

# **KENTOURS SACCO SOCIETY LIMITED**

**C/S 4053**



## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

**VC KARANI & ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS  
FORTE GRANITE FLATS  
BISHOPS ROAD  
P.O. BOX 45481- 00100  
NAIROBI**

**KENTOURS SACCO SOCIETY LIMITED**  
**C/S 4053**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

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**SOCIETY INFORMATION**

**THE BOARD AND SUPERVISORY COMMITTEE MEMBERS**

**BOARD OF DIRECTORS**

Mr. Benjamin Ngunga	Chairman
Ms. Lilian Weru	Vice-Chairperson
Mrs. Betty Omolo-Ouko	Hon. Secretary
Mr. Joseph Kageka	Treasurer
Mr. John Ng'ang'a	Board Member
Mrs. Juliana Wambua-Kalu	Board Member
Mr. Edwin Omondi	Board Member
Mr. Fredrick Odipo	Board Member
Mr. Elisha Katam	Board Member

**SUPERVISORY COMMITTEE**

Mrs Anne Mwaura	Chairlady
Mr. Joseph Karu	Secretary
Mr. Zedekiah Ongoma	Committee Member

**CHIEF EXECUTIVE OFFICER**

Mrs. Susan Chege

**REGISTERED OFFICE**

Kentours SACCO Society Limited  
Commodore Office Suites, Kindaruma Road  
P.O. Box 79333 - 00200  
NAIROBI  
Tel: 2227192 Fax: 2218188 Email: info@kentours.co.ke

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**SOCIETY INFORMATION (CONTINUED)**

**PRINCIPAL BANKERS**

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

**CUSTODIAN**

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

**INVESTMENT MANAGERS**

GenAfrica Asset Managers Limited  
1st Floor, Arlington Block, 14 Riverside Business Park  
Off Riverside Drive  
P.O.Box 79217 - 00200  
**NAIROBI**

**AUDITORS**

VC Karani & Associates  
Certified Public Accountants  
P.O. Box 45481 - 00100  
**NAIROBI**

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STATISTICAL INFORMATION AS AT 31 DECEMBER 2015

<b>Membership Movement</b>	<b>2015</b>	<b>2014</b>	<b>% Change</b>
<b>Membership as at 1st January</b>	3,063	3,100	-1%
New entrants	299	537	
Leavers	(442)	(574)	
<b>Membership as at 31st December</b>	<b>2,920</b>	<b>3,063</b>	-5%
<b>Employees of the SACCO</b>	<b>7</b>	<b>7</b>	

<b>Financial Highlights</b>	<b>Kshs</b>	<b>Kshs</b>	<b>% Change</b>
Total Assets	1,004,968,595	958,287,870	5%
Members' deposits	814,666,606	764,653,103	7%
Loans and advances to members	765,005,956	783,630,527	-2%
Investments	154,204,862	80,393,895	92%
Core capital	96,128,751	90,949,358	6%
Institutional capital	38,788,541	36,631,609	6%
Total Revenue	110,006,908	137,903,237	-20%
Total Interest income	110,007,047	112,615,919	-2%
Total operating expenses	23,744,469	23,472,129	1%
Interest on members deposits	71,690,661	80,288,576	-11%
General Provision for Bad loans	-	7,915,460	-100%
Specific provision for doubtful loans	3,104,168	-	100%

Key ratios:

**Capital Adequacy Ratio**

Core Capital/Total Assets	9.57%	9.49%
Core Capital/Total Deposits	11.80%	11.89%
Institutional Capital/ Total Assets	3.86%	3.82%

**Liquidity Ratio**

Liquid Assets/Total deposits & Long term liabilities	15.87%	7.41%
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**Operating Efficiency/ Loan Quality Ratios**

Total Expenses/ Total Revenue	21.58%	17.02%
Interest on member deposits/ Total revenue	65.17%	58.22%
Interest rate on member's deposits	8.80%	10.50%
Dividend rate on members' share capital	10.80%	12.50%

**KENTOURS SACCO SOCIETY LIMITED  
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**REPORT OF THE DIRECTORS**

The Directors submit their annual report together with the audited financial statements for the year ended 31 December 2015.

**INCORPORATION**

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

**PRINCIPAL ACTIVITY**

The Society continued with its principal activity of receiving savings from and provision of loans to its members.

