

**CS/7062**

**LONTELS SACCO SOCIETY LTD.**

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR TO 31 DECEMBER 2012**

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**NYASAE & ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS (KENYA)**

**Development House  
Eighth Floor  
Moi Avenue  
P.O. Box 61693-00200  
Tel: 2244735/311262  
NAIROBI**

**LONTELS CO-OPERATIVE SAVINGS & CREDIT SOCIETY LIMITED**  
**ANNUAL REPORT & ACCOUNTS**  
**FOR THE YEAR TO 31 DECEMBER, 2012**

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**LONGTELS CO-OPERATIVE SAVINGS & CREDIT SOCIETY LIMITED**  
**SOCIETY INFORMATION**  
**FOR THE YEAR TO 31 DECEMBER, 2012**

**CENTRAL MANAGEMENT COMMITTEE:**

|                |   |               |
|----------------|---|---------------|
| A. Bonde       | - | Chairman      |
| P. Rioba       | - | Vice Chairman |
| R. Mwangi      | - | Secretary     |
| L. Omar        | - | Treasurer     |
| S. Mungai      | - | Member        |
| E. Aberi       | - | Member        |
| M. Macharia    | - | Member        |
| K. Mwashighadi | - | Member        |

**SUPERVISORY COMMITTEE:**

|                  |   |           |
|------------------|---|-----------|
| Hamza Mohamed    | - | Chairman  |
| Felishina Mukuhi | - | Secretary |
| Nicholas Wambugu |   |           |

**BANKERS:**

Co-operative Bank of Kenya Limited  
University Way Branch

**AUDITORS:**

Nyasae & Associates, Certified Public Accountants (Kenya) were the auditors during the year and have expressed their willingness to continue in office.

By Order of the Management Committee

.....  
**SECRETARY**

23/04/2013  
.....  
**DATE**

**LONTELS CO-OPERATIVE SAVINGS & CREDIT SOCIETY LIMITED**  
**STATISTICAL INFORMATION**  
**FOR THE YEAR TO 31 DECEMBER, 2012**

|                           | <u>2011</u> |             |
|---------------------------|-------------|-------------|
| Number of Members         | 210         | 176         |
| Dormant Members           | -           | -           |
|                           | <u>KSH</u>  | <u>KSH</u>  |
| Members Deposits          | 34,868,605  | 26,734,279  |
| Loans to Members          | 39,749,104  | 27,817,509  |
| Investments               | 130,250     | 130,250     |
| Share Capital             | 4,286,900   | 2,690,800   |
| Total Current Liabilities | 38,478,116  | 29,576,964  |
| Total Current Assets      | 43,131,027  | 32,507,148  |
| Total Revenue             | 3,609,511   | 2,842,685   |
| Total Interest Income     | 3,879,115   | 3,186,385   |
| Entrance Fees             | 106,100     | 85,100      |
| Statutory Reserve Fund    | 162,240     | 158,008     |
| Appropriation Account     | 340,829     | 323,901     |
| Liquidity Ratio           | <b>12:1</b> | <b>11:1</b> |

**LONTELS CO-OPERATIVE SAVINGS & CREDIT SOCIETY LIMITED**  
**STATEMENT OF RESPONSIBILITY**  
**FOR THE YEAR TO 31 DECEMBER, 2012**

The Co-operative Societies Act requires the Management Committee to prepare financial statements for each financial year, which give a true fair view of the state of affairs of the Society as at the end of the financial year and of the results of the Society for that period.

It also requires that Management ensure that the Society keep and maintain proper accounting records, which disclose with reasonable accuracy at any point in time the financial position of the Society. It is also responsible for safeguarding the assets of the Society.

The Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards and in the manner required by the Co-operative Societies Act. The Management is of the opinion that the financial statements give a true and fair view of the state of the Society's financial affairs and of its results. The Management further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements as well as adequate systems of internal financial control.

Nothing has come to the attention of the Management to indicate that the Society will not remain a going concern for at least twelve months from the date of this statement.

  
..... CHAIRMAN

  
..... SECRETARY

  
..... TREASURER

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
LONTELS CO-OPERATIVE SAVINGS & CREDIT SOCIETY LIMITED  
REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 DECEMBER 2012**

**Scope:**

We have examined the financial statements set out on pages 6 to 10. We obtained all the information and explanations we considered necessary for the audit. The financial statements are in agreement with the underlying books of account.

