



Investing Your \$S Wisely



Annual Report

2021





Raphael Kilundu
Chairman



Charles Onchoke
Vice Chairman



Isaac Kasera
Hon. Secretary

BOARD OF DIRECTORS



David Wanjiru
Treasurer



Wakiuru Wamwara
Board Member



Duke Mochama
Board Member



Eric Mwangi
Board Member



Michael Ndungu
Board Member

SUPERVISORY COMMITTEE



Laban Opande
Supervisory Committee
Chairman



Susan Matindi
Supervisory Committee
Secretary



Geoffrey Mburu
Supervisory Committee
Member



Laban Opande
SC Chairman



Susan Matindi
SC Secretary



Geoffrey Mburu
Supervisory Committee
Member

VNEC Vetting, Nomination and Election Committee

SECRETARIAT



Evelyn Olunja
Chief Executive Officer



Patrick Mugun
Finance Manager



Valentine Kayesi
Administrative Assistant



Sonia Achieng
Customer Service Officer



Isabel Njeri
Senior Accountant



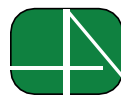
Robert Muthee
Credit Officer



CS 14163
Kenya USA Diaspora Regulated
NON-WDT Sacco Society Limited

Annual Report & Financial Statements

31 December 2021



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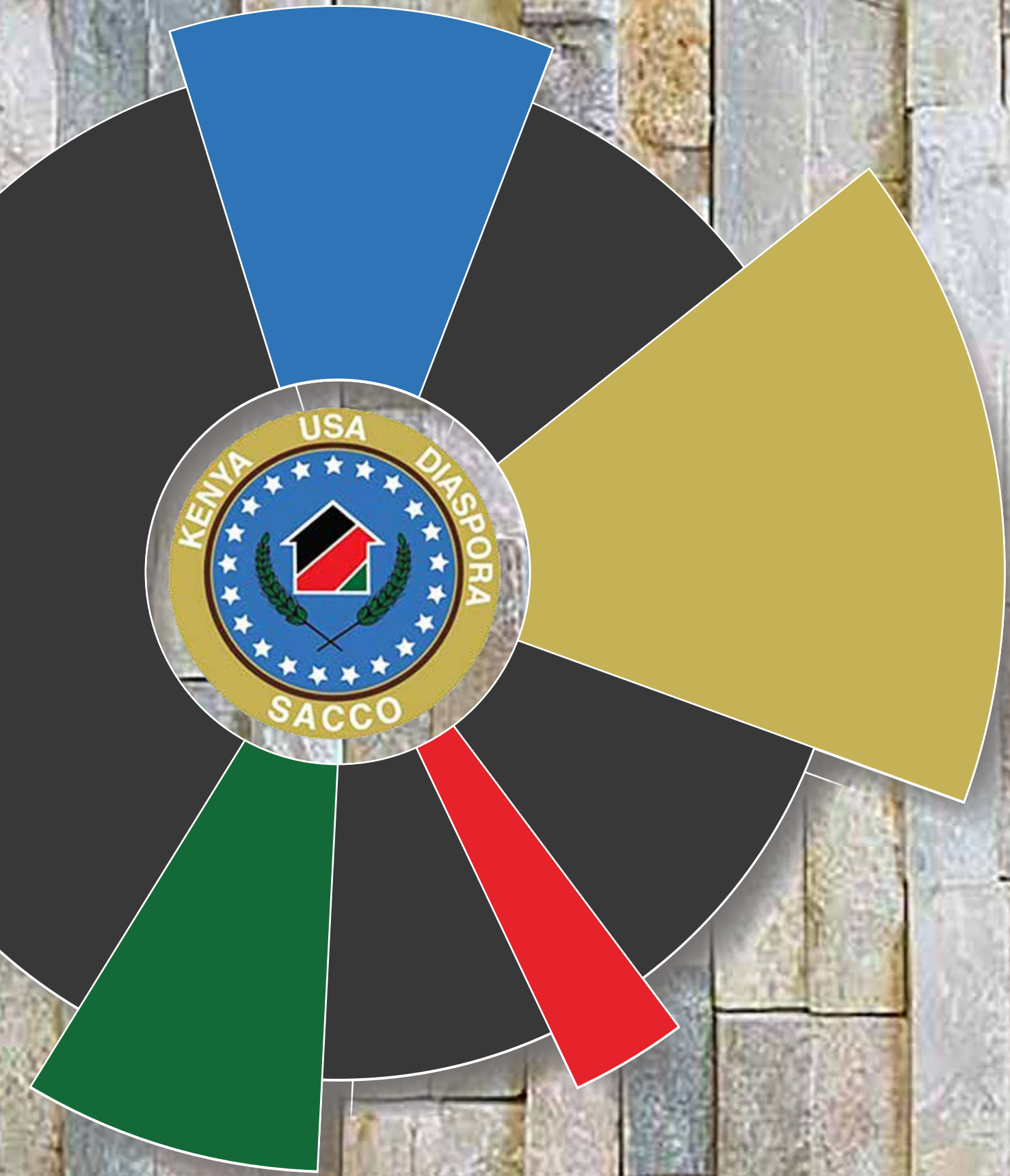
CERTIFIED PUBLIC ACCOUNTANTS OF KENYA (Category 'C' Composite License)
P.O. Box 62494 - 00200, Nairobi, Kenya
Offering Audit and Assurance, Tax, Accounting Controls and Consulting Services

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Corporate Information

VISION – MISSION STATEMENTS

Vision

To meet and exceed member expectations and become one of the largest, successful and well-run Saccos in the world.

Mission

To mobilize savings, provide affordable credit to our members for development and ensure optimal returns through customized products that meet member needs.

Core Values

| Integrity | Timeliness | Transparency | Teamwork | Professionalism | Respect for others whose lives we touch.

Motto

Investing Your \$\$\$ Wisely

Society Information

BOARD OF DIRECTORS MEMBERS

| | | |
|-----------------------|------------------|---------------------|
| ● Ralph Kilundu | - Chairperson | |
| ● Charles Onchoke | - Vice Chairman | |
| ● Isaac Kasera | - Hon. Secretary | |
| ● David Wanjiru Chege | - Treasurer | |
| ● Eric Mwangi | - Board Member | |
| ● Simon Nyagah | - Board Member | Upto August 2021 |
| ● Angela Karanja | - Board Member | Upto September 2021 |
| ● Rose Musyoka | - Board Member | Upto July 2021 |
| ● Catherine Muriithi | - Board Member | Upto May 2021 |
| ● Duke Mochama | - Board Member | From July 2021 |
| ● Wakiuru Wamwara | - Board Member | From July 2021 |
| ● Michael.W. Ndungu | - Board Member | From November 2021 |

SUPERVISORY BOARD OF DIRECTORS

| | |
|------------------|---------------|
| ● Laban Opande | - Chairperson |
| ● Susan Matindi | - Secretary |
| ● Geoffrey Mburu | - Member |

REGISTERED OFFICE

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

PRINCIPAL BANKERS

Co-operative Bank of Kenya Limited
Upperhill Branch

Co-operative Bank of Kenya Limited
610 Thornton Rd, Lithia Springs, Atlanta, GA, 30122
United States of America

AUDITORS

Aggrey & Company Certified Public Accountants
P. O. Box 62494-00200
Nairobi

MANAGEMENT STAFF

| | | |
|-----------------------------------------------------|---------------------------|-------------------|
| ● Fredrick Njuki | - General Manager | Up to August 2021 |
| ● Evelyne Olunja P.O. Box 21372-00100 Nairobi | - Chief Executive Officer | From August 2021 |

Who We Are – Our History

Kenyans in the diaspora encounter a myriad of challenges in personal financial planning, in particular, investment decisions regarding Kenya. These challenges range from high costs of remittance of funds; lack of viable investment products; and limited or lack of credible partners for the corresponding advisory and support services. Most investment decisions are handled in a casual and rudimentary manner with support coming from people who are not experts in this area, mainly family and friends. While perhaps well intended, this approach leads to failed projects, lack of accountability and eventually loss of money.

It was due to such challenges that the Kenya USA Diaspora Savings and Credit Co-operative Society (KUDS) Limited was registered on 26th January 2012 to organize and promote the welfare and economic interests of Kenyans living in USA. The key goal of KUDS was to provide Kenyans in the diaspora with a reliable and organized vehicle for undertaking viable investment opportunities; accessing affordable credit; carrying out projects; engaging in business enterprises; and meeting personal and family needs in Kenya, among others.

