



Investing Your \$\$ Wisely

Annual Report



2022



Raphael Kilundu
Chairman



Michael Ndungu
Vice Chairman



Isaac Kasera
Hon. Secretary

BOARD OF DIRECTORS



David Wanjiru
Treasurer



Wakiuru Wamwara
Board Member



Duke Mochama
Board Member



Beatrice Angalo
Board Member

SUPERVISORY COMMITTEE



Laban Opande
Supervisory Committee
Chairman



Susan Matindi
Supervisory Committee
Secretary



Geoffrey Mburu
Supervisory Committee
Member



John Kagiri
Chairman



Susan Ouko Mwaura
Secretary



Kefa Otiso
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

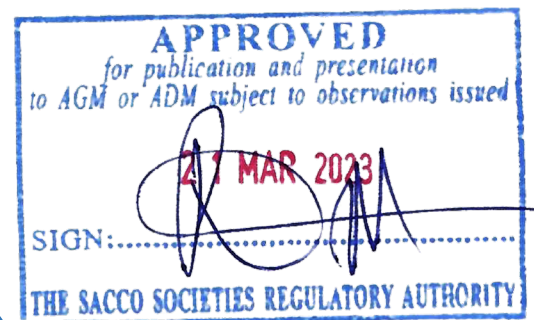
Annual Report & Financial Statements

31 December 2022



Ggrey & Company/ PF427

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P.O. Box 62494 - 00200, Nairobi, Kenya
Offering Audit and Assurance, Tax, Accounting Controls and Consulting Services

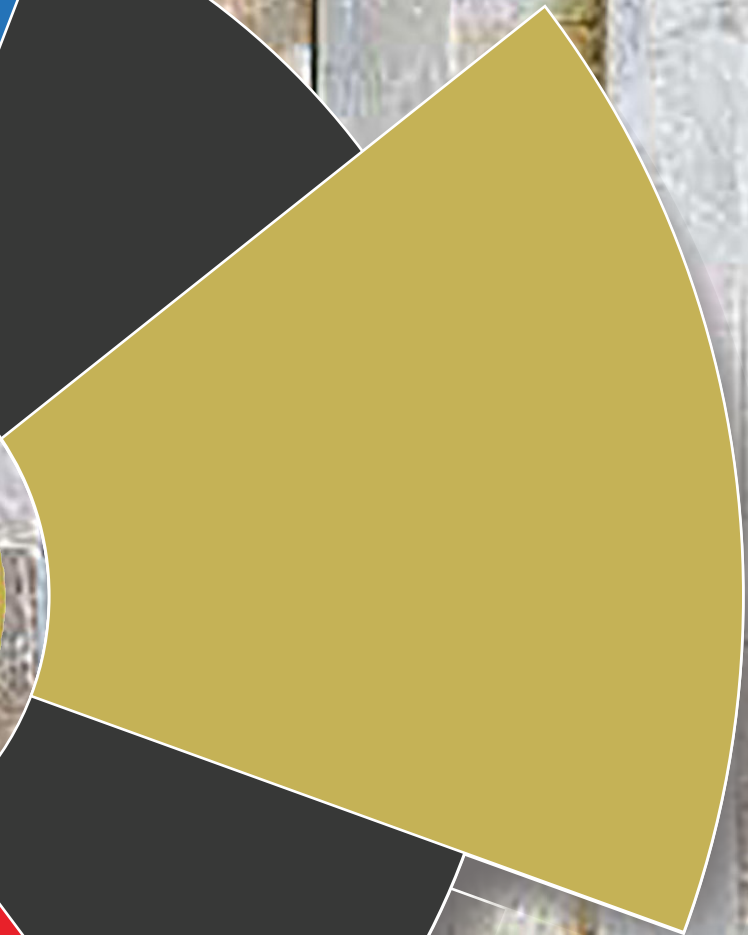
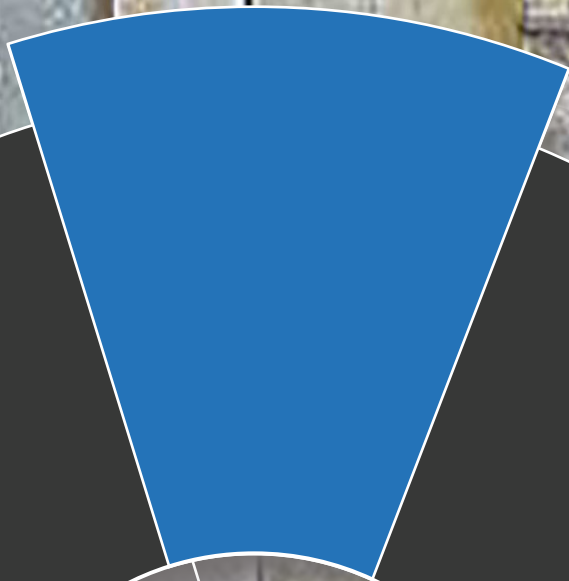


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Corporate Information

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 AND SUPERVISORY BOARD OF DIRECTORS MEMBERS

BOARD OF DIRECTORS

- | | | |
|-----------------------|------------------|------------------|
| ● Raphael Kilundu | - Chairperson | |
| ● Michael.W. Ndungu | - Vice Chairman | From August 2022 |
| ● Charles Onchoke | - Vice Chairman | Upto April 2022 |
| ● Isaac Kasera | - Hon. Secretary | |
| ● David Wanjiru Chege | - Treasurer | |
| ● Duke Mochama | - Board Member | |
| ● Wakiuru Wamwara | - Board Member | |
| ● Beatrice Angalo | - Board Member | From March 2022 |

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 29800 – 00100,
Nairobi

PRINCIPAL BANKERS

Co-operative Bank of Kenya Limited
Upperhill Branch

JP Morgan Chase Bank
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

- | | |
|---|---------------------------|
| ● Evelyne Olunja
P.O. Box 29800-00100
Nairobi | - Chief Executive Officer |
|---|---------------------------|

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

As At 31st December 2022

MEMBERSHIP

Active members	826	611
Dormant members	849	906

FINANCIAL

	2022	2021
Total Assets	454,417	398,370
Members' deposits	386,917	366,721
Fadhili homes	45,292	53,393
Loans and advances to members	234,556	163,829
Investments	70,920	82,252
Core capital	51,702	18,863
Share capital	69,235	37,300
Institutional capital	(17,533)	18,437
Total revenue	36,330	33,326
Total interest income	32,501	30,619
Total expenses	22,326	26,214

Employees of the Sacco

Female	4	4
Male	2	2

Key ratios:

Capital Adequacy Ratio

Required Ratio

Core capital/Total Assets	8%	11.38%	4.74%
Core Capital/Total Deposits	5%	13.36%	5.14%
Retained earnings & other reserves/ Core capital ratio	50%	-34%	-97.74%

Liquidity Ratio

Liquid Assets/Total deposits and long term liabilities	10%	26.48%	26.64%
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Operating Efficiency/Loan quality ratios

Total expenses/Total revenue	<70%	61.45%	78.66%
Interest on members deposits/Total revenue		11.01%	0.00%
Interest rate on member's deposits		1.18%	0.00%
Dividends rate on members share capital		2.00%	0.00%
Total Delinquency loans/Gross loan portfolio	5%	5.22%	16.44%

Chairman's Report

It's my pleasure to welcome you all to the Kenya USA Diaspora Sacco's 10th Annual General Meeting. As the Chairman of KUDS, I would like to provide the report for the year 2022.

The Operating Environment

In 2022, the Kenya USA Diaspora Sacco faced a challenging operating environment due to global and local factors, including the conflict between Russia and Ukraine and the Kenyan elections. These challenges led to hard economic times with currency fluctuations at an all-time high. It became difficult for members to invest back home as a result of reduced disposable income occasioned by the increased cost of living. This coupled with the fact that the period before and after the Kenyan elections was marred with a lot of tension slowed development as members put on hold their investment plans, awaiting normalcy to return.

However, in all this, the Sacco remained resilient and maintained a strong financial position while focusing on its core mission of providing financial services to its members. Going forward, the Sacco will continue to monitor the operating environment and adapt accordingly while providing excellent service to its members and working to improve its financial performance.

2022 Key Performance Indicators

I am pleased to announce that our Sacco has achieved remarkable results in 2022, as evidenced by our key performance indicators below:

- The loan portfolio grew by 43% to Ksh. 234.5 million in 2022 from Ksh. 163.8 million in 2021.
- Member deposits increased by 6% to Ksh. 386.9 million in 2022 from Ksh. 366.7 million in 2021.
- Share capital increased by 86% to Ksh. 69.2 million in 2022 from Ksh. 37.2 million in 2021.
- Total assets grew by 14% to Ksh. 454.4 million in 2022 from Ksh. 398.3 million in 2021.
- Membership increased by 10% to 1,675 in 2022 from 1,517 in 2021.
- Total revenue increased by 9% to Ksh. 36.3 million in 2022 from Ksh. 33.3 million in 2021.
- Total expenses reduced by 15% to Ksh. 22.3 million in 2022 from Ksh. 26.2 million in 2021.

These results demonstrate our Sacco's commitment to providing high-quality financial services to our members while maintaining sustainable growth. We will continue to strive for excellence in all aspects of our operations and remain focused on delivering value to our members.

KUDS 7-Point Agenda- FHOSIMP

In order to enhance the performance and profitability of the Sacco, the Board of Directors of the Kenya USA Diaspora Sacco (KUDS) formulated a high-priority plan called the "KUDS 7-Point Agenda- FHOSIMP" covering all key areas of Financial Stability, Human Resource Capacity Enhancement, Operational Efficiency, Strategic Focus, Image Visibility, Membership, and Partnerships.

Financial Stability

The main focus here has been to maintain a strong capital position, ensuring that KUDS can withstand any potential financial challenges in the future. Attention has been given to share capital, savings mobilization, loan processing and collections, cost management and investments. As a result of this KUDS has achieved enhanced financial stability by meeting the Capital Adequacy and other ratios as specified by the regulator, SASRA. Unlike the previous year when the Sacco was compliant in only one area, this year has seen the Sacco exceed expectations by meeting and/or surpassing 5 out of the 6 prudential standards set out by the regulator. Specifically, the society is now compliant with the SARSA standards in terms of Core Capital/Total Assets, Core Capital/Total Deposits, Liquidity Ratio, and Total Non-performing loans/Gross Loan Portfolio. The only area where the society remains non-compliant is the Retained Earnings/Core Capital ratio, which will continue to be a key focus area moving forward.

Chairman's Report *(Continued)*

- **Human Resource Capacity Enhancement**

As a board, we believe that our staff's knowledge and skills are vital to providing exceptional service to our members. In the year 2022, the staff and board actively engaged with industry players to enhance their capacity in accordance with the evolving landscape of the Sacco industry. This year, plans are underway to provide them with industry-specific training to upgrade their skills and expertise thereby enabling them to provide greater value to both the Sacco and its members.

