

MINISTRY OF INDUSTRY,
TRADE AND COOPERATIVES
State Department for Co-operative

MAIN REGISTRY

28 APR 2017

No.

P.O. Box 30547 - 00100
GPO, NAIROBI, KENYA

CS/ 7062

LONTELS SACCO SOCIETY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016



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 2016

**CS/ 7062: LONTELS SACCO SOCIETY LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2016
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 2016**

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
M. Ndungu	-	Member
K.Mwashighadi	-	Member
Onesmus Kihara	-	Member

SUPERVISORY COMMITTEE MEMBERS:

Hillary Ruto	-	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

**CS/ 7062 LONTELS SACCO SOCIETY LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2016**

STATISTICAL INFORMATION

	2016	2015
Membership No. -Active	229	248
-Dormant	153	97
	<u>382</u>	<u>345</u>

FINANCIAL:-

Total Assets	87,469,804	79,658,344
Members Deposits	66,169,977	61,349,082
Loan and advances to members	86,117,154	77,751,623
Investments	120,462	120,462
Share Capital	11,737,253	10,082,753
Total Interest Income	9,045,647	8,113,588

KEY RATIOS:-

Liquidity Ratio:-

Liquid Assets/current liabilities	14%	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 2016

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 2017

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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.....07/04/.....2017 and signed on its behalf

Chairman.....

Treasurer.....

Secretary.....

Member.....

Date.....07/04/.....2017



MUGO-MUNGAI & CO.

Certified Public Accountants

Auditors, Tax & Financial Advisors

REPORT OF THE INDEPENDENT AUDITOR

Opinion

We have audited the accompanying financial statements of Lontels Sacco Society Limited for the year ended 31 December 2016 as set out on pages 6 -13. These financial statements comprise of statement of financial position for the year ended 31 December 2016, 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.

In our opinion the accompanying financial statements give a true and fair view of the state of the Sacco's financial transactions during the year ended 31 December 2016 and of the disposition as at that date of its assets and liabilities in accordance with International Financial Reporting Standards.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) . Our responsibility under the standards are further described in the Auditors Responsibilities for the Audit of the financial statements section of our report. We are independent of the Sacco and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Going Concern Assumption

Directors' Responsibility on the Going Concern Assumption

The directors's responsibility is to make a specific assessment of the Saccos's ability to continue as a going concern and standards regarding matters to be considered and disclosures to be made in connection with going concern of the Sacco.

Auditors' Responsibility on the Going Concern Assumption

The auditor's responsibility is to obtain sufficient appropriate audit evidence about the appropriateness of director's use of the going concern assumption in the preparation of the financial statements and to conclude whether there is a material uncertainty about the Sacco's ability to continue as a going concern.

- a) Under the going concern assumption, an entity is viewed as continuing in business for the foreseeable future.
- b) We believe that the director's use of the going concern basis of accounting in the preparation of the Sacco's financial statements is appropriate.
- c) We have not identified a material uncertainty that may cast significant doubt on the Sacco's ability to continue as a going concern.
- d) Neither the directors nor we can guarantee the Sacco's ability to continue as a going concern.

Key Audit Matters Arising:

Application of New ISA 701(International Standard on Auditing) requires the disclosure of key audit matters.

This section is intended to describe the matters communicated with those charged with governance, that we determined, in our professional judgement were of most significance during the audit.

We have nothing to report on this.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards.

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, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility for the Financial Statements

Our responsibility is to express an independent opinion on the 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 audit 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 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 the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

Report on other legal matters

As required by the Kenyan Co-operatives Societies Act, we report to you, based on our audit, that:

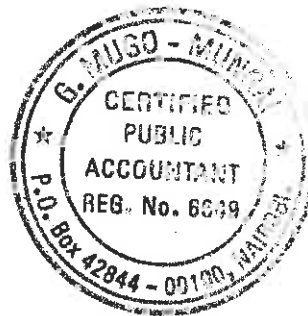
- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of account have been kept by the Sacco, so far from our examination of these books; and
- iii) the Sacco's balance sheet and profit and loss account are in agreement with the books of account.

