

MINISTRY OF INDUSTRY
TRADE AND COOPERATIVES
State Department for Cooperative
MAIN REGISTRY
21 MAR 2019
No.
P.O. Box 30547 - 00100
GPO, NAIROBI, KENYA

CS/ 7062

LONTELS SACCO SOCIETY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



MUGO-MUNGAI & CO.

Certified Public Accountants

Auditors, Tax & Financial Advisors

**CS/ 7062: LONTELS SACCO SOCIETY LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018
ANNUAL REPORT AND FINANCIAL STATEMENTS**

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ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

SOCIETY INFORMATION

MANAGEMENT COMMITTEE

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

SUPERVISORY COMMITTEE MEMBERS:

Wallace Nganga	-	Chairman
Felishina Mukuhi	-	Secretary
Duncan Wambua	-	Member

REGISTERED OFFICE :

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

INDEPENDENT AUDITOR:

MUGO- MUNGAI & CO.
CERTIFIED PUBLIC ACCOUNTANTS (K.),
UKC APPT 3, 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

	2018	2017
Membership No. -Active	245	222
-Dormant	50	62
	<u>295</u>	<u>284</u>

FINANCIAL:-

Total Assets	111,014,216	96,910,900
Members Deposits	85,467,667	73,025,212
Loan and advances to members	104,782,547	94,287,569
Investments	120,462	120,462
Share Capital	14,984,158	13,293,025
Total Interest Income	10,946,012	9,453,336

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 2018, which disclose the state of affairs of the society.

INCORPORATION

The society is incorporated in Kenya under the cooperative Societies Act, Cap 490 and Licensed under the Sacco Societies Act No. 14 of 2008, and is domiciled in Kenya.

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

SIGNATURE.....DATE 18th March.....2019

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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.

The management acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Management Committee on 18 March 2019 and signed on its behalf

Chairman.....


Treasurer.....


Secretary.....


Member.....




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, set out on page 7 to 14, which comprise the statement of financial position as at 31st December, 2018 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.

In our opinion the accompanying financial statements present fairly, in all material respects the financial position of Lontels Sacco Society as at 31st December, 2018, and of its financial performance and cashflow for the year then ended in accordance with International Reporting Standards (IFRSs).

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.

Other Information

The Management is responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other reports expected to be made to us after date of report of the independent auditor, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Cooperative Societies Act, and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the management are responsible for assessing the society's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to liquidate the society or to cease operations, or has no realistic alternative but to do so.

**CS/ 7062: LONTELS SACCO SOCIETY LIMITED
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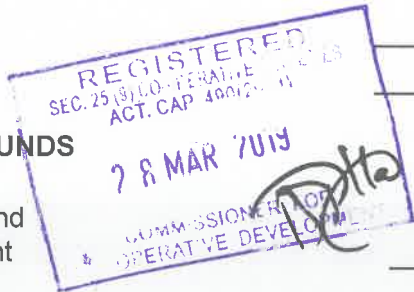
INCOME STATEMENT

	NOTES	2018 KShs	2017 KShs
REVENUE			
Interest from members loans		10,946,012	9,453,336
Other Interest Income		-	-
Total Interest Income		<u>10,946,012</u>	<u>9,453,336</u>
Interest Expense on Members Deposit		(8,200,000)	(7,600,000)
Other Income - Entrance Fees	9	<u>21,500</u>	<u>20,500</u>
Net Interest Income		<u>2,767,512</u>	<u>1,873,836</u>
EXPENDITURE			
Administrative Expenses	10	2,424,925	1,497,524
Other Operating Expenses	11	<u>111,914</u>	<u>94,710</u>
Total expenses		<u>2,536,839</u>	<u>1,592,234</u>
Net Operating Surplus Before Tax		230,673	281,602
Income Tax Expense		(221)	(221)
Net Surplus for the year		<u>230,452</u>	<u>281,381</u>
20% transfer to Statutory Reserve		(46,090)	(56,276)
Surplus for the period available for distribution		<u>184,361</u>	<u>225,105</u>


