

CS/ 7062

LONTELS SACCO SOCIETY LIMITED

AUDITED ACCOUNTS

AND

FINANCIAL REPORTS

FOR THE YEAR ENDED

31ST DECEMBER 2019

**CS/ 7062: LONTELS SACCO SOCIETY LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2019
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 2019**

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

	2019	2018
Membership No. -Active	257	245
-Dormant	50	30
	307	275

FINANCIAL:-

Total Assets	117,508,850	111,014,216
Members Deposits	89,693,303	85,467,667
Loan and advances to members	110,063,267	104,782,547
Investments	120,462	120,462
Share Capital	16,382,716	14,984,158
Total Interest Income	12,166,543	10,946,012

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 2019, which disclose the state of affairs of the society.

INCORPORATION

The society is incorporated in Kenya under the cooperative Societies Act, Cap 490 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 & 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.....DATE13th March.....2020

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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 13th March.....2020 and signed on its behalf

Chairman.....

Treasurer.....

Secretary.....

Member.....

REPORT OF THE AUDITORS
TO THE MANAGEMENT OF **LONTELS SACCO SOCIETY LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of **Lontels Sacco Limited** set out on pages 7 to 14 which comprise the statement of financial position as at **31st December 2019**, income statement, statement of changes in equity and statement cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Responsibility for the Financial Statements

The management committee are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Society Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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.

Auditor's Responsibility

Our responsibility is to express an independent opinion of these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on our professional judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal control relevant to the management committee preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the Management committee internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management committee as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the society for the year **ended 31st December 2019** and of its income and cash flows for the year then ended in accordance with International Financial Reporting Standards and the society Act cap 490.

REPORT OF THE AUDITORS
TO THE MANAGEMENT OF LONTELS SACCO LIMITED

Report on Other Legal and Regulatory Requirements

As required by the Society Act Cap 490, 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 society, so far as appears from our examination of those books; and
- iii) The society's statement of financial position and surplus and income statement are in agreement with the books of account.

Certified Public Accountants (K)

Dated.....

Bill Smith Company
30/3/2020

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FOR THE YEAR ENDED 31 DECEMBER 2019

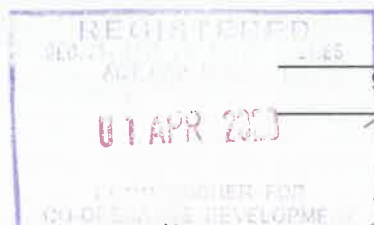
INCOME STATEMENT

	NOTES	2019 KShs	2018 KShs
REVENUE			
Interest from members loans		12,166,543	10,946,012
Other Interest Income		-	-
Total Interest Income		<u>12,166,543</u>	<u>10,946,012</u>
Interest Expense on Members Deposit		(9,780,000)	(8,200,000)
Other Income - Entrance Fees	9	11,500	21,500
Net Interest Income		<u>2,398,043</u>	<u>2,767,512</u>
EXPENDITURE			
Administrative Expenses	10	2,153,355	2,424,925
Other Operating Expenses	11	128,765	111,914
Total expenses		<u>2,282,121</u>	<u>2,536,839</u>
Net Operating Surplus Before Tax		<u>115,922</u>	<u>230,673</u>
Income Tax Expense		-	(221)
Net Surplus for the year		<u>115,922</u>	<u>230,452</u>
20% transfer to Statutory Reserve		(23,184)	(46,090)
Surplus for the period available for distribution		<u>92,738</u>	<u>184,361</u>

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FOR THE YEAR ENDED 31 DECEMBER 2018**

**STATEMENT OF THE FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	NOTES	2019 KShs	2018 KShs
ASSETS			
Cash and Cash equivalent	2	1,644,149	785,497
Debtors and Receivables	3	324,244	247,116
Loan to members	4,i	110,063,267	104,782,547
Contributions control	4,ii	5,207,655	5,037,125
Financial Investments	5	120,462	120,462
Computers	1	149,073	41,470
TOTAL ASSETS		117,508,850	111,014,216
LIABILITIES			
Members Deposits	6	89,693,303	85,467,667
Creditors ,Accruals and Provisions	7	792,716	785,240
Proposed Interest on Members Deposits	8	9,378,936	8,521,874
Corporation Tax		221	221
Proposed Honoraria		80,000	110,020
TOTAL LIABILITIES		99,945,176	94,885,022
SHAREHOLDERS' FUNDS			
Share Capital		16,382,716	14,984,158
Statutory Reserve Fund		521,992	498,807
Appropriation Account		658,966	646,228
		17,563,674	16,129,193
Total Liabilities and Shareholders fund		117,508,850	111,014,216



The Financial Statements set out on pages 6 to 10 were approved by the management committee on 13th March 2020 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 2019

	SHARE CAPITAL	STATUTORY RESERVE	APPROPRIATION ACCOUNT	TOTAL
YEAR ENDED 31.12.2019	Kshs	Kshs	Kshs	Kshs
Balance as at 1.01.2019	14,984,158	498,807	646,228	16,129,194
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)
Balance as at 31.12.2019	16,382,716	521,992	658,966	17,563,675
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