**RESULTS**

	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Net operating surplus before tax	11,112,119	25,132,909
Income tax expense	(1,416,412)	(432,973)
<b>Net surplus after tax</b>	<u><b>9,695,707</b></u>	<u><b>24,699,936</b></u>
<b>Retained surplus for the year</b>	<u><b>695,492</b></u>	<u><b>7,078,366</b></u>
<b>Interest on members' deposits</b>	<u><b>71,690,661</b></u>	<u><b>80,288,576</b></u>

**DIVIDEND/ INTEREST ON MEMBERS' DEPOSITS**

The Directors recommend payment of first and final dividend of 10.8% on share capital (2014 - 12.5%). They also recommend interest on members' deposit of 8.8% (2014 - 10.5%).

The recommendation in monetary terms is as follows:

Dividend on share capital Kshs 4,189,162 (2014 - Kshs.4,578,951)

Interest on members deposits Kshs71,690,661 (2014 - Kshs. 80,288,576).

**BOARD OF DIRECTORS**

The Directors who served during the year and to the date of this report are as listed on page 1.

**AUDITORS**

The SACCO's auditors, VC Karani & Associates, Certified Public Accountants, have expressed their willingness to continue in office.

**BY ORDER OF THE BOARD OF DIRECTORS**

**SIGNATURE**.....

**DATED** .....**2016**

**HON. SECRETARY**

**KENTOURS SACCO SOCIETY LIMITED**  
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**STATEMENT OF THE DIRECTORS' RESPONSIBILITIES**

The Co-operative Societies Act, Cap 490 requires the Directors to prepare financial statements for each financial 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 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 any other resolutions made at the society's annual general meeting.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with IFRS and in the manner required by the Co-operative Societies Act, Cap 490. The Directors 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 in accordance with the IFRS.

The Directors 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 financial control.

Nothing has come to the attention of the 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 Directors on .....2016 and signed on its behalf by:

..... **Chairman**  
**Signature**

..... **Treasurer**  
**Signature**

..... **Board member**  
**Signature**

**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 7 to 20 which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**The Directors' Responsibility for the Financial Statements**

The 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 Kenyan Sacco 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.

**Auditor's Responsibility**

Our responsibility is to express an independent opinion on 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 depend on the auditor's 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, the auditor considers the internal control relevant to the society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 Management, 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 financial statements give a true and fair view of the state of the Society's financial affairs at 31 December 2015 and of the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Sacco Societies Act.

**Report on other Legal Requirements**

As required by the Kenyan 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 the Co-operative Societies Act.
- b) in accordance with the Co-operative Society's objectives, By-laws and any other resolutions made by the Society at a general meeting.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Vincent Charles Karani —P/No 1318

**CERTIFIED PUBLIC ACCOUNTANTS**  
**NAIROBI**

**Dated:.....2016**



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**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 Kshs	2014 Kshs
<b>REVENUE:</b>			
Interest on loans	2.a	102,624,806	109,729,433
Other interest income	2.b	7,382,241	2,886,486
Total interest		<u>110,007,047</u>	<u>112,615,919</u>
Interest expenses	3	<u>(71,831,395)</u>	<u>(80,961,880)</u>
<b>Net interest income</b>		<b>38,175,652</b>	<b>31,654,039</b>
Other operating income	4	7,778,387	5,737,036
Other gains and losses	5	(7,778,526)	19,550,283
Administration expenses	6.a	(22,247,480)	(21,887,763)
Other operating expenses	6.b	<u>(4,815,914)</u>	<u>(9,920,685)</u>
<b>Net operating surplus before income tax</b>		<b>11,112,119</b>	<b>25,132,909</b>
Income tax expense	7	(1,416,412)	(432,973)
<b>Net surplus after income tax</b>		<b><u>9,695,707</u></b>	<b><u>24,699,936</u></b>
<b>APPROPRIATION OF SURPLUS</b>			
<b>Net surplus above</b>		9,695,707	24,699,936
Less: Transfer to statutory reserve 20%		(1,939,141)	(4,939,987)
Transfer to general reserve 5% (2014 - 25%)		(387,828)	(4,939,987)
Proposed dividends on shares 10.8% (2014 - 12.5%)		(4,189,162)	(4,578,951)
Proposed honararia		<u>(2,484,083)</u>	<u>(3,162,645)</u>
		<b><u>(9,000,215)</u></b>	<b><u>(17,621,570)</u></b>
<b>Retained surplus for the year</b>		<b><u>695,492</u></b>	<b><u>7,078,366</u></b>

