

**2013**  
**ANNUAL REPORT**  
**AND**  
**FINANCIAL STATEMENTS**

**KENTOURS SACCO SOCIETY LIMITED**

**Mugo & Co.**

Certified Public Accountants  
Agip House (next to Times Tower)  
NAIROBI

WEBSITE: [www.mugo-co.com](http://www.mugo-co.com)

**Kentours Sacco Society Limited**  
**C/S 4053**  
**Annual Report and Financial Statements for the year ended 31st December, 2013**

<b><u>Contents</u></b>	<b><u>Page</u></b>
Society Information .....	1
Statistical Information .....	2
Report of the Management Board .....	3
Statement of the Board of Directors Responsibilities .....	4
Report of the Independent Auditor .....	5
Financial Statements:	
Statement of Comprehensive Income .....	6
Statement of Financial Position .....	7
Statement of Changes in Equity .....	8
Statement of Cash Flows .....	9
Notes .....	10 to 22

**Kentours Sacco Society Limited**

**C/S 4053**

**Annual Report and Financial Statements for the year ended 31st December, 2013**

**Society Information**

**BOARD OF DIRECTORS AND SUPERVISORY COMMITTEE**

**BOARD OF DIRECTORS**

Mr. Benjamin Ngunga	Chairman
Mr. Joshua Nduga (Up to 13.12.2013)	Vice-chairman (Deceased)
Mrs. Betty Omolo-Ouko	Hon. Secretary
Mr. Joseph Kagema	Treasurer
Mr. John Ng'ang'a	Board Member
Mr. Solomon Mugwe	Board Member
Mrs. Julliana Wambua-Kalu	Board Member
Mr. Edwin Omondi	Board Member
Mr. Johannah Muiruri	Board Member

**SUPERVISORY COMMITTEE MEMBERS**

Mr. Elijah Ochiel	Chairman
Mrs. Anne Mwaura	Secretary
Mr. Patrick Kamau	Member

**REGISTERED OFFICE**

Commodore Office Suites, Kindaruma Rd  
P.O. Box 79333-00200  
NAIROBI  
Tel: 2227192; Fax: 2218188;  
E-mail; info@kentours.co.ke  
Website: www.kentours.co.ke

**CUSTODIAN**

Standard Chartered Bank Kenya Limited  
Chiromo, Level 5, 48 Westlands Road  
P.O. Box 40984-00100  
NAIROBI

**PRINCIPAL BANKERS**

Co-operative Bank of Kenya Limited  
Parliament Road Branch  
P.O. Box 5772-00200  
NAIROBI

**INVESTMENT MANAGERS**

Genesis Kenya Investment Management Limited  
Lonrho House  
P.O. Box 79217  
NAIROBI

**AUDITOR**

Mugo & Company  
P.O. Box 51820 - 00200  
NAIROBI

**MANAGER**

Mrs. Susan Chege

**Kentours Sacco Society Limited****C/S 4053****Annual Report and Financial Statements for the year ended 31st December, 2013****Statistical information**

<b>Membership:</b>	Active	<u>2013</u> 3100	<u>2012</u> 2892
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	<u>Change (%)</u>	<u>Kshs.</u>	<u>Kshs.</u>
Financial			
Total Assets	22.92	847,959,526	689,840,941
Members deposits	20.21	692,871,641	576,399,206
Loan and advances to members	22.59	695,652,038	567,483,384
Investments	2.14	11,714,148	11,468,403
Core capital	50.32	68,355,364	45,473,869
Institutional capital	49.07	15,995,956	10,730,330
Total revenue	43.60	112,418,718	78,284,753
Total interest income	44.67	111,246,312	76,896,166
Total expenses	23.48	93,974,533	76,103,269

Employees of the Sacco	6	7
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## Key Ratios:

**Capital Adequacy Ratios:**

Core capital/Total assets	8.06%	6.59%
Core capital/Total deposits	9.87%	7.89%
Institutional capital/Total assets	1.89%	1.56%

**Liquidity Ratio**

Liquid Assets/Total deposit & long-term liabilities	7.61%	11.92%
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**Operating Efficiency/loan quality Ratios:**

Total expenses/Total revenue	83.59%	97.21%
Interest on members deposits/total revenue	61.63%	69.95%
Interest rate on members deposits	10.00%	9.50%
Dividend rate on members share capital	12.00%	11.50%

**Kentours Sacco Society Limited**  
**C/S 4053**  
**Annual Report and Financial Statements for the year ended 31st December, 2013**

Report of the Directors  
 The Board of Directors submit their annual report together with audited financial statements for the year ended 31st December, 2013.

