

CS /NO. 2169



**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2021**



Omanwa & Associates  
Certified Public Accountants and Secretaries (Kenya)  
Commerce House, Moi Avenue  
P.o Box 64447-00620 Nairobi



CS /NO. 2169

**CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2021**

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**CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED**

**SOCIETY INFORMATION**

**FOR THE YEAR ENDED 31ST DECEMBER 2021**

**BOARD OF DIRECTORS:**

Boniface Ayub	Chairman
Kimani Thungu	Vice Chairperson
Symon Cheptarus	Hon. Secretary Up to March 2021
Lameck Migiro	Hon. Secretary From March 2021
James Hinga	Treasurer
Grace Miano	Member
Julius Mugo	Member
Elijah Olulo	Member
Lucy Ndirangu	Member
Monica Yuaya	Member From March 2021
Festus Mwatee	C.E.O (Ex - Officio)

**SUPERVISORY COMMITTEE**

Fredrick Aluoch	Chairperson
Agnes Wamuyu	Secretary
John Kanyago	Member

**SENIOR MANAGEMENT STAFF**

Festus Mwatee	Chief Executive Officer
Stephen Samba	Head of Business Operations
Ann Ngugi	Head of Finance
Catherine Kinoti	Human Resource & Administration Manager
Robert Kirui	Credit Manager
Johnson Muriuki	Marketing & Business Development Manager
Robert Mogoi	ICT Manager
Michael Musyoka	Internal Audit and Risk Manager
Mercy Abida Kamun	Loans Recovery Manager

**REGISTERED OFFICE**

Chai Savings & Credit Co-operative Society Limited  
4th Floor, KTDA Plaza, Moi Avenue.  
P.O Box 278-00200,  
Nairobi, Kenya

**PRINCIPAL BANKERS**

Co-operative Bank of Kenya Limited  
Co-operative House Branch,  
P.O Box 48231 -00100,  
Nairobi, Kenya.

**PRINCIPAL LAWYERS**

Milimo Muthomi & Co. Advocates,  
4th Avenue Towers, Upper Hill,  
P.O Box 8154-00200  
Nairobi, Kenya

**INDEPENDENT AUDITORS**

Omanwa and Associates  
Certified Public Accountants  
Commerce House, Moi Avenue  
P.o Box 64447 - 00620  
Nairobi, Kenya

CS /NO. 2169  
**CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED**  
**REPORT OF THE BOARD OF DIRECTORS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2021**

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

**INCORPORATION**

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

**PRINCIPAL ACTIVITY**

The Society's principal activity is to receive deposits from members and advance loans on interest.

<b>RESULTS</b>	<b>2021 Kshs</b>	<b>2020 Kshs</b>
Surplus before tax	130,201,047	119,648,605
Taxation	(10,752,015)	(8,698,156)
Operating surplus after tax	<b>119,449,032</b>	<b>110,950,449</b>
Transfer to Statutory reserve	(23,819,844)	(22,238,745)
Proposed dividends	(69,766,376)	(58,582,708)
Proposed honoraria	(2,400,000)	(2,200,000)
Total distribution	<b>(95,986,220)</b>	<b>(83,021,453)</b>
Retained earnings for the year	23,462,812	27,928,997
Rebates on members' deposit	217,079,988	193,328,140
Rebates on member deposits	8.5%	8%
Dividends on Share Capital	13%	12%

**INTERESTS ON MEMBERS DEPOSITS AND DIVIDENDS ON SHARE CAPITAL**

The Board of Directors recommend interest on members' deposits at 8.5% (2020-8%) and dividends on Share Capital at 13% (2020- 12%)

**THE BOARD OF DIRECTORS**

The Board of Directors who served during the year and to the date of this report are as listed on page 1. The following will retire on rotational basis;

As per the Sacco's By Laws, James Hinga, Monica Yuaya, Lucy Ndirangu and John Kanyago (Supervisory Committee) who are members of the Board, retire on rotation and being eligible, offer themselves for re-election.

**INDEPENDENT AUDITORS**

The Sacco's auditors, Messrs Omanwa and Associates , Certified Public Accountants (K) have expressed their willingness to continue in office in accordance section 25(4) of the Co-operative Societies(Amendment) Act No.2 of 2004.

**BY ORDER OF THE BOARD OF DIRECTORS**

.....  
**HON. SECRETARY**

DATE *9th February 2022*

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CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

STATISTICAL INFORMATION

FOR THE YEAR ENDED 31ST DECEMBER 2021

	2021	2020
<b>Number of members</b>		
Active	25,945	22,826
Dormant	9,131	9,562
	<b>35,076</b>	<b>32,388</b>
Number of branches	<b>5</b>	<b>5</b>
Employees of the Sacco		
Male	39	40
Female	38	37
	<b>77</b>	<b>77</b>
	<b>Kshs</b>	<b>Kshs</b>
Total Assets	4,341,959,726	4,033,642,971
Loans and Advances to members	3,614,438,125	3,292,670,515
Members' Deposits and Savings	3,004,254,262	2,835,367,817
Financial Assets	156,475,198	154,298,020
Liquid Assets	495,254,110	550,975,947
Core Capital	949,836,211	854,269,479
Share Capital	536,545,376	488,133,387
Institutional Capital	353,615,489	306,583,996
Total Liabilities	3,263,775,261	3,064,586,082
Total Revenue	634,809,766	562,562,156
Total Interest income	576,036,195	504,426,430
Ordinary expenses	287,528,732	249,577,652
Interest on members deposits	217,079,988	193,335,899
<b>Key Ratios</b>	<b>STDs</b>	
<b>Capital adequacy ratio</b>		
Core Capital/Total Assets	≥10%	21.88% 21.18%
Core Capital/Total deposits	≥8%	31.62% 30.13%
Share capital/Total assets	≥2%	12.36% 12.10%
Institutional Capital /Total Assets	≥8%	8.14% 7.60%
<b>Liquidity ratio</b>		
Liquid assets/Total deposits and long term liabilities	≥15%	16.49% 19.43%
Total loans/Total deposits	≤85%	120.31% 116.13%
<b>Operating efficiency ratios</b>		
Ordinary Expenses/ Total revenue		45.29% 44.36%
Interest on members deposits/Total revenue		38.77% 39.52%
Dividend rate on members share capital		13% 12%
Interest rate on members deposits		8.5% 8%

