

MINISTRY OF INDUSTRY,  
TRADE AND COOPERATIVES,  
*State Department for Cooperative*  
MAIN REGISTRY

15 APR 2021

No. 1209  
P.O. Box 30547 - 00100  
GPO, NAIROBI, KENYA

CS/ 7062

**LONTELS SACCO SOCIETY LIMITED**

**AUDITED ACCOUNTS**

**AND**

**FINANCIAL REPORTS**

**FOR THE YEAR ENDED**

**31ST DECEMBER 2020**

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For the year ended 31 December 2020

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## **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
Sospeter Mungai	-	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:**

BILLSMITH & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS (K)  
P.O. BOX 21559  
NAIROBI

### **PRINCIPAL BANKERS;**

CO-OPERATIVE BANK OF KENYA, .  
UNIVERSITY WAY BRANCH  
NAIROBI

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**STATISTICAL INFORMATION**

	<b>2020</b>	<b>2019</b>
Membership No. -Active	198	245
-Dormant	80	50
	<b>278</b>	<b>295</b>

**FINANCIAL:-**

Total Assets	97,660,281	117,508,850
Members Deposits	75,237,022	89,693,303
Loan and advances to members	96,200,339	110,063,267
Investments	120,462	120,462
Share Capital	16,806,767	16,382,716
Total Interest Income	5,027,753	12,166,543

**KEY RATIOS:-**

**Liquidity Ratio:-**

Liquid Assets/current liabilities	7%	14%
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**REPORT OF THE MANAGEMENT**

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The Management have the pleasure to present its report and audited financial Statements for the year ended 31 December 2020, 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**

Billsmith & Company. 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 .....*01/04/2021*.....2021

**STATEMENT OF THE MANAGEMENT COMMITTEE 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 <sup>1<sup>st</sup></sup> April .....2021 and signed on

Chairman.....

Treasurer.....

Secretary.....

Member.....

**REPORT OF THE INDEPENDENT AUDITOR  
TO THE MEMBERS OF LONTELS SACCO SOCIETY LIMITED**

**Opinion**

We have audited the financial statements of Lontels Sacco Society Ltd as set out on pages 7 to 14, which comprise the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the society's financial position as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Co-operatives Societies Act.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the association in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other information**

The management committee is responsible for the other information. The other information comprises the report of the management committee and financial and statistical information which we obtained prior to the date of this auditor's report.

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

**Responsibilities of management for the financial statements**

The management committee is 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 Co-operatives 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 is 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 they either intend to liquidate the association or to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives 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 a report of independent auditor that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our report of the independent auditor unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on other Legal requirements**

As required by the Kenya Co-operative Societies Act, we report to you that the financial statements are in agreement with the books of account kept by the society and that based on our audit nothing has come to our attention that causes us to believe that the society's business has not been conducted:

- a) In accordance with the provisions of Co-operative Societies Act.
- b) In accordance with the Co-operative Society's objective, by-laws and any other resolutions made at the society's general meeting.

**BILLSMITH & COMPANY.,**

  
**CERTIFIED PUBLIC ACCOUNTANTS**

Date.....31<sup>st</sup> March.....2021

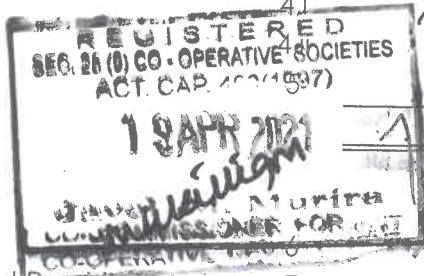
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**INCOME STATEMENT**

	NOTES	2020 KShs	2019 KShs
<b>REVENUE</b>			
Interest from members loans		5,027,753	12,166,543
<b>Total Interest Income</b>		5,027,753	12,166,543
Interest Expense on Members Deposit		(3,500,000)	(9,780,000)
Other Income - Entrance Fees	9	4,500	11,500
<b>Net Interest Income</b>		<b>1,532,253</b>	<b>2,398,043</b>
<b>EXPENDITURE</b>			
Administrative Expenses	10	1,309,145	2,153,355
Other Operating Expenses	11	88,482	128,765
Total expenses		1,397,628	2,282,121
<b>Net Surplus for the year</b>		<b>134,626</b>	<b>115,922</b>
20% transfer to Statutory Reserve		(26,925)	(23,184)
<b>Surplus for the period available for distribution</b>		<b>107,700</b>	<b>92,738</b>

**STATEMENT OF THE FINANCIAL POSITION**

	NOTES	2020 KShs	2019 KShs
<b>ASSETS</b>			
Computers	1	80,797	149,073
Cash and Cash equivalent	2	692,601	1,644,149
Debtors and Receivables	3	385,135	324,244
Loan to members	4i	96,200,339	10,063,267
Contributions control		180,948	5,207,655
Financial Investments		120,462	120,462
<b>TOTAL ASSETS</b>		<b>97,660,281</b>	<b>117,508,850</b>
<b>LIABILITIES</b>			
Members Deposits		75,237,022	89,693,303
Creditors ,Accruals and Provisions	7	732,810	792,716
Proposed Interest on Members Deposits	8	3,635,790	9,378,936
Corporation Tax		-	221
Proposed Honoraria		-	80,000
<b>TOTAL LIABILITIES</b>		<b>79,605,622</b>	<b>99,945,176</b>
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital		16,806,767	16,382,716
Statutory Reserve Fund		548,917	521,992
Appropriation Account		698,976	658,966
		18,054,660	17,563,674
<b>Total Liabilities and Shareholders fund</b>		<b>97,660,281</b>	<b>117,508,850</b>



The Financial Statements set out on pages 7 to 14 were approved by the management committee on... 1st April .....2021 for issue and signed on their behalf by:

Chairman.....