**Incorporation**  
 The society is incorporated in Kenya under the Co-operative Societies Act Cap. 490 and licenced under the Sacco Societies Act No. 14 of 2008, and is domiciled in Kenya.

**Principal Activity**  
 The principal activity of the society continued to be receiving savings from and provision of loans to its members.

**Operating Results**

	2013 <u>Kshs.</u>	2012 <u>Kshs.</u>
Surplus before tax	20,030,224	3,719,197
Income tax expense	<u>(494,838)</u>	<u>(668,460)</u>
Retained surplus for the year	<u>19,535,385</u>	<u>3,050,737</u>
Interest on members deposits	<u>69,233,837</u>	<u>54,757,925</u>

**Interest on members deposits**  
 The management board recommends payment of interest on members deposits of 10% for the year 2013 (2012 - 9.5%)

The members of the board who served during the year and to the date of this report is as listed on page 1.

By order of the Board

Hon. Secretary

Date .....

**Statement of the Board of Directors Responsibilities**

The SACCOs Act, No. 14 of 2008 requires the Board of Directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the society as at the end of the financial year and of its operating results for that year in accordance with International Financial Reporting Standards (IFRS). It also requires the Board of Directors to ensure that the society keeps 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 of the society has been conducted in accordance with its objectives, by-laws and other resolutions made at the society's general meeting.

The Board of Directors accepts 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 SACCO Societies Act No. 14 of 2008. The Board of Directors is 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 in accordance with the IFRS. The Board of Directors further accepts 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 financial control.

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

Approved by the Board of Director on ..... 2014 and signed on its behalf by:

..... Chairman

..... Treasurer

..... Board Member

CS/4053

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Kentours Sacco Society Limited, set out on pages 6 to 22 which comprise the Statement of Financial Position as at 31st December 2013, and the Statement of Comprehensive Income and Statement of Cash flows for the year then ended.

**Board of Directors Responsibility for the Financial Statements**

The Board of Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Co-operative Societies 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 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 society's 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 society's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, 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 as at 31st December, 2013 and of its surplus and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Sacco Societies Act No. 14 of 2008.

***The engagement partner responsible for the audit resulting in the independent auditor's report is  
CPA Edward Wanjohi Mugo - P/No. 595***

**Mugo and Company**

Certified Public Accountants of Kenya

Dated at Nairobi.....2014

**Kentours Sacco Society Limited****C/S 4053****Annual Report and Financial Statements for the year ended 31st December, 2013****Statement of Comprehensive Income**

Kentours Sacco Society Limited

Statement of Comprehensive Income for the year ended 31st December, 2013

	<u>Notes</u>	<u>2013</u> <u>Kshs.</u>	<u>2012</u> <u>Kshs.</u>
<b>Revenue</b>			
Interest on loans and advances	2(a)	107,947,388	72,439,767
Other interest income	2(b)	3,298,923	4,456,399
Total interest		111,246,312	76,896,166
Financial expenses	3	(70,165,304)	(55,453,804)
<b>Net interest income</b>		41,081,007	21,442,362
Other operating income	4	1,172,406	1,388,587
Other gains and losses	5	1,586,039	1,537,713
Administration expenses	6(a)	(14,169,693)	(11,708,470)
Other operating expenses	6(b)	(9,639,536)	(8,940,995)
<b>Net operating surplus before income tax</b>		20,030,224	3,719,197
Income tax expense	14	(494,838)	(668,460)
<b>Net surplus for the year</b>		19,535,384	3,050,736



**Kentours Sacco Society Limited****C/S 4053****Annual Report and Financial Statements for the year ended 31st December, 2013****Statement of Financial Position**