- **Operational Efficiency**

In 2022, our Sacco made a concerted effort to improve its operational efficiency, recognizing its pivotal role in the organization's success. To achieve this goal, we undertook both the monitoring and enhancement of existing initiatives, as well as the implementation of new ones.

Collaborating closely with our service provider, we leveraged CoopMis to maximize its value. This involved the implementation of automated emails to keep members informed of their loan processing status at each stage, as well as automated reminders for loan repayments and deposit contributions. As a result, loan provisioning decreased significantly, with more members servicing their loans on time. In addition, contributions increased, leading to growth in both Share Capital and Deposits.

Furthermore, we implemented PesaDirect, an integrated system that allows for the direct remittance of money into members' SACCO COOPMIS accounts. This has significantly reduced cases of unidentified credits, a problem that had previously caused headaches for our organization.

In 2022, we also achieved success in migrating our SACCO's email systems from Rackspace to O365. We also continued to enhance KUDSAPP, an app platform that offers all SACCO applications in one location, providing significant benefits to our service delivery.

Finally, we continued to benefit from centralizing all SACCO data into an Electronic Data Management

System (EDMS) and implementing a cloud-based VoIP phone system. We have also ensured that staff computer system security is enhanced using the best industry technologies to handle data securely, mitigate against malware, viruses, and ransomware, and generate daily reports. These measures have significantly improved our communication systems and further boosted our operational efficiency

Strategic Focus

- **Regulatory Compliance**

Our Sacco's commitment to regulatory compliance and good governance practices remained a top priority in 2022. We continued to review and improve our policies and procedures to ensure compliance with regulatory requirements. We also maintained robust governance practices, ensuring that our Sacco operates with transparency, accountability, and integrity.

- **SASRA Licensing**

As of December 31, 2021, KUDS joined the ranks of Top Tier Saccos regulated by SASRA, having been officially licensed to undertake Non-Deposit Taking Business. As per the law, we are required to change our name from "Kenya USA Diaspora Sacco" to "Kenya USA Diaspora Regulated Non-WDT Sacco," a name change that we are seeking approval for at this AGM.

I am delighted to announce that our strategies enabled us to qualify for the renewal of our license to operate in 2023, a noteworthy accomplishment given that only three Diaspora Saccos operate in this league. Nonetheless, regulation comes with certain costs and levies, as well as stringent rules and measures that must be adhered to in order to maintain this license. Therefore, a new budget line will be presented for approval to cater to this new levy. While regulation may present some challenges initially, history has shown that all Saccos under regulation eventually grow to impressive heights, and KUDS will be no exception.

- **KUDSIC**

The Sacco board has made significant strides in fulfilling

Chairman's Report *(Continued)*

the aspirations of its Diaspora members. With the establishment of the Sacco-owned KUDS Investment Company (KUDSIC), members are currently working on acquiring and constructing a Kshs 800 million apartment complex in a gated three-star resort in Malindi, which will serve as an ideal retirement and investment destination.

- **Image/Visibility Enhancement**

KUDS has maintained its position as the premier and esteemed Diaspora Sacco, being consulted whenever any Diaspora-related matter arises for discussion. We recently engaged in discussions with President Biden's Trade Cabinet Secretary and the United Nations IOM forums on East African Diaspora engagement for the greater benefit of our membership. Other engagements have been with the Nairobi Securities Exchange and Capital Markets Authority on financial inclusion and with Kenya Mortgage Refinancing Company on Affordable Housing.

To increase KUDS' visibility, we developed a new website that provides up-to-date information and throughout the year, we engaged members through various social media platforms. On behalf of my board, I express our gratitude to all members who have actively participated in discussions on Sacco matters through these platforms. We urge you to continue doing so, as social media has become an essential, reliable, and efficient means of communication that cannot be ignored.

- **Membership**

To maintain good standing as a Sacco member, it is necessary to uphold a minimum Share Capital of KShs. 50,000.00/= and save a minimum of KShs. 5,000.00/= monthly, or Kshs. 15,000.00/= quarterly, or KShs. 30,000.00/= half-yearly, or KShs. 60,000.00 yearly towards deposits. Members with outstanding loans must repay as per their contractual terms. In 2022, the Sacco's active membership increased by 35% from 611 to 826, while dormant members reduced by 6% from 906 to 849. As a result, total membership grew by 10% to 1,675 from 1,517. Any member who does not transact with the Sacco for 12 months is classified as

dormant and misses out on associated benefits, making it crucial for members to remain active.

Encouraging friends and relatives to become members of KUDS can contribute to the growth of the Sacco's membership and promote its development. I commend the States of Texas, Washington, and Maryland for taking the lead in membership recruitment efforts.

Throughout the year, the Sacco conducted monthly education sessions facilitated by staff, board members, and industry specialists. These sessions covered essential topics such as New Members Training /Induction, Loaning processes, PESADIRECT, COOPMIS, Sacco Loan products, loan application processes, Collateral Perfection - Charging and Discharging Properties, Loan Guard, and Deposits Cover policy, among others. I express my gratitude to all members who attended these informative sessions and encourage those who have not attended, to spare time to attend them so as to make informed investment decisions through the Sacco.

Strategic Partnerships

KUDS has been successful in building partnerships with various organizations that share its goal of providing valuable products and services to its members. Apart from the sponsors of this Annual General Meeting, KUDS through its subsidiary KUDSIC has collaborated with Bretts Townsend and Taylor, the contractor for the Malindi project, Urban World Company for the Fadhili Homes project, and Standard Investment Bank, its transaction advisor for the Bank Acquisition project.

These partnerships once successfully completed will enable KUDS to expand its reach and offer a wide range of innovative financial solutions to its members. By working with trusted partners, KUDS is able to ensure that its members receive high-quality services and products that meet their unique needs.

Once again, I want to assure you that the Sacco is committed to seeking out new partnerships and collaborations that will help to further enhance its value proposition and drive its growth in the future.

Chairman's Report *(Continued)*

Conclusion

As I conclude, I want to express my heartfelt appreciation to all our stakeholders, including the State Department of Co-operatives, SASRA, KUDS partners and service providers, esteemed members, the Board of KUDS, Supervisory Committee, VNEC and the Secretariat, for their continuous trust and support in our Sacco. It's through your unwavering loyalty and commitment that we were able to achieve significant milestones in 2022. As you may know, my term as the Chairman of KUDS is coming to an end today, but I want to take this opportunity to announce that I will be seeking re-election for another term. I remain committed to serving the Sacco and leading it towards greater success.

Looking ahead, I am optimistic that our Sacco will continue to flourish. We have a devoted team of staff

and a Board who remain resolute in fulfilling our mission and exploring ways to enhance our services. Moreover, we are fortunate to have such a vibrant and supportive community of members who share our vision and values.

I am enthusiastic about another fruitful year ahead, and I am looking forward to working collaboratively to attain our common objectives. Thank you all.



Raphael Kilundu
Chairman, KUDS

Corporate Governance Report

Introduction

The Sacco sector plays a crucial role in Kenya's economic growth. To ensure effective management, good corporate governance is essential, which requires informed members and competent leaders. SASRA plays a critical role in ensuring SACCOs focus on their core mandate. The Kenya USA Diaspora Sacco has a highly qualified board and management team, committed to running the SACCO with transparency, professionalism, and accountability while promoting equity and inclusiveness

Member Representation and Participation

The supreme authority of the Sacco is vested in the members through the annual general meetings. Each member has one vote irrespective of their shareholding as per the cooperative principle of democratic member control. The members during the annual general meeting have a role to decide the governing structure to facilitate efficient and cost-effective delivery of services to members. 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 business 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 External Auditors in ensuring financial transparency and accountability.

Board of Directors, Structure, Powers and Functions

The governing authority of the Sacco is the Board, comprising nine non-executive members, including a Chairman, Vice Chairman, Treasurer, and Honorary Secretary. The Board is responsible for establishing policies and strategies, monitoring and assessing the Sacco's performance, appointing and supervising the management team, and ensuring the effective and efficient management of the Sacco's operations. The financial management of the Sacco is also under the purview of the Board, which ensures the preparation of accurate financial reports and statements in compliance with relevant laws and regulations.

To maintain expected behaviour, the Board operates

under a code of conduct, including avoiding conflicts of interest, maintaining confidentiality, and declaring potential conflicts of interest. Regular training is provided to the Board on their roles, responsibilities, and corporate governance principles, ensuring effective fulfilment of their duties.

In summary, the Board is an integral part of the Sacco's corporate governance framework, ensuring operation in the best interests of its members while upholding transparency, accountability, and fairness principles.

Board Appointment and Induction

The nomination and election process to the board is handled by an independent vetting, nomination, and election committee. This committee vets all candidates and ensures they meet the set criteria for appointment as directors of KUDS before presenting them at the AGM for democratic elections to fill vacant positions.

Following their election at the AGM, directors receive appointment letters that outline the terms of their appointment. They undergo an induction process, which includes a briefing on Sacco policies, procedures, and relevant regulations. The Sacco notifies the Commissioner and SASRA of the newly appointed directors, who are then required to fill out 'The Fit and Proper Test', 'Declaration of Wealth', and indemnity forms. These forms are filed with the regulators, respectively.

Board Skills Development and Succession Planning

The board recognizes that the success or failure of the Sacco is largely dependent on the decisions made by the board and management. Consequently, the board has prioritized continuous capacity building to equip members with the necessary skills, knowledge, and competencies through training. This preparation ensures they can carry out their duties and make decisions in line with the Sacco's strategic direction.

The SACCO board comprises individuals from different sectors, including professional bodies, which enhances their knowledge of governance and board matters. Each year, a third of the directors retire, but they are eligible for re-election. This practice is aimed at ensuring proper succession planning for the board.

Corporate Governance Report *(Continued)*

Board Compensation

Board members do not receive a salary as they work voluntarily. Instead, they are entitled to an allowance for attending meetings as approved by members in general meetings and outlined in the policies. This highlights their dedication to the Sacco and its members. Additionally, board members may receive reimbursements or allowances for necessary expenses incurred while carrying out their Sacco duties.

Board Committees

Board committees are a critical component of good governance as they enhance the Board's efficiency and effectiveness in carrying out its responsibilities. Committees are responsible for conducting detailed examinations of issues and making recommendations to the Board, allowing the Board to concentrate on strategic matters and overall governance of the Sacco.

Kenya USA Diaspora Sacco has four committees with specific mandates and terms of reference that align with the Sacco's overall strategic objectives:

- i. Executive Committee
- ii. Credit Committee
- iii. Finance and Investment Committee
- iv. Business Development and Education Committee (BDEC)

Each committee meets regularly, with at least one meeting per month, and provides reports to the Board during monthly board meetings. They also collaborate closely with management, ensuring that Board policies and directives are executed efficiently. The committees' reports keep the Board informed and help it make informed decisions.

