

CS/1A163

MINISTRY OF INDUSTRY
TRADE AND COOPERATIVES
State Department for Cooperatives
MAIN REGISTRY
15 JUL 2020
No.
P.O. Box 30547 - 00100
GPO, NAIROBI, KENYA

.....KENYA USA DIASPORA SACCO LIMITED.....

FINANCIAL STATEMENTS

FOR THE YEAR ENDING

.....31st DECEMBER 2019.....

/M MBAYA & ASSOCIATES
&A CERTIFIED PUBLIC ACCOUNTANTS (K)



Kenya USA Diaspora Sacco Ltd
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Victoria Towers, Ground Floor
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P.O Box 21372 - 00100 GPO Nairobi, Kenya
Tel: +254 792 746 217

Audited Financial Statements
For the year ended 31st December, 2019

Mbaya & Associates
Certified Public Accountants
Western Heights, 3rd Floor, Karuma Road
P.O BOX 45390-00100, NAIROBI.

Kenya USA Diaspora Sacco Society Limited (CS/14163)
Audit report and financial statements
For the period ended 31st December 2019

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Kenya USA Diaspora Sacco Society Limited (CS/14163)
Society Information
For the period ended 31st December 2019

Committee Members

Executive

Simon Nyagah	-	Chairman
Catherine Muriithi	-	Vice-Chairman
Ralph Kilundu	-	Hon. Secretary
David Wanjiru	-	Treasurer

Members

Francis Kioko	-	Retired during the year
Angela Karanja		
Rose Musyoka		
James Sang	-	Retired during the year
Eric Mwangi		
Isaac Kasera	-	Co-opted during the year

Supervisory Committee

Laban Opande	-	Chair-Supervisory Comm.
Geoffrey Mburu		
Susan Matindi		

**Principal place of business
and registered office**

Kenya USA Diaspora Sacco Society Limited
Victoria Towers, Ground Floor, Kilimanjaro Avenue Upper Hill
P.O Box 21372-00100
Nairobi, Kenya

Independent auditor

Mbaya & Associates
Certified Public Accountants (K)
Western Heights, 3rd Floor
Off Karuna Road, Westlands
P.O. Box 45390(00100)
NAIROBI
Email: contact@mbaya.co.ke
Website: www.mbaya.co.ke

Principal bankers

Kenya

Co-operative Bank of Kenya
Upper Hill Branch
P.O Box 48231- 00100
Nairobi

USA

JP Morgan Chase Bank
610 Thornton Rd, Lithia Springs,
Atlanta, GA , 30122
United States Of America

Kenya USA Diaspora Sacco Society Limited (CS/14163)
Report of the Committee
For the period ended 31st December 2019

The committee have pleasure to submit their report together with the audited financial statements for the period ended 31st December 2019 which disclose the state of affairs of the Society.

1 Incorporation

The Society is registered in Kenya under the Co-operative Societies Act, Cap 490 and is domiciled in Kenya.

2 Principal Activity

The principal activity of the Society is receiving savings from and provision of loans to its members.

3 Results for the year

	2019	2018
	Kshs	Kshs
Surplus/(Deficit) before tax	8,067,792	7,642,713
Income tax expense	(902,479)	(791,293)
Net surplus after tax	<u>7,165,313</u>	<u>6,851,420</u>
Dividends	<u>(4,172,404)</u>	<u>(3,117,562)</u>
	<u>2,992,909</u>	<u>3,733,858</u>

Interest and dividends

The committee recommends payment of a first and final dividend of 15% based on the weighted average shares held during the year (2018:15%) amounting to Kshs 4,172,404. They also recommend interest on members' main savings of 5% (2018: 3%) based on the weighted average deposit balances during the year, amounting to Kshs 11,377,314.

4 Financial statements

At the date of this report, the Committee were not aware of any circumstances which would have rendered the values attributed to the assets in the financial statements misleading.

5 Committee and other Sub Committee members

The committee and other sub committee members who served during the year and to the date of this report are shown on page 1.

6 Auditor

The society's auditor, Mbaya & associates, Certified Public Accountants (K) was appointed in office and have expressed their willingness to continue in office in accordance with the provision of section 25(4) of the Co-operative Societies Act Cap. 490.