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**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015**

	<b>Notes</b>	<b>2015 Kshs</b>	<b>2014 Kshs</b>
<b>ASSETS</b>			
Cash in hand and bank	<b>8.a</b>	1,979,224	11,140,293
Receivables and prepayments	<b>9</b>	39,796,785	38,102,787
Tax recoverable	<b>7</b>	-	203,629
Inventory	<b>10</b>	249,710	199,873
Loans to members	<b>11</b>	765,005,956	783,630,527
Financial assets	<b>12</b>	154,204,862	80,393,895
Intangible asset	<b>13</b>	951,775	1,189,718
Property, plant and equipment	<b>14</b>	42,780,283	43,427,148
<b>Total Assets</b>		<b><u>1,004,968,595</u></b>	<b><u>958,287,870</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Members' deposits	<b>15</b>	814,666,606	764,653,103
Payables and accrued expenses	<b>16</b>	16,399,544	16,103,442
Tax payable	<b>7</b>	131,383	-
Interest payable	<b>17</b>	71,929,946	80,891,879
Dividends payable	<b>18</b>	5,712,365	5,690,088
		<b><u>908,839,844</u></b>	<b><u>867,338,512</u></b>
<b>Total liabilities</b>		<b><u>908,839,844</u></b>	<b><u>867,338,512</u></b>
<b>Equity</b>			
Share capital	<b>19</b>	38,788,541	36,631,609
Reserves	<b>Page 9</b>	57,340,210	54,317,749
<b>Total Equity</b>		<b><u>96,128,751</u></b>	<b><u>90,949,358</u></b>
<b>Total Liabilities and Equity</b>		<b><u>1,004,968,595</u></b>	<b><u>958,287,870</u></b>

The financial statements on pages 7 to 20 were authorized for issue by the Board of Directors on .....2016 and signed on its behalf by:

**Chairman**.....

**Treasurer**.....

**Board Member**.....

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**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015**

<b>YEAR 2014</b>	<b>SHARE CAPITAL Kshs.</b>	<b>STATUTORY RESERVE Kshs.</b>	<b>GENERAL RESERVE Kshs.</b>	<b>BONUS ISSUE Kshs.</b>	<b>RETAINED EARNINGS Kshs.</b>	<b>TOTAL Kshs.</b>
At 1 January 2014	15,995,956	24,762,784	2,557,036	15,000,000	10,039,589	68,355,365
<b>Changes in equity in 2014</b>						
Net surplus for the year	-	-	-	-	24,699,936	24,699,936
Transfer during the period	15,000,000	4,939,987	4,939,987	(15,000,000)	(9,879,974)	-
Share capital received	5,635,653	-	-	-	-	5,635,653
Dividends						
- Proposed 2014	-	-	-	-	(4,578,951)	(4,578,951)
Proposed Honoraria	-	-	-	-	(3,162,645)	(3,162,645)
<b>At 31 December 2014</b>	<b>36,631,609</b>	<b>29,702,771</b>	<b>7,497,023</b>	<b>-</b>	<b>17,117,955</b>	<b>90,949,358</b>

**YEAR 2015**

At 1 January 2015	36,631,609	29,702,771	7,497,023	-	17,117,955	90,949,358
<b>Changes in equity in 2015</b>						
Net surplus for the year	-	-	-	-	9,695,707	9,695,707
Transfer during the period	-	1,939,141	387,828	-	(2,326,970)	-
Share capital received	2,156,932	-	-	-	-	2,156,932
Dividends						
- Proposed 2015	-	-	-	-	(4,189,162)	(4,189,162)
Proposed Honoraria	-	-	-	-	(2,484,083)	(2,484,083)
<b>At 31 December 2015</b>	<b>38,788,541</b>	<b>31,641,912</b>	<b>7,884,851</b>	<b>-</b>	<b>17,813,447</b>	<b>96,128,751</b>

