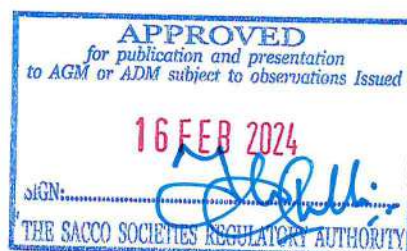


CS /NO. 2169



**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023**



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 2023

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CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
SOCIETY INFORMATION
FOR THE YEAR ENDED 31ST DECEMBER 2023

BOARD OF DIRECTORS:

Boniface Ayub	Chairman
Kimani Thungu	Vice Chairman - Exited in March 2023
Royford Mutembei	Vice Chairman - Joined in April 2023
Lameck Migiro	Hon. Secretary
James Hinga	Treasurer
Grace Miano	Member
Julius Mugo	Member
Elijah Olulo	Member
Lucy Ndirangu	Member
Monicah Yuaya	Member
Festus Mwatee	C.E.O (Ex - Officio)

SUPERVISORY COMMITTEE

Fredrick Aluoch	Chairperson
Agnes Wamuyu	Secretary
John Kanyago	Member - Exited in August 2023

SENIOR MANAGEMENT STAFF

Festus Mwatee	Chief Executive Officer
Stephen Samba	Head of Business Operations
Dennis Munyi	Head of Finance
Evans Omweri	Human Resource & Administration Manager
Geoffrey Ngetich	Credit Manager
Johnson Muriuki	Marketing & Business Development Manager
Stanely Muiruri	ICT Manager
Erick Musyoki	Internal Audit and Risk Manager
Geoffrey Mugunyi	Accounts Manager
Joshua Muthomi	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 LAWYER

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

PRINCIPAL BANKERS

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

INDEPENDENT AUDITOR

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 2023

The Board of Directors submit their annual report together with the audited financial statements for the year ended 31st December 2023.

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.

RESULTS

	2023	2022
	Kshs	Kshs
Surplus before tax	99,001,479	132,684,527
Taxation	(6,716,573)	(6,554,430)
Operating surplus after tax	92,284,906	126,130,097
Transfer to statutory reserve	(18,456,981)	(25,202,868)
Proposed dividends	(83,552,044)	(74,000,000)
Proposed honoraria	(2,800,000)	(2,600,000)
Total distribution	(104,809,025)	(101,802,868)
Retained earnings for the year	(12,524,119)	24,327,229
Rebates on members' deposit	283,125,080	246,265,824
Rebates on member deposits	9.5%	9.0%
Dividends on share Capital	13%	13%

INTERESTS ON MEMBERS DEPOSITS AND DIVIDENDS ON SHARE CAPITAL

The Board of Directors recommend interest on members' deposits at 9.5% (2022 - 9%) and dividends on Share Capital at 13% (2022 - 13%)

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, Lameck Migiro, Julius Mugo, Grace Miano and Agnes Wamuyu (Supervisory Committee) who are members of the Board, retire on rotation and being eligible for re-election offer themselves for re-election.

There arose a casual vacancy in the position of Supervisory committee member upon retirement of John Kanyago.

INDEPENDENT AUDITORS

The Sacco's auditors, Messrs Omanwa and Associates , Certified Public Accountants (K) have completed their term as the SACCO Societies Act 2008 section 54(6), and therefore not eligible re-appointment.

BY ORDER OF THE BOARD OF DIRECTORS

.....
HON. SECRETARY

16th February 2024
DATE

CS /NO. 2169
CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
STATISTICAL INFORMATION
FOR THE YEAR ENDED 31ST DECEMBER 2023

Number of members	2023	2022
Active	37,809	33,184
Dormant	719	707
	38,528	33,891
Number of branches	5	5
Employees of the Sacco - Male	42	40
Female	54	46
	96	86
	Kshs	Kshs
Total assets	5,191,330,187	4,723,758,443
Loans and advances to members	4,529,701,878	4,151,584,403
Members' deposits and savings	3,596,996,959	3,283,139,698
Financial assets	142,626,352	140,395,622
Liquid assets	387,860,542	330,716,834
Core capital	1,129,817,873	1,034,840,169
Share Capital	642,708,029	569,216,357
Institutional capital	429,081,373	407,595,341
Total liabilities	3,932,827,237	3,572,215,971
Total revenue	791,431,375	725,586,469
Total interest income	743,817,842	673,511,537
Ordinary expenses	409,304,816	346,636,119
Interest on members deposits	294,618,497	254,485,836
Key Ratios	STDs	
Capital adequacy ratio		
Core capital/Total assets	≥10%	21.76% 21.91%
Core capital/Total deposits	≥8%	31.41% 31.52%
Share capital/Total assets	≥2%	12.38% 12.05%
Institutional Capital /Total Assets	≥8%	8.27% 8.63%
Liquidity ratio		
Liquid assets/Total Savings and Short term liabilities	≥15%	47.13% 45.55%
Total loans/Total deposits	≤85%	125.93% 126.45%
Operating efficiency ratios		
Ordinary expenses/ Total revenue		51.72% 47.77%
Interest on members deposits/Total revenue		37.23% 35.07%
Dividend rate on members share capital		13% 13%
Interest rate on members deposits		9.5% 9.0%
Delinquency Ratios		1.98% 2.35%

CS /NO. 2169

**CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31ST DECEMBER 2023**

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 16th February.....2024 and signed on its behalf


.....
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 2023**

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 31 December 2023, 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 31 December 2023, 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' 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

Information Technology (IT) Systems and controls

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 as 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.