Treasurer.....

Secretary.....



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**STATEMENT OF CHANGES IN EQUITY**

	SHARE CAPITAL	STATUTORY RESERVE	APPROPRIATION ACCOUNT	TOTAL
<b>YEAR ENDED 31.12.2020</b>	Kshs	Kshs	Kshs	Kshs
<b>Balance as at 1.01.2020</b>	<b>16,382,716</b>	<b>521,992</b>	<del>658,966</del>	<b>17,563,675</b>
Issues of shares	424,051	-	-	424,051
Surplus(Deficit) for the year	-	-	134,626	134,626
Transfer for the year	-	26,925	(26,925)	-
Proposed Honoraria	-	-	(67,690)	(67,690)
<b>Balance as at 31.12.2020</b>	<b>16,806,767</b>	<b>548,917</b>	<b>698,976</b>	<b>18,054,661</b>

	Kshs	Kshs	Kshs	Kshs
<b>YEAR ENDED 31.12.2019</b>				
<b>Balance as at 1.01.2019</b>	<b>14,984,158</b>	<b>498,807</b>	<b>646,228</b>	<b>16,129,194</b>
Issues of shares	1,398,559	-	-	1,398,559
Surplus(Deficit) for the year	-	-	115,922	115,922
Transfer for the year	-	23,184	(23,184)	-
Proposed Honoraria	-	-	(80,000)	(80,000)
<b>Balance as at 31.12.2019</b>	<b>16,382,716</b>	<b>521,992</b>	<b>658,966</b>	<b>17,563,675</b>

**CASH FLOW STATEMENT**

<b>OPERATING ACTIVITIES</b>	<b>2020</b> <b>KShs</b>	<b>2019</b> <b>KShs</b>
Interest received	5,027,753	12,166,543
Interest payments	(9,243,146)	(8,922,938)
Payments suppliers	(1,321,562)	(2,164,745)
	<u>(5,536,955)</u>	<u>1,078,860</u>
<b>increase/decrease in operating assets</b>		
loans to members	13,862,928	(5,280,721)
(Decrease ) in Receivables	(60,891)	(77,128)
Contribution Control	5,026,707	(170,529)
Honoraries paid	(155,700)	(180,000)
Finance investments	-	-
	<u>18,673,045</u>	<u>(5,708,378)</u>
<b>increase/decrease in operating liabilities</b>		
members deposit	(14,456,281)	4,225,636
payables	(59,906)	7,476
	<u>(14,516,187)</u>	<u>4,233,112</u>
<b>Net cashflow from Operating Activities</b>	<u>(1,380,097)</u>	<u>(396,407)</u>
<b>cashfows from investing activites</b>		
purchase of computers	-	(155,000)
Net cashflow from Investing Activities	-	<u>(155,000)</u>
<b>Cashflow from Financing Activities</b>		
Share capital contributions	424,051	1,398,559
Entrance fee	4,500	11,500
	<u>428,551</u>	<u>1,410,059</u>
Net Increase /(Decrease) in cash and cash equivalents	(951,547)	858,652
Cash and cash equivalent at the beginning of the year	1,644,148	785,496
Cash and cash equivalent at the end of the year	<u>692,601</u>	<u>1,644,148</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) Depreciation**

Depreciation has been calculated on straight line method at rates designated to write down the costs of assets over their estimated useful life,using the following

	Rate
Computers	33.3%

**c) Revenue Recognition**

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

**d) 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

**NOTES CONTINUED**

**10 ADMINISTRATIVE EXPENSES**

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Insurances	234,526	234,526
Printing and Stationery	17,290	26,505
Systems Expenses	71,260	209,500
AGM expenses	-	530,000
Audit Fees	42,000 ✓	42,000
VAT on Audit Fees	6,720 ✓	6,720
Bad Debts	13,462	196,191
Supervision fees and recoverable expenses	4,400 ✓	4,400
Training	15,000	50,000
Sitting allowances	155,700	149,050
Transport travel & Accomodation	51,312	111,500
Postages & Telephone	67,200	61,300
Depreciation	68,276 ✓	47,397
Disbursements	20,000	10,000
Salaries & Wages	453,000	347,200
Internet and SMS	84,550	87,650
Duty Meals	-	6,000
CRB Cost	-	6,400
Equipment Maintenance	4,450	27,016

<b>1,309,145</b> ✓	<b>2,153,355</b> ✓
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**11 OTHER OPERATING EXPENSES**

Bank charges	70,731	103,291
M-pesa Fees	17,751	25,474
	<b>88,482</b> ✓	<b>128,765</b> ✓