BY ORDER OF THE BOARD



Honorary Secretary

Kenya USA Diaspora Sacco Society Ltd (CS/14163)**Statistical Data****For the year ended 31 December 2019**

	<u>2019</u>	<u>2018</u>	
<u>Number of members</u>	1,243	1,073	
<u>Key financial data</u>	Kshs	Kshs	
Members deposits	186,114,417	153,144,689	
Core capital	21,186,152	10,106,121	
Share capital	27,816,026	20,783,746	
Institutional capital	(6,629,874)	(10,677,625)	
Total assets	287,778,702	234,988,492	
Current assets	138,142,980	142,405,629	
Total liabilities	266,592,550	224,882,371	
Total revenue	41,081,041	35,095,323	
Total interest income	31,233,407	25,407,535	
Total expenses	20,700,189	19,988,422	
<u>Key ratios</u>			
<u>Capital adequacy ratio</u>			Ideal ratio
Core capital/total assets	7%	4%	10%
Core capital/total deposits	11%	7%	8%
Institutional capital/total assets	-2%	-5%	8%
<u>Other ratios</u>			
Liquidity ratio	52%	63%	
Percentage of expenses to revenue	50%	57%	
Interest on member's deposits (main savings)	5%	3%	
Dividends on share capital	15%	15%	

Kenya USA Diaspora Sacco Society Limited (CS/14163)
Statement of the Committee's responsibilities
For the period ended 31st December 2019

The Co-operative Societies Act, Cap 490 requires the Committee 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 the year in accordance with IFRS. It also requires the Committee 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 general meeting.

The Committee accepts responsibility for the Annual Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Co-operative Societies Act, Cap 490. The Committee 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 Committee further accepts responsibility for the maintenance of sound accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems

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

Approved by the Committee on 28/6/2020 and signed on its behalf by:

Chairman



Treasurer

David E Wangira

Hon. Secretary



Independent Auditor's Report

To the Members of Kenya USA Diaspora Sacco Society Limited

Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of Kenya USA Diaspora Sacco Society Limited set out on pages 9 to 31, which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kenya USA Diaspora Sacco Society Limited as at December 31, 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Sacco Societies Act, 2008.

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 company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Other receivables

Kenya USA Diaspora Sacco Society Limited has other receivables amounting to Kshs. 2,660,075 which has not supported and no listing was provided during audit. The management mentioned that it was caused by a possible system error on how the system computes surplus and loss balance in trial balance. The amount was carried in the current year financial statements as a receivable amount which the management has indicated to be corrected in the financial year 2020 after consulting with the system vendors.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming Our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Interest income and loans to members

Interest on loans to members occupy 64% of all incomes earned by the Sacco. The interest income went up in the current year by 29% from Ksh 20M to Ksh 26M in the current year. The net loan movement during the year stood at Ksh 58M an increase of 114% from Ksh 27M in the prior year. The increase in interest from loan to members is not proportionate to the increase in loans to members.

We addressed loans to members as part of key audit matters by conducting the following audit procedures;

- We recalculated the interest earned to confirm its accuracy and completeness. We also verified and recalculated the loans issued during the year on which interest income is calculated.

We considered this as a key audit matter going by the fact that extending loans to members and earning interest thereon is the main business of the Sacco thus keen attention has to be placed on them and monitor their movements during the year.

- We evaluated the internal controls on loans to members including the approval and authorization process. Consequently, we performed walkthrough procedures on the key controls and confirmed that they were adequate and sufficient.

Loans defaulted

A total of Kshs. 20,579,160 of the loan amount had been defaulted at the end of the period which was 14% of the total loans issued. We consider this a key audit matter because increase in loan defaulters lead to general increase in provision for the period reducing interest and dividends to members.

We addressed credit risk exposure as part of key audit matters by conducting the following audit procedures;

-We obtained the loan ageing analysis for the period and verified the number of loan defaulters for the period. We extracted the amount of loans with no monthly repayments from 1 month to more than 12 months prior to the year ended 31 December, 2019.

Independent Auditor's Report

To the director of Kenya USA Diaspora Sacco Society Limited

(Continued)

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Detailed Income Statement as required by the Companies Act 15 of 2015 of Kenya, which we obtained prior to the date of this report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 15 of 2015, and for such internal control as the directors 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 directors are responsible for assessing the company'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 the directors either intend to liquidate the company or to cease operations, or have 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 an auditor's report 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.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 the company's internal control.