How our audit addressed the key audit matter

How our audit addressed the key audit matter

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. Assessing whether appropriate restrictions were placed on access to core system through reviewing the permissions and responsibilities of those given access and 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.

AUDITOR REPORT CONTINUED

Regulatory and other provisions

The Society has some provisions relating to bad debts .

Provisions are based on judgements and estimates made by the management. In particular, the current SASRA regulatory environment on loan performance and in relation to IFRS 9.

For regulatory provisions, we read correspondences and pronouncements from SASRA. We held discussion with management to understand the risk associated with the performing loan portfolio with no provisions.

For all provisions, we tested the calculation of the provisions, assessed the assumptions against available pronouncements and historical trends. The management has made adequate provisions towards required provisioning for bad debts.

Capitalisation practices and assets lives

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:

- the risk that amounts being capitalised do not meet capitalisation criteria; and
- the risk that the useful economic lives assigned to assets are inappropriate.

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. A new software was installed during the year and as such the old software was impaired. The rates of depreciation and amortization were consistently applied as per our test.

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, sustainability report and corporate social investment 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.

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).

AUDITOR REPORT CONTINUED

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.

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 on 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.

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

AUDITOR REPORT CONTINUED

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 delegate meeting.

Engagement Partner

The engagement Partner responsible for the audit resulting in this Independent auditor's report is

CPA Hedrick Omanwa P/NO 1184.



[Handwritten Signature]
For and on behalf of
Omanwa & Associates
Certified Public Accountants & Secretaries
PIN NO. P051165248Z
Nairobi.
Date 16th February 2024



CS /NO. 2169

CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2023

	Notes	2023 Kshs	2022 Kshs
Revenue			
Interest on loans and advances	2	743,817,842	673,511,537
Other interest income	3	9,167,465	20,572,039
Total interest income		752,985,307	694,083,576
Interest expense	4	(294,618,497)	(254,485,836)
Net interest income		458,366,810	439,597,740
Other operating Income	5	38,446,068	31,502,894
		496,812,878	471,100,634
Expenditure			
Administrative expenses	6	(122,512,366)	(108,885,419)
Personnel expenses	7	(173,874,729)	(153,809,740)
Marketing and public relations expenses	8	(30,390,508)	(18,234,054)
Governance expenses	9	(46,156,144)	(35,324,808)
Financial expenses	10	(2,781,401)	(2,924,866)
Provision for loan loss	16	(2,195,156)	(290,043)
Professional expenses	11	(3,931,340)	(4,542,187)
Depreciation and amortisation	12	(15,969,755)	(14,404,990)
Total expenditure		(397,811,399)	(338,416,107)
Net operating surplus		99,001,479	132,684,527
Tax provision	22	(6,716,573)	(6,554,430)
Net surplus for the year		92,284,906	126,130,096
Other comprehensive income (OCI)			
Gain/(Loss) on disposal of assets	25	76,057	(115,758)
		92,360,963	126,014,338
Gain/Loss on revaluation of Investments		2,230,730	(16,079,576)
Total Comprehensive Income		94,591,693	109,934,762

CS /NO. 2169

CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

STATEMENT OF FINANCIAL POSITION

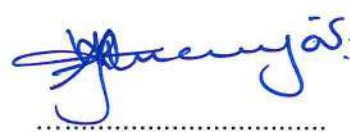
AS AT 31ST DECEMBER 2023

	Notes	2023 Kshs	2022 Kshs
ASSETS			
Cash and cash equivalents	13	387,860,542	330,716,834
Accounts and other receivables	14	67,961,626	55,593,199
Property and equipment	15	114,884,559	90,216,457
Loans and advance to Members	16	4,455,844,050	4,077,070,891
Intangible assets	17	21,659,759	23,974,215
Financial assets	18	142,626,352	140,395,622
Tax claimable	22	493,299	5,791,225
TOTAL ASSETS		5,191,330,187	4,723,758,443
LIABILITIES			
Members' deposits and savings	19	3,596,996,959	3,283,139,698
Accounts and other payables	20	52,705,198	42,810,449
Payments due to members	21	283,125,080	246,265,824
TOTAL LIABILITIES		3,932,827,237	3,572,215,971
SHARE HOLDERS FUNDS			
FINANCED BY:			
Share capital	23	642,708,029	569,216,357
Retained earnings	24	258,612,315	255,583,264
Revaluation reserve	24	42,333,033	40,102,303
Statutory reserve	24	228,497,529	210,040,548
Proposed dividend & honoraria	24	86,352,044	76,600,000
TOTAL SHAREHOLDERS FUNDS		1,258,502,950	1,151,542,472
TOTAL EQUITY AND LIABILITIES		5,191,330,187	4,723,758,443