Kentours Sacco Society Limited

Statement of Financial Position As At 31st December, 2013

<b>Assets</b>	<u>Notes</u>	<u>2013</u> <u>Kshs.</u>	<u>2012</u> <u>Kshs.</u>
Cash and Cash equivalents	7	52,705,631	69,919,320
Prepayments and sundry receivables	8 (a )	2,730,301	9,276,584
Trade and other receivables	8 (b)	39,870,327	30,348,359
Stocks	8 (c )	101,895	131,512
Loans to members	9(a )	695,652,038	567,235,310
Other financial assets	10(b)	11,714,148	11,468,403
Intangible assets	11	1,487,148	24,135
Property and equipment	12	43,698,037	1,437,318
<b>Total assets</b>		<b>847,959,526</b>	<b>689,840,941</b>
<b>Liabilities</b>			
Members' deposits	13(a)	692,871,641	576,399,206
Current income tax payable	14	(251,393)	557,094
Dividend payable	15	1,919,515	1,233,988
Interest payable	16	69,287,164	54,757,925
Trade payables and accrued expenses	17	15,777,234	11,418,859
Total liabilities		779,604,161	644,367,072
<b>Equity</b>			
Share capital	18	15,995,956	10,730,330
Bonus Issue shares		15,000,000	-
Reserves	19	37,359,408	34,743,539
Total Equity		68,355,364	45,473,869
<b>Total Liabilities and Equity</b>		<b>847,959,526</b>	<b>689,840,941</b>

The financial statements and notes on pages 6 to 22 were authorised for issue by the Board on .....2014 and signed on its behalf by:

Chairman.....

Board Member.....

Treasurer.....

**Kentours Sacco Society Limited**

**C/S 4053**

**Annual Report and Financial Statements for the year ended 31st December, 2013**

Kentours Sacco Society Limited

Statement of Changes in Equity for the year ended 31st December, 2013

	Share Capital Kshs	Statutory Reserves Kshs	General Reserves Kshs	Bonus Issue Ksh	Retained Earnings Kshs	Total Kshs
<b>At 1st January, 2013</b>						
As previously reported	10,730,330	20,855,707	-	-	13,887,832	45,473,869
Transfers	-	3,907,077	-	-	(3,907,077)	-
Bonus issue share	-	-	-	15,000,000	-	-
Transfers	-	-	2,557,036	-	(2,557,036)	-
<b>As restated</b>	<u>10,730,330</u>	<u>24,762,784</u>	<u>2,557,036</u>	<u>15,000,000</u>	<u>7,423,720</u>	<u>60,473,869</u>
<b>Changes in equity in 2013</b>						
Surplus for the year	-	-	-	-	19,535,384	19,535,384
Proposed dividends	-	-	-	-	(1,919,515)	-
Issue of shares	5,265,626	-	-	-	-	5,265,626
<b>At 31st December, 2013</b>	<u>15,995,956</u>	<u>24,762,784</u>	<u>2,557,036</u>	<u>15,000,000</u>	<u>25,039,589</u>	<u>83,355,364</u>

Kentours Sacco Society Limited

Statement of Changes in Equity for the year ended 31st December, 2012

	Share Capital Kshs	Statutory Reserves Kshs	General Reserves Kshs	Bonus Issue Kshs	Retained Earnings Kshs	Total Kshs
<b>At 1st January, 2012</b>						
As previously reported	8,484,141	20,245,560	-	-	12,681,231	41,410,932
Transfers	-	610,147	-	-	(610,147)	-
<b>As restated</b>	<u>8,484,141</u>	<u>20,855,707</u>	<u>-</u>	<u>-</u>	<u>12,071,084</u>	<u>41,410,932</u>
<b>Changes in equity in 2012</b>						
Surplus for the year	-	-	-	-	3,050,736	3,050,736
Proposed dividends	-	-	-	-	(1,233,988)	-
Issue of shares	2,246,189	-	-	-	-	2,246,189
<b>At 31st December, 2012</b>	<u>10,730,330</u>	<u>20,855,707</u>	<u>-</u>	<u>-</u>	<u>13,887,832</u>	<u>45,473,869</u>