**Respective responsibilities of Central Management Committee and the Independent Auditors:**

The society's Central Management Committee is responsible for the preparation of the society's financial statements. Our responsibility is to examine the financial statements under reference and express an independent opinion thereon to you based on our audit.

**Basis of opinion:**

We conducted our audit in accordance with the International Standards of Auditing. Those Standards require that we plan and execute our audit to obtain reasonable assurance that the financial statements are free from any material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also incorporates an assessment of the accounting policies utilized and significant estimates made as well as an evaluation of the overall presentation of the financial statements.

**Opinion:**

In our opinion, the financial statements under reference, read together with the notes thereof, give a true and fair view of the state of the financial affairs of the Society for the year to 31 December, 2012 and of its cash flow statement for the year then ended and comply with International Financial Reporting Standards.

  
NYASAE & ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS (Kenya)  
NYASAE & ASSOCIATES, 00200  
Certified Public Accountants (Kenya).

NAIROBI.  
23 April 2013

**LONTELS CO-OPERATIVE SAVINGS & CREDIT SOCIETY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR TO 31 DECEMBER, 2012**

|  | <u>NOTE</u> | <u>KSH</u>       | <u>2011</u><br><u>KSH</u> |
|--|-------------|------------------|---------------------------|
| <b>Revenue:</b>  |             |                  |                           |
| Interest on Loans to Members                           |             | 3,878,542        | 3,186,055                 |
| Interest on Savings Account                            |             | 573              | 330                       |
| <b>Total Interest Income</b>                           |             | <b>3,879,115</b> | <b>3,186,385</b>          |
| Interest Expense                                       |             | (2,700,000)      | (2,100,000)               |
| <b>Net Interest Income</b>                             |             | <b>1,179,115</b> | <b>1,086,385</b>          |
| Administrative Expenses                                | 10          | (1,140,629)      | (1,052,946)               |
| Other Operating Expenses                               |             | (17,105)         | (30,881)                  |
| Total Expenses   |             | 1,157,734        | 1,083,827                 |
| <b>Net surplus/(deficit) before tax</b>                |             | <b>21,381</b>    | <b>2,558</b>              |
| Income Tax Expense                                     |             | (221)            | (221)                     |
| <b>Net Surplus for the year</b>                        |             | <b>21,160</b>    | <b>2,337</b>              |
| 20% Transfer to Statutory Reserve                      |             | (4,232)          | 467                       |
| <b>Surplus for the year available for distribution</b> |             | <b>16,928</b>    | <b>1,869</b>              |

**LONELS CO-OPERATIVE SAVINGS & CREDIT SOCIETY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER, 2012**

|                               | <u>NOTE</u> | <u>KSH</u>               | <u>2011</u><br><u>KSH</u> |
|-------------------------------|-------------|--------------------------|---------------------------|
| <b><u>Assets:</u></b>         |             |                          |                           |
| Cash and cash equivalents     | 4           | 2,761,593                | 1,765,346                 |
| Financial Investments         | 2           | 130,250                  | 130,250                   |
| Receivables                   | 3           | 620,330                  | 2,924,293                 |
| Loans to Members              | 7           | 39,749,104               | 27,817,509                |
| Computer: Cost                |             | 325,300                  | 298,000                   |
| Less Accumulated depreciation |             | (212,392)                | (100,625)                 |
|                               |             | <b><u>43,374,185</u></b> | <b><u>32,834,773</u></b>  |

**Liabilities and Share Holders Funds:**

|   |  |                          |                          |
|---|--|--------------------------|--------------------------|
| <b><u>Liabilities</u></b>                   |  |                          |                          |
| Members deposits                            |  | 34,868,605               | 26,734,279               |
| Creditors, Provisions and Accruals          |  | 406,004                  | 314,554                  |
| Proposed Honoraria                          |  | 129,980                  | 129,980                  |
| Corporation Tax                             |  | 3,072                    | 2,851                    |
| Provision for interest on members' deposits |  | 3,070,455                | 2,395,300                |
|   |  | <b><u>38,478,116</u></b> | <b><u>29,576,964</u></b> |