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 *28 April*2017



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INCOME STATEMENT

	NOTES	2016 KShs	2015 KShs
REVENUE			
Interest from members loans		9,023,126	8,111,907
Other Interest Income		22,522	1,681
Total Interest Income		<u>9,045,647</u>	<u>8,113,588</u>
Interest Expense on Members Deposit		(7,100,000)	(6,500,000)
Other Income entrance fees	9	18,000	164,100
Net Interest Income		<u>1,963,647</u>	<u>1,777,688</u>
EXPENDITURE			
Administrative Expenses	10	1,551,026	1,262,271
Other Operating Expenses		76,226	51,517
Total expenses		<u>1,627,252</u>	<u>1,313,788</u>
Net Operating Surplus Before Tax		<u>336,395</u>	<u>463,901</u>
Income Tax Expense		(221)	(221)
Net Surplus for the year		<u>336,174</u>	<u>463,680</u>
20% transfer to Statutory Reserve		(67,235)	(92,736)
Surplus for the period available for distribution		<u>268,939</u>	<u>370,944</u>

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**STATEMENT OF THE FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	NOTES	2016 KShs	2015 KShs
ASSETS			
Computers	1	184,827	59,180
Cash and Cash equivalent	2	992,508	855,039
Debtors and Receivables	3	54,852	172,040
Loan to members	4	86,117,154	77,751,623
Collateral-FDR		-	700,000
Financial Investments	5	120,462	120,462
TOTAL ASSETS		87,469,804	79,658,344
LIABILITIES			
Members Deposits	6	66,169,977	61,349,082
Creditors ,Accruals and Provisions	7	630,822	492,491
Proposed Interest on Members Deposits	8	7,723,743	6,622,404
Corporation Tax		3,956	3,735
Proposed Honoraria		209,980	249,980
TOTAL LIABILITIES		74,738,478	68,717,693
SHAREHOLDERS' FUNDS			
Share Capital		11,737,253	10,082,753
Statutory Reserve Fund		396,441	329,206
Appropriation Account		597,632	528,693
		12,731,326	10,940,652
Total Liabilities and Shareholders fund		87,469,804	79,658,344

The Financial Statements set out on pages 6 to 10 were approved by the management committee on 07/10/17 2017 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 2016

	SHARE CAPITAL	STATUTORY RESERVE	APPROPRIATION ACCOUNT	TOTAL
YEAR ENDED 31.12.2016	Kshs	Kshs	Kshs	Kshs
Balance as at 1.01.2016	10,082,753	329,206	528,693	10,940,652
Issues of shares	1,654,500	-	-	1,654,500
Additions	-	-	-	-
Proposed Honoraria	-	-	(200,000)	(200,000)
Surplus(Deficit) for the year	-	67,235	268,939	336,174
Balance as at 31.12.2016	11,737,253	396,441	597,632	12,731,326

	Kshs	Kshs	Kshs	Kshs
YEAR ENDED 31.12.2015				
Balance as at 1.01.2015	8,489,200	236,470	397,749	9,123,419
Issues of shares	1,593,553	-	-	1,593,553
Additions	-	-	-	0
Proposed Honoraria	-	-	(240,000)	(240,000)
Surplus(Deficit) for the year	-	92,736	370,944	463,680
Balance as at 31.12.2015	10,082,753	329,206	528,693	10,940,652

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CASH FLOW STATEMENT

OPERATING ACTIVITIES	2016 KShs	2015 KShs
Interest received	9,045,647	8,113,588
Interest payments	(4,990,386)	(4,935,880)
Payments suppliers	(1,581,045)	(1,134,872)
	<u>2,474,216</u>	<u>2,042,836</u>
increase/decrease in operating assets		
loans to members	(8,365,531)	(9,201,315)
(Decrease) in Receivables	117,188	70,000
Collateral-FDR	700,000	700,000
Honoraries paid	(240,000)	(240,000)
Finance investments	-	3,263
	<u>(7,788,343)</u>	<u>(6,625,216)</u>
increase/decrease in operating liabilities		
members deposit	4,820,894	6,807,500
payables	138,331	122,130
	<u>4,959,225</u>	<u>6,929,630</u>
Net cashflow from Operating Activities	<u>(354,902)</u>	<u>304,414</u>
cashfows from investing activites		
purchase of computers	(171,854)	-
Interest on members deposit	(1,008,275)	(1,564,120)
Net cashflow from Investing Activities	<u>(1,180,129)</u>	<u>(1,564,120)</u>
Cashflow from Financing Activities		
Share capital contributions	1,654,500	1,593,553
Entrance fee	18,000	14,500
	<u>1,672,500</u>	<u>1,608,053</u>
Net Increase /(Decrease) in cash and cash equivalents	<u>137,469</u>	<u>348,347</u>
Cash and cash equivalent at the beginning of the year	855,039	506,692
Cash and cash equivalent at the end of the year	<u><u>992,508</u></u>	<u><u>855,039</u></u>