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**CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED**

**STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES**

**FOR THE YEAR ENDED 31ST DECEMBER 2021**

The Sacco Society 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 its operating results for that year in accordance with International Financial Reporting Standards (IFRS). It also requires the Board of Directors to ensure that the Society keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society. They are also responsible for safeguarding the assets of the Society and ensuring that the business of the Society has been conducted in accordance with its objectives, by-laws and any other resolutions made at Society's annual delegates 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 (IFRS) and in the manner required by the Co-operatives Societies Act, Cap 490. 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 International Financial Reporting Standards (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 9th February .....2022 and signed on its behalf by:

  
.....  
NATIONAL CHAIRMAN

  
.....  
TREASURER

  
.....  
BOARD MEMBER

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
CHAI SAVINGS & CREDIT CO-OPERATIVE SOCIETY LIMITED - CS/NO.2169  
FOR THE YEAR ENDED 31ST DECEMBER 2021**

**Opinion**

We have audited the financial statements of Chai Savings and Credit Co-operative Society Limited (the Society) set out on pages 9 to 27 which comprise the statement of financial position as at 31st December 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows 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 Society's financial position as at 31st December 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Sacco Societies Act No. 14 of 2008.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with the International Ethics Standards Board for Accountants's Code for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya and we have fulfilled our other ethical responsibilities in accordance with these requirements and the 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 our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Key audit matters**

**How our audit addressed the key audit matter**

Information Technology (IT) systems and controls	How our audit addressed the key audit matter
<p>The calculation, recording and financial reporting of transactions and balances related to loans, interest income and expenses, investments in securities and customer deposits are significantly dependent on IT automated systems and processes. We therefore identified the society's IT systems as a key audit matter to support our ability to rely on controls for the purpose of this report, as the Society's financial accounting and reporting systems are heavily dependent on complex systems.</p>	<p>Our audit procedures in this area included, among others: Testing general IT controls around system access and testing control over computer operations within specific applications which are required to operate effectively so as to mitigate the risk of misstatement in the financial statements.</p> <p>Assessing whether appropriate restrictions were placed on access to core system through reviewing the permissions and responsibilities of those given that access and</p> <p>Where we identify the need to perform additional procedures, place reliance on manual compensating controls, such as reconciliation between systems and other information sources or performing additional testing, such as extending the size of our sample sizes, to obtain sufficient appropriate audit evidence over the financial statements balances that were impacted.</p>

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
CHAI SAVINGS & CREDIT CO-OPERATIVE SOCIETY LIMITED - CS/NO.2169

AUDITOR REPORT CONTINUED

<p><b>Accuracy of interest income</b> The accuracy and completeness of interest income is an inherent risk in the sector due to processing large volumes of data with a combination of several loan products and complete IT systems.</p>	<p>We evaluated the relevant IT system and the design of controls, and tested the operating effectiveness of controls over the:</p> <ul style="list-style-type: none"> <li>- Capture and recording of loan transactions and rates</li> <li>- Approvals, authorisation of rates and interest running system.</li> <li>- Use of data extracted from the Society's accounting system we verified the completeness and accuracy of a sample of interest charges.</li> </ul> <p>Based on our work, we noted no significant issues in the accuracy of interest recorded in the year.</p>
<p><b>Capitalisation practices and assets lives</b> Capitalisation of costs and the useful lives assigned to assets ( property, plant and equipments and software intangible assets) are areas of significant judgement by the management. There are two main areas that we addressed in our audit:</p> <ul style="list-style-type: none"> <li>- the risk that amounts being capitalised do not meet capitalisation criteria; and</li> <li>- the risk that the useful economic lives assigned to assets are inappropriate.</li> </ul>	<p>We evaluated the design and tested the operating effectiveness of controls around the property, plant and equipment cycle and software intangible assets cycle. We determined that the operation of the controls provided us with audit evidence in respect of the capitalisation practices. We tested whether the approved asset rates were appropriately applied off the fixed assets register.</p>

**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, supervisory committee report and sustainability report ) which are expected to be made available to us after this date.

Our opinion on the financial statements does not cover 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, 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 report that fact. We have nothing to report in this regard.

When we read other reports expected to be made to us after the date of this report of the independent auditor, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## AUDITOR REPORT CONTINUED

### Responsibilities of Directors for the financial statements

As explained more fully in the statement of directors' responsibilities on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with International Financial Reporting Standards (IFRSs).

In preparing the financial statements, the directors are responsible for assessing the Society'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 management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that include our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's Internal Control.  
Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- iii) Conclude on the appropriateness of management'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 Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- iv) Evaluate the overall preparation, 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 preparation.
- v) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Society to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Society audit. We remain solely responsible for our audit opinion.

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.