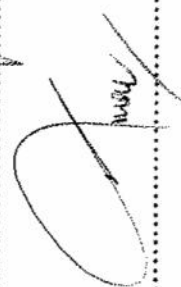
RECEIVED FROM THE MEMBER OF THE SOCIETY FOR THE MONTH OF APRIL 2013  
 MEMBER'S DEPOSIT FOR APRIL 2013

**Shareholders' Funds:**

|                       |   |                          |                          |
|-----------------------|---|--------------------------|--------------------------|
| Share Capital         | 8 | 4,286,900                | 2,690,800                |
| Entrance fees         | 9 | 106,100                  | 85,100                   |
| Statutory Reserve     |   | 162,240                  | 158,008                  |
| Appropriation account |   | 340,829                  | 323,901                  |
|                       |   | 4,896,069                | 3,257,809                |
|                       |   | <b><u>43,374,185</u></b> | <b><u>32,834,773</u></b> |

**Total Shareholders' Funds and Liabilities**

The financial statements set out on pages 6 to 10 were approved by the Management committee on 23.04.13, 2013 for issue and signed on their behalf by:

|  |                    |
|--|--------------------|
| <br>.....  | - <b>CHAIRMAN</b>  |
| <br>..... | - <b>SECRETARY</b> |
| <br>..... | - <b>TREASURER</b> |

**LONTELS SACCO SOCIETY LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

|                                | Share Capital    | Entrance Fee   | Statutory Reserve Fund | Appropriation Account | Total            |
|--------------------------------|------------------|----------------|------------------------|-----------------------|------------------|
| Balance b/d at 1.1.2012        | 2,690,800        | 85,100         | 158,008                | 323,901               | 3,257,809        |
| Issues of shares               | 1,596,100        | -              | -                      | -                     | 1,596,100        |
| Additions during the Year      | -                | 21,000         | -                      | -                     | 21,000           |
| Prior Year adjustment          | -                | -              | -                      | -                     | -                |
| Surplus (Deficit) for the Year | -                | -              | 4,232                  | 16,928                | 21,160           |
| Balance at 31.12.2012          | <b>4,286,900</b> | <b>106,100</b> | <b>162,240</b>         | <b>340,829</b>        | <b>4,896,069</b> |

|                                |                  |               |                |                |                  |
|--------------------------------|------------------|---------------|----------------|----------------|------------------|
| Balance b/d at 1.1.2011        | 1,108,800        | 62,100        | 157,540        | 322,032        | 1,650,472        |
| Issues of shares               | 1,582,000        | -             | -              | -              | 1,582,000        |
| Additions during the Year      | -                | 23,000        | -              | -              | 23,000           |
| Prior Year adjustment          | -                | -             | -              | -              | -                |
| Surplus (Deficit) for the Year | -                | -             | 468            | 1,869          | 2,337            |
| Balance at 31.12.2011          | <b>2,690,800</b> | <b>85,100</b> | <b>158,008</b> | <b>323,901</b> | <b>3,257,809</b> |

**LONTELS CO-OPERATIVE SAVINGS & CREDIT SOCIETY LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR TO 31 DECEMBER, 2012**