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**STATEMENT OF THE FINANCIAL POSITION
AS AT 31 DECEMBER 2018**


	NOTES	2018 KShs	2017 KShs
ASSETS			
Computers	1	41,470 ✓	147,862
Cash and Cash equivalent	2	785,497 ✓	1,985,629
Debtors and Receivables	3	247,116 ✓	369,378
Loan to members	4,i	104,782,547 ✓	94,287,569
Contributions control	4,ii	5,037,125 ✓	-
Financial Investments	5	120,462 ✓	120,462 ✓
TOTAL ASSETS		111,014,216	96,910,900
LIABILITIES			
Members Deposits	6	85,467,667 ✓	73,025,212
Creditors ,Accruals and Provisions	7	785,240 ✓	818,371
Proposed Interest on Members Deposits	8	8,521,874	8,524,681
Corporation Tax		221	4,177
Proposed Honoraria		110,020	150,000
TOTAL LIABILITIES		94,885,022	82,522,441
SHAREHOLDERS' FUNDS			
Share Capital		14,984,158 ✓	13,293,025
Statutory Reserve Fund		498,807	452,717
Appropriation Account		646,228	642,717
		16,129,193	14,388,460
Total Liabilities and Shareholders fund		111,014,216	96,910,900



The Financial Statements set out on pages 6 to 10 were approved by the management committee on 18. MARCH 2019 for issue and signed on their behalf by:

Chairman..... 

Treasurer..... 

Secretary..... 



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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	SHARE CAPITAL	STATUTORY RESERVE	APPROPRIATION ACCOUNT	TOTAL
YEAR ENDED 31.12.2018	Kshs	Kshs	Kshs	Kshs
Balance as at 1.01.2018	13,293,025	452,717	642,717	14,388,460
Issues of shares	1,691,133	-	-	1,691,133
Surplus(Deficit) for the year	-	-	230,452	230,452
Transfer for the year	-	46,090	(46,090)	-
Proposed Honoraria	-	-	(180,850)	(180,850)
Balance as at 31.12.2018	14,984,158	498,807	646,228	16,129,194

	Kshs	Kshs	Kshs	Kshs
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

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CASH FLOW STATEMENT

OPERATING ACTIVITIES	2018 KShs	2017 KShs
Interest received	10,946,012 ✓	9,453,336
Interest payments	(8,202,807)	(6,799,062)
Payments suppliers	(2,440,748)	(1,555,269)
	<u>302,457 ✓</u>	<u>1,099,005 ✓</u>
increase/decrease in operating assets		
loans to members	(10,494,977) ✓	8,170,415
(Decrease) in Receivables	122,262 ✓	314,526
Contribution Control	(5,037,125) ✓	-
Honoraries paid	(165,000) ✓	(240,000)
Finance investments	-	-
	<u>(15,574,840)</u>	<u>(8,724,941) ✓</u>
increase/decrease in operating liabilities		
members deposit	12,442,455 ✓	6,855,235
payables	(33,131)	187,549
	<u>12,409,324</u>	<u>7,042,784</u>
Net cashflow from Operating Activities	<u>(2,863,059)</u>	<u>(583,152) ✓</u>
cashfows from investing activites		
purchase of computers	(49,706)	-
Interest on members deposit	-	-
Net cashflow from Investing Activities	<u>(49,706)</u>	<u>-</u>
Cashflow from Financing Activities		
Share capital contributions	1,691,133 ✓	1,555,772
Entrance fee	21,500 ✓	20,500
	<u>1,712,633</u>	<u>1,576,272</u> ✓
Net Increase /(Decrease) in cash and cash equivalents	(1,200,132)	993,120
Cash and cash equivalent at the beginning of the year	1,985,628 ✓	992,508
Cash and cash equivalent at the end of the year	<u>785,496 ✓</u>	<u>1,985,628</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

