



CS/ 7062

LONTELS SACCO SOCIETY LIMITED

AUDITED ACCOUNTS

AND

FINANCIAL REPORTS

FOR THE YEAR ENDED

31ST DECEMBER 2021

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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

	2021	2020
Membership No. -Active	53	198
-Dormant	315	80
	368	278

FINANCIAL:-

Total Assets	90,468,372	97,660,281
Members Deposits	68,538,738	75,237,022
Loan and advances to members	89,571,483	96,200,339
Investments	120,462	120,462
Share Capital	16,860,517	16,806,767
Total Interest Income	695,400	5,027,753

KEY RATIOS:-

Liquidity Ratio:-

Liquid Assets/current liabilities	1%	7%
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REPORT OF THE MANAGEMENT

The Management have the pleasure to present its report and audited financial Statement for the year ended 31 December 2021, 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.....DATE08/03.....2022

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.....08/03.....2022 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 2021, 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 2021, 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... 5th March,2022

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INCOME STATEMENT

	NOTES	2021 KShs	2020 KShs
REVENUE			
Interest from members loans		695,400	5,027,753
Total Interest Income		695,400	5,027,753
Interest Expense on Members Deposit		-	(3,500,000)
Other Income - Entrance Fees	9	-	4,500
Net Interest Income		695,400	1,532,253
EXPENDITURE			
Administrative Expenses	10	1,196,494	1,309,145
Other Operating Expenses	11	71,759	88,482
Total expenses		1,268,253	1,397,628
Net Surplus for the year		(572,852)	134,626
20% transfer to Statutory Reserve		-	(26,925)
Surplus for the period available for distribution		(572,852)	107,700

STATEMENT OF THE FINANCIAL POSITION

	NOTES	2021 KShs	2020 KShs
ASSETS			
Computers	1	20,844	80,797
Cash and Cash equivalent	2	426,680	692,601
Debtors and Receivables	3	52,590	385,135
Loan to members	4,i	89,571,483	96,200,339
Contributions control	4,ii	276,314	180,948
Financial Investments		120,462	120,462
TOTAL ASSETS		90,468,372	97,660,281
LIABILITIES			
Members Deposits	6	68,538,738	75,237,022
Creditors ,Accruals and Provisions	7	758,287	732,810
Proposed Interest on Members Deposits	8	3,635,790	3,635,790
TOTAL LIABILITIES		72,932,814	79,605,622
SHAREHOLDERS' FUNDS			
Share Capital		16,860,517	16,806,767
Statutory Reserve Fund		548,917	548,917
Appropriation Account		126,124	698,976
		17,535,557	18,054,660
Total Liabilities and Shareholders fund		90,468,372	97,660,281

REGISTERED
 SEC. 25(7) Co-operative Societies
 ACT CAP 490 (Amended 2004)
 04 APR 2022
 Sign..... *maculuan*
 JAVEL M. MURIRA
 FOR: COMMISSIONER OF CO-OPERATIVES

The Financial Statements set out on pages 7 to 14 were approved by the management committee on.....08/03.....2022 for issue and signed on their behalf by:

Chairman..... *[Signature]*

Treasurer..... *[Signature]*

Secretary..... *[Signature]*



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STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	STATUTORY RESERVE	APPROPRIATION ACCOUNT	TOTAL
YEAR ENDED 31.12.2021	Kshs	Kshs	Kshs	Kshs
Balance as at 1.01.2021	16,806,767	548,917	698,976	18,054,661
Issues of shares	53,750	-	-	53,750
Surplus(Deficit) for the year	-	-	(572,852)	(572,852)
Balance as at 31.12.2021	16,860,517	548,917	126,124	17,535,558
YEAR ENDED 31.12.2020	Kshs	Kshs	Kshs	Kshs
Balance as at 1.01.2020	16,382,716	521,992	658,966	17,563,675
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)
Balance as at 31.12.2020	16,806,767	548,917	698,976	18,054,661