Executive Committee

The Executive Committee is a sub-committee of the Board, comprising the Chairman, Vice Chairman, Treasurer, and Honorary Secretary, who are elected by the Board of Directors from among its members. This committee convenes once a month, or as required by the business, and is responsible for addressing strategic issues of the Sacco. It provides guidance and supervision to the management team in the daily operations of the Sacco and ensures the Sacco operates in compliance with applicable laws and regulations. The Executive Committee also reports its activities to the Board during the monthly board meetings.

Credit Committee

The proper management of lending operations is critical to the success of any financial institution, and the Credit Committee of KUDS plays an essential role in this regard. The Committee is responsible for overseeing the Sacco's lending activities and ensuring that they are conducted responsibly and sustainably.

To streamline the loan approval process and reduce delays for members, the management is delegated loan approval authority. However, the Credit Committee continues to monitor the lending operations closely, providing guidance and oversight to the management team as needed.

One of the key responsibilities of the Credit Committee is to focus on credit risk management. This involves assessing the creditworthiness of borrowers and ensuring that the Sacco maintains a healthy loan portfolio by minimizing the risk of defaults. By doing so, the Credit Committee helps to safeguard the Sacco's financial health while also providing members with access to the credit they need to achieve their financial goals.

Finance and Investment Committee

The Finance and Investment Committee is an important committee chaired by the Treasurer and comprising three board members. It is responsible for overseeing the financial management and investment activities of the Sacco, with the Chief Executive Officer and Finance Manager serving as ex-officio members. The committee meets monthly, or as needed, to consider and make recommendations on financial matters such as budgeting, financial reporting, investment policies, and other administrative matters. The committee's main objective is to ensure the Sacco's financial stability and growth while minimizing risks.

Business Development and Education Committee (BDEC)

The Business Development and Education Committee (BDEC) is tasked with managing the Sacco's marketing, business development, and member education programs. The committee is composed of three board members and the CEO as an ex-officio member. It convenes at least once a month to review and propose recommendations to the board on issues related to the Sacco's marketing plan, business development initiatives, and member education and

Corporate Governance Report

training programs. The committee also oversees the implementation of the Sacco's marketing and business development strategies and ensures that they align with the Sacco's overall strategic goals.

Board Composition

The members of the board of directors are distributed to various committees as follows:

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

Supervisory Committee

The role of the Supervisory Committee is to oversee the Sacco's compliance with its by-laws, policies, procedures, and relevant laws and regulations, and to ensure the integrity and transparency of its operations. The committee reviews the Sacco's internal controls and financial reporting systems and reports any significant findings or concerns to the members. It also oversees the audit function and ensures the auditors perform their duties efficiently and effectively.

Moreover, the Supervisory Committee serves as a communication channel between the members and the Board. It receives and investigates complaints or concerns raised by the members and reports its findings to the Board for appropriate action.

In summary, the Supervisory Committee plays a crucial role in safeguarding the interests of the members by ensuring that the Board operates with transparency, accountability, and adherence to best practices.

The Vetting, Nomination and Election Committee

The role of the Vetting, Nomination, and Election Committee is critical in upholding a transparent and

fair election process for the Board of Directors and Supervisory Committee members. The committee is composed of three independent members who are not part of the board or management of the Sacco. Their primary responsibility is to vet and approve prospective candidates for election, ensuring they meet the set criteria for appointment as directors of KUDS. This includes conducting background checks, verifying qualifications, and assessing experience and competence in governance and board matters.

Once the committee approves the candidates, it presents their names at the Annual General Meeting (AGM) for election. The committee oversees the election process to ensure that it is democratic and transparent, allowing all eligible members to vote and results are then announced openly and fairly. Overall, the

Vetting, Nomination, and Election Committee helps to uphold the integrity of the Sacco Leaders, ensuring that those cleared to vie for leadership positions are competent and ethical individuals who can steer the Sacco toward its strategic objectives.

Board and board committee meetings

The Board of Directors adheres to a regular schedule of monthly meetings to deliberate on important matters affecting the Sacco. A quorum of two-thirds of the directors, including the CEO, is required to ensure that decisions are made with the necessary level of participation and agreement. This approach helps to ensure that the Board operates effectively and efficiently while maintaining accountability and transparency in decision-making.

Board-Secretariat relationship

Establishing and maintaining a positive relationship between the board and the secretariat is paramount for the efficient management of the Sacco. Delegating functions to the secretariat enables the board to effectively implement its decisions while receiving the necessary support from the secretariat. Consistent communication between the board and the secretariat aids in promptly identifying and resolving issues,

Corporate Governance Report *(Continued)*

fostering a culture of transparency and accountability. Furthermore, empowering the secretariat has resulted in increased staff motivation and productivity, ultimately benefiting the members of the Sacco.

Secretariat team

KUDS is managed by a small secretariat team consisting of 6 members, with the Chief Executive Officer (CEO) as its leader. The CEO is responsible for overseeing the day-to-day operations of the Sacco and is accountable to the board of directors for implementing the Strategic Plan and ensuring compliance with policies, procedures, and standards. The other staff members provide support to the CEO in carrying out her responsibilities.

As an ex-officio member of the board, the CEO attends all board and general meetings to provide updates and insights on the Sacco's operations. However, she does not have voting rights on the board. The secretariat meets regularly as needed to discuss and address business matters.

The secretariat meets frequently as per business requirements.

Organizational values and code of conduct

For any organization, it is crucial to have a clear set of organizational values and a code of conduct that everyone adheres to, ensuring shared values and ethical standards. This fosters a positive and professional work environment, promoting trust and accountability.

KUDS has adopted a set of core values, including integrity, timeliness, transparency, teamwork, professionalism, and respect for others, which are in line with industry best practices. These values cultivate a culture of honesty, accountability, and mutual respect among colleagues and customers.

Moreover, the expectation that every individual within the organization should prioritize the interests of the Sacco and its members over personal interests aligns with the principle of serving members first. This enables the Sacco to stay focused on its objectives and provide value to its members.

In summary, KUDS's adherence to its organizational values and code of conduct signifies its commitment to promoting ethical behavior and ensuring that all

employees act in the best interest of the Sacco and its members.

Internal controls and risk management

The KUDS board places high importance on internal controls and risk management to ensure that Sacco operates efficiently and effectively while minimizing potential risks. To this end, the Sacco has implemented policies and procedures to guide its operations. The CEO works collaboratively with the board to develop and implement effective internal controls and risk management measures that align with the Sacco's strategic objectives. This collaborative approach ensures that the Sacco provides value to its members and achieves its mission responsibly and sustainably.

Conflict of interest

The KUDS board has established comprehensive policies and procedures to manage conflicts of interest, which outline the roles and responsibilities of the Board and Secretariat. To promote transparency, the Board and management are required to annually disclose their wealth to the Ministry. To safeguard sensitive information, all staff members are required to sign a Secrecy Bond/Non-disclosure agreement form.

Furthermore, the Sacco utilizes a competitive bidding process for outsourced services, which ensures that the Sacco obtains the best value for its resources while preventing potential conflicts of interest with service providers. These measures help to maintain the integrity and transparency of the Sacco's operations and safeguard the interests of its members.

Compliance and statutory accountability

Compliance with relevant legislation and regulations is crucial for any organization, and the KUDS Board of Directors recognizes its importance. The Board has made it a priority to identify and adhere to all applicable legislation and regulations, including any updates that may arise. Compliance is an essential element of the Board's agenda, and the CEO's office is responsible for ensuring that all compliance matters are appropriately addressed. This approach helps to ensure that the Sacco operates within the legal and regulatory frameworks established in the industry, thus minimizing the risk of legal or reputational harm.

By order of the Board of Directors

VNEC Committee 2022 AGM Statement

We, the members of the KUDS-VNEC - John Kagiri, Susan Mwaura, and Kefa Otiso, were appointed on April 14th, 2018, in accordance with the resolutions of the 2017 AGM and ratified at the 2018 AGM to serve as an independent KUDS Vetting and Nominations Committee. "The primary function of this committee is to vet any person interested in serving as a KUDS board or supervisory committee member." Our functions are guided by

the regulations outlined in these documents.

- The SACCO By-laws
- The Board Charter (for the Board of Directors)
- The Co-operative Act (Laws of Kenya)
- The SACCO Societies Act
- The Kenya Constitution: Chapter 6 - Leadership and Integrity Section
- SASRA (Sacco Societies Regulatory Authority) *

Following the certification of the SACCO by SASRA, the VNEC is reviewing and amending the VNEC Nomination and Election Policy to align with the directives of the regulatory authority and the updated SACCO by-laws.

In the year since the last AGM, there were several vacancies announced by the board. At the close of each nomination period:

- We checked all the applications for completeness and allowed candidates to send missing items or documents within the given deadline
- We obtained SACCO contribution/loan repayment histories from the CEO
- We checked references from the list provided by the applicants (2 professional, 1 personal)
- We checked and confirmed other pertinent information provided by candidates

June 2021 - 2 Vacancies (Board) – Co-opted

- At the end of the vetting process, we received five (5) applications:
- Four candidates (male) and One candidate (female) were cleared

August 2021 – 2 Vacancies (Board) – Co-opted

At the end of the vetting process, we received four (4) applications:

- One candidate (male) was cleared
- Three candidates (male) were not cleared for failing to meet one or more eligibility criteria

January 2022 - 2 Vacancies (Board) – Co-opted

- At the end of the vetting process, we received two (2) applications:
- Two candidates (female) were not cleared for failing to meet one or more eligibility criteria*

June 2022 - 2 Vacancies (Board) – Co-opted

At the close of the nomination period, we received no applications and there were no co-options.

April 2023 – 8 Vacancies (6 Board, 2 Supervisory Committee) – AGM Elections

At the close of the nomination period, we received ten (10) applications, nine (9) for the open six (6) Board positions and one (1) for the two (2) open Supervisory Committee positions.

- Six (6) candidates (male) and two (2) candidates (female) were cleared for elections at the AGM
- One candidate (male) and one candidate (female) were not cleared for failing to meet one or more eligibility criteria

We have continued to conduct our mandate to the best of our ability and look forward to serving members to build the leadership that can continue to grow and develop this Sacco.

**One candidate appealed against the VNEC decision, citing the Secretariat's mistake in recording SACCO contributions. Although the KUDS Secretariat acknowledged the mistakes mentioned by the candidate, it did not provide the VNEC with corrected records for verification. The matter was referred to the Board for final adjudication. The Board later co-opted the member whose case the VNEC referred to for final adjudication. To date, the VNEC has not received the Board's final adjudication decision.*

Supervisory Committee Report

Forward

The effects of COVID 19 pandemic continue to be felt worldwide, as the global economy struggles to return to some level of normalcy. These effects have been compounded with other global crises like the Russia-Ukraine war as well as environmental challenges in different parts of the world. Despite these challenges, the Supervisory Committee (SC) has the pleasure to table its annual report for 2022 to Members of the Kenya USA Diaspora SACCO (KUDS) at the 2023 AGM in Atlanta, Georgia. This report is based on reports from key stakeholders, including the KUDS Board, KUDS Secretariat, KUDS Membership, Regulators, Auditors, and Legal Representatives. The report further borrows from the previous AGM deliberations and resolutions, past reports, projections, general SACCO trends, member requests, updates and concerns, as well as media and public information, and incorporates opinions and recommendations of the SC membership on certain aspects of KUDS and its general well-being.

