<u>(35,511,606)</u>
Total	<u>77,751,623</u>	<u>68,550,308</u>

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**NOTES AND OBSERVATIONS**

**10 ADMINISTRATIVE EXPENSES**

	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Insurances	291,100	291,100
Printing and Stationery	22,410	13,600
Systems Expenses	174,356	132,440
AGM expenses	350,000	300,000
Audit Fees	40,000	40,000
VAT	6,400	6,400
Supervision fees and recoverable expenses	3,700	3,700
Training	100,000	50,000
Sitting allowances	120,000	120,000
transport travel & Accomodation	50,400	103,650
Postages	14,150	23,700
General Expenses	1,960	19,650
Bad Debts written off	30,000	17,250
Provision for Bad Debts	-	12,750
Depreciation	14,795	72,833
Disbursements	20,000	10,000
Casual Wages	23,000	-
	<u><u>1,262,271</u></u>	<u><u>1,217,073</u></u>