**Kentours Sacco Society Limited**

**C/S 4053**

**Annual Report and Financial Statements for the year ended 31st December, 2013**

Kentours Sacco Society Limited

Statement of Cash Flows for the year ended 31st December, 2013

	<u>NOTES</u>	2013 <u>KSHS</u>	2012 <u>KSHS</u>
<b>Cash flows from operating activities</b>			
Interest receipts		112,418,718	78,284,753
Interest payments	16 & 17	(54,151,658)	(41,323,169)
Payments to employees and suppliers		(25,393,017)	(21,078,292)
(Increase)/decrease in operating assets			
Net loans to members		(128,416,728)	(89,554,979)
Trade and other receivables		(2,975,686)	(13,868,647)
Stocks		29,617	63,718
Increase/(decrease) in operating liabilities			
Deposits from members		116,472,435	99,560,465
Trade and accrued expenses		4,358,375	598,231
<b>Net cash from operating activities before</b>		<b>22,342,056</b>	<b>12,682,080</b>
Income taxes		(1,303,325)	(342,575)
<b>Net cash from operating activities</b>		<b>21,038,731</b>	<b>12,339,505</b>
<b>Cash flow from investing activities</b>			
Investments		1,831,784	(529,042)
Purchase of property and equipment		(44,115,840)	(89,200)
<b>Net cash from investing activities</b>		<b>(42,284,056)</b>	<b>(618,242)</b>
<b>Cash flow from financing activities</b>			
Share capital contributions		5,265,626	2,246,189
Payment of dividends		(1,233,988)	(907,830)
<b>Net cash from financing activities</b>		<b>4,031,638</b>	<b>1,338,359</b>
<b>Net (decrease)/increase in cash and cash equivalent</b>		<b>(17,213,687)</b>	<b>13,059,621</b>
<b>Cash and cash equivalent at the beginning of the year</b>		<b>69,919,319</b>	<b>56,859,698</b>
<b>Cash and cash equivalents at the end of the year</b>	7	<b>52,705,632</b>	<b>69,919,319</b>

**Notes**

**1 Summary of Significant Accounting policies**

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

**a) Statement of compliance & basis of preparation.**

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRSs).

These financial statements are presented in the functional currency, Kenya shillings (KShs) rounded to the nearest cent and are prepared under the historical cost convention.

**b) Revenue recognition**

Interest on loans is charged monthly on reducing balance. Interest income is recognized on a time proportion basis by reference to the principal outstanding and the effective interest rate applicable. It is enhanced in the current year due to recovery of accrued interest balances which would previously have been evenly spread over the full loans repayment periods.

**c) Property, plant and equipment**

All property, plant and equipment are initially recorded at cost. All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Depreciation is calculated using the reducing balances method to write down the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates in use are;

Asset	Rate (%)
Building	2
Furniture and equipment	12.5
Fixtures and fittings	12.5
Computers and equipment	33.3
Software	20
Motor Cycle	12.5

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of a revalued asset, amount in the revaluation reserve relating to that asset is transferred to retained earnings.

**Derecognition**

The carrying amount of an item of property, plant and equipment shall be derecognized:

- a) on disposal; or
- b) when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognized ( unless IAS 17 requires otherwise on a sale and leaseback).

**d) Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest rate. A provision for impairment is recognised in the profit or loss in the year when the recovery of the amount due as per the original terms is doubtful. The provision is based on the difference between the carrying amount and the present value of the expected cash flows, discounted at the effective interest rate.

Receivables not collectable are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the profit or loss in the year of recovery.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in revaluation reserve.

**h) Employee entitlements**

Employee entitlement to long service awards are recognised when they accrue to employees. Provision is made for the estimated liability of such entitlements as a result of services rendered by employees up to the reporting date. The estimated monetary liability for employees accrued annual leave entitlement at the reporting date is recognized as an expense accrual.

**i) Retirement benefit obligations**

The society operates a defined contribution scheme for all employees. A defined contribution plan is a pension plan under which the society pays fixed contributions into a separate entity. The assets of these schemes are held in a separately administered fund that is funded by contribution from the society and employees.

The society has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all the employees benefits relating to employee service in the current and prior period. The society's contributions schemes are charged to the profit or loss in the year to which they relate.

The society also contributes to a mandatory statutory defined contribution pension scheme, the National Social Security Fund ( NSSF) at varying values for its employees as legislated from time to time.

**j) Tax**

Current tax is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation. Note that for saccos, dividend and/or interest expense is deducted before computing/ charging tax.

Deferred income tax assets are recognized only to the extent that it is probable that the future taxable profits will be available against which temporary differences can be utilized.

**k) Statutory reserves**

Transfers are made to the statutory reserve fund at a rate of 20% of net operating surplus after tax in compliance with the provision of section 47 (1&2) of the Co-operative Societies Act, Cap 490.

**l) Cash and cash equivalent**

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value net of bank overdrafts.

**e) Financial liabilities and equity instruments issued by the Sacco**

**Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Sacco are recorded at the proceeds received, net of direct issue costs. The capital comprise primarily of minimum share capital prescribed under the By-laws of the Sacco.

**Financial liabilities**

Financial liabilities are classified as either financial liabilities or other financial liabilities.