**AUDITOR REPORT CONTINUED**

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

From matters communicated with those charged with governance, we determine those matters that were of most significant in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless the 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. There wasn't any matter in this case.

**Other Required Legal Reporting**

As required by the Co-operative Society Act Cap.490 and the Sacco Societies Act No.14 of 2008, we report to you, based on our audit, that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion, proper books of account have been kept by the society, so far as appears from our examination of those books; and
- iii) the Societys' statement of financial position and statement of comprehensive income are in agreement with the books of account; and
- iv) the Sacco's business was conducted in accordance with the provisions of the Co-operative Societies Act Cap 490, the Sacco Societies Act No.14 of 2008 and in accordance with sacco's by-laws and any other resolutions made by the Society at a delegates' meeting.

**Engagement Partner**

The engagement Partner responsible for the audit resulting in this Independent auditor's report is CPA Hedrick Omanwa P/NO 1184.



For and on behalf of  
Omanwa & Associates  
Certified Public Accountants & Secretaries  
PIN NO. P051165248Z  
Nairobi.  
Date 09/02/2022



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CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2021

	Notes	2021 Kshs	2020 Kshs
<b>Revenue</b>			
Interest on loans and advances	2	576,036,195	504,426,430
Other interest income	3	27,144,724	26,391,381
<b>Total interest income</b>		<b>603,180,919</b>	<b>530,817,811</b>
Interest expense	4	(223,324,765)	(199,345,334)
<b>Net interest income</b>		<b>379,856,153</b>	<b>331,472,477</b>
Other operating Income	5	31,628,848	31,744,345
		<b>411,485,001</b>	<b>363,216,822</b>
<b>Expenditure</b>			
Administrative expenses	6	(89,728,918)	(80,903,923)
Personnel expenses	7	(120,721,169)	(103,189,748)
Marketing and public relations expenses	8	(17,434,801)	(10,400,376)
Governance expenses	9	(32,340,188)	(14,879,851)
Financial expenses	10	(4,433,230)	(17,910,811)
Professional expenses	11	(4,983,790)	(2,344,250)
Depreciation and amortisation	12	(11,641,858)	(13,939,257)
<b>Total Expenditure</b>		<b>(281,283,954)</b>	<b>(243,568,217)</b>
<b>Net Operating Surplus</b>		<b>130,201,047</b>	<b>119,648,605</b>
Tax provision	22	(10,752,015)	(8,698,156)
<b>Net surplus for the year</b>		<b>119,449,032</b>	<b>110,950,449</b>
<b>Other Comprehensive Income (OCI)</b>			
Gain/(Loss) on disposal of assets	25	(349,812)	243,275
		<b>119,099,220</b>	<b>111,193,724</b>
Gain/(Loss) on Revaluation of Investments	18	2,177,178	(16,546,107)
<b>Total Comprehensive Income</b>		<b>121,276,398</b>	<b>94,647,617</b>

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CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2021

	Notes	2021 Kshs	2020 Kshs
<b>ASSETS</b>			
Cash and cash equivalents	13	495,254,110	550,975,947
Receivable accounts and Other receivables	14	73,901,300	41,666,197
Property and equipment	15	71,141,106	71,755,644
Net Loans and advances to Members	16	3,528,097,735	3,202,765,920
Intangible Assets	17	17,090,277	12,181,242
Financial Assets	18	156,475,198	154,298,020
<b>TOTAL ASSETS</b>		<b>4,341,959,726</b>	<b>4,033,642,971</b>
<b>LIABILITIES</b>			
Members' deposits and Savings	19	3,004,254,262	2,835,367,817
Payable accounts and other payables	20	41,505,346	32,498,678
Accrued Interest on member deposits	21	217,079,988	193,328,140
Tax Payable	22	935,665	3,391,448
<b>TOTAL LIABILITIES</b>		<b>3,263,775,261</b>	<b>3,064,586,082</b>
<b>SHARE HOLDERS FUNDS</b>			
<b>FINANCED BY:</b>			
Share capital	23	536,545,376	488,133,387
Retained earnings	24	228,453,155	205,118,256
Revaluation reserve	24	56,181,879	54,004,702
Proposed Dividend & Honoraria	24	72,166,375	60,782,708
Statutory reserve	24	184,837,680	161,017,836
<b>TOTAL SHAREHOLDERS FUNDS</b>		<b>1,078,184,465</b>	<b>969,056,889</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,341,959,726</b>	<b>4,033,642,971</b>

The financial statements were approved and authorised for issue by the Board of Directors on 9th February 2022 and signed on its behalf by:

  
NATIONAL CHAIRMAN

  
TREASURER

  
BOARD MEMBER



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## CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

## STATEMENT OF CHANGES IN EQUITY

AS AT 31ST DECEMBER 2021

2020

	SHARE CAPITAL Kshs	REVALUATION RESERVE Kshs	STATUTORY RESERVE Kshs	RETAINED EARNINGS Kshs	PROPOSED DIVIDENDS & HONORARIA Kshs	TOTAL Kshs
Balance as at 01.01.2020	420,349,962	70,550,809	138,779,091	175,927,496	-	805,607,357
Surplus for the year	-	-	-	111,193,724	-	111,193,724
Increase in share capital	67,783,425	-	-	-	-	67,783,425
Transfer to statutory reserves	-	-	22,238,745	(22,238,745)	-	-
Change in revaluation reserve	-	(16,546,107)	-	-	-	(16,546,107)
Prior year adjustments (Note 26)	-	-	-	1,025,689	-	1,025,689
Proposed dividends	-	-	-	(58,589,908)	58,582,708	(58,589,908)
Proposed honoraria	-	-	-	(2,200,000)	2,200,000	(2,200,000)
Balance as at 31.12.2020	488,133,387	54,004,702	161,017,836	205,118,256	60,782,708	969,056,888