Role of Supervisory Committee

The establishment and existence of the SC is enshrined in the KUDS bylaws, as well as under the Co-operative Societies Act, Cap 490 Laws of Kenya. While the primary role has been, and remains, providing overall oversight to the KUDS Board and Management, the SC continues to participate in providing input on harnessing and implementing KUDS' overall vision and mission, through the organization's strategic plan. The SC also endeavors to assist and oversee in working with the regulators, including the Department of Cooperatives and Sacco Societies Regulatory Authority (SASRA), in the drafting of new policies, work with the Board and Secretariat in reviewing and enhancing existing policies, responding to all stakeholders' needs, challenges, complaints or compliments, as well as marketing and promoting of KUDS and its products, among other functions.

Additionally, with KUDS now fully under SASRA as a non-deposit taking Sacco, other roles spelled out for the SC include among others, counter checking the effectiveness of the society's internal control systems through verification of Sacco transactions, attending joint board meetings, writing periodic reports to be tabled at board or other stakeholder meetings,

submission of its reports to the Commissioner for Cooperatives, and presenting its reports to AGM. SASRA also authorizes the SC to serve as the appeal committee to hear appeals from suspended members, as well as investigate and address reported member complaints.

Further, the SC continues to learn about its roles and responsibilities from the immensely beneficial training, interactions with various stakeholders including various Diaspora Saccos, and regular meetings between the SC membership, the Board, and other Committees within KUDS, as well as with all other stakeholders. The current SC team is made of Laban Opande (Chair), Susan Matindi (Secretary), and Geoffrey Mburu (Member). Mr. Opande sought to retire during the 2022 AGM, but offered to stay in office until another member is appointed or elected.

State of KUDS (SOKUDS)

General:

In the year 2022, KUDS celebrated 10 years of existence since it was founded. During those years, the organization has seen steady growth, both in membership as well as financials. In August of 2022, Kenya also held its general elections, which saw a smooth transition of power from President Uhuru Kenyatta to President William Ruto. Although the country saw a beehive of activities during that electioneering year, coupled with the advent of Russia-Ukraine war, the SC reports that the overall State of KUDS remained positive and resilient. The current Sacco membership continues to grow, despite the overall slow economic recovery across the globe. The current book portfolio has also grown during the financial year. The Sacco Chairman and CEO, together with the Board Members and Staff at the Secretariat, have continued to steer KUDS in both member and financial growth, as well as participating in national, regional, and international engagements on matters Sacco. The Board, through the Chairman, has continued to create new local and global partnerships, while strengthening existing ones with various stakeholders. Among others, our Chairman, Raphael Kilundu was appointed by the Permanent Secretary for State Department of Diaspora Affairs Ms. Roseline Njogu, to an Inter-Ministerial Technical Committee on Diaspora Saccos, aimed at mobilizing and harnessing savings and investments by the Diaspora community.

Supervisory Committee Report *(Continued)*

The SC further observes that the Board and Management has continued to work towards the realization of the overall KUDS mission and objectives, as guided by the organization's Strategic Plan. With the leadership and guidance of the KUDS CEO, Madam Evelyn Olunja, an investment vehicle KUDS Investment Company Ltd (KUDSIC) was registered with the Registrar of Societies in Kenya. The vehicle has started off in earnest to look at investment projects which members can engage in.

Both the Board and Management have also continued to work on enhancing organizational structures of governance, with strengthening of policies and guidelines with the aim of assisting in the efficient, professional, and proper management of KUDS affairs.

The SC however notes with concern that there still exists challenges in having a harmonious working relationship between Board Members, as well as between some Board Members and the Secretariat staff. It is reported that the Executive team within the Board, is making most decisions for the organization, with little or no input from some members. SC believes that these challenges emanate from the mid-year reorganization of the Board, as well as some Board members not dedicating enough time and effort in dealing with KUDS affairs. This scenario has created lethargy and mistrust between the members, and SC fears that if such an environment does not change for the better, then it is a serious impediment to the overall growth of KUDS, and will curtail service delivery and realization of anticipated member benefits.

KUDS operations

The new Sacco ERP (Coop MIS) system:

The new ERP system (Coop MIS) now has been in place for slightly over a year and has brought improvement in service delivery, internal controls, data privacy and data security for KUDS. We've observed several member questions around accessing and navigating the Coop MIS system.

The SC recommends to the Board and the Secretariat to conduct refresher Coop MIS training for new and old members alike. Overall, when compared to the previous Fine Extreme ERP system, Coop MIS represents a great milestone forward for KUDS.

Data Privacy, Security and Safeguarding of Company Records:

Data and records that pertain to KUDS and its members, should be properly safeguarded with the same security protocols and restrictions followed by a banking institution. Failure to observe data security measures could pose security, legal and reputational threats to KUDS and negatively impact operations

Given the anticipated transition of roles and Board Members following the AGM elections, it's important for KUDS to ensure data security and privacy of member information by transitioning any access controls from outgoing to incoming members of the Board. In addition, any KUDS-owned computers or harddrives need to be turned over back to KUDS as Board members retire.

The SC recommends a proper and thorough offboarding of outgoing members of the Board to maintain data security and privacy.

Fadhili Homes:

Fadhili homes, KUDs flagship project is a strategic partnership with a developer, M/S Urban World Property Development Ltd, to build houses for interested Sacco members. There have been various challenges (developer financing, timing delays, quality issues) with this development project, key amongst them being the outstanding loan that Urban World Property Development owes KUDS. The SC recommended to the Board last year to finalize the remaining houses, cut ties with Urban World and start recovery efforts of the loan amounts owed. The SC learned from the Board that Urban World recently engaged a financier that will pay off their loan from KUDS. As of the time of compiling this report, the loan payment is still outstanding.

SC Recommends that KUDS exercises its legal right to liquidate the Urban World property to recover the loan amounts owed, should the financier fail to settle the loan promptly.

SASRA:

Effective 2021, KUDS and other Saccos came under the oversight of SASRA (Sacco Societies Regulatory Authority) agency. Since then, KUDS has continued

Supervisory Committee Report *(Continued)*

to engage with SASRA and other Saccos, largely those from the Diaspora, on fulfilling compliance requirements, especially in areas like operational processes and staffing. Indeed, KUDS has taken a leading role in this endeavor, with KUDS Chairman Raphael Kilundu being nominated to a inter-ministerial joint steering committee between the Department of Cooperatives and Department of Diaspora Affairs. Some of these requirements, like having a physical office in Kenya, trigger additional expenses to the Sacco. The SC recommends that the Board continues to build partnerships with other Saccos, to meet the SASRA requirements while minimizing operating expenses but enhancing member savings.

In reviewing KUDS audited financial statements, SASRA highlighted the following items that require KUDS immediate attention:

- Retained Earnings & Other Reserves/Core Capital ratio of negative 34% is below the minimum capital requirements ratio of 50%
- Not including the words “Regulated Non-Withdrawable deposit taking Sacco” in KUDS name; recommends adding this to the name and submitting the amended certificate by June 30th, 2023
- Bank accounts with foreign banks (JP Morgan Chase & SunTrust) that are not licensed under the Banking Act; recommendation is to close these foreign bank accounts
- Start recovery process of the Kes 74 million receivable from Urban World Property Investment Limited
- Issues raised by KUDS auditor in the Management Letter (see The Auditors section of this report for these issues)

Overall financial performance:

In 2022, KUDS returned a Net Surplus (after tax) of Kes 4,397,959, a remarkable improvement from the negative Kes 9,729,448 (deficit) in 2021. As a result, the Board will be recommending approval of a dividend payment to the AGM. As KUDS resumes in-person AGM meetings, we ask the Board to monitor and control AGM expenses given the current inflationary environment and relatively low uptake of loans by members. The SC would like to see KUDS consistently paying dividends

to members year after year. Overall, SC is pleased that KUDS turned around the large deficit in 2021.

The Auditors:

KUDS auditors, Aggrey & Company, are in year 2 of a 3-year audit engagement. The SC has engaged with the auditors and have confidence in the manner in which the audit was conducted and the resulting unqualified opinion (good) on KUDS 2022 Financial Statements. Among the issues that the auditors shared with management and SC include

Key matters in the 2022 auditor's Management Letter

- **Overdue receivable of Kes 74 million from Urban World Property Investment Ltd:** The auditors recommend that the Board conduct a valuation of the security charged (land) for the Urban World loan and start the funds recovery process to make KUDs whole.
- **Sacco Internal Auditor:** Recommendation for management to engage the services of an internal auditor to advocate for efficiency and effectiveness of KUDS, streamline KUD's policies and establish internal control to curb financial or any other risk that KUDS might be exposed to.
- **System audit:** Recommendation to conduct a system audit to ascertain the financial risks the Sacco may be exposed to, to determine the efficiency and effectiveness of the system used by the Sacco in actualizing Sacco policies and also the exposure the system is to external sources.
- **Trade receivables:** KUDS should recover the withholding taxes on board allowances paid to KRA
- **Cash And Bank Balanced USD account:** Recommendation to open a USD account in Kenya in lieu of a foreign (US) bank account that is not regulated by Kenya's Banking Act.

Issues raised by Board Members

Board Members' Commitment to KUDS:

Some Board members shared their concerns that several of their colleagues appear disengaged or disinterested in performing duties required of them. There's great concern that minimal input is given especially when

Supervisory Committee Report *(Continued)*

discussing weighty issues affecting the institution. This has left the institution to be guided by a few dedicated members, which oftentimes leads to exhaustion of these members, and therefore putting the institution at risk of not being able to execute the vision and strategic plan of the organization. The AGM needs to discuss and give direction on this issue, as there appears not to be an accountability mechanism, other than through the annual election of Board members.

Communication challenges

There appears to be a persistent and on-going all-round communication challenge at KUDS. This includes communication between the Board and Members, communication between the Executive of the Board and the rest of the Board, communication between and among the Board members, communication between the Board and the Secretariat, and communication between the members of the Secretariat. A communication policy needs to be put in place to direct on the manner and mode of communication of all stakeholders, in order to have a harmonious and homogenic discourse within KUDS.

Issues raised by Secretariat

Malindi (Tulia Property) Transaction:

Following protracted conversations among various KUDS stakeholders on several platforms, the Supervisory Committee (SC) convened an urgent meeting to discuss the Malindi Property (also variously referred to as "Tulia") Transaction. Indeed some KUDS members in online chat groups, the KUDS CEO and some Board members through informal and formal communications, had made an outreach to the SC for input and guidance on this transaction.