In January 2012, the KUDS established an Office in Marietta, Georgia, just on the outskirts of the Atlanta providing the SACCO with an operational base. In 2017 having opened its door to the rest of the world the Sacco shifted its operations to Nairobi as a cost saving measure. The SACCO's Kenyan Office is currently located

at Victoria Towers, Ground Floor Kilimanjaro Avenue, Upper Hill some two (2) Kilometers from Nairobi City Centre.

So far, KUDS has succeeded in helping the Diaspora pool their savings, access credit and make phenomenal investments in Kenya. KUDS currently boasts of an asset base of about KShs. 400 million and a membership of about 1600.

KUDS is one of the three diaspora Saccos which were licensed by Sacco Societies Regulatory Authority (SASRA) on 31st December 2021 to undertake Non-Deposit taking business. Regulation means so much to our members who are far away and rely on such endorsements to build their confidence, so they can increase their investments back at home.



Statistical Information

MEMBERSHIP

| | | |
|-----------------|-----|-----|
| Active members | 611 | 407 |
| Dormant members | 906 | 915 |

FINANCIAL

| | 2021 Numbers | 2020 Numbers |
|-------------------------------|-----------------|-----------------|
| Total Assets | 398,370 | 354,380 |
| Members' deposits | 305,234 | 240,383 |
| Loans and advances to members | 163,829 | 157,729 |
| Investments | 82,252 | 67,388 |
| Core capital | 18,863 | 27,874 |
| Share capital | 37,300 | 33,165 |
| Institutional capital | (18,437) | (5,291) |
| Total revenue | 33,326 | 43,577 |
| Total interest income | 30,619 | 41,072 |
| Total expenses | 26,214 | 22,314 |

Employees of the Sacco

| | | |
|--------|---|---|
| Female | 4 | 3 |
| Male | 2 | 2 |

Key ratios: Capital Adequacy Ratio

| | | |
|---------------------------------------------------------|-------|--------|
| Core capital/Total Assets | 4.74% | 7.87% |
| Core Capital/Total Deposits | 6.18% | 11.60% |
| Retained earnings and other reserves/core capital ratio | (98%) | (19%) |

Liquidity Ratio

| | | |
|--------------------------------------------------------|--------|--------|
| Liquid Assets/Total deposits and long term liabilities | 32.01% | 53.32% |
|--------------------------------------------------------|--------|--------|

Operating Efficiency/Loan quality ratios

| | | |
|----------------------------------------------|--------|--------|
| Total expenses/Total revenue | 78.66% | 60.92% |
| Interest on members deposits/Total revenue | 0.00% | 0.25% |
| Interest rate on member's deposits | 0.00% | 5.00% |
| Dividends rate on members share capital | 0.00% | 10.00% |
| Total Delinquency loans/Gross loan portfolio | 0.47% | 8.32% |

Chairman's Report

It gives me great pleasure to highlight some of the key milestones accomplished by the Kenya USA Diaspora Sacco Society in the year ended 31st December 2021.

The Operating Environment

Kenya's economy demonstrated resilience to the COVID-19 shock, with output in the first half of the year rising above pre-pandemic levels. According to the African Development Bank economic outlook, the gross domestic product (GDP) was projected to grow by 5.0% in 2021, one of the fastest recoveries among Sub-Saharan African countries. This growth majorly due to re-opening of the economy, the economic recovery strategy being successfully implemented and Kenya capitalizing on an expected improvement in external liquidity to meet its external financing needs.

However, the Kenyan economy rebounded strongly growing by an average of 7.8% in the first three quarters of 2021, supported by easing of COVID-19 restrictions and prompt Government interventions as per Central Bank of Kenya quarterly economic review. Recent Kenya National Bureau of Statistics (KNBS) data provided clear evidence that the economy has been on a strong recovery path since 2020 Q4. The growth momentum remained strong in the third quarter of 2021, with the economy growing by 9.9 percent compared to a contraction of 2.1 percent in the third quarter of 2020.

Overall inflation rate remained low, stable and within the Government target range of 5+/-2.5%. The inflation rate increased in June 2021 but remained within the target range. Similarly, overall annual average inflation remained within Government target range at 5.3% in June 2021 compared to the 5.5% recorded in June 2020. Diaspora remittance to Kenya increased reaching an all-time record of USD 3,718 million in 2021. This phenomenal growth points to the importance of remittances as a source of foreign exchange to the country, equivalent to more than 3% of Kenya's GDP.

Overall economic performance is expected to be robust at 4.9% per year in 2022-23, similar to the pre-

pandemic pace as per World Bank economic outlook projections. Downside risks to the outlook could emanate from, failure to secure external financing to execute the budget, a slowdown in global growth, and disruptive social conditions during the run-up to the 2022 elections.

2021 Key Performance Indicators

2021 was a unique year where the Kenya USA Diaspora Sacco (KUDS) had to review its processes, operations and strategies to comply with the Sacco Societies (Non-Deposit Taking Business) Regulations 2020 requirements in order to get licensed as per the directive from the Kenya Government. This called for drastic changes in the way we do business like recognition of income, provisioning of loans, the kind of Enterprise Resource Planning System, among others.

The overall performance in 2021 was as follows:

- Growth in loan Portfolio by 3.87% to Ksh. 163.8 Million in 2021 from Ksh. 157.7 Million in 2020.
- Growth in Member deposits by 26.96% to Ksh. 305.2 Million in 2021 from Ksh. 240.4 Million in 2020.
- Growth in Share Capital by 12.35% to Ksh. 37.3 Million in 2021 from Ksh. 33.2 Million in 2020.
- Growth in Total Assets by 12.42% to Ksh. 398.4 Million in 2021 from Ksh. 354.4 Million in 2020.
- Growth in Membership by 14.75% to 1517 in 2021 from 1322 in 2020.

Decrease in Total Revenue by 23.62% to Ksh. 33.3 Million in 2021 from Ksh. 43.6 Million in 2020 attributed to non-recognition of interest income from Urban World Loan. An increase in Total Expenses by 17.49% to Ksh. 26.2 Million in 2021 from Ksh. 22.3 Million in 2020 mainly attributed to loan provisioning.

KUDS 7-Point Agenda- FHOSIMP

The Kenya USA Diaspora Sacco Board of Directors promulgated high priority plans geared towards scaling up KUDS's operations and activities to improve performance and profitability in what it referred to as "KUDS 7-Point Agenda" covering all key areas as outlined below:

Chairman's Report *(Continued)*

• **Financial Stability**

To increase its revenue, the Sacco focused on savings mobilization urging members to save regularly so as to build funds for onward lending and investments. There were also calls to members to pay up or increase their share capital which act as long-term funds that the Sacco uses to advance long term loans. In the course of the year, the Sacco restructured some non-performing loans to give the members a fresh start to service their loans without penalties and also reduce the loan provisioning which reduce the income made by the Sacco. Failure by some members to service their loans as per contractual terms led to loan provisioning that denied Sacco members returns on their savings.

My board wishes to urge all members to actively patronize Sacco products by saving regularly, taking loans and repaying promptly so as to build our Sacco. Currently the KUDS board is working tirelessly to meet the capital adequacy ratios as spelt out in the Regulations 2020.

• **Human Resource Capacity Enhancement**

The Board continued to build the staff capacity to provide high quality and efficient services to the members. In the course of the year, it hired the Chief Executive Officer, Ms. Evelyn Olunja (August) and the Finance manager, Mr. Patrick Mugun (October). To keep staff abreast with developments in their profession and in the industry, the rest of the staff were exposed to training in different areas of expertise.

The capacity of the Board was also scaled up by attracting and co-opting into the board people with the required skills, expertise and training thus having in place a board with mix of skills to fill the skills gap and guide the various functions of the Sacco.

• **Operational Efficiency**

In the course of the year, the Board focused on various strategies to improve KUDS operational efficiency by enhancing internal processes and controls, designing efficient information management systems, automating processes and operations, reducing the turnaround time for services and adopting appropriate technologies.

i. **System Migration**

The migration from FinExtreme to the more user-friendly CoopMIS that kicked off in April 2021 was completed in 21st October 2021. This system has greatly reduced the turnaround time with the automation of processes and operations allowing members to perform various transactions like Membership Registration, Updating/Modifying member personal details, Loan Application, Generating Statements etc. without the intervention of KUDS personnel.

ii. **Service Providers**

To improve on the loan application process, KUDS' Board is working on expanding its service providers like lawyers, valuers etc. to give the members a wide range of choice depending on the cost and the turnaround time. This far the panel of valuers have been on-boarded and the rest are to follow.

iii. **Governance**

In addition to the Supervisory Committee and the Vetting and Nomination of Elections Committee, the KUDS Board leveraged on the different skills and expertise of its members to reorganize itself into of Credit, Finance and Investment, Business Development and Marketing Committees thus improving the turnaround time for decision making.