2021

	SHARE CAPITAL Kshs	REVALUATION RESERVE Kshs	STATUTORY RESERVE Kshs	RETAINED EARNINGS Kshs	PROPOSED DIVIDENDS & HONORARIA Kshs	TOTAL Kshs
Balance as at 01.01.2021	488,133,387	54,004,702	161,017,836	205,118,256	-	969,056,888
Surplus for the period	-	-	-	119,099,220	-	119,099,220
Increase in share capital	48,411,989	-	-	-	-	48,411,989
Transfer to statutory reserves	-	-	23,819,844	(23,819,844)	-	-
Change in revaluation reserve	-	2,177,177	-	-	-	2,177,177
Proposed dividends	-	-	-	(69,766,376)	69,766,375	(69,766,376)
Proposed honoraria	-	-	-	(2,400,000)	2,400,000	(2,400,000)
Prior year adjustment (Note 26)	-	-	-	221,900	-	221,900
Balance as at 31.12.2021	536,545,376	56,181,879	184,837,680	228,453,155	72,166,375	1,078,184,465

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CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2021

	Notes	2021 Kshs	2020 Kshs
<b>Cashflow from operating activities</b>			
Interest receipts	2	576,036,195	504,426,430
Other interest income	3	27,144,724	26,391,381
Other operating income	5	31,628,848	31,744,345
Interest expense	4&24	(260,406,142)	(226,112,250)
Payment to employees and suppliers		(270,677,076)	(212,849,777)
		<u>103,726,548</u>	<u>123,600,129</u>
<b>(Increase) decrease in operating assets</b>			
Trade and other receivables	14	(32,235,104)	(3,761,524)
Loans to members	16	(321,767,610)	(299,990,995)
		<u>(354,002,714)</u>	<u>(303,752,519)</u>
<b>(Decrease)/ Increase in operating liabilities</b>			
Deposits from members	19	168,886,445	225,386,226
Trade payables	20	9,006,668	6,213,968
<b>Net Cash from/(used in) operating activities before tax</b>		<u>(72,383,053)</u>	<u>51,447,804</u>
Income tax paid	22	(13,156,092)	(5,430,295)
<b>Net cash (used in)operations</b>		<u>(13,156,092)</u>	<u>46,017,509</u>
<b>Cashflow from investing activities</b>			
Purchase of property and equipment	15	(10,390,506)	(17,165,751)
Purchase of Intangible asset	17	(6,949,866)	(3,084,590)
Proceeds on disposal of assets	18	922,869	571,718
Purchase/(sale) of financial assets	18	(2,177,178)	16,546,107
<b>Net cash generated from investing activities</b>		<u>(18,594,681)</u>	<u>(3,132,515)</u>
<b>Cashflow from financing activities</b>			
Share capital contribution movement	23	48,411,989	67,783,425
<b>Net cash generated from(used in) financing activities</b>		<u>48,411,989</u>	<u>67,783,425</u>
<b>Net cash increase/ (decrease) during the year</b>		(55,721,837)	162,116,226
Cash and Cash equivalents at the start of the year.		550,975,947	388,859,721
<b>Cash and Cash equivalents at the end of the period</b>	13	<u>495,254,110</u>	<u>550,975,947</u>

**1 Summary of Significant Accounting Policies**

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

**Basis of preparation****a) Statement of compliance**

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

These financial statements are presented in the functional currency, Kenya shillings (Kshs) and prepared under the historical cost convention, except as specified below under fair value measurement in accordance with applicable IFRSs.

The financial performance of the Society is set out in the Director's report and in the statement of comprehensive income. The financial position of the Society is set out in the statement of financial position.

Based on the financial performance and position of the Society and its risk management policies, the directors are of the opinion that the Society is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

**b) Revenue recognition****Interest income and expense**

Interest on members loans and any other income is recognized on the year it is earned by the Society. Revenue shall be measured at the fair value of the consideration received or receivable. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

**Other income**

i) Entrance fee is recognized when a new member joins the Society;

ii) Dividend is recognized when the right to receive income is established. Dividend are reflected as a component of other operating income based on the underlying classification of the equity instrument;

iii) Commission income is recognized upon successful completion of the transaction;

iv) Miscellaneous income is recognized upon performance of the services agreed on.

v) Interest income is recognized on an cash basis in the profit or loss for the year using the effective yield on the asset. Interest income includes income from loans and advances. When financial assets become impaired, interest income is thereafter not recognized until such time that recoverability is assured.

**c) Property, plant and equipment**

All property, plant and equipment are initially recorded at cost. Certain classes of property, plant and equipment are subsequently shown at revalued amounts, based on periodic valuations by the independent valuers. All other property plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

	<b>Rates</b>
Office partitions & fittings	10.0%
Office equipment	10.0%
Office furniture	10.0%
Motor vehicle	25.0%
Motor cycles	25.0%
Computers & Accessories	25.0%

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

**Intangible Assets**

Intangible assets include computer software recognized in the books at cost and amortized over an estimated useful life based on the circumstances at an annual rate of 20% per annum based on reducing balance method.  
The increase in software relates to software enhancements done during the year.

**De-recognition**

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

(a) on disposal; or

(b) when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognized (unless IAS 17 requires otherwise on a sale and leaseback). Gains shall not be classified as revenue.