Most pertinent was a letter from KUDS CEO Ms. Evelyn Olunja, wherein she expressed concerns about the legal and technical requirements in advancing KUDSIC funds (at least initially the 10% needed as down-payment) from KUDS, towards the purchase of the property. It was understood that the advance was to be a loan facility, to be paid back over time, when the property is subdivided and sold to end-users.

CEO Olunja highlighted, among others, that although KUDSIC may draw membership from KUDS, it is

however a separate and independent entity from KUDS. Further, she noted that KUDSIC as an entity does not have an account, or any funds/deposits with KUDS for that matter, and as such may not withdraw or request such funds outside of the normal loan processing and underwriting procedures which apply to all members of KUDS. Additionally, she noted that it was not clear how the balance (90%) expected in 90 days will be paid.

The SC noted that while the purchase of the property was discussed during the Special General Meeting (SGM), and a resolution passed to pursue the venture through KUDSIC, the SC opined that the intent was exploratory in nature, and that the Board would still be expected to adhere to the Sacco by-laws, investment policy, procurement policy, and exercise prudence in dealing with Sacco transactions. SC believes that while the SGM did make a resolution to explore the venture, it certainly left for the Board to report details of the venture, including sourcing of funds towards its acquisition. Further, the SC did not envisage that all members were necessarily interested in owning or purchasing plots in Malindi, so as to bind KUDS in the venture.

Additionally, SC was made aware by the CEO that there was a letter from the Commissioner of Cooperatives dated 18th November advising against KUDS Board's intent to engage in the transaction, largely due to the cardinal rule of separating the core functions of savings and credit by the Sacco, from those of investment. It is not clear, therefore, how the KUDS Board would have voted to proceed with the transaction despite this advisory correspondence.

The Supervisory Committee was concerned that the transaction appeared to be going ahead, especially with the backdrop of previous ventures, more specifically problems encountered and still ongoing with Urban World Developers.

The SC recommended that the transaction be put on hold until it was clear that the Board and the SACCO were not contravening SACCO bylaws, laid down procedures and policies. In the alternative, and as advised by CEO, the Board may float the venture to members who may be interested in the venture, and pursue the same, individually and/or independently through KUDSIC,

Supervisory Committee Report *(Continued)*

and only after all due diligence had been performed before marketing the same to the members.

Issues raised by Members

Konza - Isinya plots

Some time in mid 2022, member George Kiilu contacted KUDS Board and Secretariat, to register his concerns with issues pertaining to his loan application. Mr. Kiilu copied SC Chairman Laban Opande on those communications.

At the beginning of 2023, Mr. Kiilu wrote to the SC to report that his issue had not been addressed, and wanted the SC to intervene. In his email, he made an outline, thus:

- “On 27 June 2022 the Board Chairman emailed to inform me that the Board would convene and discuss my issue after which they would respond to the queries that I had raised. As I write this email neither the CEO nor the Board Chairman has ever communicated to me the decision of the Board.
- “As a Supervisory Committee you are required by law to investigate any member’s concerns and where the matter is of interest the same must be reported to the AGM for discussion.
- “In view of the foregoing I wish to bring to your attention my concerns relating to the Isinya/Konza plots for which I believe that either the Board or some members of the Board may be illegally benefiting from the sale of the plots to members. My reasons for making the foregoing allegation stems from 2016 when I first interacted with Sacco”.
- “I joined Sacco in August 2016. I sought information about the purchase of the Isinya plots. I was advised that the Sacco could waive the 6 months period and allow me to boost my shares after which I would qualify for a loan to purchase 2 quarter acre plots. With that kind of advice and having noted from the Sacco website that the plots were valued at 800k each but were being sold for 750k, and in Feb 2017 I purchased the plots.
- “I then paid off the loan and in February 2020 I again applied for a new loan and was advised that the value of the plots and the shares combined could only guarantee that amount. Without much fuss, I accepted the amount and continued with my repayments as usual.
- “In May 2022 while my loan had still an outstanding balance, I placed an application for a refinancing. The credit officer informed me that Sacco could only grant me a lesser amount after deducting the outstanding loan balance and processing fees. I then opted to suspend the loan application as the amount did not seem to make sense to me.
- “It is important to bring to your attention that as at May/June 2022 the Saccos website still advertised that the value for a quarter acre plot was Kes 1.2 million BUT that the Sacco was selling the same to its members at a discounted amount of Kes 1million.
- “I therefore would like your committee to undertake a full investigation of this matter and file a written report to the next Annual General Meeting scheduled for 29th April 2023 in Atlanta GA.
- “In undertaking the report I would be pleased to be informed of the following key issues
 1. Whether any Board member has a link with Premier Realty
 2. Did the Sacco ever receive a copy of the government valuation of the Isinya/Konza plots during the period between Jan 2020 to June 2022 and if yes can you attach a copy of the valuation in your report.
 3. If the Sacco did not receive any valuation report can Management provide a written explanation how they arrived at the 1.2m value for a quarter acre plot in May 2022 as advertised on the Sacco website.
 4. From the email sent to the CEO by Mr Muthee, the Credit Officer it clearly states that valuations (copies were attached) done in April 2020 and in March 2022 by private valuers returned the value

Supervisory Committee Report *(Continued)*

of the plots at 640k each for a quarter acre BUT yet the Sacco Management with all this information still went on to advertise and offer the very same plots at almost twice the actual market price.

5. Can you also find out and report to the members who removed/gave the orders to amend the website on advertisements made therein.
6. Can you find out and report to members how the Management came to the conclusion that when valuing the plots for sale they would take on the "government valuation" but when granting loans after members have fully paid for the plots they would use a private valuer.
7. Can you find out and provide a detailed list (Names and membership numbers concealed) of all the members who purchased the plots between January 2020 and December 2022 clearly indicating the selling price, loan amount given and/or payment method used.

As an interested party, I would also ask that I be provided with a copy of the findings."

The SC, while fully aware and acknowledging that the member's matter commenced well before Ms. Olunja became KUDS CEO, nevertheless posed the questions below to her office, thus:

1. Did the borrower have a duty to perform their own due diligence before committing to the purchase of the property?
2. Was there a disclaimer by KUDS to the member/purchaser/borrower on KUDS' position regarding that particular property/transaction?
3. Was there an oversight on KUDS part regarding the advertising/marketing/selling of the property with prices which were higher than actual valuations?
4. Was the marketed price pegged on other market forces which would differ with actual market value?
5. Does KUDS now have mitigating steps to avoid a similar scenario or complaint by a member?

On or about March 30th, 2023, SC Chairman Laban Opande, after contacting KUDS CEO Ms. Olunja, and making a follow-up on the status of Mr. Kiilu's concerns, shared with Mr. Kiilu the following communication on the findings, thus:

"I have followed up on your issue, and gotten some feedback from KUDS CEO Evelyn Olunja.

"I had also requested her to follow through with the regulator on their pending review of the matter, as we had wanted to get their response as well. Ms. Olunja has since shared the same, and also informed us that the findings have been conveyed to you.

"Just preliminarily, it appears that KUDS Board, Secretariat, and the regulator SASRA now consider your complaint to have been addressed, and the matter closed. I am attaching several pieces of documentation and communications on your complaint, between the various parties concerned, some of which you may already be in possession, or aware of.

"My opinion is that with the regulator's office (SASRA) having made a finding or conclusion, then the Supervisory Committee's (SC) mandate has been superseded in this case. This is because in my understanding of the administrative hierarchy of the Sacco movement structure, a SC is inferior to the regulator (SASRA), and therefore SC's quest or attempt to investigate, and indeed any opinion thereof is rendered moot.

"Nevertheless, as earlier promised, the SC will dutifully report your case to the AGM in the 2022 SC AGM Report, and you may bring a motion or resolution to the floor of the AGM for members to discuss and vote on, or seek help further up the chain.

"I do wish to thank you for your inquiry, as well as your continued patronage of our KUDS".

While the SC acknowledges that SASRA has made a conclusive finding on the aforementioned matter, the SC nevertheless would make the following recommendations, thus:

1. Adhere to the core business of the organization of providing savings and credit facilities, and leave investment functions to the independent entity of KUDSIC.
2. Adhere to the strict guidelines provided in the procurement policy on engagement of third party partners, especially in provision of products and services.
3. Have a clear market strategy, with updated and

Supervisory Committee Report *(Continued)*

accurate information on products and services provided, including those on the KUDS website and social media platforms.

4. Share with members full disclosures as well as the necessary disclaimers especially on products and services provided by KUDS.

Progress on 2022 Agm Resolutions

1. Resolution to receive, consider and adopt the audited financial report for the period ended 31st December 2021. **Done**
2. Resolution to consider and approve the Revised Budget for 2022 and the proposed budget for Year 2023. **Done**
3. Resolution to adopt the Chairman's 2021 report. **Done**
4. Resolution to have a ceiling of Ksh 100 million borrowing powers for on-lending to members when the need arises from external financiers. **This is effective upon confirmation of the Resolution at the AGM.**
5. The current auditor Aggrey and Company had expressed interest to continue in office in accordance with the provision in Section C of the Cooperative Societies Act Cap 490. **Done**
6. Resolution to ratify the By-laws after the amendment to conform with provisions of SASRA regulation 2020 and to include the registration of the newly registered Investment company - KUDSIC wholly owned by the KUD non DTS. **Done**
7. Resolution to review the current minimum share capital of 20,000 to 50,000 to be remitted within 6 months. **Done**

Conclusion

The last few years have been of great challenge to the global economy, and KUDS has not been an exception. However, despite these external factors, the Sacco continues to show resilience in its membership as well as financial numbers. As KUDS steps into its second year

under SASRA, the organization continues to fine-tune its corporate and governance structures, with great effort being made to be compliant with its own by-laws, as well as with the regulator.

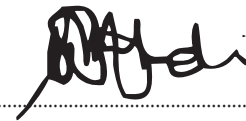
The Supervisory Committee continues to encourage all stakeholders to work harmoniously together in delivering member benefits. The SC is greatly encouraged by a robust engagement by the members, Secretariat, and Board, in KUDS affairs.

SC is grateful for the continued unwavering support from all KUDS stakeholders, and hereby wishes everyone a successful 2023 AGM.

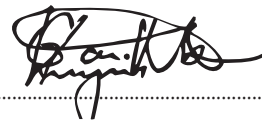
Thank you.



Laban Opande
Chairman



Susan Matindi
Secretary



Geoffrey Mburu
Member

Treasurer's Report

The Commissioner for Co-operatives, Chairman of the Board of Directors, esteemed members of the Supervisory Committee, Vetting, Nominations and Election Committee, and distinguished members, it is my pleasure to present to you the Treasurer's Financial Report for the year ended December 31, 2022, on behalf of our Society.

Along with this report, I will also be presenting the revised budget for 2023 and the proposed budget for 2024, as required by our regulations. This will provide our members with insight into what to expect in the coming years, including projected income, anticipated expenses, and expected surpluses based on current trends.

I am pleased to report that our Society has received a clean and unqualified opinion from our auditors, Aggrey & Company. Our accounts have also been approved by the Sacco Societies Regulatory Authority (SASRA), in compliance with the Sacco Societies Act.