Independent Auditor's Report

To the director of Kenya USA Diaspora Sacco Society Limited

(Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

Report on other legal and regulatory requirements

In our opinion the information given in the report of the directors on page 4 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Andrew Bulemi Practicing Certificate No. 2071.

Mbaya & Associates

Mbaya & Associates



MBAYA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
P. O. Box 45388-00100, NAIROBI.

Date *9th July 2020*

Kenya USA Diaspora Sacco Society Limited (CS/14163)
Statement of Comprehensive Income
For the year ended 31 December 2019

		<u>2019</u>	<u>2018</u>
Revenue	<u>Note</u>	Kshs	Kshs
Interest on loans	3	26,094,198	20,295,696
Other interest income	4	<u>5,139,209</u>	<u>5,111,839</u>
Total interest		<u>31,233,407</u>	<u>25,407,535</u>
Interest expense	6	<u>(11,377,314)</u>	<u>(6,495,352)</u>
Net Interest Income		<u>19,856,093</u>	<u>18,912,183</u>
Provision for loan Impairment	7	(935,746)	(968,836)
Other Income	5	9,847,634	9,687,788
Total operating Income		<u>28,767,981</u>	<u>27,631,135</u>
Expenditure			
Administration expenses	8	13,743,732	11,089,152
Governance costs	9	6,389,799	8,061,425
Establishment expenses	10	402,620	559,081
Finance charges	11	<u>164,037</u>	<u>278,764</u>
		<u>20,700,189</u>	<u>19,988,422</u>
Operating surplus before income tax		8,067,792	7,642,713
Income tax expense	14	(902,479)	(791,293)
Net surplus before statutory reserve		<u>7,165,313</u>	<u>6,851,420</u>
Transfer to statutory reserve		1,433,063	1,370,284
Net surplus for the year		<u>5,732,250</u>	<u>5,481,136</u>

Kenya USA Diaspora Sacco Society Limited (CS/14163)
Statement of Financial Position
As At 31 December 2019

		<u>2019</u>	<u>2018</u>
Assets	Note	Kshs	Kshs
Bank and cash balances	12	4,736,994	14,651,640
Trade and other receivables	13	96,557,303	81,914,678
Prepaid taxes	14	-	104,356
Loans and advances to members	15	148,351,289	90,811,254
Financial assets (investments)	16	36,848,683	45,839,311
Intangible assets	17	530,555	795,792
Property, plant and equipment	18	753,878	871,461
Total Assets		<u>287,778,702</u>	<u>234,988,492</u>
Liabilities			
Members deposits	19	186,114,417	153,144,689
Other savings by members	20	50,037,669	47,568,671
Fadhili Homes Contributions	21	14,495,026	10,853,126
Tax Payable		291,422	-
Trade and other payables	22	15,654,016	13,315,885
Total liabilities		<u>266,592,550</u>	<u>224,882,371</u>
Shareholders Funds			
Share capital	23	27,816,026	20,783,746
Reserves	24	(6,629,874)	(10,677,625)
		<u>21,186,152</u>	<u>10,106,121</u>
Total Equity and Liabilities		<u>287,778,702</u>	<u>234,988,492</u>

These financial statements on pages 7 to 21 were approved and authorised for issue by the Committee on 28/6/2020 and signed on their behalf by:

Chairman

Treasurer Daniel Wangari

Secretary

Kenya USA Diaspora Sacco Society Limited (CS/14163)
Statement of changes in Equity
For the year ended 31 December 2019

	<u>Share capital</u> Kshs	<u>Statutory reserve</u> Kshs	<u>Retained earnings</u> Kshs	<u>Proposed Divided</u> Kshs	<u>Total</u> Kshs
As at 1 January, 2019	20,783,746	1,690,189	(15,485,376)	3,117,562	10,106,121
Surplus for the year	-	-	7,165,313	-	7,165,313
Transfer to statutory reserve	-	1,433,063	(1,433,063)	-	-
Additional members share capital	7,032,280	-	-	-	7,032,280
Proposed dividend	-	-	(4,172,404)	4,172,404	-
Dividend paid during the year	-	-	-	(3,117,562)	(3,117,562)
As at 31 December, 2019	27,816,026	3,123,252	(13,925,530)	4,172,404	21,186,153