**(d) Adoption of new Standards and Interpretations**

The following standards and interpretations have been adopted as they are mandatory for the year ended 31st December 2021 as they were effective for annual periods beginning on or after 1st January 2016;

**i) Disclosure Initiative-Amendments to IAS 1**

The amendments clarify the materiality requirements in IAS 1, that specific items in the statements of comprehensive income and financial position may be disaggregated, that entities have flexibility as to the order in presenting notes to the financial statements; and that the share of other comprehensive income of associates and joint ventures, accounted for using the equity method, must be presented in aggregate as a single line item, and classified between those items that will not be subsequently reclassified to profit or loss. The amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

**IFRS 10, IFRS 11, IFRS 12 and IAS 20 Investment Entities; Applying the Consolidation Exemption-Amendments to**

**ii) IFRS 10, IFRS 12 and IAS 28**

The amendments to IFRS 10 clarify that the exemption in paragraph 4 of IFRS from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, the amendment to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measure at fair value.

The amendment requires an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendment also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of its parties to the joint operation on its formation. Furthermore, the amendment clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interest in the joint operation must not be remeasured if the joint operator retains joint control.

The amendment to IAS 28 allow the investor, when applying the equity method to retain the fair value measurement applied by the investment entity, associate or joint venture to its interest in subsidiaries.

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ACCOUNTING POLICIES (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2021

iii) **IAS 16 and IAS 38-Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization**

The amendment clarifies the principle in IAS 16;Property ,Plant and Equipment and IAS 38;Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business(of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to the total revenue expected to be generated cannot be used to depreciated property, plant and equipment and may only be used in very limited circumstances to amortized intangible assets.

iv) **IAS 27:Equity Method in Separate Financial Statements-Amendments to IAS 27**

The amendment allow an entity to use the equity method as described in IAS 28 to account for its investment in subsidiaries joint ventures and associates in its separate financial statements. Therefore, an entity must account for its investments either(1) at cost;(2) in accordance with IFRS 9; or (3) using the equity method. The entity must apply the same accounting for each category of investment, and the amendment must be applied retrospectively.

v) **IAS 7:Disclosure Initiative-Statement of Cash flows**

The amendment are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flow and non-cash changes. The amendments are intended to provide information to help investors better understand changes in a Company's debt.

e) **New Standards and Interpretations not yet adopted**

The following new Standards and amendments to standards and interpretation effective 31st December 2016 are not expected to have a significant effect on the financial statements of the Society in future financial periods, or not applicable to the Society based on the existing assets and liabilities;

(i) **IFRS 9: Financial instruments**

Issued on 24<sup>th</sup> July 2014 this standard replaces earlier version of IFRS9 and superseded IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model

The standard is effective for annual periods beginning on or after 1st January 2018 with retrospective application, early adoption permitted.

The Sacco is assessing the potential impact on its financial statements resulting from the application of IFRS 9 but this is yet to be implemented during the year.

**The Sacco classifies its financial instruments into the following categories:**

i) **Financial assets at fair value** , which comprise of those held at Fair Value through Other Comprehensive Income(FVOCI) which meet the Solely Payments of Principal and Interest(SPPI) test and are held in a business model in which assets are managed both to collect contractual cash flows and for sale and those held at Fair Value through Profit or Loss(FVTPL) which are all other financial assets that do not qualify for measurement at FVOCI

ii) **Financial assets at amortized cost**, which comprise of financial assets which meet the Solely Payments of Principal and Interest (SPPI) test and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows only.

iii) **Financial liabilities at fair value through profit or loss**, which comprise of those held for trading and those designated at FVTPL upon initial recognition.

iv) **Financial liabilities at amortized cost**, which comprises of all other financial liabilities except for those that the fair value option has been elected.

ii) **IFRS 15: Revenue from Contracts**

IFRS 15 was issued on May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The Society is assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

iii) **IFRS 16: Leases**

The new standard introduces a single on balance sheet accounting model, similar to the current finance lease accounting. Under the new standard the Society will be required to recognize a 'right to use' asset and a lease liability for all identified leased assets in the statement of financial position. The current operating lease (rent) expense will be replaced with a depreciation and finance charge. The standard becomes applicable for the financial year beginning on or after 1st January 2019 and the Society intends to adopt IFRS 16 in the financial year 2022. While there is not expected to be a material impact on overall cash flows and net profit or loss, the quantification of such impact cannot be reliably measured.

(f) **IAS 12: Income Taxes**

According to IAS 12, current tax for current and prior periods shall, to the extent unpaid, be recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset. Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Note that for Sacco's, dividend and/or interest expense is deducted before computing/charging tax.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability. Currently enacted tax rates are used to determine deferred income tax.

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

**(g) Financial liabilities and equity instruments issued by the Sacco**

**Classification as debt or equity**

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

**Equity instruments**

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

**Financial guarantee contract liabilities**

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

**Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

All financial liabilities are recognized initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognized at fair value and the transaction costs are expensed in the statement of comprehensive income.

Subsequently, all financial liabilities are carried at amortized cost using the effective interest method except for financial liabilities through profit or loss which are carried at fair value.

All financial liabilities are classified as non-current except financial liabilities at fair value through profit or loss, those expected to be settled in the Society's normal operating cycle, those payable or expected to be paid within 12 months of the reporting date and those which the Society does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

**De recognition of Financial Liabilities/Recognition of write-offs**

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

Write off of a loan or part of a loan from its statement of financial position is done when the sacco loses contractual rights over the loan and its deemed to be uncollectible or where there is no prospect of recovery.