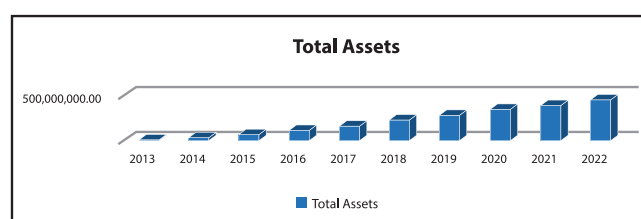
Financial Overview

Our Society's primary activities are focused on mobilizing members' savings and providing loans. In line with this, the Board recommends paying dividends on share capital at a rate of 2% per annum and interest on main savings at a rate of 1.18% per annum as of December 31, 2022. It is important to note that this marks a change from the prior year, as in 2021, the Board did not recommend any

payments on share capital or interest on main savings for the period ending December 31, 2021.

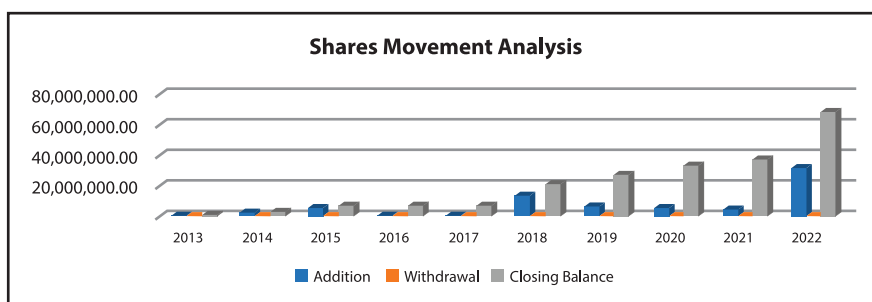
Total Assets

Our total assets have shown remarkable growth, increasing from KES 398 million in 2021 to KES 454 million in 2022, representing a 14% growth rate. This is a positive indicator of our Society's financial health and stability and a testament to our members' confidence in our operations.



Share Capital

The Society has demonstrated consistent growth in Share Capital over the years, and this trend continued in the year under review. Share Capital increased from KES 37.3 million to KES 69.23 million, representing a growth rate of 86%.



	Year 2022	Year 2021	Growth (%)
Active Members	826	611	35%
Dormant members	849	906	-6%
Total members	1,675	1,517	10%
Share capital ('000')	69,235	37,299	86%
Deposits ('000')	340,118	305,233	11%
Gross Loan portfolio ('000')	246,611	176,010	40%
Revenue ('000')	36,330	33,326	9%
Interest on member deposits	1.18%	0%	
Dividends	2.00%	0%	-

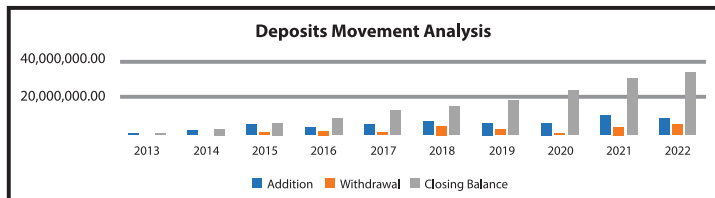
Treasurer's Report *(Continued)*

Members' Deposits and Savings

I am delighted to report that our members' deposits have grown impressively from KES 305.2 million in 2021 to KES 340.1 million in 2022, representing an 11% growth rate. It is worth noting that our Society has an active membership of only 826 depositors, meaning that this growth translates to an additional savings of KES 3,519 per member per month and KES 42,233 annually.

On average, our Society's total deposits of KES 340.1 million for a total membership of 1,675 translate to an average deposit of KES 203,056 per member.

To continue this upward trend, the Board has formulated various strategies for member deposit mobilization. These include the activation of dormant accounts, increased monthly deposit contributions, and the ploughing back of interest on deposits and dividends on shares. By implementing these strategies, we aim to foster a culture of saving among our members and enable them to achieve their financial goals.

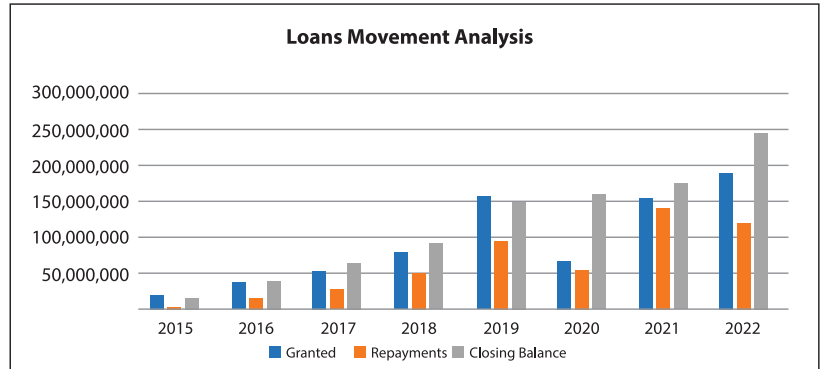


Members' Loans and Advances

The Sacco's efforts to improve its loan portfolio have yielded positive results, with members' loans and advances growing by KES 71 million from KES 176 million reported in 2021 to KES 246 million in 2022, representing a growth rate of 40%. This growth can be attributed to the Sacco's enhanced marketing

	2022	2021	2020	2019	2018
Opening Balance	176,010,016	161,371,618	150,907,763	92,431,982	65,084,591
Granted	191,621,655	155,791,924	66,658,390	156,832,017	79,459,715
Repayments	121,020,149	141,153,526	56,194,535	98,356,236	52,112,324
Closing Balance	246,611,522	176,010,016	161,371,618	150,907,763	92,431,982

strategies, member education initiatives, and review of credit products and procedures. These efforts have enabled the Sacco to provide more accessible and tailored credit facilities to its members, leading to an increase in demand for loans and advances.



From 2018 to 2022, KUDS' largest and most valuable asset, the Loan Portfolio, grew by 167%, or KES 154 million, from KES 65 million in 2018 to KES 246 million. At the end of 2022, the ratio of members' loans to member deposits was 72%.

Loan Delinquency & Provision for Impairment

During the calendar year, the Sacco's credit committee reviewed its loan repayment and issuance practices. The secretariat now follows up with members on a daily, weekly, and monthly basis to ensure complete loan collection. This approach seems to be working, as provisioning has decreased over time. Additionally, the Sacco's loan portfolio has experienced an increase in the number of performing loans, indicating that members have been servicing their loans.

Revenue

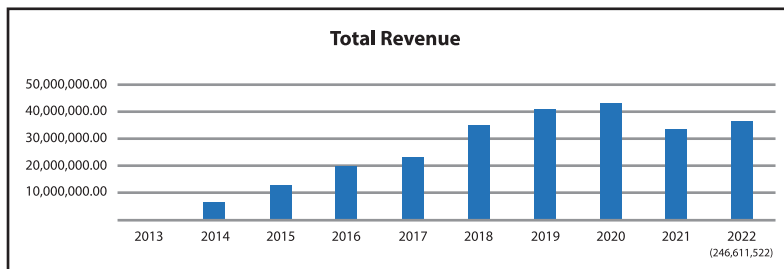
Our Society's total revenue for the period under review was KES 36.3 million. Of this amount, interest on loans, loan processing, and restructuring fees accounted for 72%, while investments and fixed deposits with other financial institutions as well as other income represented 28% of total revenue.

This revenue breakdown demonstrates our Society's commitment to providing accessible and affordable loans to our members while maintaining prudent

Treasurer's Report *(Continued)*

financial management practices. We will continue to explore opportunities to diversify our revenue streams while staying true to our mission of empowering our members through financial inclusion and cooperative principles.

Liquidity Ratio and Total Non-performing loans/Gross Loan Portfolio ratio. It is also compliant with the Total Expense/Total Income ratio, with actual expenses below the budgeted amount.



Operating Expenses

The table below gives an analysis of the spread of the Society's operating expenses based on the various classifications. It is important to note that all the expenses were below their budgeted amounts.

Operating Expenses	Actual 2022	2022 Budget	% CHG
Personnel Expenses	13,245,484	15,447,418	14%
Governance Expenses	3,856,678	5,320,569	28%
Administrative Expenses	5,223,912	7,537,020	31%
Total Expenses	22,326,074	28,305,006	30%

Overall, the total expenses for the Society were KES 22,326,074, which was 30% lower than the budgeted amount of KES 28,305,006. Additionally, it was 36% lower than the actual expenses for 2021 which amounted to KES 34.7 million. The Society's management continues to monitor their operating expenses closely to identify areas where they can make further cost savings without compromising the quality of services.

Compliance with Prudential Standards

The Society is compliant with the SARSA standards for the Capital Adequacy Ratio in terms of Core Capital/Total Assets and Core Capital/Total Deposits. However, it is non-compliant with the Retained Earnings/Core Capital ratio, which has been negative for both years 2021 and 2022 but with some improvement towards compliance.

On the other hand, the Society is compliant with the

Kenya USA Diaspora Sacco Investment Company

The KUDS is responsible for mobilizing savings and providing credit to members, while KUDS Investment Company (KUDSIC) was established on April 28, 2022, as a subsidiary of KUDS to oversee members' investment initiatives. KUDSIC is a limited company registered under the Company's Act and utilizes member-raised or authorized funds to generate wealth and opportunities for members and other diaspora clients. KUDSIC manages all KUDS investment ventures, including Fadhili homes, Bank Investment Acquisition, and the recently launched Malindi project.

Members can expect numerous benefits from KUDSIC, such as priority access to subsidized product sales and letting, discounted prices on KUDSIC products (including land and houses), KUDS dividend payments, and thorough due diligence conducted by highly skilled experts. KUDSIC aims to create wealth for its members through various investment opportunities

Fadhili Homes Development Project

In December 2022, Urban World Property Investment Inc secured a financier to take over the loan and pay off the outstanding liabilities, which amount to KES 106,475,094/=. KUDS is currently waiting for payment or funding from the financier. If the financier fails to fulfil their obligation, then KUDS reserves the right to acquire and dispose of the property.