All financial liabilities are recognised initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensed in the statement of comprehensive income. Subsequently, all financial liabilities are carried at amortised cost using the effective interest method except for financial liabilities through profit or loss which are carried at fair value.

**Derecognition of Financial Liabilities**

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

**Provision for liabilities and charges**

Provisions are recognised when the Sacco has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**Other financial liabilities**

All other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

**f) Intangible assets**

Software license costs are stated at historical cost less estimated accumulated amortization and accumulated impairment losses. Amortisation is calculated using reducing balance method to write down the cost of the software to its residual value using annual rate of 20%

**g) Impairment of non- financial assets**

The carrying amounts of the society's tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such condition exists the recoverable amount of the asset is estimated to determine the extent of impairment loss(if any). If the recoverable amount of an asset is estimated to be less than its carrying amount impairment loss is recognised immediately, unless the relevant asset is carried at revalued amount in which case the impairment loss is treated as a decrease in revaluation reserve. The respective asset is reduced to its recoverable amount.

**Kentours Sacco Society Limited**

**C/S 4053**

**Annual Report and Financial Statements for the year ended 31st December, 2013**

**m) Collateral**

The sacco discloses:

a)

the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 37(a) of IAS 39; and

(b) the terms and conditions relating to its pledge.

When the sacco holds collateral (of financial or non- financial assets) and its permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose:

(a) the fair value of the collateral held;

(b) fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it: and

(c) the terms and conditions associated with its use of the collateral.

**n) Adoption of new and revised standards**

In the current year, the Society has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ( the IASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2013.

At the date of authorization of these financial statements, revised and updated IAS: presentation of Financial Statements had been issued by IASB. This was effective for the year beginning 1st January 2010 and will affect the format presentations of financial statements. The committee anticipates that the adoption of these revisions in future periods will have no material financial impact on the financial statements of the Society.

**o) Key source of estimation uncertainty**

These are assumptions applied in estimating the carrying amounts and the underlying estimation uncertainty may lead to those amounts changing materially in the next 12 months. Examples of situations involving estimation uncertainty:

1 In the absence of recently observed market prices, future oriented estimates are necessary to measure the recoverable amounts of classes of property, plant and equipment.

2 The effect of technological obsolescence on inventories.

3 Provisions subject to future outcome of litigation in process

4

In determining the liability for long-service payments management must make an estimate of salary increases over the following years, the discount rate for the next five years to use in the present value calculation, and the number of employees expected to leave before they receive the benefits.

**p) Significant judgement(s) in applying the Society's accounting policies**

Disclosure is made of significant judgements (apart from those involving estimations) made in applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Examples of judgements,

1 When substantially all the significant risks and rewards of ownership of financial assets are transferred to other entities.

2 Whether in substance, particular sale of goods are financing arrangements and therefore do not give rise to revenue.

3 Whether the relationship with a special purpose entity indicates control of the Special Entity.

**Kentours Sacco Society Limited**

C/S 4053

**Annual Report and Financial Statements for the year ended 31st December, 2013**

Kentours Sacco Society Limited

Notes for the year ended 31st December, 2013

	2013 <u>KSHS</u>	2012 <u>KSHS</u>
<b>2(a) Interest income</b>		
Normal loans	100,402,304	64,833,346
Super school fees loans	877,080	591,917
Emergency loans	1,018,308	855,052
School fees loans	613,645	400,467
Instant loans	4,981,873	5,680,020
Salary advances	54,179	78,965
	<u>107,947,388</u>	<u>72,439,767</u>
<b>(b) Other interest income</b>		
Money market investments	2,536,419	2,694,662
Fixed income investments	762,504	1,761,737
	<u>3,298,923</u>	<u>4,456,399</u>
<b>3 Financial expenses</b>		
Interest expense on deposits	69,233,837	54,757,925
Bonus issue of shares	-	-
Members' demand savings	211,444	187,083
Bank charges	596,969	359,095
Investment costs	123,055	149,701
	<u>70,165,304</u>	<u>55,453,804</u>
<b>4 Other operating income</b>		
Entrance fee	528,000	629,700
Dividends	417,412	558,294
Sundry income	226,994	200,593
	<u>1,172,406</u>	<u>1,388,587</u>
<b>5 Other gains and losses</b>		
Gain on sale of investments	215,432	-
Change in fair value of equities	1,370,607	1,537,713
Change in management valuation of Co-op Holding Society Ltd shares	-	-
	<u>1,586,039</u>	<u>1,537,713</u>