	<u>Share capital</u> Kshs	<u>Statutory reserve</u> Kshs	<u>Retained earnings</u> Kshs	<u>Proposed Divided</u> Kshs	<u>Total</u> Kshs
As at 1 January, 2018	7,313,232	319,905.40	(17,848,951)	1,096,985	(9,118,829)
Surplus for the year	-	-	6,851,421	-	6,851,421
Transfer to statutory reserve	-	1,370,284.00	(1,370,284)	-	-
Additional members share capital	13,470,514	-	-	-	13,470,514
Proposed dividend	-	-	(3,117,562)	3,117,562	-
Dividend paid during the year	-	-	-	(1,096,985)	(1,096,985)
As at 31 December, 2018	20,783,746	1,690,189	(15,485,376)	3,117,562	10,106,121

Kenya USA Diaspora Sacco Society Limited (CS/14163)
Cashflow Statement
For the year ended 31 December 2019

	Note	<u>2019</u>	<u>2018</u>
Cashflow from operating activities		Kshs	Kshs
Interest on loans		26,094,198	20,295,696
Other income		11,636,843	14,799,627
Interest payments		(7,434,956)	(4,289,120)
Payments to employees and suppliers		<u>(18,966,007)</u>	<u>(18,744,840)</u>
		11,330,077	12,061,363
<i>Increase/(decrease) in operating assets</i>			
Net loans to members	15	(58,475,781)	(27,347,391)
Trade and other receivables		<u>(14,642,625)</u>	<u>(44,713,009)</u>
		(73,118,406)	(72,060,400)
<i>Increase/(decrease) in operating liabilities</i>			
Deposits		32,969,728	23,977,015
Other savings		2,468,998	20,491,116
Unidentified deposits		(1,673,311)	385,973
Treasury bills		-	193,490
Audit fees		(250,608)	(275,669)
Other payables		2,338,131	(422,229)
Fadhili homes contributions		<u>3,641,900</u>	<u>(1,964,653)</u>
		39,494,838	42,385,043
Tax paid	14	(506,701)	(760,699)
Cashflow from investing activities			
Purchase of assets		(19,800)	(334,588)
Investment in financial assets		<u>8,990,628</u>	<u>14,887,302</u>
		8,970,828	14,552,714
Cashflow from financing activities			
Proceeds from shares contribution		7,032,280	13,470,514
Dividend paid		<u>(3,117,562)</u>	<u>(1,096,985)</u>
		<u>3,914,718</u>	<u>12,373,529</u>
Net cashflow from activities		(9,914,646)	8,551,550
Cash and cash equivalent at 1 January		14,651,640	6,100,090
Cash and cash equivalent at 31 December	12	<u>4,736,994</u>	<u>14,651,640</u>

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied over the years presented unless otherwise stated.

a) Statement of compliance and basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS). They are presented in Kenya Shillings (Kshs) which is also the functional currency, rounded to the nearest shilling. The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

The financial statements comprise a statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the statement of comprehensive income. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the statement of comprehensive income as required or permitted by IFRS. Reclassification adjustments are amounts reclassified in profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the accounting policies adopted by the society. Although such estimates and assumptions are based on the management committee's best knowledge of the information available, actual results may differ from those estimates. The judgments and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgments of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in Note 2.

i) New and Revised standards (Issued but not yet effective)

I.F.R.S 9 Financial Instruments

In July 2014, the IASB issued IFRS 9 Financial Instruments, the standard that will replace IAS 39 for annual periods on or after 1 January, 2018, with early adoption permitted.

The society has not yet adopted the standard as directives from regulators are yet to be issued.

Classification and measurement

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics

Hedge accounting

IFRS 9 allows entities to continue with the hedge accounting under IAS 39 even when other elements of IFRS become mandatory on 1 January, 2018. The Society does not have any hedge instruments.