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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

**CS/7062:LONTELS SACCO SOCIETY LIMITED
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NOTES AND OBSERVATIONS

	2016	2015
	KShs	KShs
1 FIXED ASSETS-COMPUTERS		
COST		
Balance as at 1st January		
Additions	543,800	543,800
Balance ast at 31st December	<u>171,854</u>	<u>-</u>
Disposals	<u>715,654</u>	<u>543,800</u>
Accumulated Depreciation		
Balance as at 1st January		
Charge for the year	484,620	469,825
Balance ast at 31st December	<u>46,207</u>	<u>14,795</u>
	<u>530,827</u>	<u>484,620</u>
Net Book Value as at 31 December	<u>184,827</u>	<u>59,180</u>
2 CASH & CASH EQUIVALENT		
Current Account		
Savings Account	840,791	148,217
Cash in Hand	101,718	196,822
Total	<u>50,000</u>	<u>510,000</u>
	<u>992,508</u>	<u>855,039</u>
3 DEBTORS & Prepayments		
Olpejeta Ranching	-	-
Insurance CIC	-	-
Nextech Ltd	53,762	158,201
Alex Nganga	-	-
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>(136,500)</u>	<u>(123,750)</u>
	<u>54,852</u>	<u>172,040</u>
4 LOANS TO MEMBERS		
Bal b/f		
Loan issued during the year	77,751,623	68,550,308
Interest for the year	32,187,332	37,545,358
Recovered during the year	8,953,909	8,050,854
	<u>(32,775,710)</u>	<u>(36,394,897)</u>
Total	<u>86,117,154</u>	<u>77,751,623</u>

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NOTES AND OBSERVATIONS

5 INVESTMENTS

	2016 KShs.	2015 KShs.
KUSCCO- Membership Shares	10,250	10,250
Total	<u>110,212</u>	<u>110,212</u>
	<u>120,462</u>	<u>120,462</u>

6 MEMBERS DEPOSIT

Balance brought forward	61,349,082	54,541,582
Contribution for the year	13,509,612	15,339,613
Withdrawals	(2,615,382)	(3,621,797)
Transfer to loan	(6,057,335)	(4,896,816)
Transfer to entrance fee	(16,000)	(13,500)
Balance carried forward	<u>66,169,977</u>	<u>61,349,082</u>

7 PAYABLES & ACCRUALS

Registration Fees	3,700	3,700
Sundry accruals ; Disbursements	20,000	20,000
AGM expenses	350,000	350,000
Training	100,000	100,000
Provision for Audit fees	40,000	40,000
VAT	6,400	6,400
Sundry Creditors	70,722	-
Sundry Creditors Payment	-	(67,609)
Computer Maintenance	40,000	40,000
TOTAL	<u>630,822</u>	<u>492,491</u>

8 INTEREST ON MEMBERS DEPOSIT

Balance b/f	6,622,404	5,058,284
Proposed for the year	7,100,000	6,500,000
Less: paid for the year	(5,998,661)	(4,935,880)
Balance c/f	<u>7,723,743</u>	<u>6,622,404</u>

9 ENTRANCE FEES

Balance brought forward	-	149,600
New entrants	18,000	14,500
	<u>18,000</u>	<u>164,100</u>

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NOTES AND OBSERVATIONS

10 ADMINISTRATIVE EXPENSES

	2016	2015
	Kshs	Kshs
Insurances	211,100	291,100
Printing and Stationery	12,204	22,410
Systems Expenses	272,650	174,356
AGM expenses	350,000	350,000
Audit Fees	40,000	40,000
VAT	6,400	6,400
Supervision fees and recoverable expenses	3,700	3,700
Training	126,100	100,000
Sitting allowances	101,365	120,000
Transport travel & Accomodation	58,500	50,400
Postages & Telephone	57,550	14,150
General Expenses	32,000	1,960
Bad Debts written off	-	30,000
Provision for Bad Debts	12,750	-
Depreciation	46,207	14,795
Disbursements	20,000	20,000
Salaries & Wages	200,500	23,000
	<u><u>1,551,026</u></u>	<u><u>1,262,271</u></u>