|   | <u>NOTE</u> | <u>KSH</u>                | <u>2011</u><br><u>KSH</u> |
|---|-------------|---------------------------|---------------------------|
| <b><u>Cash Flows From Operating Activities:</u></b>         |             |                           |                           |
| Cash Generated from Operations                              | 11          | 2,953,148                 | 2,303,058                 |
| <b><u>(Increase)/Decrease in operating assets:</u></b>      |             |                           |                           |
| (Increase)/Decrease in Loans to Members                     |             | (11,931,595)              | (5,679,145)               |
| (Increase)/Decrease in Receivables                          |             | 2,303,963                 | (2,415,385)               |
| Honoraria paid  |             | (120,000)                 | (120,000)                 |
|   |             | <b><u>(9,747,632)</u></b> | <b><u>(8,214,530)</u></b> |
| <b><u>Increase/(Decrease) in operating liabilities:</u></b> |             |                           |                           |
| Increase/(Decrease) in Members deposits                     |             | 8,134,326                 | 5,458,140                 |
| Income taxes paid   |             | -                         | -                         |
| Increase in payables and accruals                           |             | 91,450                    | 12,710                    |
|   |             | <u>8,225,776</u>          | <u>5,470,850</u>          |
| <b>Net cash flows from operating activities</b>             |             | <b><u>1,431,292</u></b>   | <b><u>(440,622)</u></b>   |
| <b><u>Cash Flows From Investing Activities:</u></b>         |             |                           |                           |
| Purchase of Computer  |             | (27,300)                  | (56,500)                  |
| Purchase of Financial securities                            |             | -                         | (120,000)                 |
| Rebates to members  |             | (2,024,845)               | (1,265,990)               |
| Entrance fees   |             | 21,000                    | 23,000                    |
| Share capital   |             | 1,596,100                 | 1,582,000                 |
| <b>Net Cash Flow from investing activities</b>              |             | <b><u>(435,045)</u></b>   | <b><u>162,510</u></b>     |
| Net Increase/(decrease) in cash and cash equivalents        |             | 996,246                   | (278,112)                 |
| Cash and Cash equivalents at beginning of year              |             | 1,765,347                 | 2,043,459                 |
| <b>Cash and Cash equivalents at end of year</b>             |             | <b><u>2,761,593</u></b>   | <b><u>1,765,347</u></b>   |

**LONTELS CO-OPERATIVE SAVINGS & CREDIT SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR TO 31 DECEMBER, 2012**

**1. ACCOUNTING POLICIES:**

The principal accounting policies adopted in the preparation of these financial statements are set out herein below:

**(a) Basis of Accounting**

The financial statements are prepared in accordance with and comply with Financial International Reporting Standards. The financial statements are presented in Kenya Shillings (Ksh.) and are prepared under the historical cost convention.

**(b) Revenue Recognition**

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

**2. INVESTMENTS:**

|                           | <u>KSH</u>     | <u>2011</u><br><u>KSH</u> |
|---------------------------|----------------|---------------------------|
| KUSCCO -Membership Shares | 250<br>130,000 | 250<br>130,000            |
|                           | <b>130,250</b> | <b>130,250</b>            |

**3. RECEIVABLES & PREPAYMENTS:**

|                         |                |                  |
|-------------------------|----------------|------------------|
| Olpejeta ranching       | 272,909        | 454,072          |
| Norfolk Hotel           | -              | 2,072,294        |
| Mara safari Club        | -              | 11,265           |
| Insurance CIC           | 205,026        | 203,265          |
| Peter Wamugunda         | -              | 11,000           |
| Alex Nganga             | 22,271         | 22,271           |
| Amos Mathenge           | 40,014         | 40,014           |
| K Maundu                | 61,404         | 61,404           |
| Pamela Nyaga            | 20,884         | 20,884           |
| Reuben Nderitu          | 17,669         | 17,669           |
| S Muragu                | 13,900         | 13,900           |
| Ruth Gachie             | 17,251         | 34,501           |
| Provision for Bad Debts | (51,000)       | (38,250)         |
|                         | <b>620,328</b> | <b>2,924,293</b> |

**4. CASH & BANK BALANCES:**

|                   |                  |                  |
|-------------------|------------------|------------------|
| Deposits with CIC | 1,000,000        | -                |
| Current Account   | 1,153,279        | 1,170,555        |
| Savings Account   | 158,314          | 144,791          |
| Cash in Hand      | 450,000          | 450,000          |
|                   | <b>2,761,593</b> | <b>1,765,346</b> |

**LONTELS CO-OPERATIVE SAVINGS & CREDIT SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR TO 31 DECEMBER, 2012**

**5. PAYABLES, PROVISIONS & ACCRUALS:**

|                                | <u>KSH.</u>           | <u>2011</u><br><u>KSH</u> |
|--------------------------------|-----------------------|---------------------------|
| Registration Fees              | 3,700                 | 3,700                     |
| Provision for Audit fees       | 35,000                | 35,000                    |
| VAT                            | 3,035                 | 3,035                     |
| Sundry accruals: Disbursements | 5,965                 | 5,965                     |
| Travel And Entertainment       | 4,500                 | 4,500                     |
| AGM expenses                   | 160,340               | 138,890                   |
| Service Charge Accruals        | 300                   | 300                       |
| Sundry Receipts                | 2,529                 | 2,529                     |
| Training                       | 190,635               | 120,635                   |
|                                | <u><b>406,004</b></u> | <u><b>314,554</b></u>     |