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**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 Kshs	2014 Kshs
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Interest receipts		102,624,806	109,729,433
Other operating income receipts		7,016,271	5,130,090
Interest payments		(80,652,594)	(69,290,129)
Payments to employees and suppliers		(25,922,388)	(25,280,405)
		<u>3,066,095</u>	<u>20,288,988</u>
<i>(Increase)/ decrease in operating assets</i>			
- Loans to members		15,677,174	(95,893,947)
- Receivables and prepayments		(1,693,998)	4,497,842
- Inventory		(49,837)	(97,978)
<i>Increase/ (decrease) in operating liabilities</i>			
- Deposits from members		50,013,503	71,781,463
- Payables and accrued expenses		974,664	333,661
<i>Net cash flows from operating activities before income taxes</i>		<u>67,987,601</u>	<u>910,030</u>
Income tax paid		(1,081,400)	(385,209)
<b>Net cash flows from operating activities</b>		<b><u>66,906,201</u></b>	<b><u>524,821</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Purchase of property and equipment		(612,181)	(1,016,047)
Purchases of investment securities		(2,724,539)	(58,694,397)
Sales of investment securities		2,922,058	55,100,025
Interest received		7,382,241	2,886,486
Dividends received		762,116	606,946
<b>Net cash flows from investing activities</b>		<b><u>7,729,695</u></b>	<b><u>(1,116,987)</u></b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Share capital contributions received		2,156,932	5,635,653
Dividends paid		(4,166,885)	(1,073,730)
<b>Net cash flows from financing activities</b>		<b><u>(2,009,953)</u></b>	<b><u>4,561,923</u></b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>72,625,943</b>	<b>3,969,757</b>
Cash and cash equivalents at the beginning of the year		56,675,389	52,705,632
<b>Cash and cash equivalents at the end of the year</b>		<b><u>129,301,332</u></b>	<b><u>56,675,389</u></b>
<b>Available cash and cash equivalents at the end of the year</b>	8.b	<b><u>129,301,332</u></b>	<b><u>56,675,389</u></b>

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**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 and basis of preparation**

These financial statements have been prepared on going concern basis and in accordance and compliance with the International Financial Reporting Standards (IFRSs). These financial statements are presented in the functional currency, Kenya shillings (Kshs) and prepared under the historical cost convention, as modified by revaluation of certain assets as prescribed by IFRSs.

**(b) Revenue recognition**

Interest on loans to members is calculated on a reducing balance method based on rates applicable to each loan category. Total interest and loan repayment is by equal monthly instalments over the loan period.

**(c) Property, plant and equipment**

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Full year's depreciation is provided for in the year the asset is purchased and none in the year of disposal.

Depreciation is calculated on a reducing balance method using the following annual rates:

<b>Asset</b>	<b>Rate (%)</b>
Buildings	2.0%
Furniture, Fittings & Equipment	12.5%
Motor cycle	12.5%
Computer Equipment	33.3%
Computer Software	20.0%

The assets' residual values and lives are reviewed, and adjusted if appropriate at each balance sheet date.

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, the amount in the revaluation reserve relating to that asset is transferred to retained earnings.

**(d) Financial assets**

The Sacco has classified its financial instruments into the following categories:

**i) Held-to-maturity investments** - These comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Sacco has a positive intention and ability to hold to maturity.

**ii) Loans and receivables** - These comprise of non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and excludes assets which the Sacco intends to sell immediately or in the near term or those which the Sacco upon initial recognition designates as at fair value through profit or loss or as available-for-sale financial assets.

**iii) Available-for-sale financial assets** - These comprise of non-derivative financial assets that are not classified under any of the other categories of financial assets.

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**NOTES**

**(d) Financial assets (Continued)**

Held-to-maturity investments, loans and receivables are carried at amortised cost using the effective interest method while the Available-for-sale investments are carried at their fair values or at cost for those that are not quoted in an active financial market and whose fair value cannot be reliably measured.

Gains and losses arising from acquisition and disposal of financial assets including changes in fair value of financial assets are recognized through the statement of comprehensive income.

Receivables are recognized at fair value. A provision for impairment is recognised in the statement of comprehensive income in the year when the recovery of the amount due as per the original terms is doubtful.

Receivables not collectible are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income in the year of recovery.