Bank Acquisition Project

The KUDS Board, in compliance with a membership resolution, has enlisted the services of a Transaction Advisor to explore opportunities for investing in Kenya's banking sector. This initiative is in line with KUDS's long-term development goals and growth strategy, which involves facilitating members to invest in a financial institution in Kenya as shareholders. Standard

Treasurer's Report *(Continued)*

Revised 2023 & Proposed 2024 Budget

	BUDGET	ACTUAL	VARIANCE	APPROVED BUDGET	REVISED BUDGET	BUDGET
REVENUE	2022	2022	2022	2023	2023	2024
Interest Income	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Interest on Member Loans	29,534,745	24,260,345	(5,274,400)	33,078,914	30,082,828	33,692,767
Other interest income	8,729,109	8,240,647	(488,462)	9,776,602	9,476,744	10,613,954
Total Interest Income	38,263,854	32,500,992	(5,762,862)	42,855,516	39,559,572	44,306,720
Interest Expense	(11,241,950)	(7,775,044)	3,466,906	(12,590,984)	(5,433,049)	(6,085,015)
Net Interest Income	27,021,904	24,725,948	(2,295,956)	30,264,532	34,126,523	38,221,705
Other operating income	6,094,821	3,829,197	(2,265,624)	6,704,303	3,659,419	4,098,549
Net Income	33,116,725	28,555,145	(4,561,580)	36,968,835	37,785,941	42,320,254
Operating Expenses						
Personnel costs	15,447,418	13,245,484	2,201,934	16,992,160	15,204,834	16,725,317
Governance expenses	5,320,569	3,856,678	1,463,891	5,852,626	9,453,305	10,398,636
Administrative expenses	7,537,020	5,223,912	2,313,107	8,871,845	9,354,772	10,533,939
Provision for Loan Loss	3,576,777	-	3,576,777	3,934,454	1,000,000	1,500,000
Total Expenses	31,881,783	22,326,073	9,555,710	35,651,084	35,012,911	38,914,202
Surplus/Loss Before Tax	1,234,942	6,229,072	4,994,130	1,317,751	2,773,030	3,406,052
Taxation	(487,500)	(1,831,113)	(1,343,613)	(536,250)	(2,050,847)	(2,206,875)
Surplus/Loss after taxation	747,442	4,397,959	3,650,517	781,501	722,184	1,199,177

Treasurer's Report *(Continued)*

Capital Expenditure (Capex) Budget 2022-2023

Property, Plant & Equipment	1,360,000	263,995	1,096,005	1,080,000	2,672,500	2,939,750
Total Capex Budget	1,360,000	263,995	1,096,005	1,080,000	2,672,500	2,939,750



.....
Raphael Kilundu
Chairman



.....
David Wanjiru
Treasurer



.....
Isaac Kasera
Treasurer

Treasurer's Report *(Continued)*

Investment Bank Limited has been selected as the Transaction Advisor and will be responsible for leading all necessary actions, including the application request to regulatory agencies such as the Central Bank of Kenya, the Commissioner of Cooperatives, and the Sacco Regulatory Authority (SASRA), among others.

Summary and Recommendations

- To reduce the number of dormant accounts,

Capital Adequacy Ratio	SARSA Standard	Year 2022	Year 2021	Note
Core Capital/Total Assets	8%	11.4%	4.7%	Compliant
Core Capital/Total Deposits	5%	13.4%	5.1%	Compliant
Retained Earnings/Core Capital	50%	-34%	-98%	Non-Compliant
Other Ratios				
Liquidity Ratio	10%	26%	27%	Compliant
Total Expense/Total Income	70%	61.5%	78.7%	Compliant
Total Non-performing loans/ Gross Loan Portfolio	5%	5.2%	16.4%	Compliant

members should maintain a minimum savings balance of KES 5,000 to keep their accounts active.

- Members should take advantage of the Sacco's strong liquidity position and utilize loans for their investments and projects.
- To avoid provisioning, which increases the Sacco's expenses and limits its ability to issue interest on deposits and dividends, members are reminded to repay their loans in accordance with the contractual terms.

Budget Estimates

Finally, here are the budgeted actual income and expenditure statement estimates for 2022 and 2023 respectively, as well as the proposed budget for 2024:

The budget will cover various items, including but not limited to:

- Member loan disbursements

	Actual 2022	Revised 2023	Proposed Budget 2024
Total Income	36,330,189	43,218,990	48,405,269
Total Expenditure	22,326,073	35,012,911	40,614,385
Interest Income	32,500,992	39,559,572	44,306,320
Capex Budget	263,995	2,672,500	2,939,750

- Diaspora Sacco Office Relocation
- Organizational restructuring to comply with SASRA requirements, such as hiring an Internal Auditor
- Increases in meeting payment allowances

Our goal is to establish KUDS as a premier lending institution in the diaspora market. Therefore, we encourage all members to consider KUDS first for all their borrowing needs.

Conclusion

The growth of KUDS is synonymous with the growth of its members, and therefore it is essential that we provide products and services that meet their evolving needs. Our Board and secretariat have been proactive in implementing initiatives that

position KUDS for future success while serving as our members' primary financial services provider.

I extend my sincere appreciation to our stakeholders, including the Office of the Commissioner for Cooperatives and our Regulator SASRA, our delegates, KUDS Sacco staff, and members, for their unwavering support.

It has been an honour serving as the Treasurer, and I look forward to being a part of the future financial growth of our Sacco.

Thank you, and may God bless you all.

David C. Wanjiru

David Wanjiru

Treasurer

Kenya USA Diaspora Sacco

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 2022.

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:

	2022 KShs	2021
Surplus before tax	6,229,072	(5,831,864)
Income tax expense	(1,831,113)	(3,897,584)
Net Surplus after tax	4,397,959	(9,729,448)

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: 10/03 2023

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 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 objective s, 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 judgments 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 10/03/ 2023 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 2022, 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 2022 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
The following is a key audit matter, we noted an overdue receivable of Ksh 74,093,439 from Urban World Property Investment Ltd, a co-partner in the Sacco business. The amount is material and has adversely affected the liquidity of the Sacco. The receivable subjects the sacco to a financial risk by denying it an opportunity to generate more income through loaning to members as well as through other market opportunities.	We have evaluated the extent of the continued existence of this receivable to the society and its present value presentation in these financial statements. We are of the view that the management expedite proper valuation of the security charged and the recovery of the funds be done immediately.

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.

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

- ❖ 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 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.



Certified Public Accountants

Nairobi

10th March, 2023

CPA Barack Aggrey Ochieng Obungu
 MNO 1327 LNO 699
 0713 933994 / 0703 133551
 0733 894391 / 0731 567442

Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2022

REVENUE	NOTE	2022	2021
INTEREST INCOME	2(a)	KShs.	KShs.
Interest on Member Loans		24,260,345	21,877,175
Other interest income	2 (b)	8,240,647	8,742,059
Total Interest		32,500,992	30,619,234
INTEREST EXPENSES	4	(7,775,044)	(4,406,094)
NET INTEREST INCOME		24,725,948	26,213,140
OTHER OPERATING INCOME	3		
Other operating income		3,829,197	2,706,950
		3,829,197	2,706,950
NET INCOME		28,555,145	28,920,091
OPERATING EXPENSES			
Financial Expenses	5	236,926	160,127
Personnel costs	6	13,443,213	11,911,026
Governance expenses	7	3,856,678	6,758,123
Administrative expenses	8	4,524,710	7,096,859
Depreciation	11	264,547	287,495
Provision for Loan Loss	9	-	8,538,325
NET EXPENSES		22,326,073	34,751,954
LOSS FOR THE YEAR BEFORE TAXATION		6,229,072	(5,831,864)
TAXATION		(1,831,113)	(3,897,584)
Loss for the year after taxation		4,397,959	(9,729,448)

Statement of Financial Position

ASSETS	NOTE	2021 KShs.	2020 KShs.
Bank and Cash Balances	12	18,778,049	15,804,064
Accounts Receivables	13	83,667,050	81,888,590
Loans Portfolio	14	234,556,045	163,828,633
investments	15	70,920,167	82,251,855
Fadhili homes contribution	21	45,292,157	53,392,775
Property and Equipment	16	1,203,175	1,203,727
TOTAL ASSETS		454,416,642	398,369,644
LIABILITIES			
Member Deposits	17	386,917,343	366,721,378
Taxation	18	1,577,100	3,293,253
Account payables	19	8,835,339	9,491,863
Other payable	20	5,384,703	-
Total Liabilities		402,714,486	379,506,494
EQUITY			
Share Capital	22	69,235,170	37,299,991
Reserves	23	(17,533,013)	(18,436,841)
		51,702,157	18,863,150
TOTAL LIABILITIES AND EQUITY		454,416,642	398,369,644

The financial statements on pages 9-25 were authorized for issue by the Board of Directors on/...../ 2023 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 2022

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 surplus 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 as at 31st December 2021	37,299,991	4,225,534	(22,662,375)	-	18,863,150

PARTICULARS	Share Capital Kes	Statutory Reserves Kes	Retained Earnings Kes	Proposed dividends Kes	TOTAL Kes
Balance 1st January 2022	37,299,991	4,225,534	(22,662,375)	-	18,863,150
Additions during the year	31,935,179	-	-	-	31,935,179
Net Profit for the year	-	-	4,397,959	-	4,397,959
Transfers for the year	-	879,592	(879,592)	-	-
prior year adjustment	-	-	(2,109,428)	-	(2,109,428)
Proposed Distributions	-	-	-	-	-
- Dividends	-	-	(1,384,703)	-	(1,384,703)
Balance 31st December 2022	69,235,170	5,105,126	(22,638,139)	-	51,702,157

Cash Flow Statement

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2021

	Notes	2022 KShs	2021 KShs
Cash flows from operating activities			
Interest receipts	2 (a)	32,500,992	30,619,234
Interest payments	4	(3,775,044)	(4,406,094)
Payments to employees and suppliers	5,6,7,8	(22,061,527)	(25,926,134)
Payments of dividends, honorarium and staff bonus	-		(3,316,500)
Prior year adjustment	10	(2,109,428)	(100,024)
Other Operative income	2 (b)	3,829,197	2,706,950
		8,384,191	(422,568)
Increase/decrease in operating assets			
Net loans to members	14	(70,727,412)	(14,638,398)
Accounts receivables	13	(1,778,460)	38,258,640
Increase/ decrease in operating liabilities			
Net deposits from members	17	20,195,966	59,142,437
Other payable		8,100,618	(53,392,775)
Accounts payables	19	(656,524)	(9,135,484)
Net cash from operating activities before taxes		(36,481,621)	19,811,851
Income and withholding tax paid	18	(3,547,266)	(904,040)
Net cash used by operating activities		(40,028,887)	18,907,811
Cash flows from investing activities			
Purchase of Investments	15	11,331,688	(14,863,428)
Purchase of property and equipments		(263,995)	(408,750)
Net cash flows from investing activities		11,067,693	(15,272,178)
Cash flows from financing activities			
Shares Capital Contributions Received	22	31,935,179	4,134,991
Net cash flows from financing activities		31,935,179	4,134,991
Net decrease in cash and cash equivalent		2,973,985	7,770,624
Cash and cash equivalents at the beginning of the year		15,804,064	8,033,439
Cash and cash equivalents at the end of the year		18,778,049	15,804,064

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

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

off the cost of the assets over their expected useful lives at the following rates:-

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.

Notes to the Financial Statements

(Continued)

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 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.

Notes to the Financial Statements

(Continued)

Experience shows that a minimum level of cash and 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 2022

(iv) 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.