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CASH FLOW STATEMENT

	2019	2018 KShs
OPERATING ACTIVITIES		
Interest received	12,166,543	10,946,012
Interest payments	(8,922,938)	(8,202,807)
Payments suppliers	(2,164,745)	(2,440,748)
	<u>1,078,860</u>	<u>302,457</u>
increase/decrease in operating assets		
loans to members	(5,280,721)	(10,494,977)
(Decrease) in Receivables	(77,128)	122,262
Contribution Control	(170,529)	(5,037,125)
Honoraries paid	(180,000)	(165,000)
Finance investments	<u>(5,708,378)</u>	<u>(15,574,840)</u>
increase/decrease in operating liabilities		
members deposit	4,225,636	12,442,455
payables	7,476	(33,131)
	<u>4,233,112</u>	<u>12,409,324</u>
Net cashflow from Operating Activities	<u>(396,407)</u>	<u>(2,863,059)</u>
cashfows from investing activites		
purchase of computers	(155,000)	(49,706)
Interest on members deposit	-	-
Net cashflow from Investing Activities	<u>(155,000)</u>	<u>(49,706)</u>
Cashflow from Financing Activities		
Share capital contributions	1,398,559	1,691,133
Entrance fee	11,500	21,500
	<u>1,410,059</u>	<u>1,712,633</u>
Net Increase /(Decrease) in cash and cash equivalents	<u>858,652</u>	<u>(1,200,132)</u>
Cash and cash equivalent at the beginning of the year	785,496	1,985,628
Cash and cash equivalent at the end of the year	<u><u>1,644,148</u></u>	<u><u>785,496</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) 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 rates

	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

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NOTES AND OBSERVATIONS

	2019	2018
	KShs	KShs
1 FIXED ASSETS-COMPUTERS		
COST		
Balance as at 1st January	765,360	715,654
Additions	155,000	49,706
Balance as at 31st December	<u>920,360</u>	<u>765,360</u>
Disposals		
Accumulated Depreciation		
Balance as at 1st January	723,890	567,792
Charge for the year	47,397	156,098
Balance as at 31st December	<u>771,287</u>	<u>723,890</u>
Net Book Value as at 31 December	<u>149,073</u>	<u>41,470</u>
2 CASH & CASH EQUIVALENT		
Current Account	992,981	134,329
Savings Account	101,168	101,168
Cash in Hand	50,000	50,000
M-pesa Bulk Float	500,000	500,000
Total	<u>1,644,149</u>	<u>785,497</u>
3 DEBTORS & Prepayments		
Insurance CIC	234,526	234,526
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	11,500
Serena Check off	7,150	-
Prepayment others	69,978	-
Provision for Bad Debts	(136,500)	(136,500)
Total	<u>324,244</u>	<u>247,116</u>
4.i LOANS TO MEMBERS		
Bal b/f	104,782,547	94,287,569
Loan issued during the year	60,355,500	63,383,000
Interest for the year	12,166,543	10,946,012
Recovered during the year	(67,241,322)	(63,834,035)
Total	<u>110,063,267</u>	<u>104,782,547</u>
4.ii Contribution Control		
Norfolk Hotel	3,933,834	3,888,018
Mara Safari Club	57,796	19,684
Sweetwaters Serena		527,770
Mt. Kenya Safari Club	487,641	459,477
Olpejeta Conservancy	135,345	142,177
Suspense	44,172	
Serena Hotels	548,867	
Total	<u>5,207,655</u>	<u>5,037,125</u>

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NOTES AND OBSERVATIONS

5 INVESTMENTS

	2019	2018
	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	85,467,667	73,025,212
Contribution for the year	15,681,526	18,252,144
Withdrawals	(2,903,128)	(2,401,116)
Transfer to loan	(8,552,762)	(3,408,572)
Transfer to entrance fee		
Balance carried forward	<u>89,693,303</u>	<u>85,467,667</u>

7 PAYABLES & ACCRUALS

Audit & supervision Fees	4,400	3,700
Sundry accruals ; Disbursements	10,000	20,000
AGM expenses	541,400	360,000
Training	50,000	100,000
Provision for Audit fees	42,000	40,000
VAT on Audit Fees	6,720	6,400
Sundry Creditors	138,196	205,140
Computer Maintenance		50,000
TOTAL	<u>792,716</u>	<u>785,240</u>

8 INTEREST ON MEMBERS DEPOSIT

Balance b/f	8,521,874	8,524,681
Proposed for the year	9,780,000	8,200,000
Less: paid for the year	(8,922,938)	(8,202,807)
Balance c/f	<u>9,378,936</u>	<u>8,521,874</u>

9 ENTRANCE FEES

New entrants	11,500	21,500
Balance carried forward	<u>11,500</u>	<u>21,500</u>

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NOTES AND OBSERVATIONS

10 ADMINISTRATIVE EXPENSES

	2019	2018
	Kshs	Kshs
Insurances	234,526	288,288
Printing and Stationery	26,505	11,848
Systems Expenses	209,500	329,464
AGM expenses	530,000	485,000
Audit Fees	42,000	38,700
VAT on Audit Fees	6,720	-
Accountancy Fees	-	5,000
Bad Debts	196,191	-
Supervision fees and recoverable expenses	4,400	-
Training	50,000	17,000
Sitting allowances	149,050	129,900
Transport travel & Accomodation	111,500	74,700
Postages & Telephone	61,300	71,710
Depreciation	47,397	156,098
Disbursements	10,000	-
Salaries & Wages	347,200	428,500
Internet and SMS	87,650	86,700
Duty Meals	6,000	37,650
CSR/Donations	-	10,575
Debt Collection Fees	-	207,692
Membership Cards	-	46,100
CRB Cost	6,400	-
Equipment Maintenance	27,016	-
	<u>2,153,355</u>	<u>2,424,925</u>

11 OTHER OPERATING EXPENSES

Bank charges	103,291	87,376
M-pesa Fees	25,474	24,538
	<u>128,765</u>	<u>111,914</u>