• **Strategic Focus**

i. **SASRA Licensing**

Following the Kenyan Government's directive that effective January 21, 2021, all Diaspora Saccos comply with the Sacco Societies Act No. 14 of 2008 and the Sacco Societies Non-Deposit Taking Business Regulations of 2020, the Board and Secretariat worked round the clock to put everything in place and secured the Compliance License on 31st December 2021.

I am pleased to inform you that KUDS is one of the three Diaspora Saccos that were licensed to undertake Non-Deposit Taking Business out of the many Diaspora Saccos. Regulation means a lot to our members who are far away and rely on such endorsements to build

Chairman's Report *(Continued)*

their confidence, so they can increase their investments back at home.

Regulation however comes with associated costs and levies, stringent rules and measures that must be adhered to in order to retain this license. Although regulation is seen to pose challenges at the onset, history has shown that over a period of time all Saccos under regulation have grown to enviable heights with many of them currently in the category of tier 1 and tier 2 Saccos.

ii. Compliance with Regulatory Requirements

The board focused on complying with all the regulatory and statutory requirements in the course of the year. All pending payments to Kenya Revenue Authority over the years were settled.

iii. Amended By-Laws

In line with the fast-changing business environment and to comply with Regulations 2020, my board has reviewed the existing set By-laws to incorporate the enhanced business requirements. We will be seeking your approval of the changes so that the new set of By-laws can be registered.

• Image/Visibility Enhancement

Throughout the year, efforts were made to enhance KUDS's image and visibility to all its stakeholders through website updates to reflect current information in addition to engaging members through social media platforms. On behalf of my board, I wish to thank all members who have actively been engaging on Sacco matters through these platforms and urge you to continue doing so, since social media can no longer be ignored as one of the fast, reliable and effective ways of communication.

• Membership

i. Membership Growth

The growth of any Sacco is determined by the growth in membership. Although the Sacco has over 1500 members, about half are dormant - they neither save nor

take loans with the Sacco. I wish to urge all members to actively patronize Sacco products and services for their socioeconomic growth and for the growth of KUDS.

ii. Member Education

In line with the fifth co-operative principle of education, training and information, KUDS held several webinars for its members on areas of induction/orientation of new members, KUDS products and services, KUDS processes and procedures, compliance requirements of Regulations 2020, new developments in the Sacco Industry among others. Other engagements on Sacco related matters have been done through write-ups shared via social media channels. Members are urged to reach out to secretariat to share areas where they need to be educated on.

• Development of Strategic Partnerships

The Board knowing the importance of strategic partnerships and collaborations in achieving KUDS's objectives, undertook to add to the number of existing partners by initiating the process of identifying other credible organizations for seamless collaboration to enable KUDS members undertake their preferred investments that cannot be directly offered by the Sacco. The vetting process and due diligence are underway and we will soon be unveiling more partners in areas of real estate, banking, finance, insurance, among others.

KUDS partner Urban World which was contracted to construct Fadhili Homes consisting of 68 units, has this far completed and handed over 40 houses. 17 others are at the final stages and the construction of the last 11 units are yet to begin. The Board is currently engaging the developer to come up with an amicable way forward to terminate the partnership as it cannot afford any further project delays which has inconvenienced the members.

Special Purpose Vehicle

The feedback from you is that you need the Sacco to diversify and to generate more income than it currently does. It is due to this that the Sacco registered a special

Chairman's Report *(Continued)*

purpose vehicle wholly owned by KUDS to undertake businesses outside the normal savings and loans so that KUDS can focus on its core business. It is our belief that through this vehicle, KUDS will grow its loan book and revenue as it advances members loans to undertake the investment projects offered by the SPV.

Litigations

The Kenya USA Diaspora Sacco had two pending cases against it:

- i. CTC/284/2019: Frank and Rose VS Kenya USA Diaspora Sacco lodged on May 27, 2019 and July 3, 2019 at the Co-operative Tribunal barring the Board from holding any elections. Judgement is yet to be delivered.
- ii. CTC/24/2021: James Kibuthu & Lloyd Kabura Vs Kenya USA Diaspora SACCO was lodged on January 25, 2021 at the Co-operative Tribunal barring the Sacco from recruiting a CEO among other things. The matter will be mentioned on 3rd November 2022.

My board urges those who have taken the Sacco to court to embrace dialogue so that we can forge ahead together towards the building of our Sacco.

In conclusion, I wish to acknowledge the support and contribution of all our stakeholders towards the growth of our Sacco. I specifically single out the members, the State Department of Cooperatives, Kenya Union of Savings and Credit Co-operatives (KUSCCO), Sacco Societies Regulatory Authority (SASRA), CIC, Bankers, Advocates, Valuers, Quantity Surveyors, among others.

I wish to also thank the KUDS Board, Supervisory Committee, VNEC and the secretariat who work tirelessly to ensure that KUDS is in the right trajectory.

This success that we currently cherish would not have been possible without the support of all of you.

Asanteni!
Signed,



Ralph Kilundu
Chairman, KUDS

Corporate Governance Report

Introduction

Since the Sacco sector plays a key role in the economic growth of the country, it is important to observe corporate governance in the management of the Sacco as well practice the seven cooperative principles i.e. voluntary and open membership; democratic member control; members economic participation; autonomy and independence; education, training and information; cooperation among cooperatives and concern for community. The Sacco Societies Regulatory Authority (SASRA) plays a key role in ensuring that SACCOs' remain focused on their key role and mandate of mobilizing savings and lending to their members. The Kenya USA Diaspora Sacco board is committed to ensuring that the SACCO is run on good corporate governance principles notably the rule of law, transparency, professionalism, accountability as well as equity and inclusiveness. The Board has continued to review policies to take care of the changing business environment and is committed to continue with the reviews for the benefit of the KUDS.

Member Representation and Participation

The supreme authority of the Sacco is vested in the members who jointly and severally protect, preserve and exercise it in general meetings. Each member has one vote irrespective of their shareholding as per the cooperative principle of democratic member control. It is the responsibility of the members to elect directors based on their credibility. The general meeting is presided over by the board chairman or in his absence the vice-chairman or by any board member elected by a majority of those present in the absence of the two. All businesses at the general meeting is recorded as minutes which are then signed by the chairman of the meeting and the secretary or at least one other board member present at the meeting. Each year during the Annual General Meeting, the members appoint the External Auditors.

Board of Directors, Structure, Powers and Functions

The Board is the governing authority of the Sacco consisting of nine non-executive members who include a Chairman, Vice Chairman, Treasurer and Honorary Secretary. It represents and safeguards the interests of all the members of the Sacco. The powers and

functions allotted to the Board are normally stipulated in the relevant government Acts, Rules and By-laws of the Sacco, and are regulated by the resolutions of the general or special meeting.

Board Appointment and Induction

Election to the board is through a nomination process handled by an independent vetting and nomination of elections committee which vets all nominees and ensures that they meet the set criteria for appointment as directors of KUDS before presenting their names to the Board and AGM where democratic elections are held to fill the vacant positions.

Once elected at the annual general meeting, the directors get appointment letters which spell out their terms of appointment. They then undergo an induction process where they are briefed on the Sacco policies, procedures and relevant regulations. The Sacco also informs the Commissioner and SASRA of the new directors appointed who are then required to fill out 'The Fit and Proper Test' forms as well as 'Declaration of Wealth' forms. These filled forms are then filed with the two regulators respectively.

Board Skills Development and Succession Planning

SACCO board members are individuals from different professions and some have little knowledge of SACCO Laws, rules and procedures. To bridge this gap, The Sacco is expected to facilitate training at local, regional and international level for board and supervisory committee members to equip them with the necessary skills required to manage and oversee the Sacco operations.

Each year, a third of the directors retire annually but the retirees are eligible for re-election and this is aimed at ensuring there is proper succession planning.