Impairment of financial instruments

The Society will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset

ii) Amendments to IAS 12 Income Taxes

In January, 2016, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The amendment is effective from 1 January, 2017. The society is currently evaluating the impact, but does not anticipate that adopting the amendments would have a material impact on its financial

1 Summary of significant accounting policies (continued)

iii) IFRS 16 Leases

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right of use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The Society does not anticipate early adopting IFRS 16

b) Revenue recognition

Interest income

Interest on members loans charged on reducing balance.

Interest income on savings and bank deposits is recognized on a time proportion basis that takes into account the effective yield on the deposit.

Other income

Other revenue earned by the society is recognized on an accrual basis.

Miscellaneous income

Other Miscellaneous income is recognized on cash basis.

Entrance fee

New members to the society are required to pay an entrance fee. The fees are recognised in the statement of comprehensive income as it is received.

c) Employee benefits

Retirement benefit costs

The society and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The society's contributions to the defined contribution scheme are charged to the statement of comprehensive income in the year to which they relate.

Employees entitlements

Employee entitlement to gratuity and 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 statement of financial position date. The estimated monetary liability for employees' accrued annual leave entitlement at the statement of financial position date is recognised as an accrued expense.

d) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of 12 months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the statement of financial position, bank overdrafts are included as borrowings under current liabilities.

For the purposes of the cash flow statement, the year-end cash and cash equivalents comprise cash and cash equivalents as defined above.

1 Summary of significant accounting policies (continued)

e) Financial instruments

Classification

The society classifies its financial instruments into the following categories:

Investments available-for-sale, are investments intended to be held for an indefinite period of time, but may be sold in response to liquidity needs by the society. These are included in non-current assets unless the committee has expressed the need to hold them for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital.

Held-to-maturity investments, financial assets with fixed or determinable payments and fixed maturity that the society has the ability and intentions to hold to maturity.

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

Purchases and sale of investments are recognized on the trade date, which is the date the society commits to purchase or sell the asset. Cost of purchase includes transaction costs. Available for sale investments are subsequently carried at fair value. Unrealized gains and losses arising from changes in the fair value of the available for sale investment are recorded in the revaluation reserve in the year in which they arise. On sale, the cumulative gain or loss previously recognized in equity is recognized in the profit and loss account in the year of sale.

Recognition and measurement

Financial assets

Financial assets are initially recognised at fair value. The society's financial assets which include cash and cash equivalents and receivables fall into the following categories:

Cash and cash equivalents: For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and short term marketable securities.

Receivables: Receivables are carried at original invoiced amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year-end. Bad debts are written off in the year in which they are identified. Subsequent recoveries of amounts previously written off are credited to income in the year of their recovery

Financial liabilities

Financial liabilities including trade and other payables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Payables and accruals: Finance charges, including premiums payable on the settlement or redemption, are accounted for on accrual basis and added to the carrying amount of the instruments to the extent that they are not settled in the year in which they arise.

Trade payables are stated at their nominal value

f) Property, equipment and depreciation

All property and equipment are initially recorded at cost and thereafter stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

1 Summary of significant accounting policies (continued)

f) Property, equipment and depreciation

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the society and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated under revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of comprehensive income) and depreciation based on the asset's original cost is transferred from the revaluation reserve to the retained earnings.

Depreciation is calculated on the reducing balance basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following rates:

Asset Category	Depreciation rate
Computers	30.00%
Office equipment and furniture	12.50%
Software	33.30%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining the surplus for the year. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to the retained earnings.

g) Impairment of non current assets

Internal and external sources of information are reviewed at each reporting date to identify indications that assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and which results in an increase in the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the statement of comprehensive income in the year in which the reversals are recognised.

h) Related parties

In the normal course of business, the society enters into transactions with related parties. The related party transactions are at arm's length.

1 Summary of significant accounting policies (continued)

i) Statutory reserves

Transfers are made to the statutory reserve fund at a rate of 20% of net operating surplus after taxation in accordance with section 47 (1 & 2) of the Co-operative Societies Act of 1997 (Amended 2004).

j) Interest bearing loans and borrowings

All borrowings are initially recognized at cost, being the fair value of the consideration received net of the issue costs associated with the borrowings.