CASH FLOW STATEMENT

	2021 KShs	2020 KShs
OPERATING ACTIVITIES		
Interest received	695,400	5,027,753
Interest payments	-	(9,243,146)
Payments suppliers	(1,208,300)	(1,321,562)
	<u>(512,899)</u>	<u>(5,536,955)</u>
increase/decrease in operating assets		
loans to members	6,628,856	13,862,928
Receivables	332,545	(60,891)
Contribution Control	(95,366)	5,026,707
Honoraries paid	-	(155,700)
Finance investments	-	-
	<u>6,866,035</u>	<u>18,673,045</u>
increase/decrease in operating liabilities		
members deposit	(6,698,284)	(14,456,281)
payables	25,477	(59,906)
	<u>(6,672,807)</u>	<u>(14,516,187)</u>
Net cashflow from Operating Activities	<u>(319,671)</u>	<u>(1,380,097)</u>
Cashflow from Financing Activities		
Share capital contributions	53,750	424,051
Entrance fee	-	4,500
	<u>53,750</u>	<u>428,551</u>
Net Increase /(Decrease) in cash and cash equivalents	(265,921)	(951,547)
Cash and cash equivalent at the beginning of the year	692,601	1,644,148
Cash and cash equivalent at the end of the year	<u>426,680</u>	<u>692,601</u>

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

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NOTES AND OBSERVATIONS

	2021 KShs	2020 KShs
1 FIXED ASSETS-COMPUTERS		
COST		
Balance as at 1st January	920,360	920,360
Balance ast at 31st December	920,360	920,360
Disposals		
Accumulated Depreciation		
Balance as at 1st January	839,563	771,287
Charge for the year	59,953	68,276
Balance ast at 31st December	899,516	839,563
Net Book Value as at 31 December	20,844	80,797
2 CASH & CASH EQUIVALENT		
Current Account	225,512	491,433
Savings Account	101,168	101,168
M-pesa Bulk Float	100,000	100,000
Total	426,680	692,601
3 DEBTORS & Prepayments		
Insurance CIC	-	253,045
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
Raphael Mwangi	-	39,500
Prepayment others	40,000	80,000
Provision for Bad Debts	(136,500)	(136,500)
Total	52,590	385,135
4.i LOANS TO MEMBERS		
Bal b/f	96,200,339	110,063,267
Loan issued during the year	2,435,900	16,327,000
Interest for the year	214,790	5,027,753
Recovered during the year	(9,279,546)	(35,217,681)
Total	89,571,483	96,200,339
4.ii Contribution Control		
Norfolk Hotel	166,823	180,948
Olpejeta Conservancy	27,264	-
Serena Hotels	82,227	-
Total	276,314	180,948

NOTES CONTINUED

5 INVESTMENTS

	2021 KShs.	2020 KShs.
KUSCCO- Membership Shares	10,250	10,250
	110,212	110,212
Total	120,462	120,462

6 MEMBERS DEPOSIT

Balance brought forward	75,237,022	89,693,303
Contribution for the year	392,900	845,553
Withdrawals	(2,843,325)	(2,715,075)
Transfer to loan	(4,247,859)	(12,586,760)
Balance carried forward	68,538,738	75,237,022

7 PAYABLES & ACCRUALS

Registration Fees	4,200	4,400
CIC	6,997	-
AGM expenses	541,260	541,260
Training	72,500	57,500
Provision for Audit fees	40,000	42,000
VAT on Audit Fees	6,400	6,720
Sundry Creditors	51,930	51,930
Administrative Fees	35,000	29,000
TOTAL	758,287	732,810

8 INTEREST ON MEMBERS DEPOSIT

Balance b/f	3,635,790	9,378,936
Proposed for the year	-	3,500,000
Less: paid for the year	-	(9,243,146)
Balance c/f	3,635,790	3,635,790

9 ENTRANCE FEES

New entrants	-	4,500
Balance carried forward	-	4,500

NOTES CONTINUED

10 ADMINISTRATIVE EXPENSES

	2021	2020
	Kshs	Kshs
Insurances	253,045	234,526
Printing and Stationery	8,784	17,290
Systems Expenses	170,000	71,260
General Expenses	223	-
Audit Fees	40,000	42,000
VAT on Audit Fees	6,400	6,720
Bad Debts	-	13,462
Supervision fees and recoverable expenses	4,200	4,400
Training	15,000	15,000
Sitting allowances	62,000	155,700
Transport travel & Accomodation	16,460	51,312
Postages & Telephone	62,350	67,200
Depreciation	59,953	68,276
Disbursements	4,000	20,000
Salaries & Wages	421,750	453,000
Internet and SMS	66,229	84,550
CSR/Donations	1,700	-
Equipment Maintenance	4,400	4,450
	<u>1,196,494</u>	<u>1,309,145</u>

11 OTHER OPERATING EXPENSES

Bank charges	66,510	70,731
M-pesa Fees	5,249	17,751
	<u>71,759</u>	<u>88,482</u>