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NOTES AND OBSERVATIONS

	2018	2017
	KShs	KShs
1 FIXED ASSETS-COMPUTERS		
COST		
Balance as at 1st January	715,654	715,654
Additions	49,706	-
Balance ast at 31st December	<u>765,360</u>	<u>715,654</u>
Disposals		
Accumulated Depreciation		
Balance as at 1st January	567,792	530,827
Charge for the year	156,098	36,965
Balance ast at 31st December	<u>723,890</u>	<u>567,792</u>
Net Book Value as at 31 December	<u>41,470</u>	<u>147,862</u>
2 CASH & CASH EQUIVALENT		
Current Account	134,329	1,822,831
Savings Account	101,168	101,718
Cash in Hand	50,000	61,080
M-pesa Bulk Float	500,000	-
Total	<u>785,497</u>	<u>1,985,629</u>
3 DEBTORS & Prepayments		
Insurance CIC	234,526	368,288
Alex Nganga	22,271	22,271
Amos Mathenge	40,014	40,014
K Maundu	61,404	61,404
S Muragu	13,900	13,900
Kelvin Mwangi	11,500	-
Provision for Bad Debts	(136,500)	(136,500)
Total	<u>247,116</u>	<u>369,378</u>
4,i LOANS TO MEMBERS		
Bal b/f	94,287,569	86,117,154
Loan issued during the year	63,383,000	52,001,147
Interest for the year	10,946,012	9,453,336
Recovered during the year	(63,834,035)	(53,284,068)
Total	<u>104,782,547</u>	<u>94,287,569</u>
4,ii Contribution Control		
Norfolk Hotel	3,888,018	-
Mara Safari Club	19,684	-
Sweetwaters Serena	527,770	-
Mt. Kenya Safari Club	459,477	-
Olpejeta Conservancy	142,177	-
Total	<u>5,037,125</u>	<u>-</u>

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NOTES AND OBSERVATIONS

5 INVESTMENTS

	2018 KShs.	2017 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	73,025,212	66,169,977
Contribution for the year	18,252,144	13,795,512
Withdrawals	(2,401,116)	(1,017,180)
Transfer to loan	(3,408,572)	(5,904,097)
Transfer to entrance fee		(19,000)
Balance carried forward	<u>85,467,667</u>	<u>73,025,212</u>

7 PAYABLES & ACCRUALS

Registration Fees	3,700	3,700
Sundry accruals ; Disbursements	20,000	20,000
AGM expenses	360,000	400,000
Training	100,000	100,000
Provision for Audit fees	40,000	40,000
VAT	6,400	6,400
Sundry Creditors	205,140	118,271
Computer Maintenance	50,000	130,000
TOTAL	<u>785,240</u>	<u>818,371</u>

8 INTEREST ON MEMBERS DEPOSIT

Balance b/f	8,524,681	7,723,743
Proposed for the year	8,200,000	7,600,000
Less: paid for the year	(8,202,807)	(6,799,062)
Balance c/f	<u>8,521,874</u>	<u>8,524,681</u>

9 ENTRANCE FEES

New entrants	21,500	20,500
Balance carried forward	<u>21,500</u>	<u>20,500</u>

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NOTES AND OBSERVATIONS

10 ADMINISTRATIVE EXPENSES

	2018	2017
	Kshs	Kshs
Insurances	288,288	234,526
Printing and Stationery	11,848	29,000
Systems Expenses	329,464	238,826
AGM expenses	485,000	400,000
Audit Fees	38,700	40,000
Accountancy Fees	5,000	
VAT	-	6,400
Supervision fees and recoverable expenses		3,700
Training	17,000	50,000
Sitting allowances	129,900	51,272
Transport travel & Accomodation	74,700	25,600
Postages & Telephone	71,710	45,000
General Expenses	-	16,235
Depreciation	156,098	36,965
Disbursements	-	20,000
Salaries & Wages	428,500	300,000
Internet and SMS	86,700	-
Duty Meals	37,650	-
CSR/Donations	10,575	-
Debt Collection Fees	207,692	-
Membership Cards	46,100	-
	<u>2,424,925</u>	<u>1,497,524</u>

11 OTHER OPERATING EXPENSES

Bank charges	87,376	72,720
M-pesa Fees	24,538	21,990
	<u>111,914</u>	<u>94,710</u>