



Chairman's Report For Year Ended December 2017

Date: 28th April 2018; 19th Members AGM

Dear Valued Members,

It is with great pleasure i present you my report for year 2017. Report is about financial performance and operational matters of our society. Key statistical information is as indicated below:-

Statistics	Year 2017	Year 2016	% Var
Membership Nos	222	229	-3%
Loans disbursed	94.2m	86.1m	9%
Revenues	9.4m	9.0m	4%
Expenses	1.4m	1.5m	-7%
Rebates proposed	10%	10%	0%
Share capital dividend	10%	10%	0%
Non-performing loans	6m	5m	20%
Expenses % to Revenues	15%	17%	-2%

Financial performance

Another good year for the society in terms of revenue growth. Expenses have reduced hence rounding up the overall good performance.

Non-performing loans are still a challenge, though entry into CRB has slowly started yielding results. Previous operational setbacks like lack of staff, office space hindered CMC to focus on this area properly but with both setbacks now fully addressed, CMC can now devote much more time in this sensitive area. I also call upon the membership to assist in any way possible to mitigate this problem.

Operational Matters

Main operational matters:-

Email: info@lontelssacco.co.ke

Save Regularly, Borrow Wisely, Repay Promptly



Lontels Sacco

1/ Sacco Office

Lontels Sacco was finally granted office space at the Norfolk Hotel by Fairmont management. This kind gesture by Fairmont management has greatly improved our efficiency in discharging services to our members. We are immensely grateful to Fairmont management for this wonderful support.

All in all, to everyone who in one way or the other participated in this noble cause, we are forever grateful for your help. May God bless you abundantly!

2/ Training

We managed to send Irene to 3 training sessions in the year, one was facilitated by Ministry of co-operatives while the other two by Kuscco. MrRuto also attended a Kuscco training on Supervisory affairs by Kuscco. Objective of these trainings was capacity building.

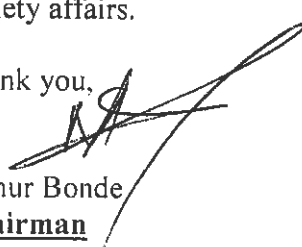
3/ ICT Matters

We upgraded our website to allow access via phones, tablets and any other internet enabled device. Our Sacco system has also been successfully upgraded to generate our management accounts.

Conclusion

I thank our members for the support and steadfast loyalty to the society; from our humble beginnings the society is now among the giants in the industry. I also thank my fellow CMC members for their selfless effort and involvement in the day to day running of our society affairs.

Thank you,



Arthur Bonde
Chairman

Email: info@lontelssacco.co.ke

Save Regularly, Borrow Wisely, Repay Promptly

MINISTRY OF INDUSTRY,
TRADE AND COOPERATIVES
State Department for Cooperatives

MAIL REGISTRY

46 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 2017



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 2017

**CS/ 7062 UNTELS SACCO SOCIETY LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2017
ANNUAL REPORT AND FINANCIAL STATEMENTS**

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**CS/7052: LONTELS SACCO SOCIETY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

SOCIETY INFORMATION

MANAGEMENT COMMITTEE

Arthur Bonde	-	Chairman
Kelvin Mwangi	-	Vice - Chairman
Raphael Mwangi	-	Hon. Secretary
Leila Omar	-	Hon. Treasurer
Gloria Wambugu	-	Member
Elijah Aberi	-	Member
Mercy Ndungu	-	Member
Kenneth Mwashighadi	-	Member
Peter Osoro	-	Member

SUPERVISORY COMMITTEE MEMBERS:

Hillary Ruto	-	Chairman
Felishina Mukuhi	-	Secretary
Wallace Nganga	-	Member

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
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

STATISTICAL INFORMATION

	2017	2016
Membership No. -Active	222	229
-Dormant	62	153
	284	382
	284	382

FINANCIAL:-

Total Assets	96,910,900	87,469,804
Members Deposits	73,025,212	66,169,977
Loan and advances to members	94,287,569	86,117,154
Investments	120,462	120,462
Share Capital	13,293,025	11,737,253
Total Interest Income	9,453,336	9,045,647

KEY RATIOS:-

Liquidity Ratio:-

Liquid Assets/current liabilities	13%	13%
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**CS/ 7062: LONTELS SACCO SOCIETY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

REPORT OF THE MANAGEMENT

The Management have the pleasure to present its report and audited financial Statements for the year ended 31 December 2017

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  24TH - AUG - 2018

CS/ 7062: LONTELS SACCO SOCIETY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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..... 24/04/182018 and signed on its behalf

Chairman.....