**Derecognition of financial assets**

The SACCO derecognises a financial asset when the contractual rights to receive the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

**(e) Financial liabilities and equity instruments**

**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 as the proceeds received net of direct issue costs. The capital comprise primarily of minimum share capital prescribed under the By-laws of the Sacco. Currently, each member is required to hold a minimum of 250 shares and a maximum of 20% of the total paid up share capital with par value of Kshs. 20 per share.

**Financial liabilities**

Financial liabilities are recognized at fair value of the consideration given plus the transaction cost.

**Derecognition of financial liabilities**

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

**(f) Investment property**

Investment property comprise land held for sale and is measured at cost including transaction costs.

On disposal of the investment property, the difference between net proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

**(g) Dividends and interest on members deposits**

Dividend and interest on members' share capital and deposits are payable at rates determined annually depending on the financial performance for the that particular year. The rates are subject to approval at the Annual General Meeting.

**(h) Employee entitlements**

Employee entitlement to long service awards are recognized 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 contributes to the mandatory statutory defined contribution pension scheme, the National Social Security Fund (NSSF) at varying values for its employees as legislated from time to time.

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**NOTES**

**(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.

**(k) 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 provisions of section 47 (1 & 2) of the Cooperative Societies Act, Cap 490.

**(l) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, 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.

**(m) Provisions for liabilities and other charges**

Provisions are recognized when the Sacco has a present obligation (legal or constructive) as a result of a past event, it is probable that the Sacco will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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.

The new Financial Reporting template developed by the Institute of Certified Public Accountants of Kenya (ICPAK), in conjunction with officials of Ministry of Industrialization and Enterprise Development has been adopted in these financial statements. This adoption resulted in the following changes in accounting policies:

(i) Entrance fees is credited to the statement of comprehensive income.

(ii) Committee honoraria is dealt with in the appropriation of surplus. Previously, it was charged to administration expenses.

**(O) General reserve**

Transfer was made to the general reserve fund at a rate of 5% of net operating surplus after tax and statutory reserve.

**(P) Proposed honoraria**

This is pegged on performance at the rate of 3% of net operating surplus before tax and interest on member deposits.

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<b>2. (a) Interest income</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Normal loans	97,033,952	102,320,305
Super School fees loan	1,014,047	1,082,397
Emergency loans	1,472,397	1,374,735
School fees loans	623,095	564,443
Instant loans	2,441,422	4,298,594
Salary advances	39,893	88,959
<b>Total</b>	<b><u>102,624,806</u></b>	<b><u>109,729,433</u></b>
<b>(b) Other interest income</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Money market Investments	2,945,868	2,241,183
Fixed and Call investments income	4,436,373	645,303
<b>Total</b>	<b><u>7,382,241</u></b>	<b><u>2,886,486</u></b>
<b>3. Interest expenses</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Members' deposits	71,690,661	80,288,576
Members' demand savings	140,734	107,182
Bank overdraft interest	-	566,122
	<b><u>71,831,395</u></b>	<b><u>80,961,880</u></b>
<b>4. Other operating income</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Entrance fees	299,000	373,773
Dividends	762,116	606,946
Sundry income	348,770	165,298
Rental Income	1,030,251	624,400
Bridging and consolidated fee	3,082,634	3,948,619
Interest on car Loan	63,376	18,000
Software case award received	2,192,240	-
	<b><u>7,778,387</u></b>	<b><u>5,737,036</u></b>
<p>The Sacco had sued Simba Technology Software. The arbitration was successful and a ruling made in favour of Kentours Sacco. The Sacco was in the ended awarded Kshs. 2,192,240.</p>		
<b>5. Other gains and losses</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Loss on disposal of local equities	(328,088)	51,030
Gain on disposal of Government securities	15,476	-
Change in fair value of local equities	(648,187)	162,331
Change in fair value of Government securities	(147,310)	151,071
Change in fair value of unquoted equities		
- CIC	(6,028,958)	15,182,291
- Co-operative bank	(641,459)	4,003,560
	<b><u>(7,778,526)</u></b>	<b><u>19,550,283</u></b>