**Kentours Sacco Society Limited****C/S 4053****Annual Report and Financial Statements for the year ended 31st December, 2013**

Kentours Sacco Society Limited		2013	2012
Notes for the year ended 31st December, 2013		<u>KSHS</u>	<u>KSHS</u>
<b>6(a)</b>	<b>Administrative expenses</b>		
<b>(i)</b>	<b>Personnel expenses</b>		
	Salaries and wages	6,301,917	5,567,241
	Staff house allowance	851,361	799,410
	Staff medical expenses	771,455	597,774
	Staff travelling expenses	485,002	427,785
	Pension costs : NSSF IPP & final dues	1,090,521	399,858
	Staff end of year bonus	401,952	428,270
	Staff education	100,856	132,196
	Staff group life insurance	248,692	173,090
	Staff leave	250,792	48,990
		<u>10,502,547</u>	<u>8,574,614</u>
<b>(ii)</b>	<b>Administration expenses</b>		
	General office expenses	361,508	301,385
	Telephone and postage	375,070	436,531
	Office repairs and maintenance	554,750	408,952
	Motor cycle expenses	23,123	-
	Office relocation expenses	267,524	-
	Legal fees and investigation fees	347,760	465,480
	Auditors' remuneration	91,600	81,200
	Supervision fees to the Commissioner of		
	Co-operatives	10,400	7,200
	Printing and stationery	310,516	300,521
	Rent and service charge	785,301	1,054,621
	Loss on disposal	425,916	-
	Insurance on assets	113,678	77,966
		<u>3,667,146</u>	<u>3,133,856</u>
	<b>Total administrative expenses</b>	<u>14,169,693</u>	<u>11,708,470</u>

**Kentours Sacco Society Limited**

C/S 4053

**Annual Report and Financial Statements for the year ended 31st December, 2013**

Kentours Sacco Society Limited Notes for the year ended 31st December 2013	2013 <u>KSHS</u>	2012 <u>KSHS</u>
<b>6(b) Other operating expenses</b>		
<b>(i) Governance expenses (member related costs)</b>		
Committee sitting allowance	1,058,296	1,262,500
Committee travelling expenses	978,732	890,000
Proposed honoraria	2,298,476	1,805,254
Other committee expenses	410,151	347,829
Annual General Meeting expenses	1,244,176	1,147,007
Board retirement expenses	100,000	220,000
Committee training and seminars	80,250	367,394
Members education	739,660	1,004,866
Unit representatives allowance	442,816	608,360
	<u>7,352,557</u>	<u>7,653,210</u>
<b>(ii) Depreciation and amortisation</b>		
Depreciation of equipment (Note 12)	1,378,249	416,777
Amortisation of intangible assets(Note 11)	371,787	12,050
	<u>1,750,036</u>	<u>428,827</u>
<b>(iii) Marketing expenses</b>		
Public relations and advertisements	<u>536,942</u>	<u>424,729</u>
<b>Total other operating expenses</b>	<u>9,639,536</u>	<u>8,940,995</u>

**Kentours Sacco Society Limited**

C/S 4053

**Annual Report and Financial Statements for the year ended 31st December, 2013**

Kentours Sacco Society Limited Notes for the year ended 31st December, 2012	2013 <u>KSHS</u>	2012 <u>KSHS</u>
<b>7 Cash and cash equivalents</b>		
Cash and cash equivalents at the end of the year comprise		
Cash in hand	40,000	24,094
Cash at bank	2,863,472	11,008,713
Standard Chartered Bank of Kenya Ltd Custody account	261,138	26,573
	<u>3,164,610</u>	<u>11,059,380</u>
Money market and fixed income investments (note 10)	49,541,021	58,859,940
<b>Total</b>	<u>52,705,631</u>	<u>69,919,320</u>
The year end cash and cash equivalents comprised cash in hand , deposits held at the bank and investments that could be recalled with a very short notice.		
<b>8 (a) Prepayments and sundry receivables</b>		
Debtors and prepayments	2,700,616	9,112,432
Deposits for services	29,685	164,152
	<u>2,730,301</u>	<u>9,276,584</u>
<b>(b) Trade and other receivables</b>		
Deductions due from employers	39,870,327	30,348,359
	<u>39,870,327</u>	<u>30,348,359</u>
<b>(c) Stocks</b>		
Polo shirts, sweaters and umbrellas	101,895	97,312
Stationery	-	34,200
	<u>101,895</u>	<u>131,512</u>
<b>9(a) Loan to Members</b>		
At the start of the year	567,483,384	477,928,405
Granted during the year	378,748,217	451,484,009
Repayment during the year	(250,579,567)	(361,929,030)
	<u>695,652,038</u>	<u>567,483,384</u>
Provision for bad debt(note 9(b) )	-	(248,074)
<b>At year end</b>	<u>695,652,038</u>	<u>567,235,310</u>
Interest paid	107,947,388	72,439,767