Treasurer.....

Secretary.....

Member.....

Date..... 24/04/2018



MUGO-MUNGAI & CO.

Certified Public Accountants

Auditors, Tax & Financial Advisors

REPORT OF THE INDEPENDENT AUDITOR

Opinion

In our opinion the accompanying financial statements present fairly, in all material respects the financial position of Lontels Sacco Society as at 31st December, 2017, and of its financial performance and cashflow for the year then ended in accordance with International Reporting Standards (IFRSs).

We have audited the accompanying financial statements of Lontels Sacco Society Limited which comprise the statement of financial position as at 31st December, 2017 and the statement of comprehensive income, statement of changes in equity and statement of cashflows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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.

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 determined that there are no matters to report.

Going Concern

Going Concern Assumption

The financial statements of the Sacco have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless the directors either intends to liquidate or cease operations, or has no realistic alternative but to do so. As part of our audit of the Sacco's financial statements, we have concluded that the directors's use of the going concern basis of accounting in the preparation of the Sacco's financial statements is appropriate.

Directors have not identified a material uncertainty that may cast significant doubt on the Sacco's ability to continue as a going concern, and accordingly none is disclosed in the Sacco's financial statements. Based on our audit of the financial statements of the sacco, we also have not identified such a materiality. However, neither directors nor the auditor can guarantee the Sacco's ability to continue as a going concern.

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, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Directors are responsible for overseeing the Sacco's financial reporting process.

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

The objectives of our audit 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 our 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 a 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 scepticism throughout the planning and performance of the audit. We also:

Identify and assess the risks 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 of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by the directors

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

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Sacco to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Sacco's audit. We remain solely responsible for our audit opinion.

Report on other legal matters

As required by the Kenyan Co-operative 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 statement of financial position and the statement of comprehensive income 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: *24/4/2018*



**CS/ 7062: LONTELS SACCO SOCIETY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

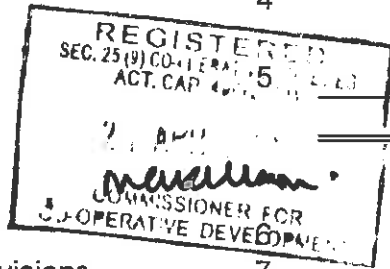
INCOME STATEMENT

	NOTES	2017 KShs	2016 KShs
REVENUE			
Interest from members loans		9,453,336	9,023,126
Other Interest Income			22,522
Total Interest Income		<u>9,453,336</u>	<u>9,045,647</u>
Interest Expense on Members Deposit		(7,600,000)	(7,100,000)
Other Income - Entrance Fees	9	<u>20,500</u>	<u>18,000</u>
Net Interest Income		<u>1,873,836</u>	<u>1,963,647</u>
EXPENDITURE			
Administrative Expenses	10	1,497,524	1,551,026
Other Operating Expenses		94,710	76,226
Total expenses		<u>1,592,234</u>	<u>1,627,252</u>
Net Operating Surplus Before Tax		<u>281,602</u>	<u>336,395</u>
Income Tax Expense		(221)	(221)
Net Surplus for the year		<u>281,381</u>	<u>336,174</u>
20% transfer to Statutory Reserve		(56,276)	(67,235)
Surplus for the period available for distribution		<u>225,105</u>	<u>268,939</u>