Board Compensation

The Board works on voluntary basis and members do not receive a salary but are paid an allowance for meetings attended as approved by members in general meetings and as the set out in the policies. The Board members may also be paid reimbursements or allowances for necessary expenses incurred in the course of discharging Sacco duties.

Corporate Governance Report *(Continued)*

Board Committees

The Board works through the Board committees to enable it to effectively discharge its functions. Each committee has at least 3 board members and tables its report to the board during the monthly board meetings. KUDS has the following board committees;

Executive Committee

The committee which meets once per month or as per the needs of the business comprise the Chairman, Vice Chairman, Treasurer and Honorary Secretary all of whom shall be elected by the Board of Directors from amongst the members of the Board. This committee deals with all strategic issues of the Sacco.

Credit Committee

The committee meets once per month or as per the needs of the business. The Chief Executive Officer sits on the committee as an ex-officio member. It deals with all credit matters affecting members such as loans, loan appeals and credit risk management. The committee has delegated some of its loan approval authority to the management to ensure speed and efficiency in the loans processing.

| No | Name | Position | Executive | Credit | Finance | BDEC |
|----|-----------------------|----------------|-----------|--------|---------|------|
| 1 | Mr. Raphael Kilundu | Chairman | X | | X | |
| 2 | Dr. Charles Onchoke | Vice Chairman | X | | X | X |
| 3 | Mr. Isaac Kasera | Hon. Secretary | X | | X | |
| 4 | Mr. David Wanjiru | Treasurer | X | | X | |
| 5 | Mr. Eric Mwangi | Member | | | | X |
| 6 | Ms. Angela Mwangi | Member | | X | | |
| 7 | Mr. Michael Ndungu | Member | | | | |
| 8 | Prof. Wakiuru Wamwara | Member | | X | | X |
| 9 | Mr. Duke Mochama | Board Member | | X | X | |

Finance and Investment Committee

This is chaired by the Treasurer and comprises three board members. The Chief Executive Officer and the Finance Manager sit on the committee as ex-officio members. It meets once in a month to consider all financial, investment and other administrative matters of the Sacco.

Business Development and Education Committee (BDEC)

This Committee handles matters marketing, business development, member education, and training. It

comprises three board members and the CEO as an ex-officio member.

Board Composition

During the year 2021, the board co-opted 3 directors following the end of term of 4 directors. The members of the board of directors are distributed to various committees as follows:

Supervisory Committee

The Supervisory Committee is elected at the annual general meeting to oversee the operations of the Board on behalf of the members. It consists of three members with one member retiring annually but eligible for re-election. The committee holds regular meetings as

well as quarterly joint meetings with the board. The committee presents its annual report to the members at the Annual /Special general meeting.

| | | |
|----|--------------------|--------------|
| 1. | Mr. Laban Opande | SC Chairman |
| 2. | Ms. Susan Matindi | SC Secretary |
| 3. | Mr. Geoffrey Mburu | SC Member |

The Vetting, Nomination and Election Committee

This committee is made up of three independent members charged with the responsibility of vetting and clearing the prospective candidates for elections.

Corporate Governance Report

| No | VNEC | |
|----|--------------------------|-----------------------------|
| | Name | Position |
| 1 | Mr. John Kagiri Chairman | Chairman Finance Manager |
| 2 | Ms. Susan Ouko | Secretary Senior Accountant |
| 3 | Mwaura Secretary | Member Credit Office |

Board and board committee meetings

The board meets monthly and has a formal schedule of meetings. The quorum at the board meetings is two thirds of the directors and the CEO.

Board-Secretariat relationship

The board maintains an open business relationship with the secretariat to provide a good environment for efficient management. With time the board has continued to empower the secretariat by delegating functions to them with supervision through the relevant board committees. This positive relationship ensures informed, effective and expeditious decision-making responsiveness to business needs. It also promotes transparency and disclosure in the business.

Secretariat team

KUDS has 6 members of staff headed by the Chief Executive Officer (CEO). The CEO and other staff members are recruited by the board of directors and the role of the CEO is to manage day to day activities of the society on behalf of the board as provided for in SASRA Regulations 2020. The other staff members assist the CEO in dispensing her duties. The CEO attends all board and general meetings as an ex-official member. She is answerable to the board and ensures implementation of the Strategic plan, adherence to the policies, procedures and standards in the Sacco. She is also responsible for all staff matters, code of conduct and compliance with the relevant Acts, Regulations, Rules and By-laws.

The secretariat meets frequently as per business requirements.

| No | Name | Position |
|----|----------------------|-------------------------|
| 1 | Mrs. Evelyn Olunja | Chief Executive Officer |
| 2 | Mr. Patrick Mugun | Finance Manager |
| 3 | Ms. Isabel Njeri | Senior Accountant |
| 4 | Mr. Robert Muthee | Credit Officer |
| 5 | Ms. Sonia Odek | Customer Care Officer |
| 6 | Ms. Valentine Kayesi | Administrative Officer |

Organizational values and code of conduct

The KUDS board and secretariat commit to six key organizational values: Integrity, Timeliness, Transparency, Teamwork, Professionalism and Respect for others whose lives they touch. These values ensure that focus on the vision and mission of the Sacco is not lost and customer expectations are continuously met. Every individual is expected not to engage in any activity whether directly or indirectly which competes or conflicts with the Sacco's interest.

Internal controls and risk management

The Board ensures that the Sacco functions effectively and that an adequate and effective system of internal control is put in place. In order to ensure consistency in procedures, the Board has prepared policies that guide the operations of each function. This is aimed at ensuring that there is a risk management framework that can identify, mitigate and effectively respond to various risks in the business.

The CEO supports this board responsibility by ensuring that relevant internal controls are implemented, and proper risk management and mitigation measures exist.

Conflict of interest

The Board recognizes that conflict of interest can adversely affect corporate governance in the Sacco. To cure this, the Board has put in place policies and procedures that clearly spell out the roles and responsibilities of the Board and Secretariat. Every year, the board and management are required to disclose their wealth with the ministry. All staff are additionally required to sign a Secrecy Bond/ Non-disclosure agreement form.

In an event where the Sacco requires specialist services, then the latter are outsourced through competitive bidding process which is subjected to a thorough procurement process.

Compliance and statutory accountability

The Board of Directors through the office of the CEO ensures that all relevant legislation and any new updates are identified and adhered to. Compliance is a key agenda to the Board and it ensures that all compliance matters are addressed.

Report of the Directors

Report of the Board of Directors

The members of the Board of Directors submit their report together with the audited financial statements for the Year ended 31st December 2021.

Incorporation

The society is incorporated in Kenya under the SACCO's Act. No 14 of 2008 and is domiciled in Kenya.

Principal Activity

The principal activity of the society is to promote thrift amongst its members by affording them an opportunity for accumulating their savings and to create thereby a source of funds from which loans can be made to them exclusively for provident and productive purposes at fair and reasonable rates of interest.

Operating Results

The Operating result of the Society is set out on page 8.

Distribution of Surplus

The Board of directors recommends the following distributions of surplus for the year:

| | 2021 KShs | 2020 KShs |
|------------------------------|--------------------|------------------|
| Surplus before tax | (5,831,864) | 6,207,466 |
| Income tax expense | (3,897,584) | (696,057) |
| Net Surplus after tax | (9,729,448) | 5,511,409 |
| Interest on members deposits | - | 10,821,400 |

Board of Directors

The members of the Board of Directors who served during the Year and to the date of this report is as listed on page 1.