**Provision for liabilities and charges**

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

**Other financial liabilities**

All other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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ACCOUNTING POLICIES (CONT'D)  
FOR THE YEAR ENDED 31ST DECEMBER 2021

**(h) Employee entitlements**

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognized as an expense accrual.

**(i) Retirement benefit obligations**

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

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

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

**(j) Statutory reserves**

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

**(k) Cash and cash equivalents**

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

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

Provisions are recognized when the Sacco has a present obligation (legal or constructive) as a result of a past event, it is probable that the Sacco will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

**(m) Collateral**

The Sacco discloses:

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

(b) the terms and conditions relating to its pledge

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

(a) the fair value of the collateral held;

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

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

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CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

ACCOUNTING POLICIES (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2021

**n) Key source of estimation uncertainty**

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

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

(b) The effect of technological obsolescence on inventories

(c) Provisions subject to future outcome of litigation in progress

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

**o) Significant judgment(s) in applying the Society's accounting policies**

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

Examples of judgments,

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

(2) Whether in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue

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

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CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2021

	2021 Kshs	2020 Kshs
<b>2 Interest Income</b>		
Interest on loans and advances	576,036,195	504,426,430
	<b>576,036,195</b>	<b>504,426,430</b>
<b>3 Other Interest Income</b>		
Interest income from Co-operative Bank	27,008,845	26,120,557
Interest income from KCB Bank	-	-
Interest income from SBM Bank	135,879	270,824
	<b>27,144,724</b>	<b>26,391,381</b>
<b>4 Interest Expenses</b>		
Interest on members deposits	217,079,988	193,335,899
Interest on borrowings	-	-
Interest on fixed and savings deposits	6,244,777	6,009,435
	<b>223,324,765</b>	<b>199,345,334</b>
<b>5 Other Operating Income</b>		
Commission on mobile banking	6,240,249	5,484,340
FOSA income	8,826,179	14,211,070
Entrance Fees	3,196,020	2,723,783
Dividends income	9,612,568	6,906,051
Miscellaneous income	3,753,832	2,419,101
	<b>31,628,848</b>	<b>31,744,345</b>
<b>6 Administrative expenses</b>		
Office expenses	3,719,308	3,447,400
Motor vehicle expenses	1,470,340	947,208
Security expense	12,301,937	13,413,455
Fidelity and cash insurance	978,425	876,547
Loan insurance premiums	7,352,081	7,192,000
Printing and stationery	2,714,239	2,507,810
Repairs and maintenance	2,932,164	1,735,657
Cleaning services	3,441,288	3,363,558
Operations and business reviews	501,440	-
Annual system support and maintenance	3,278,452	1,978,664
SASRA levy	3,914,972	3,692,323
Telephone, courier & postage	1,719,173	1,527,876
Bulk SMS expenses	1,056,733	1,087,212
Licenses and subscriptions	2,924,127	2,044,003
Ushirika day celebrations	338,851	19,143
Branches electricity	2,433,578	2,520,367
Internet services	4,856,036	5,005,845
Office rent expense	23,858,047	22,373,823
Strategic plan and policies review expenses	1,666,076	1,350,439
Credit reference bureau expenses	869,443	820,846
Corporate social responsibility	370,856	-
General insurance	170,217	175,571
Library and reference materials	137,820	139,990
Asset Tagging	86,300	-
Bad debts (Factory Control Account)	4,081,682	4,684,188
QMS & ISO Certification	2,555,332	-
	<b>89,728,918</b>	<b>80,903,923</b>

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CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2021

	2021 Kshs	2020 Kshs
<b>7 Personnel expenses</b>		
Salaries and wages	78,243,718	72,389,254
NSSF employer contribution	255,800	246,600
Staff provident fund scheme	8,518,950	7,816,630
Provision for leave days	384,689	-
Fringe benefit tax	18,341	10,531
Staff medical insurance scheme	10,234,802	9,186,013
Staff insurance	719,918	511,305
Staff benefits and leave allowances	1,267,562	1,277,549
Staff travel and subsistence	4,251,644	2,674,436
Staff benevolent	183,429	374,228
Staff training and recruitment	6,608,275	1,012,345
Staff bonus	7,999,959	7,690,858
Staff Job evaluation	2,034,082	
	<b>120,721,169</b>	<b>103,189,748</b>
<b>8 Marketing and public relations expenses</b>		
Marketing expenses	11,973,257	7,848,606
Public relations	3,229,402	2,433,648
Advertisement	2,232,142	118,122
	<b>17,434,801</b>	<b>10,400,376</b>
<b>9 Governance expenses</b>		
Board sitting allowance	4,250,485	1,405,094
Members and delegates education	8,901,409	1,958,381
Board subsistence	3,219,557	2,412,585
Board education and seminars	4,295,609	549,589
Board travelling	2,175,042	802,425
ADM expenses	8,374,400	6,267,500
Branch committee costs	1,008,939	825,508
Election expenses	7,781	483,294
Board and delegates welfare	106,966	175,477
	<b>32,340,188</b>	<b>14,879,851</b>
<b>10 Financial Expenses</b>		
Bank charges	2,385,241	2,070,995
M-pesa charges	159,243	201,108
Provision for loan loss	1,888,746	15,638,708
	<b>4,433,230</b>	<b>17,910,811</b>
<b>11 Professional expenses</b>		
Legal fees	1,236,912	-
Managed Cybersecurity expenses	1,445,167	1,650,250
Tax Consultancy	232,000	120,000
Architect fees-Othaya and Kutus offices	-	171,500
Audit fees	433,400	402,500
Business Continuity Plan	771,202	-
System Audit	865,109	-
	<b>4,983,790</b>	<b>2,344,250</b>