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<b>6. Administration and other operating expenses</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>a) Administration expenses</b>		
<u>Personnel expenses</u>		
Salaries and wages	7,082,823	6,708,725
Staff house allowances	997,955	938,187
Staff medical expenses	848,869	859,002
Staff retirement benefits	473,593	495,404
Staff end year bonus	455,894	966,290
Staff education	222,275	66,183
Staff Insurance	337,845	299,265
Staff leave and travel expenses	654,144	575,557
Staff leave - Unutilized days	(447,062)	211,004
	<b>10,626,336</b>	<b>11,119,617</b>
<u>Governance/member related expenses</u>		
Committee sitting allowances	1,309,500	1,072,650
Committee travelling allowances	1,188,650	987,405
Other committee expenses	425,621	381,672
Annual General Meeting expenses	2,000,660	2,059,554
Board retirement expense	100,000	100,000
Committee training and seminars	791,785	689,368
Members' education and other related expenses	1,177,432	1,155,543
Unit representative expenses and allowances	741,775	781,600
	<b>7,735,423</b>	<b>7,227,791</b>
<u>Marketing expenses</u>		
Public relations and advertisements	529,048	552,389
<u>Other administrative expenses</u>		
General office and other expenses	392,120	361,195
Telephone, postage and internet	521,938	511,946
Repairs and maintenance	987,099	655,608
Motor cycle expenses	51,723	30,149
Legal fees	136,600	100,000
Auditors' remuneration	104,400	104,400
Registration and supervision fees to the Commissioner	9,200	9,200
Printing and stationery	484,445	458,163
Service charge	406,800	457,600
Insurance of assets (Office equipment and Motor Cycle)	155,198	138,270
Software Maintenance costs	107,150	161,436
	<b>3,356,673</b>	<b>2,987,966</b>
<b>Total administration expenses</b>	<b>22,247,480</b>	<b>21,887,763</b>

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<b>b) Other operating expenses</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
<u>Depreciation and amortization</u>		
Depreciation of Property, Plant and Equipment	1,259,045	1,286,936
Amortization of intangible assets	237,944	297,430
	<u>1,496,989</u>	<u>1,584,366</u>
<u>Financial Costs</u>		
Investments costs	132,495	113,781
Bank charges	239,034	307,079
	<u>371,529</u>	<u>420,860</u>
General Provision for doubtful loans	-	7,915,460
Prior year overprovision	(156,772)	-
Specific provision for doubtful loans	3,104,168	-
	<u>2,947,396</u>	<u>7,915,460</u>
<b>Total Other operating expenses</b>	<b><u>4,815,914</u></b>	<b><u>9,920,685</u></b>

Specific provision was provided in respect of loans to members from Greatland Tours and Private Safaris which faced financial problems leading to one of them being closed.

The Board has engaged a debt collector to help follow-up on defaulted loans.

<b>7. Income tax Charge</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Current tax	<u>1,416,412</u>	<u>432,973</u>

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 other than interest from members and KUSCCO savings and is as follows:

<b>Computation of the tax expense</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
50% of interest income from banks and investments	3,691,121	1,443,243
Rental Income	1,030,251	-
	<u>4,721,372</u>	<u>1,443,243</u>
Tax charge for the year at 30%	1,416,412	432,973
Balance brought forward	(203,629)	(251,393)
Tax paid	-	-
Withholding Tax	(1,081,400)	(385,209)
<b>Tax payable/ (recoverable)</b>	<b><u>131,383</u></b>	<b><u>(203,629)</u></b>

Rental income last year was offset by the expenses incurred in leasing the room.

<b>8. a. Cash in hand and bank</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Cash in hand	28,269	18,679
Cash at bank - Co-operative Bank	1,619,533	10,791,562
- Standard Chartered Bank - Custody Account	128,650	30,052
- Co-operative Bank Deposits	-	300,000
- M - Pesa collection account	202,772	-
	<u>1,979,224</u>	<u>11,140,293</u>

**b. Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, cash at bank, fixed and call deposits and short term marketable securities (money market investments)

Cash in hand and bank	1,979,224	11,140,293
Money markets Investments	9,707,102	44,534,712
Cash Management Solution ( GENAFRICA, CIC & BRITAM)	106,093,292	-
Fixed and call deposits	11,521,714	1,000,384
	<u>129,301,332</u>	<u>56,675,389</u>