By order of the Board of Directors



Secretary

Date: 04/04/ 2022


Statement of Board of Director's Responsibilities

The SACCO's 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 IFRS. It also requires the Board of Directors to ensure that the society keeps proper accounting record 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 objective, by-laws and any other resolutions made at 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's 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 Directors on 04/04/2022 and signed on its behalf by:



Chairman



Treasurer



Board of Directors member

Report of the Independent Auditors to the Members of Kenya USA Diaspora Regulated Non-Wdt Society Limited

Report on the Audit of the Financial Statements



CERTIFIED PUBLIC ACCOUNTANTS OF KENYA (Category 'C' Composite License)

P.O. Box 62494 - 00200, Nairobi, Kenya

Offering Audit and Assurance, Tax, Accounting Controls and Consulting Services

Opinion

We have audited the financial statements of Kenya USA Diaspora Regulated NON-WDT Sacco Society Limited that are set out on page 8 to 25 which comprise the statement of financial position as at 31st December 2021, the statement of profit and loss and other comprehensive income, the statement of changes in equity, the statement of cashflows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Sacco as at 31st December 2021 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the SACCO's Act. No 14 of 2008

The Following were key audit matters:

| Key Audit Matter | How our audit addressed the key audit matter |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| From the Sacco financial statements, it is evident that the Sacco does not generate adequate income to support its operation and also maximize the shareholder's interest. We realized that most members of the Sacco do not support the Sacco in achieving its objectives. The objective of a savings and credit society is members to save and take credit, which is quite low. The risk involved is the Sacco might be paralyzed in meeting its obligations | We do recommend management to organize members education to encourage members to patronize the Society loaning products |

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors responsibilities for the audit of the financial statements section of our report. We are independent of the Sacco in accordance with the International Ethics Standards Board for Accountants Code of Ethics for professional Accountants' (IESBA code) We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that in professional judgment, 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, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Report of the Independent Auditors to the Members of Kenya USA Diaspora Regulated Non-Wdt Society Limited

Other information

The directors are responsible for the other information. The other information comprises the report of the directors and financial and statistical information which we obtained prior to the date of this auditor's report, and the (chairman's report, sustainability report and corporate social investment report) which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other

information identified above 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 on the other information that we obtained prior to the date of this report of the independent auditor, we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance.

Responsibilities of Directors for the Financial Statements

The director is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the SACCO's Act. No 14 of 2008 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 Saccos'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 Sacco or to cease operations, or has no realistic alternative but to do so.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of independent auditor that includes our opinion. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) 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 (ISAs), we exercise professional judgment and maintain professional skepticism 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, or the override of internal control.
- ❖ Obtain an understanding of the 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 Sacco's internal control.
- ❖ Evaluate the appropriateness of accounting

Report of the Independent Auditors to the Members of Kenya USA Diaspora Regulated Non-Wdt Society Limited

policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- ❖ Conclude on the appropriateness of the director's 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 Sacco's ability to continue as a going concern.
- ❖ If we conclude that a material uncertainty exists, we are required to draw attention in our report of the independent auditor to the related disclosures in 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 report of the independent auditor. However, future events or conditions may cause the Sacco 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- ❖ We also provide those charged with governance with a statement that we have compiled with relevant ethical requirements regarding

independence, and to communicate with them all relationships and other matters that may be reasonably be thought to bear on our independence, and where applicable, related safeguards.

- ❖ From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our report of the independent auditor unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion the information given in the report of the Directors on page 3 and 4 is consistent with the financial statements.

The Signing Partner responsible to the independent audit was CPA Barack Aggrey Ochieng Obungu Practising Licence Number 699


PA Barack Aggrey Ochieng Obungu
MNO 1337 LNO 699
0713 983994 / 0703 133551
0733 894391 / 0731 567442

Certified Public Accountants

Nairobi

31st March, 2022

Statement of Comprehensive Income


STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2021

| REVENUE | NOTE | 2021 | 2020 |
|------------------------------------------|----------|--------------------|---------------------|
| INTEREST INCOME | 2(a) | KShs. | KShs. |
| Interest on Member Loans | | 21,877,175 | 36,136,804 |
| Other interest income | 2 (b) | 8,742,059 | 4,935,264 |
| Total Interest | | 30,619,234 | 41,072,068 |
| INTEREST EXPENSES | 4 | (4,406,094) | (13,969,555) |
| NET INTEREST INCOME | | 26,213,140 | 27,102,513 |
| OTHER OPERATING INCOME | 3 | | |
| Other operating income | | 2,706,950 | 2,505,259 |
| | | 2,706,950 | 2,505,259 |
| NET INCOME | | 28,920,091 | 29,607,772 |
| OPERATING EXPENSES | | | |
| Financial Expenses | 5 | 160,127 | 148,855 |
| Personnel costs | 6 | 11,911,026 | 11,199,559 |
| Governance expenses | 7 | 6,758,123 | 5,878,511 |
| Administrative expenses | 8 | 7,096,859 | 4,760,136 |
| Depreciation | 11 | 287,495 | 326,661 |
| Provision for Loan Loss | 9 | 8,538,325 | 1,086,584 |
| NET EXPENSES | | 34,751,954 | 23,400,306 |
| LOSS FOR THE YEAR BEFORE TAXATION | | (5,831,864) | 6,207,466 |
| TAXATION | | (3,897,584) | (696,057) |
| Loss for the year after taxation | | (9,729,448) | 5,511,409 |

Statement of Financial Position

| ASSETS | NOTE | 2021 KShs. | 2020 KShs. |
|-------------------------------------|------|--------------------|--------------------|
| Bank and Cash Balances | 12 | 15,804,064 | 8,033,439 |
| Accounts Receivables | 13 | 81,888,590 | 120,147,230 |
| Loans Portfolio | 14 | 163,828,633 | 157,728,560 |
| investments | 15 | 82,251,855 | 67,388,427 |
| Fadhili homes contribution | 21 | 53,392,775 | - |
| Property and Equipment | 16 | 1,203,727 | 1,082,472 |
| TOTAL ASSETS | | 398,369,643 | 354,380,128 |
| LIABILITIES | | | |
| Member Deposits | 17 | 305,233,840 | 240,382,642 |
| Taxation | 18 | 3,293,253 | 299,709 |
| Account payables | 19 | 9,491,863 | 18,627,347 |
| Interest Bearing liabilities | | | |
| Members' Savings | 20 | 61,487,538 | 61,033,757 |
| Fadhili homes contribution | 21 | - | 6,162,542 |
| Total Liabilities | | 379,506,494 | 326,505,997 |
| EQUITY | | | |
| Share Capital | 22 | 37,299,991 | 33,165,000 |
| Reserves | 23 | (18,436,841) | (5,290,869) |
| | | 18,863,150 | 27,874,131 |
| TOTAL LIABILITIES AND EQUITY | | 398,369,643 | 354,380,128 |

The Financial Statements on page 9-25 were authorized for issue by the Board of Directors on 2022 and signed on its behalf by:

Chairman 

Treasurer 

Board Member 

Board Member 



Statement of Changes in Equity

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2021

| PARTICULARS | Share Capital Kes | Statutory Reserves Kes | Retained Earnings Kes | Proposed dividends Kes | TOTAL Kes |
|-----------------------------------------|------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|----------------------|
| Balance 1st January 2020 | 27,816,026 | 3,123,252 | (13,925,530) | 4,172,404 | 21,186,152 |
| Additions during the year | 5,348,974 | - | | | 5,348,974 |
| Net surplus for the year | - | - | 5,511,409 | | 5,511,409 |
| Transfers for the year | - | 1,102,282 | (1,102,282) | | - |
| Proposed distributions | - | - | - | | - |
| Dividends | - | - | (3,316,500) | 3,316,500 | - |
| | | | | (4,172,404) | (4,172,404) |
| Balance as at 31st December 2020 | 33,165,000 | 4,225,534 | (12,832,903) | 3,316,500 | 27,874,131 |

| PARTICULARS | Share Capital Kes | Statutory Reserves Kes | Retained Earnings Kes | Proposed dividends Kes | TOTAL Kes |
|-----------------------------------|------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|----------------------|
| Balance 1st January 2021 | 33,165,000 | 4,225,534 | (12,832,903) | 3,316,500 | 27,874,131 |
| Additions during the year | 4,134,991 | - | - | | 4,134,991 |
| Net loss for the year | - | - | (9,729,448) | | (9,729,448) |
| Transfers for the year | - | - | | | - |
| prior year adjustment | | (100,024) | | (100,024) | - |
| Proposed Distributions | - | | | - | - |
| - Dividends | - | - | | (3,316,500) | (3,316,500) |
| Balance 31st December 2021 | 37,299,991 | 4,225,534 | (22,662,375) | - | 18,863,150 |