After initial recognition, interest bearing borrowings are subsequently measured at amortized costs using the effective interest method. Amortized costs are calculated by taking into account any issue costs. Gains and losses are recognized in the profit and loss when the liabilities are derecognized or impaired, as well as through the amortization process.

k) Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognized but are disclosed unless they are remote.

l) Provisions for liabilities and other charges

A provision is recognized in the balance sheet when the society has a present legal or constructive obligation as a result of past event and it is more likely than not that the outflow of economic benefits will be required to settle the obligation and it can be reliably estimated.

2 Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the society, the management committee makes certain judgements and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The management committee evaluates at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available.

i) Critical accounting estimates and assumptions

Property and equipment

Critical estimates are made by the management committee in determining depreciation rates for property and equipment. The depreciation rates used are set out in policy 1 (f) respectively.

2 Significant judgements and key sources of estimation uncertainty (continued)

ii) Significant judgements in applying the entity's accounting policies

In the process of applying the society's accounting policies, the management committee has made judgements in determining:

- Whether assets are impaired
- The classification of financial assets

Kenya USA Diaspora Saco Society Limited (CS/14163)
Notes to the Financial Statements
For the year ended 31 December 2019 (Cont'd)

	<u>2019</u>	<u>2018</u>
	Kshs	Kshs
3 Interest on loans		
Interest on normal Loans	25,181,024	20,295,696
Interest on loan Financing	913,174	-
	<u>26,094,198</u>	<u>20,295,696</u>
4 Other Interest income		
Interest income -Treasury bills	-	799,250
Interest income - Unit trusts	1,513,420	355,039
Interest on Fixed and Call deposits	3,625,789	3,953,586
Other income	-	3,964
	<u>5,139,209</u>	<u>5,111,839</u>
5 Other Operating Income		
Membership fees	2,270,032	1,395,000
Loan processing commission	3,588,207	2,821,565
Commission on sale of Isinya-Konza plots	180,000	570,000
Plot booking fees	15,174	7,717
Fadhili Homes commissions	3,350,000	3,850,000
Fadhili Homes booking fees	39,385	118,659
Membership Refunds commissions	361,076	542,210
Money transfer fees	4,136	38,939
Exchange gain	39,624	343,698
	<u>9,847,634</u>	<u>9,687,788</u>
6 Interest expense		
Interest of Mavuno savings	2,840,616	1,901,011
Provision of Interest on members deposits	8,536,698	4,594,341
	<u>11,377,314</u>	<u>6,495,352</u>
7 Loan Impairment charge	<u>935,746</u>	<u>968,836</u>
8 Administrative Expenditure		
Staff Costs		
Salaries and wages	7,987,312	6,620,458
Staff gratuity	786,000	635,300
Staff medical insurance	679,057	378,846
Staff WIBA Insurance	68,892	58,932
NSSF - Employer contribution	12,200	10,000
	<u>9,533,461</u>	<u>7,703,536</u>

Kenya USA Diaspora Saco Society Limited (CS/14163)
Notes to the Financial Statements
For the year ended 31 December 2019 (Cont'd)

	<u>2019</u> Kshs	<u>2018</u> Kshs
8 Administrative Expenditure (Cont'd)		
Brought forward	9,533,461	7,703,536
Other Administrative expenses		
Marketing and advertising	677,386	676,397
Office expenses	244,228	373,427
Repairs and maintenance	19,840	16,120
Telephone and communication	243,973	250,214
Travelling expenses	253,110	48,810
Office rent	1,080,330	960,000
Loan Guard Insurance	-	397,636
Audit fees	250,608	250,608
Ministry Supervision fees	25,261	25,061
Training and development	40,000	224,000
General office insurance	19,935	19,935
Software Maintenance	224,191	143,408
Other professional fees	1,131,410	-
	<u>13,743,732</u>	<u>11,089,152</u>
9 Governance Costs		
Committee reimbursements costs	4,282,862	4,669,475
AGM Expenses	1,949,249	3,234,222
Committee PA Insurance	157,688	157,728
	<u>6,389,799</u>	<u>8,061,425</u>
10 Establishment expenses		
Depreciation charge	137,383	161,244
Software amortization	265,237	397,837
	<u>402,620</u>	<u>559,081</u>
11 Finance Charges		
Bank charges and interest	164,037	278,764
	<u>164,037</u>	<u>278,764</u>
Total Expenditure (Notes 8-11)	<u>20,700,189</u>	<u>19,988,422</u>