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<b>9. Receivables and prepayments</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Employer deductions due	35,613,792	34,366,020
Debtors and prepayments	4,153,308	3,707,082
Deposits for services ( Telephone & Electricity deposits)	29,685	29,685
<b>Total</b>	<b><u>39,796,785</u></b>	<b><u>38,102,787</u></b>

<b>10. Inventory</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Polo shirts, sweaters and umbrellas	<u>249,710</u>	<u>199,873</u>

<b>11. Loans to members</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
At the start of the year	791,545,986	695,652,038
Loans granted during the year	476,839,028	608,647,577
Repayment during the year	<u>(492,516,202)</u>	<u>(512,753,629)</u>
<b>At year end as per members' listing</b>	<b><u>775,868,812</u></b>	<b><u>791,545,986</u></b>

**Provision for doubtful loans**

- General 1%	(7,758,688)	(7,915,460)
- Specific	<u>(3,104,168)</u>	<u>-</u>
	<b><u>765,005,956</u></b>	<b><u>783,630,527</u></b>

Specific provision has been created in respect of specific loans outstanding for long period of time to members from two companies which were facing financial problems leading to one of them being closed.

<b>12. Financial assets</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Money market investment	9,707,102	44,534,712
Government securities	3,881,761	4,137,472
Quoted Equities	3,801,515	5,326,432
Corporate bonds	1,100,000	625,000
Fixed and Call deposits	11,521,714	1,000,384
Cash Management Solution ( GENAFRICA, CIC & BRITAM)	106,093,292	-
Available for sale financial assets - Unquoted equities	18,044,478	24,714,895
Debentures	55,000	55,000
	<b><u>154,204,862</u></b>	<b><u>80,393,895</u></b>

Money market investments were with Britam, CIC, and STANLIB at average interest rates.

Quoted equities were stated at market values while unquoted investments were stated at directors' valuation.

Fixed and call deposits were with Cooperative, CBA, KCB and K-REP Banks.

Corporate bond was with Kengen and EABL.

Unquoted equities were mainly with Co-operative Bank and CIC Ltd.

Debenture was with Uchumi supermarket.

<b>13. Intangible assets: Computerization and software</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
At start of year	1,189,718	1,487,148
Addition	-	-
Amortization charge	<u>(237,944)</u>	<u>(297,430)</u>
<b>At end of year</b>	<b><u>951,775</u></b>	<b><u>1,189,718</u></b>

Amortization charge is 20% on reducing balance.

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**14. Property, plant and equipment**

	Buildings Kshs. <u>2.00%</u>	Furniture, Fittings & Equipment Kshs. <u>12.50%</u>	Motor Cycle Kshs. <u>12.50%</u>	Computer Equipment Kshs. <u>33.30%</u>	Total Kshs.
<b><u>COST</u></b>					
As at 1 January 2015	43,348,917	1,754,255	148,012	2,821,924	48,073,108
Additions	-	513,581	-	98,600	612,181
Disposal	-	-	-	-	-
As at 31 December 2015	<u>43,348,917</u>	<u>2,267,836</u>	<u>148,012</u>	<u>2,920,524</u>	<u>48,685,288</u>
<b><u>Depreciation</u></b>					
As at 1 January 2015	1,699,914	602,729	34,690	2,308,627	4,645,960
Charge for the period	832,980	208,138	14,165	203,762	1,259,045
Disposal	-	-	-	-	-
As at 31 December 2015	<u>2,532,894</u>	<u>810,867</u>	<u>48,855</u>	<u>2,512,389</u>	<u>5,905,005</u>
<b><u>Net Book Value</u></b>					
As at 31 December 2015	<u>40,816,022</u>	<u>1,456,968</u>	<u>99,157</u>	<u>408,135</u>	<u>42,780,283</u>
As at 31 December 2014	<u>41,649,003</u>	<u>1,151,526</u>	<u>113,322</u>	<u>513,297</u>	<u>43,427,148</u>

<b>15. Members' deposits</b>	<b>2015</b> Kshs	<b>2014</b> Kshs
At the start of the year	764,653,103	692,871,641
Net contributions during the year	50,013,503	71,781,462
<b>Total members' deposits as per members' listing</b>	<u><b>814,666,606</b></u>	<u><b>764,653,103</b></u>