**Kentours Sacco Society Limited**

C/S 4053

**Annual Report and Financial Statements for the year ended 31st December, 2013**

Kentours Sacco Society Limited Notes for the year ended 31st December, 2012	2013 <u>KSHS</u>	2012 <u>KSHS</u>
<b>9 (b)</b> Movement in the allowance for doubtful debts		
Balance at beginning of the year	-	248,074
Balance at end of the year	-	248,074
<b>10 Financial assets</b>		
(a) Money market investment	45,630,624	56,312,751
Fixed income investment	3,910,397	2,547,189
	<u>49,541,021</u>	<u>58,859,940</u>
(b) Other financial assets		
Quoted equities	6,130,104	5,884,405
Unquoted equities	5,529,044	5,528,998
Debentures	55,000	55,000
	<u>11,714,148</u>	<u>11,468,403</u>
	<u>61,255,169</u>	<u>70,328,343</u>
<b>11 Intangible assets</b>		
<b>Computerisation and software</b>		
At start of year	24,135	36,185
Addition	1,834,800	-
Amortization charge	(371,787)	(12,050)
At end of year	<u>1,487,148</u>	<u>24,135</u>

**Kentours Sacco Society Limited**

**C/S 4053**

**Annual Report and Financial Statements for the year ended 31st December, 2013**

Kentours Sacco Society Limited

Notes for the year ended 31st December, 2013

**12 Property and equipment**

	Buildings	Furniture & Equipment	Fixtures & Fittings	Computer Equipment	Motor Cycle	Total
	Kshs.	Kshs.	Kshs.	Kshs.	KSH	Kshs.
<b>Cost</b>						
As at 1.1.2013	-	925,760	752,283	2,773,755	-	4,451,798
Additions	42,496,704	1,071,550	-	399,574	148,012	44,115,840
Disposals	-	(297,455)	(752,283)	(460,839)	-	(1,510,577)
As at 31.12.2013	42,496,704	1,699,855	-	2,712,490	148,012	47,057,061
<b>Depreciation</b>						
As at 1.1.2013	-	483,972	352,776	2,177,749	-	3,014,497
Disposal	-	(225,978)	(352,776)	(454,968)	-	(1,033,722)
Charge for the year	849,934	180,231	-	329,582	18,502	1,378,249
As at 31.12.2013	849,934	438,225	-	2,052,363	18,502	3,359,024
<b>Carrying amounts</b>						
As at 31.12.2013	41,646,770	1,261,630	-	660,127	129,511	43,698,037
As at 31.12.2012	-	441,778	399,507	596,033	-	1,437,318

**13 Members' Deposits**

At start of the year  
Deposits during the year

	2013 KSHS	2012 KSHS
At start of the year	576,399,206	476,838,741
Deposits during the year	116,472,435	99,560,465
	<u>692,871,641</u>	<u>576,399,206</u>

**Kentours Sacco Society Limited**

**C/S 4053**

**Annual Report and Financial Statements for the year ended 31st December, 2013**

Kentours Sacco Society Limited Notes for the year ended 31st December, 2013	2013 <u>KSHS</u>	2012 <u>KSHS</u>
<b>14 Income tax</b>		
Current tax	494,838	668,460
<p>The tax of the society differs from the theoretical amount that would arise using the basic rate on surplus before tax because tax is calculated at the rate of 30% on 50% of interest from banks and investments and is as follows:</p> <p>Computation of the tax expense</p>		
50% of interest income from banks and investments	<u>1,649,462</u>	<u>2,228,200</u>
Tax charge for the year at 30%	494,838	668,460
Balance brought forward	557,094	231,209
Tax paid	(557,094)	(231,209)
Withholding tax	<u>(746,231)</u>	<u>(111,366)</u>
Balance carried forward	<u>(251,393)</u>	<u>557,094</u>
<b>15 Dividends payable</b>		
Balance brought forward	1,233,988	907,803
Paid during the year	(1,233,988)	(907,803)
Provision for the year at 12% (2012 - 11.5%)	<u>1,919,515</u>	<u>1,233,988</u>
Balance carried forward	<u>1,919,515</u>	<u>1,233,988</u>
<b>16 Proposed interest on members deposits</b>		
Interest provided for the year 2013 at 10 % (2012 - 9.5%) on member deposits	<u>69,287,164</u>	<u>54,757,925</u>