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CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2021

	2021 Kshs	2020 Kshs
<b>12 Depreciation and Amortization</b>		
Depreciation	9,601,027	11,831,749
Amortization	2,040,831	2,107,508
	<b>11,641,858</b>	<b>13,939,257</b>
<b>13 Cash and Cash Equivalents</b>		
Petty cash/imprest account	120,633	137,889
Treasury cash	15,434,505	19,845,225
Fixed deposit-Co-operative bank	350,000,000	370,000,000
Chase bank (25% with KDIC)	5,066,125	5,066,125
SBM Bank	-	2,545,232
KCB current Account -Litein branch	7,456,582	9,234,246
Co-op bank current account - BOSA	6,921,769	6,062,226
Co-op bank current account- Nrb FOSA	56,080,918	117,903,238
Co-op kwa jirani (pos) investment	476,000	478,000
Mpesa settlement account	5,420,075	5,300,000
B2C settlement account	14,171	14,440
Safaricom paybill(Tangazoletu)	33,620,102	10,413,606
Tangazoletu settlement account	7,289,811	6,475,517
Chai Pesa settlement account	4,685,718	-
Safaricom Paybill (Skyworld)	44,000	-
CIT to Branches	5,000,000	-
<b>Overdrawn account balances</b>		
ATM settlement account	(218,443)	(20,258)
Bankers cheque settlement account	(2,157,857)	(2,479,538)
M-Sacco settlement account	-	-
	<b>495,254,110</b>	<b>550,975,947</b>
<b>14 Account and other receivables</b>		
Factory control account*	-	4,081,682
Prepayments	7,702,148	6,616,974
Rent and electricity deposits	4,959,613	4,343,536
Insurance claims (CIC)/Funeral claims	6,301,744	3,714,472
Chai Diamond Ltd loan and expenses receivable	46,669,507	22,909,532
Station Remittances	8,268,289	-
	<b>73,901,300</b>	<b>41,666,197</b>

\*Factory control account relates to a suspense account that was used to post factory remittances in prior periods. During the year 2019 the account was reconciled to a balance of Ksh. 13,450,059 which is unreconcilable. Initial write off was done of Ksh.4,684,188 (Note 6) in 2019, Ksh. 4,684,188 in 2020 and the balance of Ksh 4,081,682 cleared in 2021.

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CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTD)

FOR THE YEAR ENDED 31ST DECEMBER 2021

15 Property and Equipment

	OFFICE PARTITIONS & FITTINGS 10.0% KSHS	OFFICE EQUIPMENT 10.0% KSHS	OFFICE FURNITURE 10.0% KSHS	MOTOR VEHICLES 25% KSHS	MOTOR CYCLES 25.0% KSHS	COMPUTERS & ACCESSORIES 25.0% KSHS	TOTAL KSHS
<b>Cost or Valuation</b>							
As at 01 January 2020	79,158,855	20,735,453	10,378,506	4,010,000	211,160	38,430,587	152,924,561
Additions	4,435,161	1,209,123	1,887,700	2,840,000	251,000	6,542,767	17,165,751
Disposal	-	-	-	-	-	(571,718)	(571,718)
Reclassification	-	-	3,500	-	-	(3,500)	-
As at 31 December 2020	83,594,016	21,944,576	12,269,706	6,850,000	462,160	44,398,135	169,518,593
<b>Depreciation</b>							
As at 01 January 2020	38,995,561	10,604,156	5,777,882	1,119,276	87,888	29,722,503	86,307,266
Charge for the period	5,838,698	1,186,922	600,644	765,433	32,235	3,407,818	11,831,750
Disposal	-	-	-	-	-	(376,067)	(376,067)
Reclassification	-	-	3,149	-	-	(3,149)	-
As at 31 December 2020	44,834,259	11,791,078	6,381,675	1,884,709	120,123	32,751,105	97,762,949
<b>Net book value</b>							
As at 31 December 2020	38,759,757	10,153,498	5,888,031	4,965,291	342,037	11,647,030	71,755,644
<b>Cost or Valuation</b>							
As at 01 January 2021	83,594,016	21,944,576	12,269,706	6,850,000	462,160	44,398,135	169,518,593
Additions	2,343,626	1,389,957	1,593,806	2,550,000	142,090	2,371,027	10,390,506
Disposal	-	(1,726,776)	(1,341,909)	(1,250,000)	-	(1,058,224)	(5,376,909)
Reclassification/Adjustments	-	9,000	337,500	-	-	868,034	1,214,534
As at 31 December 2021	85,937,642	21,616,757	12,859,103	8,150,000	604,250	46,578,972	175,746,724
<b>Depreciation</b>							
As at 01 January 2021	44,834,259	11,791,078	6,381,675	1,884,709	120,123	32,751,105	97,762,949
Charge for the period	3,666,991	1,033,663	640,996	1,343,639	77,259	2,838,480	9,601,028
Reclassification/Adjustments	-	9,000	324,445	-	-	1,012,425	1,345,869
Disposal	-	(1,125,823)	(1,030,133)	(1,016,115)	-	(932,156)	(4,104,228)
As at 31 December 2021	48,501,250	11,707,917	6,316,982	2,212,233	197,382	35,669,853	104,605,618
<b>Net book value</b>							
As at 31 December 2021	37,436,392	9,908,840	6,542,121	5,937,767	406,868	10,909,119	71,141,106



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CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2021