<b>16. Payables and accrued expenses</b>	<b>2015</b> Kshs	<b>2014</b> Kshs
Members' demand savings	3,676,967	4,307,414
Unidentified bankings	952,203	961,603
Overpayment by employer companies	356,598	146,352
Amounts due to ex-members	2,167,808	2,283,109
Proposed honoraria	2,484,083	3,162,645
Auditors' remuneration	104,400	104,400
Supervision and registration fees	9,200	9,200
Interest on members demand savings	150,753	183,300
Legal fees	-	525,000
Members education	-	327,030
Staff leave and travel allowances	291,696	782,070
Unit representative allowance	249,850	290,300
Investments cost	28,965	24,025
Board retirement	370,000	350,000
Retained member deposits	4,465,979	1,518,921
Kentours software cost	93,826	543,826
Other payables and accruals	997,216	584,249
<b>Total</b>	<u><b>16,399,544</b></u>	<u><b>16,103,442</b></u>

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<b>17. Interest payable on members' deposits</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Outstanding interest for the previous year	80,891,879	69,893,432
Interest paid during the year	(80,652,594)	(69,290,129)
Proposed interest for the current year	71,690,661	80,288,576
	<u><b>71,929,946</b></u>	<u><b>80,891,879</b></u>
<b>18. Dividends payable on members' shares</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Outstanding dividends for the previous year	5,690,088	2,184,866
Dividends paid during the year	(4,166,885)	(1,073,730)
Proposed dividends for the current year	4,189,162	4,578,951
	<u><b>5,712,365</b></u>	<u><b>5,690,088</b></u>
<b>19. Share capital</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Balance brought forward	36,631,609	15,995,956
Bonus share capital	-	15,000,000
Net contributions for the year	2,156,932	5,635,653
<b>Total</b>	<u><b>38,788,541</b></u>	<u><b>36,631,609</b></u>

Members hold full and part shares with a par value of Kshs. 20 per share. Every member of the SACCO is required to hold a minimum of 250 shares and a maximum of 20% of the total paid up share capital.

<b>20. Related party transactions</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>a) Board and supervisory committee remuneration</b>		
Committee allowances	1,309,500	1,072,650
Proposed honoraria	2,484,083	3,162,645
<b>Total</b>	<u><b>3,793,583</b></u>	<u><b>4,235,295</b></u>
<b>b) Loans to Board of Directors</b>		
At the start of the year	18,026,773	12,604,850
Granted during the year	14,274,100	18,734,879
Repaid during the year	(10,493,257)	(13,312,956)
At the end of the year	<u><b>21,807,616</b></u>	<u><b>18,026,773</b></u>

Loans are provided to the Board of Directors at arms length transactions like other Sacco members.

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**21. Financial risk management**

The Sacco's operations are exposed to financial risks. These risks include market risk (including currency risk, fair value, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Sacco's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Sacco's financial performance.

Risk management is carried out by the manager under policies approved by the Board of Directors. The risk management identifies, evaluates and manages financial risks in close co-operation with the Board of Directors. The Board of Directors provides written policies covering specific areas such as interest rate risk, credit risk and investment of excess liquidity.

The manager reports regularly to the Board of Directors on all aspects of risks and measures instituted to mitigate risk exposures.

**(i) Interest rate risk**

The Sacco is exposed to interest rate risk when it borrows funds at both fixed and floating interest rates. The risk is managed by minimizing borrowings.

**(ii) Price risk**

The Sacco is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Sacco does not actively trade these investments.

**(iii) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Sacco and arises principally from the Sacco's loans and advances to its members. The amounts presented in the statement of financial position are net of impairment for doubtful debts, estimated by the Board of Directors based on prior experience and assessment of the current economic environment.

The Sacco has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, guarantors where appropriate, as a means of mitigating the risk of financial loss from defaults. The Sacco has also structured the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower.

Receivables consist mainly of monthly member deductions due from employer companies. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The amount that best represents the Sacco's maximum exposure to credit risk at 31 December 2015 is made up as follows:

	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Loans to members	775,868,812	791,545,986
Receivables	39,796,785	38,102,787
	<u><b>815,665,597</b></u>	<u><b>829,648,773</b></u>

**iv) Liquidity risk**

The Sacco manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.