**Kentours Sacco Society Limited****C/S 4053****Annual Report and Financial Statements for the year ended 31st December, 2013**

Kentours Sacco Society Limited	2013	2012
Notes for the year ended 31st December, 2012	<u>KSHS</u>	<u>KSHS</u>
<b>17 Trade payables and accrued expenses</b>		
Members' demand savings	4,621,279	4,193,114
Amount due to ex-members	2,303,654	2,354,726
Overpayments by employer companies	211,017	44,517
Deceased members' a/c - NSE	30,013	30,013
Telephone expenses accrued	3,049	1,124
Legal fees accrued	450,000	582,740
Unit representatives allowance	63,350	181,700
Members education	150,000	169,452
Interest on members demand savings	117,310	132,069
Co-operative Bank of Kenya - Unidentified bankings	928,796	534,097
Housing Co-operative		14,587
Auditors' remuneration	91,600	40,600
By-Laws	161,000	55,200
Other creditors	2,256,020	-
Supervision fees to Commissioner	10,400	7,200
Investments cost	17,581	9,798
Sacco magazine	40,000	40,000
Board retirement	320,000	220,000
Staff leave and travel accrued	832,071	737,316
Proposed honoraria	2,298,476	1,805,254
Uncollected dividends	265,352	103,551
Uncollected interest	606,267	161,801
	<u>15,777,234</u>	<u>11,418,859</u>
<b>18 Share capital</b>		
Balance brought forward	10,730,330	8,484,141
Contributions	5,265,626	2,246,189
Total	<u>15,995,956</u>	<u>10,730,330</u>

The Sacco's members hold full and part shares at a par value of Kshs. 20 per share. The number of shares is determined by dividing share capital by the par value of each share.

Share capital	No. of ordinary Shares	Issued and fully paid up capital
At 1st January, 2013	536,517	10,730,330
At 31st December, 2013	799,798	15,995,956

**Kentours Sacco Society Limited****C/S 4053****Annual Report and Financial Statements for the year ended 31st December, 2013**

Kentours Sacco Society Limited Notes for the year ended 31st December 2013	2013 <u>KSHS</u>	2012 <u>KSHS</u>
<b>19 Reserves</b>		
The following is included in the computation of reserves.		
Prior year's retained earnings	13,887,834	12,681,232
Current year's surplus	11,860,414	2,440,589
Bonus issue	(15,000,000)	-
Proposed dividends	<u>(1,919,515)</u>	<u>(1,233,988)</u>
	8,828,733	13,887,833
General reserve.	3,907,077	-
Statutory reserve	<u>24,762,783</u>	<u>20,855,706</u>
<b>Total</b>	<u><b>37,498,593</b></u>	<u><b>34,743,539</b></u>

General reserve fund is provided at the rate of 25% of net operating surplus after tax and statutory reserve

Transfers are made to the statutory reserve fund at a rate of 20% of net operating surplus after tax in compliance with the provision of section 47 (1 & 2) of the Co-operatives Societies Act, Cap 490.

**20 OFFICE SPACE**

Kentours sacco purchased, obtained title and occupied three office units at Kindaruma road, amounting to Kshs 42,496,704

**21 Loans to the Board of Directors**

At start of year	14,712,374	14,842,385
Granted during the period	9,292,158	11,498,900
Repayment	<u>(11,399,682)</u>	<u>(11,628,911)</u>
Total	<u>12,604,850</u>	<u>14,712,374</u>
Interest paid	<u>3,412,221</u>	<u>1,113,800</u>

Loans are provided to the Board of Directors at arms length transactions.

**22 Simba Technology Software**

The arbitration was successful and a ruling made in favour of Kentours Sacco. The Sacco's lawyer has applied to the High Court to have the outcome adopted as a ruling of the court for its execution

**23 Bonus shares issue**

The Board recommends a bonus issue of Ksh. 15,000,000 to active members as at 31st December 2013