**CS/ 7062: LONTELS SACCO SOCIETY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

**STATEMENT OF THE FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	NOTES	2017 KShs	2016 KShs
ASSETS			
Computers	1	147,862	184,827
Cash and Cash equivalent	2	1,985,629	992,508
Debtors and Receivables	3	369,378	54,852
Loan to members	4	94,287,569	86,117,154
Collateral-FDR		-	-
Financial Investments		120,462	120,462
TOTAL ASSETS		96,910,900	87,469,804
LIABILITIES			
Members Deposits		73,025,212	66,169,977
Creditors ,Accruals and Provisions	7	818,371	630,822
Proposed Interest on Members Deposits	8	8,524,681	7,723,743
Corporation Tax		4,177	3,956
Proposed Honoraria		150,000	209,980
TOTAL LIABILITIES		82,522,441	74,738,478
SHAREHOLDERS' FUNDS			
Share Capital		13,293,025	11,737,253
Statutory Reserve Fund		452,717	396,441
Appropriation Account		642,717	597,632
		14,388,460	12,731,326
Total Liabilities and Shareholders fund		96,910,900	87,469,804



The Financial Statements set out on pages 6 to 10 were approved by the management committee on.....2018 for issue and signed on their behalf by:

Chairman.....
 Treasurer.....
 Secretary.....

CSI 7062: LONTELS SACCO SOCIETY LIMITED
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 DECEMBER 2017

	SHARE CAPITAL	STATUTORY RESERVE	APPROPRIATION ACCOUNT	TOTAL
YEAR ENDED 31.12.2017	Kshs	Kshs	Kshs	Kshs
Balance as at 1.01.2017	11,737,253	396,441	597,633	12,731,326
Issues of shares	1,555,772	-	-	1,555,772
Surplus(Deficit) for the year	-	-	281,381	281,381
Transfer for the year	-	56,276	(56,276)	-
Proposed Honoraria	-	-	(180,020)	(180,020)
Balance as at 31.12.2017	13,293,025	452,717	642,717	14,388,460

	Kshs	Kshs	Kshs	Kshs
YEAR ENDED 31.12.2016				
Balance as at 1.01.2016	10,082,753	329,206	595,928	11,007,887
Issues of shares	1,654,500	-	-	1,654,500
Surplus(Deficit) for the year	-	-	268,939	268,939
Transfer for the year	-	67,235	(67,235)	-
Proposed Honoraria	-	-	(200,000)	(200,000)
Balance as at 31.12.2016	11,737,253	396,441	597,633	12,731,326

CS/7062:LONTELS SACCO SOCIETY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

CASH FLOW STATEMENT

	2017 KShs	2016 KShs
OPERATING ACTIVITIES		
Interest received	9,453,336	9,045,647
Interest payments	(6,799,062)	(4,990,386)
Payments suppliers	(1,555,269)	(1,581,045)
	<u>1,099,005</u>	<u>2,474,216</u>
increase/decrease in operating assets		
loans to members	(8,170,415)	(8,365,531)
(Decrease) in Receivables	(314,526)	117,188
Collateral-FDR	-	700,000
Honoraries paid	(240,000)	(240,000)
Finance investments	-	-
	<u>(8,724,941)</u>	<u>(5,314,127)</u>
increase/decrease in operating liabilities		
members deposit	6,855,235	4,820,894
payables	187,549	138,331
	<u>7,042,784</u>	<u>4,959,225</u>
Net cashflow from Operating Activities	<u>(583,152)</u>	<u>(354,902)</u>
cashfows from investing activites		
purchase of computers	-	(171,854)
Interest on members deposit	-	(1,008,275)
Net cashflow from Investing Activities	<u>-</u>	<u>(1,180,129)</u>
Cashflow from Financing Activities		
Share capital contributions	1,555,772	1,654,500
Entrance fee	20,500	18,000
	<u>1,576,272</u>	<u>1,672,500</u>
Net Increase /(Decrease) in cash and cash equivalents	993,120	137,469
Cash and cash equivalent at the beginning of the year	992,508	855,039
Cash and cash equivalent at the end of the year	<u>1,985,628</u>	<u>992,508</u>

**CS/ 7062: LONTELS SACCO SOCIETY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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/70502 LONTELS SACCO SOCIETY LIMITED
 ANNUAL REPORT AND FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES AND OBSERVATIONS