Kenya USA Diaspora Sacco Society Limited (CS/14163)
Notes to the Financial Statements
For the year ended 31 December 2019 (Cont'd)

	<u>2019</u>	<u>2018</u>
	Kshs	Kshs
12 Bank and Cash balances		
Call Account - Co-op bank Kenya Ltd.	2,045,030	11,656,305
JP Morgan Chase bank	1,364,891	823,295
Current Account - Co-op bank Kenya Ltd.	807,064	788,553
Current account - Sun Trust	38,280	165,985
Current Account- KCB Ltd.	420,000	420,000
CBA Current Account	20,959	581,663
Mpesa Account	30,000	203,200
Petty Cash	10,770	12,639
	<u>4,736,994</u>	<u>14,651,640</u>
13 Trade and other receivables		
Urban World Property Investment Ltd Loan	83,753,260	74,659,898
Commission Receivable on Fadhili Homes	7,050,000	3,700,000
Trade receivables	2,952,870	2,891,907
Other receivables	2,660,073	-
Rent security deposit	141,100	141,100
Prepayments	-	521,773
	<u>96,557,303</u>	<u>81,914,678</u>
<p>The loan to Urban World Property Investment Limited relates to a special loan towards construction and development of Fadhili Homes which is a members' project. There is a partnership agreement between the society and Urban World Property Investment Limited who are the developers of Fadhili Homes where the society receives commission on the sale of houses. The total loans issued to Urban World from the Sacco up to December 31 2019 are Ksh 146,416,202, total repayments are Ksh 84,038,728, interest on the issued loans earned within the same period is Ksh 21,375,786.</p>		
14 Taxation		
Balance at start of the year	(104,356)	(134,950)
Charge for the year	902,479	791,293
	798,123	656,343
Less:		
Withholding tax deducted	(506,701)	(760,699)
Balance at end of the year	<u>291,422</u>	<u>(104,356)</u>
15 Loans to members		
At the start of the year	92,431,982	65,084,591
Disbursed during the year	156,832,017	79,459,715
Repayment during the year	(98,356,236)	(52,112,324)
	<u>150,907,763</u>	<u>92,431,982</u>
Less: provision for loan impairment	(2,556,474)	(1,620,728)
Net loans and advances	<u>148,351,289</u>	<u>90,811,254</u>
Movement in loan impairment provision		
At start of year	1,620,728	651,892
Increase in provision	935,746	968,836
At end of year	<u>2,556,474</u>	<u>1,620,728</u>
IFRS 9 Provision for doubtful loans		
Ageing of loans and advances	Amount	Provision
0 days(performing) 0% provision	87,228,839	-
1-90 days(watch) 3% provision	43,099,764	1,376,576
91-360 days(substandard) 3% provision	19,969,543	570,282
More than 360 days(loss) 100% provision	609,617	609,617
	<u>150,907,763</u>	<u>2,556,474</u>

These loans have been secured by either land or against members' main savings thus reducing on the exposure to risk of loan defaults. The security provided is adequate to recover all the loans issued.

Kenya USA Diaspora Sacco Society Limited (CS/14163)
Notes to the Financial Statements
For the year ended 31 December 2019 (Cont'd)

	<u>2019</u> Kshs	<u>2018</u> Kshs
16 Financial Assets (investments)		
Co-operative Bank of Kenya- 3 months fixed deposit	-	33,000,000
Money Market -Co-op Insurance Company (CIC) Unit Trus	1,590,119	156,563
ABC Fixed deposit -3 Months	34,835,908	12,282,805
Money Market -Stanlib Unit Trust	422,656	399,943
	<u>36,848,683</u>	<u>45,839,311</u>
17 Intangible Assets		
The intangible assets comprises computer software;		
Cost		
As at 1 January	2,766,803	1,946,803
Additions	-	820,000
As at 31 December	<u>2,766,803</u>	<u>2,766,803</u>
Amortisation		
As at 1 January	1,971,011	1,573,174
Charge for the year	265,237	397,837
As at 31 December	<u>2,236,248</u>	<u>1,971,011</u>
Net Book Value		
As at 31 December	<u>530,555</u>	<u>795,792</u>