Cash Flow Statement

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2021

| | | 2021 KShs | 2020 KShs |
|---------------------------------------------------------|--------------|---------------------|---------------------|
| Cash flows from operating activities | Notes | | |
| Interest receipts | 2 (a) | 30,619,234 | 41,072,068 |
| Interest payments | 4 | (4,406,094) | (13,969,555) |
| Payments to employees and suppliers | 5,6,7,8 | (25,926,134) | (20,744,865) |
| Payments of dividends, honorarium and staff bonus | | (3,316,500) | (4,172,404) |
| Prior year adjustment | 10 | (100,024) | - |
| Other Operative income | 2 (b) | 2,706,950 | 2,505,259 |
| | | (422,568) | 4,690,503 |
| Increase/decrease in operating assets | | | |
| Net loans to members | 14 | (14,638,398) | (9,377,271) |
| Accounts receivables | 13 | 38,258,640 | (23,589,927) |
| Increase/ decrease in operating liabilities | | | |
| Net deposits from members | 17 | 64,851,198 | 54,268,225 |
| Net savings from members | 20 | (5,708,761) | 9,005,244 |
| Other payable | | (53,392,775) | 3,820,106 |
| Accounts payables | 19 | (9,135,484) | (9,437,427) |
| Net cash from operating activities before taxes | | 19,811,851 | 29,379,453 |
| Income and withholding tax paid | 18 | (904,040) | (747,738) |
| Net cash used by operating activities | | 18,907,811 | 28,631,715 |
| Cash flows from investing activities | | | |
| Purchase of Investments | 15 | (14,863,428) | (30,539,744) |
| Purchase of property and equipment | | (408,750) | (144,500) |
| Net cash flows from investing activities | | (15,272,178) | (30,684,244) |
| Cash flows from financing activities | | | |
| Shares Capital Contributions Received | 22 | 4,134,99 | 5,348,974 |
| Net cash flows from financing activities | | 4,134,991 | 5,348,974 |
| Net decrease in cash and cash equivalent | | 7,770,624 | 3,296,445 |
| Cash and cash equivalents at the beginning of the year | | 8,033,439 | ,736,994 |
| Cash and cash equivalents at the end of the year | | 15,804,064 | 8,033,439 |

Notes to the Financial Statements

1. 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 unless otherwise stated: -

a) Basis of financial statements preparation

The financial statements are prepared under the historical cost basis of accounting and are in accordance with International Financial Reporting Standards (IFRS) in so far as it affects the nature and sustenance of the society's financial transactions. The financial statements are presented in the functional currency, Kenya Shillings (KShs.) as rounded to the nearest one shilling.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and discloser of contingent assets and liabilities at the date of financial statements and reported amounts of revenue and expenses during the reporting period. It also requires management to exercise judgment in the process of applying the society's accounting policies. Although these estimates are based on the Board of Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Accounting policies on critical accounting estimates and assumptions' and critical accounting judgments' highlight the areas that involve a higher level of judgment or where the estimates or assumptions used are significant to the financial statements.

b) Adoption of revised international reporting standards

A number of revised standards became effective for the first time and have been adopted by the society where relevant to its operations. The adoption of those revised standards had no material effect on the society's accounting policies of disclosures except as follows: -

- (i) IAS 1 requires management judgment and key sources of estimation and uncertainty at statement

of financial position date be disclosed in the financial statements.

- (ii) IAS 24 requires the disclosure of the compensation to key management personnel.
- (iii) IFRS 9 Financial instruments-classification and measurement with emphasis on loan loss provisioning in compliance with SASRA Circular of 2 October 2018.

c) Critical accounting estimates and assumptions

In the process of applying the society's accounting policies, management makes certain estimates and assumptions about future events. In practice the estimated and assumed results would differ from the actual results.

Such estimates and carrying amounts of assets and liabilities within the next financial year are described below.

Equipment

The Board of Directors make estimates in determining the depreciation rate for equipment. The rates used are set out in the accounting policy for equipment. Those estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events and are believed to be reasonable under the prevailing circumstances.

Fair values

The fair values of financial assets and liabilities in these financial statements are estimated on the following bases: -

Accounts receivables -By the Board of Directors principally by reference to past history

Unquoted investments -Stated at cost; no estimate of fair value is included in these financial statements. Gains or commission on investments are recognized at the time of sale

Accounts payables - By the Board of Directors principally by reference to the initial incurrence and any consequential costs.

Notes to the Financial Statements

(Continued)

Other investments

All purchases and sales of investments are recognized on the purchase date, which is the date the co-operative commits to purchase or sell the asset. The cost of purchase includes transaction costs. The Board of Directors subsequently determines the appropriate classification of the society's investments and reviews such designations on a regular basis.

Non – cash bonus received on investments is capitalized at the equivalent unit of investments par values. All investments are held to maturity and are not to be used for trade.

d) Critical Accounting Judgments

In the process of applying the society's accounting policies, the Board of Directors make judgments that are continuously assessed based on prior experience and other determinants, including expectations of future events that under the circumstances are deemed reasonable as described below.

Provision for loan loss

Provision for loans loss on delinquent loans are made in accordance with the Sacco Societies (Non-Deposits Taking Sacco Business) Regulation.

The recovery from any loan account previously written off is credited to the allowances for loans losses account and are not recognized as income in the year it is recovered

Other Provisions

Other Provisions are made when the society has legal or constructive obligations arising from past events and when it is probable that an outflow of resources will be required to settle obligations and a reasonable estimate of the amount of the obligation can be made.

e) Revenue

Revenue comprises interest charged on loans to members, and on advances to customers, commissions and fees charged for services rendered, interest earned

on bank savings and term deposit accounts, and from investments, entrance fees, and any miscellaneous income received during the year.

Revenue recognition

Interest on loans to members and to customers is charged monthly on accrual basis at the following rates:

- Interest on normal loans to members is charged at the rate of 1% per month on a reducing balance basis.
 - Interest on gold loans to members is charged at the rate of 1% per month on a reducing balance basis.
 - Interest on premium loans to members is charged at the rate of 1.25% per month on a reducing balance basis.
 - Interest on emergency loans to members is charged at the rate of 1.25% per month on a reducing balance basis.
- ii) Dividend income- when the society's right to receive payment is established

f) Property equipment and depreciation

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. Depreciation is calculated at the rates estimated to write off the cost of the assets over their expected useful lives at the following rates: -

| | |
|--------------------------------------------------------|----------------|
| Furniture and fittings Office equipment | 10% per annum |
| Office equipment | 10% per annum |
| Computers, accessories and computer software Buildings | 25% per annum |
| Buildings | 2.5% per annum |

g) Translation of foreign currency

Assets and liabilities at the statement of financial position date which are expressed in foreign currencies are translated at the rates approximating the mean rate ruling at the statement of financial position date. Transactions during the year are converted at the rates ruling at the dates of the transactions. The resulting differences from conversion and translation are dealt

Notes to the Financial Statements

(Continued)

with in the statement of comprehensive income in the year in which they arise.

h) Cash and cash equivalents

For the purposes of cash flow statements, cash and cash equivalent comprise bank and cash balances and term deposits with less than 90 days' maturity from the date of acquisition.

i) Statutory reserve

Transfers are made to statutory reserve fund at the rate of 20% on the net operating surplus after taxation.

j) Taxation

Current taxation is provided for on the basis of results for the year as shown in the financial statements, adjusted in accordance with the tax legislation.

k) Retirement benefit obligations

The society operates a defined contribution plan. The assets of this scheme are held in separate trustee administered fund that is funded by contributions from society and employees and employer. The society and all its employees also contribute to the National Social Security Fund which is a defined contribution scheme. A defined contribution plan is a retirement benefit plan under which the society pays fixed contributions into a separate entity.

The society has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets or pay all employees the benefits relating to employee service in the current or prior periods. However, under the employees Terms and Conditions of Service, there are other terminal dues notably staff gratuity, which the Society is obliged to pay the employee on leaving employment.

l) Borrowings

Borrowings are recognized initially at the proceeds received; net of transaction costs incurred.

Borrowings are subsequently stated at amortized cost using the effective yield method; any differences between proceeds (net of transaction costs) and the

redemption value is recognized in the statement of comprehensive income over the period of the borrowings.

m) Managing risk is a fundamental part of the Sacco business activity and an essential component of the planning process.

(i) Financial Risk

The Society's financial risk management policies include the provisions of the Cooperative Societies Act, The Sacco Societies Act, The Commissioner for Cooperatives Development guidelines, The Sacco Societies Regulatory Authority, Society's By-laws, credit policies on acceptance of members' deposits and criteria for approval of loans to members. Investment policies in place help in managing liquidity and support maximization of returns at acceptable levels to cover interest rate risk.

(ii) Credit Risk

Credit risk is the risk of suffering financial loss from any of the loanees failing to fulfill their contractual obligations to the society. Credit risk mainly arises from loans to members.