	2017	2016
	KShs	KShs
1 FIXED ASSETS-COMPUTERS		
COST		
Balance as at 1st January	715,654	543,800
Additions		171,854
Balance as at 31st December	<u>715,654</u>	<u>715,654</u>
Disposals		
Accumulated Depreciation		
Balance as at 1st January	530,827	484,620
Charge for the year	36,965	46,207
Balance as at 31st December	<u>567,792</u>	<u>530,827</u>
Net Book Value as at 31 December	<u>147,862</u>	<u>184,827</u>
2 CASH & CASH EQUIVALENT		
Current Account	1,822,831	840,791
Savings Account	101,718	101,718
Cash in Hand	61,080	50,000
Total	<u>1,985,629</u>	<u>992,508</u>
3 DEBTORS & Prepayments		
Insurance CIC	368,288	53,762
Alex Nganga	22,271	22,271
Amos Mathenge	40,014	40,014
K Maundu	61,404	61,404
S Muragu	13,900	13,900
Provision for Bad Debts	(136,500)	(136,500)
Total	<u>369,378</u>	<u>54,852</u>
4 LOANS TO MEMBERS		
Bal b/f	86,117,154	77,751,623
Loan issued during the year	52,001,147	32,187,332
Interest for the year	9,453,336	8,953,909
Recovered during the year	<u>(53,284,068)</u>	<u>(32,775,710)</u>
Total	<u>94,287,569</u>	<u>86,117,154</u>

LS/ 7992: LONILEL SACCO SOCIETY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES AND OBSERVATIONS

5 INVESTMENTS

	2017	2016
	KShs.	KShs.
KUSCCO- Membership	10,250	10,250
Shares	110,212	110,212
Total	<u>120,462</u>	<u>120,462</u>

6 MEMBERS DEPOSIT

Balance brought forward	66,169,977	61,349,082
Contribution for the year	13,795,512	13,509,612
Withdrawals	(1,017,180)	(2,615,382)
Transfer to loan	(5,904,097)	(6,057,335)
Transfer to entrance fee	(19,000)	(16,000)
Balance carried forward	<u>73,025,212</u>	<u>66,169,977</u>

7 PAYABLES & ACCRUALS

Registration Fees	3,700	3,700
Sundry accruals ; Disbursements	20,000	20,000
AGM expenses	400,000	350,000
Training	100,000	100,000
Provision for Audit fees	40,000	40,000
VAT	6,400	6,400
Sundry Creditors	118,271	70,722
Sundry Creditors Payment		
Computer Maintenance	130,000	40,000
TOTAL	<u>818,371</u>	<u>630,822</u>

8 INTEREST ON MEMBERS DEPOSIT

Balance b/f	7,723,743	6,622,404
Proposed for the year	7,600,000	7,100,000
Less: paid for the year	(6,799,062)	(5,998,661)
Balance c/f	<u>8,524,681</u>	<u>7,723,743</u>

9 ENTRANCE FEES

New entrants	20,500	18,000
Balance carried forward	<u>20,500</u>	<u>18,000</u>

CS/ 7062: LONTELS SACCO SOCIETY LIMITED
 ANNUAL REPORT AND FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES AND OBSERVATIONS

10 ADMINISTRATIVE EXPENSES

	2017 Kshs	2016 Kshs
Insurances	234,526	211,100
Printing and Stationery	29,000	12,204
Systems Expenses	238,826	272,650
AGM expenses	400,000	350,000
Audit Fees	40,000	40,000
VAT	6,400	6,400
Supervision fees and recoverable expenses	3,700	3,700
Training	50,000	126,100
Sitting allowances	51,272	101,365
Transport travel & Accomodation	25,600	58,500
Postages & Telephone	45,000	57,550
General Expenses	16,235	32,000
Provision for Bad Debts	-	12,750
Depreciation	36,965	46,207
Disbursements	20,000	20,000
Salaries & Wages	300,000	200,500
	<u><u>1,497,524</u></u>	<u><u>1,551,026</u></u>

11 OTHER OPERATING EXPENSES

Bank charges	94,710	76,226
	<u><u>94,710</u></u>	<u><u>76,226</u></u>