	2021 Kshs	2020 Kshs
<b>(b) Un-quoted shares at fair value - Available for sale</b>		
Co-op Holdings Ltd (6,683,544 shares of 1/=) valued 7.40/=(2020,7.10)	49,458,226	47,453,162
Co-operative Ins. Society Ltd (9,957,792 shares of 1/= each) 3.50/=	34,852,272	34,852,272
Kuscco Ltd (100,423 shares of Kshs. 100/= each)	10,042,319	10,042,319
Chai Diamond Investment Ltd	58,028,471	58,028,471
	<u>152,381,288</u>	<u>150,376,224</u>
<b>Total Investments</b>	<u>156,475,198</u>	<u>154,298,020</u>
<b>19 Members deposits</b>		
<b>BOSA</b>		
At the start of the year	2,461,578,560	2,317,569,843
Additions in the year	522,920,401	512,570,097
Withdrawals during the year	(358,974,196)	(368,561,380)
	<u>2,625,524,766</u>	<u>2,461,578,560</u>
<b>FOSA</b>		
At the start of the year	373,789,257	292,411,748
(Withdrawals)/additions in the year	4,940,240	81,377,509
	<u>378,729,497</u>	<u>373,789,257</u>
<b>Total Members' deposits</b>	<u>3,004,254,262</u>	<u>2,835,367,817</u>
<b>20 Accounts and other payables</b>		
Accrued expenses	5,346,058	3,136,217
Provision for leave days	884,456	499,767
Audit fees	260,024	203,000
Withholding tax payable	81,351	215,609
Excise duty payable	574,725	587,482
Withholding VAT payable	245,689	105,697
Accrued Interest on fosa savings	4,565,404	4,400,219
Staff statutory deductions	5,087,152	3,410,965
Interest & Insurance Suspense	-	987,244
Deceased claims payable	10,212,887	6,732,828
Stations remittance	-	3,215,703
Conveyance fees	115,620	241,930
Insurance premium payable	12,814,583	7,567,568
Deposit cover collection	467,938	943,133
Withholding tax rental	218,413	251,317
Unreceipted Bankings	377,933	-
Agency Float, Commission and Banking securities	253,113	-
	<u>41,505,346</u>	<u>32,498,678</u>

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CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2021

	2021 Kshs	2020 Kshs
<b>21 Accrued interest on members deposits</b>		
As at start of the year	193,328,140	173,670,255
Payment during the year	(193,328,140)	(173,670,255)
	-	-
Accrued interest on members deposits	217,079,988	193,328,140
	<b>217,079,988</b>	<b>193,328,140</b>
<b>22 Taxation</b>		
Balance b/f	3,391,448	123,587
Installment tax	(9,567,972)	(5,121,050)
Tax provision for the year	10,752,015	8,698,156
Tax paid	(3,391,448)	(123,587)
Tax credit	(51,706)	(51,626)
Tax withheld	(196,672)	(134,032)
<b>Balance c/f</b>	<b>935,665</b>	<b>3,391,448</b>
<b>23 Share capital</b>		
As at the start of the year	488,133,387	420,349,962
Contributions during the year	48,411,989	67,783,425
<b>At the end of the year</b>	<b>536,545,376</b>	<b>488,133,387</b>
<b>24 Reserves</b>		
Retained earnings	228,453,155	205,118,256
Revaluation reserve	56,181,879	54,004,702
Statutory reserve	184,837,680	161,017,836
Proposed Dividends	69,766,375	58,582,708
Proposed Honoraria	2,400,000	2,200,000
	<b>541,639,089</b>	<b>480,923,502</b>
<b>25 Disposal Account</b>		
Cost of Assets Disposed	5,376,909	571,718
Accumulated depreciation	(4,104,228)	(376,067)
Net Book Value	1,272,681	195,651
Cash paid for	922,869	438,926
Gain/(Loss) on disposal	<b>(349,812)</b>	<b>243,275</b>

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CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2021

	2021 Kshs	2020 Kshs
<b>26 Prior year Adjustment</b>		
Expenses erroneous postings year 2020	(260,701)	(36,634)
2019 Income on Commission on Mobile		18,016
Over/Under Provision of Rebates&Dividends	482,601	2,447,112
Underpaid PAYE for January 2015	-	(756,721)
Provision for leave days overstated	-	1,608,849
Interest erroneously charged (Induplum rule)	-	(2,254,933)
	<u>221,900</u>	<u>1,025,689</u>
<b>27 Related party Transactions</b>		
<b>a. Key management personnel and directors remuneration</b>		
Management salaries and wages	32,777,174	32,462,652
Honoraria and Sitting allowances	6,650,485	3,605,094
	<u>39,427,659</u>	<u>36,067,746</u>
<b>b. Loans and Advances to Board</b>		
At Start of the year	39,709,960	31,410,632
Disbursement during the year	37,338,700	29,285,343
Repayments	(29,147,631)	(20,986,015)
At the end of the year	<u>47,901,028</u>	<u>39,709,960</u>
 Total Deposits held	19,033,993	16,931,830
Share capital	1,998,542	1,512,268
<b>c. Loans and Advances to Staff</b>		
At Start of the year	43,893,684	36,776,904
Disbursement during the year	40,867,355	35,339,236
Repayments	(30,103,571)	(28,222,456)
At the end of the year	<u>54,657,468</u>	<u>43,893,684</u>
 Total Deposits held	27,991,753	22,418,006
Share capital	3,469,496	2,850,275

**28 Comparatives**

Where necessary, presentation in the previous year has been adjusted to match presentation in the current year.