The society's principal financial assets represent its exposure to credit risk in relation to financial assets, loans to members, bank and cash balances. A significant point on credit risk management is possible as most members are employees of one organization. The borrowers also hold deposits besides their shares. Insurance covers on loans as well as guarantees provided by other members ensure that loan repayments risks are reduced substantially.

The policies provide for full repayment of loans as guaranteed by other members owning adequate shares and deposits of the loan amount taken.

(iii) Liquidity Risk

Liquidity risk is the risk that the society is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

Experience shows that a minimum level of cash and

Notes to the Financial Statements

(Continued)

bank balances can be predicted with a high level of certainty especially with regards to withdrawable savings obligations. Sources of liquidity are therefore regularly reviewed by the Board of Directors.

(iv) Currency Risk

The Society operates wholly within Kenya and its assets and liabilities are reported in the local currency. There was therefore no currency risk as at 31 December 2021.

v) Capital Risk Management

The Sacco manages its capital to ensure that it is able to continue as a going concern while maximizing the return to members through the optimization of

the debt and equity balance. In order to maintain or adjust the capital structures the Sacco may adjust the amounts of dividends paid to members or sell assets to reduce debt.

n) Key Sources of Estimation Uncertainty

The Board of Directors confirms that there are no major assumptions or resources requiring estimation that have a significant risk of causing material adjustment to the carrying amounts of assets or liabilities of the society as reflected within the next twelve (12) months from the date of approval of these financial statements.

| | 2021 KShs | 2020 KShs |
|-------------------------------------|-------------------|---------------------|
| 2 (a) INTEREST INCOME | | |
| Interest on Loans to Members | 21,486,547 | 35,875,113 |
| Interest on loan refinancing | 390,629 | 261,691 |
| | 21,877,175 | 36,136,804 |
| 2 (b) OTHER INTEREST INCOME | | |
| Interest on Fixed and call deposits | 4,319,128 | 3,705,645 |
| Interest income-Unit trusts | 3,222,600 | 1,229,619 |
| Penalty interest charged | 1,200,331 | - |
| | 8,742,059 | 4,935,264.00 |
| 3 OTHER OPERATING INCOME | | |
| Entrance fees | 869,950 | 1,222,243 |
| Loan processing fees | 842,374 | 773,121 |
| Exchange gain | 393,113 | 256,606 |
| Membership refunds commission | - | 193,299 |
| Fadhili homes booking fees | 20,000 | 50,000 |
| Money transfer fees | 13,418 | 9,990 |
| Plot booking fee | 32,641 | - |
| Commission on Isinya Konza Plots | 229,910 | - |
| Withdrawal fees | 305,544 | - |
| | 2,706,950 | 2,505,259 |

Notes to the Financial Statements

(Continued)

| | 2021 KShs | 2020 KShs |
|--------------------------------------|-------------------|-------------------|
| 4 INTEREST EXPENSES | | |
| Proposed Interest on member deposits | - | 10,821,400 |
| Interest on Mavuno savings | 4,406,094 | 3,148,155 |
| | 4,406,094 | 13,969,555 |
| 5 FINANCIAL EXPENSES | | |
| Bank Charges | 160,127 | 148,855 |
| | 160,127 | 148,855 |
| 6 PERSONNEL EXPENSES | | |
| Salaries and Wages-Staff | 9,862,623 | 9,469,650 |
| Staff Gratuity | 929,826 | 920,120 |
| Staff Medical Expenses | 945,610 | 715,897 |
| Staff WIBA insurance | 58,892 | 93,892 |
| Other Staff expenses | 114,075 | - |
| | 11,911,026 | 11,199,559 |
| 7 (a) GOVERNANCE EXPENSES | | |
| Committee sitting allowance | 5,120,850 | 5,720,823 |
| Other Committee expenses | 1,395,585 | - |
| AGM Expenses | - | - |
| Committee PA Insurance | 241,688 | 157,688 |
| | 6,758,123 | 5,878,511 |

7 (b) BOARD ALLOWANCES SCHEDULE

| BOARD ALLOWANCES 2021 | | |
|-----------------------|-----------------|------------|
| | Name | Amount |
| 1 | Ralph Kilundu | 867,615.00 |
| 2 | Eric Mwangi | 472,500.00 |
| 3 | Isaac Kasera | 446,250.00 |
| 4 | Charles Onchoke | 446,250.00 |
| 5 | David Wanjiru | 763,350.00 |
| 6 | Michael Ndungu | 78,750.00 |
| 7 | Wakiuru Wamwara | 131,250.00 |

Notes to the Financial Statements

(Continued)

| | | |
|----|--------------------|---------------------|
| 8 | Duke Mochama | 157,500.00 |
| 9 | Simon Nyagah | 288,750.00 |
| 10 | Angela Karanja | 771,015.00 |
| 11 | Rose Musyoka | 451,290.00 |
| 12 | Catherine Muriithi | 434,415.00 |
| 13 | James Sang | 157,500.00 |
| 14 | Evelyn Olunja | 105,000.00 |
| 15 | Susan Matindi | 183,750.00 |
| 16 | Laban Opande | 183,750.00 |
| 17 | Geoffrey Mburu | 183,750.00 |
| 18 | John Kagiri | 131,250.00 |
| 19 | Susan Ouko-Mwaura | 131,250.00 |
| 20 | Prof Kefa Otiso | 131,250.00 |
| | TOTAL | 6,516,435.00 |

8 ESTABLISHMENT AND ADMINISTRATIVE EXPENSES

| | 2021 KShs | 2020 KShs |
|----------------------------------|------------------|------------------|
| Software maintenance | 718,367 | 549,964 |
| Audit fees | 224,800 | 258,168 |
| Supervision fees and recoverable | - | 25,861 |
| Insurance | - | 21,035 |
| Office rent | 1,250,000 | 1,200,000 |
| Tax penalties and fines | - | 939,427 |
| Telephone and Postage | 349,203 | 421,633 |
| Office expenses | 119,540 | 81,695 |
| Repairs and maintenance | 8,500 | 24,800 |
| Travelling expenses | 38,390 | 115,940 |
| Other professional fees | 1,139,834 | 763,785 |
| Marketing and advertising | 98,740 | 357,828 |
| Licenses and permits | 65,000 | - |
| Legal fees | 243,600 | - |
| Internet expenses | 173,708 | - |
| Printing and stationery | 44,236 | - |
| Bad debts written off | 2,622,941 | - |
| | 7,096,859 | 4,760,136 |

NOTE: Bad debts written off of Ksh 2,622,941 refers to uncollectable receivables for prior years

Notes to the Financial Statements

(Continued)

| 9 PROVISION FOR LOAN LOSS | 2021 KShs | 2020 KShs |
|--------------------------------------|-------------------|------------------|
| Provision for the years | 8,538,325 | 1,086,584 |
| | 8,538,325 | 1,086,584 |
| 10 PRIOR YEAR ADJUSTMENT | | |
| Audit 2020 | 100,023 | - |
| | 100,023 | - |
| 11 DEPRECIATION | | |
| Depreciation | 199,065 | 149,827 |
| Amortization Cost | 88,430 | 176,834 |
| | 287,495 | 326,661 |
| 12 BANK AND CASH BALANCES | | |
| Cooperative Bank of Kenya Limited | | |
| Current Account | 1,319,553 | 721,559 |
| Call account | 7,611,511 | 4,433,371 |
| | 8,931,064 | 5,154,930 |
| Kenya Commercial Bank Limited | | |
| Current Account | 420,000 | 420,000 |
| | 420,000 | 420,000 |
| JP Morgan Chase bank | | |
| Current Account | 1,062,842 | 881,435 |
| | 1,062,842 | 881,435 |
| Commercial Bank of Africa | | |
| Current Account | 3,098,390 | 1,417,935 |
| | 3,098,390 | 1,417,935 |
| Sun Trust | | |
| Current Account | 34,000 | 34,000 |
| | 34,000 | 34,000 |
| Cash on Hand | | |
| Petty Cash | 20,072 | 13,900 |
| Mpesa | 2,237,696 | 111,239 |
| | 2,257,768 | 125,139 |
| | 15,804,064 | 8,033,439 |