18 Property, Plant & Equipment

	<u>Office equipment</u> Kshs	<u>Computers</u> Kshs	<u>Total</u> Kshs
Cost/value			
At 1 January, 2019	1,262,810	365,911	1,628,721
Additions	-	19,800	19,800
At 31 December, 2019	<u>1,262,810</u>	<u>385,711</u>	<u>1,648,521</u>
Depreciation			
At 1 January, 2019	519,974	237,286	757,260
Disposals	-	-	-
Charge for the year	92,855	44,528	137,383
At 31 December, 2019	<u>612,829</u>	<u>281,814</u>	<u>894,643</u>
Net Book Value			
At 31 December, 2019	<u>649,981</u>	<u>103,897</u>	<u>753,878</u>
Cost/value			
At 1 January, 2018	1,262,810	277,323	1,540,133
Additions	-	88,588	88,588
At 31 December, 2018	1,262,810	365,911	1,628,721
Depreciation			
At 1 January, 2018	413,855	182,161	596,016
Charge for the year	106,119	55,125	161,244
At 31 December, 2018	<u>519,974</u>	<u>237,286</u>	<u>757,260</u>
Net Book Value			
At 31 December, 2018	<u>742,836</u>	<u>128,625</u>	<u>871,461</u>

Kenya USA Diaspora Sacco Society Ltd (CS/14163)
Notes to the Financial Statements
For the year ended 31 December 2019 (Cont'd)

	<u>2019</u>	<u>2018</u>
19 Members Savings and Deposits	Kshs	Kshs
As at 1 January	153,144,689	129,167,674
Deposits received during the year	64,885,075	70,218,929
Deposits refunded during the year	(31,915,347)	(46,241,915)
As at 31 December	<u>186,114,417</u>	<u>153,144,689</u>
20 Other savings by members		
Mavuno Savings Scheme	47,022,420	45,974,817
Isinya Konza Plots contributions (i)	3,015,249	1,593,854
	<u>50,037,669</u>	<u>47,568,671</u>
21 Fadhili Homes Contributions (ii)		
As at 1 January	10,853,126	12,817,779
Funds received during the year	57,917,415	27,542,436
Funds applied to the project	(54,275,515)	(29,507,089)
As at 31 December	<u>14,495,026</u>	<u>10,853,126</u>
22 Trade and other Payables		
Interest payable on main savings	9,064,121	4,787,952
Unidentified deposits (iii)	1,805,640	3,478,951
Legal fees payable	1,111,844	2,171,221
Staff gratuity	2,393,300	1,607,300
Software payables	574,000	574,000
Audit fees	258,168	258,169
Rent payable	-	240,000
Valuation fees	236,731	115,231
Other payables	127,151	-
Surveyor fees	58,000	58,000
Ministry supervision fees	25,061	25,061
	<u>15,654,016</u>	<u>13,315,885</u>

Notes:

i) The Plot contributions relates to advance payments from members for the purchase of plots, commissions, legal and valuation fees.

ii) Fadhili Homes Contributions - relates to members contributions towards a members' only housing project being undertaken in partnership with Urban World Property

iii) The unidentified deposits relate to amount received by the Sacco of which the members could not be identified.

Kenya USA Diaspora Sacco Society Ltd (CS/14163)
Notes to the Financial Statements
For the year ended 31 December 2019 (Cont'd)

	<u>2019</u>	<u>2018</u>
23 Share Capital		
As at 1 January	20,783,746	7,313,232
Received during the year	7,032,280	13,470,514
As at 31 December	<u>27,816,026</u>	<u>20,783,746</u>
24 Reserves		
(i) Statutory Reserve		
As at 1st January	1,690,189	319,905
Transfer during the year	1,433,063	1,370,909
At the end of the year	<u>3,123,252</u>	<u>1,690,814</u>
(ii) Retained Earnings		
As at 1st January	(15,485,376)	(17,848,951)
Surplus for the year	7,165,313	6,851,421
Transfer to statutory reserve	(1,433,063)	(1,370,284)
Proposed dividends	(4,172,404)	(3,117,562)
	<u>(13,925,530)</u>	<u>(15,485,376)</u>
(iii) Proposed dividend	4,172,404	3,117,562
Total Reserves	<u>(6,629,874)</u>	<u>(10,677,625)</u>