**6. MEMBERS' DEPOSITS:**

|                              |                          |                          |
|------------------------------|--------------------------|--------------------------|
| Balance brought forward      | 26,734,279               | 21,276,140               |
| Contribution during the year | 9,662,227                | 8,613,585                |
| Withdrawals during the year  | (1,527,901)              | (1,678,578)              |
| Transfer to loans            | -                        | (1,476,868)              |
| Balance carried forward      | <u><b>34,868,605</b></u> | <u><b>26,734,279</b></u> |

**7. LOANS TO MEMBERS:**

|                                   |                          |                          |
|-----------------------------------|--------------------------|--------------------------|
| Balance brought forward           | 27,817,509               | 22,138,364               |
| <b>Additions during the Year:</b> |                          |                          |
| Development Loans                 | 20,867,869               | 14,788,402               |
| School Fees                       | 1,572,000                | 913,000                  |
| Emergency                         | 360,000                  | 795,000                  |
| Instant Loans                     | 4,555,000                | 3,750,000                |
| Tujivinjari                       | 816,516                  | 160,000                  |
| Interest for the year             | 3,878,542                | 3,186,055                |
| Recovered during the Year         | <u>(20,118,332)</u>      | <u>(17,913,312)</u>      |
| Balance carried forward           | <u><b>39,749,104</b></u> | <u><b>27,817,509</b></u> |

**LONTELS CO-OPERATIVE SAVINGS & CREDIT SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR TO 31 DECEMBER, 2012**

|                                 |                  | <u>2011</u>      |
|---------------------------------|------------------|------------------|
| <b>8. <u>SHARE CAPITAL:</u></b> |                  |                  |
| Balance brought forward         | 2,690,800        | 1,108,800        |
| Increase in share capital       | 1,596,100        | 1,582,000        |
| Balance carried forward         | <u>4,286,900</u> | <u>2,690,800</u> |

|                                 |                |               |
|---------------------------------|----------------|---------------|
| <b>9. <u>ENTRANCE FEES:</u></b> |                |               |
| Balance brought forward         | 85,100         | 62,100        |
| New Entrants                    | 21,000         | 23,000        |
| Balance carried forward         | <u>106,100</u> | <u>85,100</u> |

|  |                  |                  |
|--|------------------|------------------|
| <b>10. <u>ADMINISTRATIVE EXPENSES:</u></b> |                  |                  |
| Systems expenses                           | 77,200           | 99,133           |
| Depreciation                               | 111,767          | 80,500           |
| Insurances                                 | 248,338          | 130,925          |
| Printing and Stationery                    | 25,320           | 29,120           |
| Postages                                   | 8,100            | 4,450            |
| Travelling and Sitting Allowance           | 80,190           | 111,218          |
| Transport                                  | 73,115           | 108,000          |
| Training                                   | 70,000           | 70,000           |
| General Administration Expenses            | 9,000            | 12,000           |
| Annual General Meeting expenses            | 230,000          | 200,000          |
| Bad Debts written off                      | 17,250           | 17,250           |
| Provision for Bad Debts                    | 12,750           | 12,750           |
| Honoraria                                  | 120,000          | 120,000          |
| Audit Fees                                 | 40,000           | 40,000           |
| VAT  | 6,400            | 6,400            |
| Supervision fees                           | 3,700            | 3,700            |
| Disbursements                              | 7,500            | 7,500            |
| <b>Total Administrative Expenses</b>       | <u>1,140,630</u> | <u>1,052,946</u> |

**LONTELS CO-OPERATIVE SAVINGS & CREDIT SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR TO 31 DECEMBER, 2012**

**11 Cash generated from operations**

Reconciliation of surplus before tax to cash generated from operations:

|                                | <b>2011</b>             |
|--------------------------------|-------------------------|
|                                | <b><u>KShs</u></b>      |
| Net surplus before tax         | 2,558                   |
| Adjustments for:               |                         |
| Depreciation                   | 111,767                 |
| Provision for Honoraria        | 120,000                 |
| Provision for Rebates          | 2,100,000               |
| Cash generated from operations | <b><u>2,953,148</u></b> |
|                                | <b><u>2,303,058</u></b> |