Notes to the Financial Statements

(Continued)

| 13 ACCOUNTS RECEIVABLES | 2021 KShs | 2020 KShs |
|-----------------------------------------------|--------------------|--------------------|
| Urban World Property Investment Ltd | 70,126,400 | 113,129,079 |
| Commission receivable from fadhili loans | - | 3,350,000 |
| Interest receivable from loans | 4,879,612 | - |
| Trade receivables | 6,741,479 | 3,527,051 |
| Rent Security Deposit | 141,100 | 141,100 |
| | 81,888,590 | 120,147,230 |
| 14 LOANS TO MEMBERS | | |
| Balance 1st January | 161,371,618 | 150,907,763 |
| Loans granted in the year | 155,791,924 | 66,658,390 |
| Loans repayments and offsets | (141,153,526) | (56,194,535) |
| Balance 31st December | 176,010,016 | 161,371,618 |
| Less: Provision for loan loss | (12,181,383) | (3,643,058) |
| Net total loans advances and accrued interest | 163,828,633 | 157,728,560 |
| Listed individual members' balances | 176,010,016 | 161,371,618 |
| Unreconciled Difference | - | - |
| LOANS CAN BE RE-STATED AS: | | |
| Current | 108,843,600 | 90,313,014 |
| Non-Current | 67,166,416 | 71,058,604 |
| | 176,010,016 | 161,371,618 |
| TOTAL | 176,010,016 | 161,371,618 |

| Provision for Loan Loss Ageing of Past due Impaired: | Number of accounts | Outstanding loan portfolio . KShs. | Required Provision (%) . | Required provision amount KShs |
|---------------------------------------------------------|-----------------------|------------------------------------------|-----------------------------|-----------------------------------------|
| 0 days performing 1% | 96 | 108,843,600 | 1% | 1,088,436 |
| 1-30 days-Watch 5% | 37 | 38,224,469 | 5% | 1,909,146 |
| 31-180 days-Substandard 25% | 26 | 22,792,908 | 25% | 5,698,227 |
| 181-360 days-Doubtful 50% | 5 | 5,326,928 | 50% | 2,663,464 |
| Over 361 days-Loss account 100% | 2 | 822,111 | 100% | 822,111 |
| | 166 | 176,010,016 | | 12,181,383 |
| Additional Provision | | - | | |
| Total Provision | | 176,010,016 | | 12,181,383 |

Notes to the Financial Statements

(Continued)

15 FINANCIAL INVESTMENTS

| | 2021 KShs | 2020 KShs |
|-------------------------------------------------------|-------------------|-------------------|
| Kenya Women Finance Trust (KWFT) Fixed deposit | - | 11,271,022 |
| Coop Insurance Company (CIC) Unit Trust- Money market | 44,491,541 | 21,295,812 |
| ABC Fixed Deposit | 37,290,614 | 34,377,018 |
| Stanlib Unit Trust-Money Market | 469,701 | 444,575 |
| | 82,251,855 | 67,388,427 |

16 PROPERTY, PLANT AND EQUIPMENT

| | Computer Hardware KShs. | Computer Software KShs. | Office Equipment KShs. | TOTAL KShs. |
|----------------------------------|----------------------------|----------------------------|---------------------------|----------------|
| As at 1.1.2020 | 385,711 | 2,766,803 | 1,262,810 | 4,415,324 |
| Additions | 144,500 | - | - | 144,500 |
| Disposals | (19,800) | - | - | (19,800) |
| As at 31.12.2020 | 510,411 | 2,766,803 | 1,262,810 | 4,540,024 |
| DEPRECIATION/AMORTIZATION | | | | |
| As at 1.1.2020 | 281,814 | 2,236,248 | 612,829 | 3,130,891 |
| Charge for the year | 68,579 | 176,834 | 81,248 | 326,661 |
| As at 31.12.2020 | 350,393 | 2,413,082 | 694,077 | 3,457,552 |
| COST | | | | |
| As at 1.1.2021 | 510,411 | 2,766,803 | 1,262,810 | 4,540,024 |
| Additions | 408,750 | - | - | 408,750 |
| As at 31.12.2021 | 919,161 | 2,766,803 | 1,262,810 | 4,948,774 |
| DEPRECIATION/AMORTIZATION | | | | |
| As at 1.1.2021 | 350,393 | 2,413,082 | 694,077 | 3,457,552 |
| Charge for the year | 142,192 | 88,430 | 56,873 | 287,496 |
| As at 31.12.2021 | 492,585 | 2,501,512 | 750,950 | 3,745,047 |
| NET BOOK VALUE | | | | |
| As at 31.12.2021 | 426,576 | 265,291 | 511,860 | 1,203,727 |
| As at 31.12.2020 | 160,018 | 353,721 | 568,733 | 1,082,472 |

Notes to the Financial Statements

(Continued)

17 MEMBERS DEPOSITS

| | | 2021 KShs | 2020 KShs |
|-----------------------------------------|--------------------|--------------|--------------------|
| Balance 1st January | 240,382,642 | | 186,114,417 |
| Contributions during the year | 110,025,359 | | 62,376,776 |
| Refunds and offsets | (45,174,161) | | (8,108,551) |
| Balance 31st December | 305,233,840 | | 240,382,642 |
| Individual member listed balance | 305,233,840 | | 240,382,642 |
| Unreconciled difference | - | | - |

18 TAXATION

Statement of comprehensive income

Income Tax

| | | |
|----------------------------|---------|---------|
| Charge for the year at 30% | 997,584 | 696,057 |
| | 997,584 | 696,057 |

Statement of financial position

| | | |
|-------------------------------|-----------|-----------|
| As at 1st January | 299,709 | 291,422 |
| Charge for the year | 997,584 | 696,057 |
| Under provision in past years | 2,900,000 | 59,968 |
| Payment during the year | (904,040) | (747,738) |
| | 3,293,253 | 299,709 |

| | | |
|--------------|------------------|----------------|
| Total | 3,293,253 | 299,709 |
|--------------|------------------|----------------|

19 ACCOUNTS PAYABLES

| | | |
|----------------------------------------|------------------|-------------------|
| Interest payable on main savings | 5,124 | 11,965,106 |
| Unidentified deposits | 2,072,444 | 958,865 |
| Legal fees payable | 3,159,902 | 1,263,022 |
| Staff Gratuity | 681,786 | 1,788,420 |
| Software payables | - | 574,000 |
| Audit Fees | 224,800 | 258,168 |
| CCD Supervision fees | - | 25,461 |
| Withholding tax payables | 28,362 | 598,706 |
| Main savings insurance control account | 958,304 | 456,018 |
| Other payables | 439,633 | 157,850 |
| Kenstate Valuation fees | 21,734 | 523,731 |
| Surveyor fees | - | 58,000 |
| Salary Control | 1,899,775 | - |
| | 9,491,863 | 18,627,347 |

Notes to the Financial Statements

(Continued)

| | 2021 KShs | 2020 KShs |
|--------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------|
| 20 MEMBERS' SAVINGS | | |
| Mavuno Savings Scheme | 57,385,669 | 57,840,132 |
| Isinya Konza plots contribution | 4,101,869 | 3,193,625 |
| | 61,487,538 | 61,033,757 |
| 21 FADHILI HOMES CONTRIBUTION | | |
| Balance as at 1st January | 6,162,542 | 14,495,026 |
| Contributions during the year | 11,215,281 | 15,167,378 |
| Funds applied to the project | (70,770,598) | (23,499,862) |
| Balance as at 31st December | (53,392,775) | 6,162,542 |
| 22 SHARE CAPITAL | | |
| Authorised Undetermined Ordinary Shares of Ksh 20/= | | |
| Issued: Fully and Partly paid | | |
| Balance 1st January | 33,165,000 | 27,816,026 |
| Additions | 4,134,991 | 5,348,974 |
| Balance 31st December | 37,299,991 | 33,165,000 |
| Individual listed balances | 37,299,991 | 33,165,000 |
| Unreconciled differences | - | - |
| 23 RESERVES | | |
| Retained Earnings | (22,662,375) | (9,516,403) |
| Statutory Reserve | 4,225,534 | 4,225,534 |
| | (18,436,841) | (5,290,869) |
| 24 RELATED PARTIES TRANSACTIONS | | |
| Loans to Members of staff | 2,269,963 | 1,202,133 |
| Loans to members of Board of Directors | 14,331,762 | 8,957,422 |
| Committee sitting allowances | 5,120,850 | 5,720,823 |
| 12 CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents included in the cash flow statement comprises the following statement of financial position amounts: | | |
| Cash and bank balances | 15,804,064 | 8,033,439 |
| Net balance | 15,804,064 | 8,033,439 |

25 COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with presentation in the current year.







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