2 (a) INTEREST INCOME

Interest on Loans to Members
Interest on loan refinancing

2 (b) OTHER INTEREST INCOME

Interest on Fixed and call deposits
Interest income-Unit trusts
Penalty interest charged

3 OTHER OPERATING INCOME

Entrance fees
Loan processing fees
Exchange gain
Membership refunds commission
Fadhili homes booking fees
Money transfer fees
Plot booking fee
Commission on Isinya Konza Plots
Withdrawal fees

	2022 KShs	2021 KShs
Interest on Loans to Members	23,408,564	21,486,547
Interest on loan refinancing	851,780	390,629
	24,260,345	21,877,175
Interest on Fixed and call deposits	3,886,493	4,319,128
Interest income-Unit trusts	4,354,155	3,222,600
Penalty interest charged	-	1,200,331
	8,240,647	8,742,059
Entrance fees	707,408	869,950
Loan processing fees	1,899,575	842,374
Exchange gain	62,235	393,113
Membership refunds commission	160,000	-
Fadhili homes booking fees	10,000	20,000
Money transfer fees	-	13,418
Plot booking fee	5,000	32,641
Commission on Isinya Konza Plots	370,000	229,910
Withdrawal fees	614,980	305,544
	3,829,197	2,706,950

Notes to the Financial Statements

(Continued)

	2022 KShs	2021 KShs
4 INTEREST EXPENSES		
Proposed Interest on member deposits	4,000,000	-
Interest on mavuno savings	3,775,044	4,406,094
	7,775,044	4,406,094
5 FINANCIAL EXPENSES		
Bank Charges	236,926	160,127
	236,926	160,127
6 PERSONNEL EXPENSES		
Salaries and Wages-Staff	10,671,263	9,862,623
Staff Gratuity	1,065,690	929,826
Staff Medical Expenses	915,745	945,610
Staff WIBA insurance	48,220	58,892
Other Staff expenses	742,294	114,075
	13,443,213	11,911,026
7 (a) GOVERNANCE EXPENSES		
Committee sitting allowance	3,341,625	5,120,850
Other Committee expenses	172,181	1,395,585
AGM Expenses	264,028	-
Committee PA Insurance	78,844	241,688
	3,856,678	6,758,123

7 (b) BOARD ALLOWANCES SCHEDULE

BOARD ALLOWANCES 2021		
	Name	Amount
1	Kefa Otiso	165,000
2	Raphael Kilundu	380,625
3	Isaac Kasera	380,625
4	John Kagiri	112,500
5	David Wanjiru	532,875

Notes to the Financial Statements

(Continued)

6	Susan Mutindi	108,750
7	Michael Ndungu	354,375
8	Godfrey Mburu	108,750
9	Laban Opande	108,750
10	Beatrice Angalo	328,125
11	Wakiuru Wamwara	354,375
12	Duke Mochama	354,375
13	Charles Onchoke	52,500
	TOTAL	3,341,625

8 ESTABLISHMENT AND ADMINISTRATIVE EXPENSES

	2022 KShs	2021 KShs
Software maintenance expenses	635,009	718,367
Audit fees	190,000	224,800
Office rent	1,500,000	1,250,000
Telephone and Postage	694,546	349,203
Office expenses	204,724	119,540
Repairs and maintenance	14,000	8,500
Travelling expenses	124,094	38,390
Other professional fees	227,220	1,139,834
Marketing expenses	428,925	98,740
Licenses and permits	50,000	65,000
Legal fees	184,000	243,600
Internet expenses	235,232	173,708
Printing and stationery	36,960	44,236
Bad debts written off	-	2,622,941
	4,524,710	7,096,859

Notes to the Financial Statements

(Continued)

9 PROVISION FOR LOAN LOSS	2022 KShs	2021 KShs
Provision for the years	-	8,538,325
	-	8,538,325
10 PRIOR YEAR ADJUSTMENT		
Overprovision written back	(30,600)	100,023
Understatement in Income 2021	2,140,028	-
	2,109,428	100,023
11 DEPRECIATION		
Depreciation	198,224	199,065
Amortization Cost	66,323	88,430
	264,547	287,495
12 BANK AND CASH BALANCES		
Cooperative Bank of Kenya Limited		
Current Account	7,078,837	1,319,553
Call account	9,295,484	7,611,511
	16,374,321	8,931,064
Kenya Commercial Bank Limited		
Current Account	-	420,000
	-	420,000
JP Morgan Chase bank		
Current Account	390,178	1,062,842
	390,178	1,062,842
Commercial Bank of Africa		
Current Account	243,597	3,098,390
	243,597	3,098,390
Sun Trust		
Current Account	34,000	34,000
	34,000	34,000
Cash on Hand		
Petty Cash	25,892	20,072
Mpesa	1,744,060	2,237,696
	1,769,952	2,257,768
	18,778,049	15,804,064

Notes to the Financial Statements

(Continued)

13 ACCOUNTS RECEIVABLES

	2022 KShs	2021 KShs
Urban World Property Investment Ltd Loan	74,093,439	70,126,400
Interest receivable from loan	1,861,496	4,879,612
Trade receivables	7,159,469	6,741,479
Rent Security Deposit	41,100	141,100
Prepayments	240,314	-
Main savings insurance control account	171,233	-
	83,667,050	81,888,590

The loan to Urban World Property Investment Limited relates to a special loan towards Construction and development of Fadhili Homes which is a member's project. There is a partnership agreement between the society and Urban World Property Investment Limited who are developers of Fadhili Homes. Where the society receives commission on the sale of houses.

LOANS TO MEMBERS

	2022 KShs	2021 KShs
Balance 1st January	176,010,016.00	161,371,618
Loans granted in the year	191,621,655.00	155,791,924
Loans repayments and offsets	(121,020,149.00)	(141,153,526)
Balance 31st December	246,611,522	176,010,016
Less: Provision for loan loss	(12,055,477)	(12,181,383)
Net total loans advances and accrued interest	234,556,045	163,828,633
Listed individual members' balances	246,600,229	176,010,016
Unreconciled Difference	11,293	-
LOANS CAN BE RE-STATED AS:		
Current	211,085,280	108,843,600
Non-Current	35,526,242	67,166,416
	246,611,522	176,010,016
TOTAL	246,611,522	176,010,016

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%	133	211,098,581	1%	2,110,986
1-30 days-Watch 5%	9	22,625,604	5%	1,131,280
31-180 days-Substandard 25%	6	5,316,438	25%	1,329,110
181-360 days-Doubtful 50%	4	4,669,738	50%	2,334,869
Over 361 days-Loss account 100%	3	2,889,869	100%	2,889,869
	155	246,600,230	-	9,796,114
Additional Provision		-		
Total Provision	-	246,600,230		9,796,114

Notes to the Financial Statements

(Continued)

15 FINANCIAL INVESTMENTS

	2022 KShs	2021 KShs
Coop Insurance Company (CIC) Unit Trust- Money market	28,302,758	44,491,541
ABC Fixed Deposit	42,111,214	37,290,614
Stanlib Unit Trust-Money Market	506,195	469,701
	70,920,167	82,251,855

16 PROPERTY, PLANT AND EQUIPMENT

	Computer Hardware KShs.	Computer Software KShs.	Office Equipment KShs.	TOTAL KShs.
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
As at 31.12.2020	510,411	2,766,803	1,262,810	4,540,024
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	3,745,048
COST				
As at 1.1.2022	919,161	2,766,803	1,262,810	4,948,774
Additions	99,800	-	164,195	263,995
As at 31.12.2022	1,018,961	2,766,803	1,427,005	5,212,769
DEPRECIATION/AMORTIZATION				
As at 1.1.2022	492,585	2,501,512	750,950	3,745,048
Charge for the year	130,619	66,323	67,605	264,547
As at 31.12.2022	623,204	2,567,835	818,556	4,009,594
NET BOOK VALUE				
As at 31.12.2022	395,757	198,968	608,449	1,203,175
As at 31.12.2021	426,576	265,291	511,860	1,203,726

Notes to the Financial Statements

(Continued)

17 MEMBERS DEPOSITS	2022 KShs	2021 KShs
Main Savings Balance 1st January	305,233,840	240,382,642
Contributions during the year	87,163,880	110,025,359
Refunds and offsets	(52,279,349)	(45,174,161)
Balance 31st December	340,118,371	305,233,840
Individual member listed balance	340,118,381	305,233,840
Unreconciled difference	(10)	-
Mavuno Savings Scheme	43,891,643	57,385,669
Plot savings	2,907,330	4,101,869
	46,798,972	61,487,538
Total Members Deposits	386,917,343	366,721,378
18 TAXATION		
Statement of comprehensive income		
Income Tax		
Charge for the year at 30%	(1,831,113)	997,584
	(1,831,113)	997,584
Statement of financial position		
As at 1st January	3,293,253	299,709
Charge for the year	1,831,113	997,584
Underprovision in past years	-	2,900,000
Payment during the year	(3,547,266)	(904,040)
	1,577,100	3,293,253
Total	1,577,100	3,293,253
19 ACCOUNTS PAYABLES		
Interest payable on main savings	-	5,124
Unidentified deposits	3,585,870	2,072,444
Legal fees payable	3,229,960	3,159,902
Staff Gratuity	-	681,786
Techmate solutions	35,860	-
Audit Fees	86,810	224,800
Accrued directors allowances	369,563	-
Withholding tax payables	64,586	28,362
Main savings insurance control account	-	958,304
Other payables	965,959	439,633
Kenstate Valuation fees	21,736	21,734
Coretec solutions	73,683	-
Salary Control	401,312	1,899,775
	8,835,339	9,491,863

Notes to the Financial Statements

(Continued)

20 OTHER PAYABLE	2022	2021
b) Proposed payments for the year	KShs	KShs
Interest on deposits	4,000,000	-
Dividends	1,384,703	-
	5,384,703	-
TOTAL	5,384,703	-
21 FADHILI HOMES CONTRIBUTION		
Balance as at 1st January	(53,392,775)	6,162,542
Contributions during the year	8,100,618	11,215,281
Funds applied to the project	-	(70,770,598)
Balance as at 31st December	(45,292,157)	(53,392,775)
22 SHARE CAPITAL		
Authorised Undetermined Ordinary Shares of Ksh 20/=		
Issued: Fully and Partly paid		
Balance 1st January	37,299,991	33,165,000
Additions	31,935,179	4,134,991
Balance 31st December	69,235,170	37,299,991
Individual listed balances	69,235,170	37,299,991
Unreconciled differences	-	-
23 RESERVES		
Retained Earnings	(22,638,139)	(22,662,375)
Statutory Reserve	5,105,126	4,225,534
	(17,533,013)	(18,436,841)
24 RELATED PARTIES TRANSACTIONS		
Loans to Members of staff	7,345,264	2,269,963
Loans to members of Board of Directors	6,829,502	6,867,127
Committee sitting allowances	3,341,625	5,120,850
12 RELATED PARTIES TRANSACTIONS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:		
Cash and bank balances	18,778,049	15,804,064
Net balance	18,778,049	15,804,064

25 COMPARATIVE FIGURES

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





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