The financial statements were approved and authorised for issue by the Board of Directors on 16th February 2024 and signed on its behalf by:


NATIONAL CHAIRMAN


TREASURER


BOARD MEMBER

CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
STATEMENT OF CHANGES IN EQUITY

AS AT 31ST DECEMBER 2023

	SHARE CAPITAL	REVALUATION RESERVE	STATUTORY RESERVE	RETAINED EARNINGS	PROPOSED DIVIDENDS & HONORARIA	TOTAL
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
2022						
Balance as at 01.01.2022	536,545,376	56,181,879	184,837,680	228,453,157	72,166,375	1,078,184,467
Surplus for the year	-	-	-	126,014,339	-	126,014,339
Increase in share capital	32,670,981	-	-	-	-	32,670,981
Transfer to statutory reserves	-	-	25,202,868	(25,202,868)	-	-
Change in revaluation reserve	-	(16,079,576)	-	-	-	(16,079,576)
Paid dividends and Honoraria 2021	-	-	-	-	(72,166,375)	-
Proposed dividends	-	-	-	(74,000,000)	74,000,000	-
Proposed honoraria	-	-	-	(2,600,000)	2,600,000	-
Prior year adjustments (Note 26)	-	-	-	2,918,636	-	2,918,636
Balance as at 31.12.2022	569,216,357	40,102,303	210,040,548	255,583,264	76,600,000	1,151,542,472
2023						
Balance as at 01.01.2023	569,216,357	40,102,303	210,040,548	255,583,264	76,600,000	1,151,542,472
Surplus for the period	-	-	-	92,284,906	-	92,284,906
Increase in share capital	73,491,672	-	-	-	-	73,491,672
Transfer to statutory reserves	-	-	18,456,981	(18,456,981)	-	-
Change in revaluation reserve	-	2,230,730	-	-	-	2,230,730
Paid dividends and Honoraria 2022	-	-	-	-	(76,600,000)	(76,600,000)
Proposed dividends	-	-	-	(83,552,044)	83,552,044	-
Proposed honoraria	-	-	-	(2,800,000)	2,800,000	-
Prior year adjustment (Note 26)	-	-	-	15,553,170	-	15,553,170
Balance as at 31.12.2023	642,708,029	42,333,033	228,497,529	258,612,315	86,352,044	1,258,502,950

CS /NO. 2169
CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2023

	Notes	2023 Kshs	2022 Kshs
Cashflow from operating activities			
Interest receipts	2	743,817,842	673,511,537
Other interest income	3	9,167,465	20,572,039
Other operating income	5	38,446,068	31,502,894
Interest expense	4 & 24	(334,266,586)	(295,491,140)
Payment to employees and suppliers		(364,052,943)	-352,821,097
		<u>93,111,846</u>	<u>77,274,233</u>
(Increase) decrease in operating assets			
Trade and other receivables	14	(12,368,427)	18,308,101
Loans to members	16	(378,773,159)	(537,146,278)
		<u>(391,141,586)</u>	<u>(518,838,177)</u>
(Decrease)/ Increase in operating liabilities			
Deposits from members	19	313,857,261	278,885,436
Trade payables	20	9,894,749	2,814,365
Net Cash from/(used in) operating activities before tax		<u>25,722,270</u>	<u>(159,864,143)</u>
Income tax paid	22	-1,428,264	(12,822,965)
Net cash (used in)operations		<u>(1,428,264)</u>	<u>(12,822,965)</u>
Cashflow from investing activities			
Purchase of property and equipment	15	(36,216,317)	(29,827,351)
Purchase of Intangible asset	17	(2,118,866)	(10,766,827)
Proceeds on disposal of assets	18	-76,057	114,138
Purchase/(sale) of financial assets	18	(2,230,730)	15,963,818
Net cash generated from investing activities		<u>(40,641,970)</u>	<u>(24,516,222)</u>
Cashflow from financing activities			
Share capital contribution movement	23	73,491,672	32,666,050
Net cash generated from(used in) financing activities		<u>73,491,672</u>	<u>32,666,050</u>
Net cash increase/ (decrease) during the year		57,143,708	(164,537,276)
Cash and cash equivalents at the start of the year.		330,716,834	495,254,114
Cash and cash equivalents at the end of the period	13	<u><u>387,860,542</u></u>	<u><u>330,716,834</u></u>

CS /NO. 2169
CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
ACCOUNTING POLICIES
FOR THE YEAR ENDED 31ST DECEMBER 2023

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.

Item	Rates
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%

FOR THE YEAR ENDED 31ST DECEMBER 2023

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 1 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.

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

CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED
ACCOUNTING POLICIES (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2023

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.

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 24th 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

CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

ACCOUNTING POLICIES (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2023

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 1 January 2019 and the Society intends to adopt IFRS 16 on its effective date. 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.

CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

ACCOUNTING POLICIES (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2023

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.

CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

ACCOUNTING POLICIES (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2023

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(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

(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.

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 2023

	2023	2022
	Kshs	Kshs
2 Interest Income		
Interest on loans and advances	743,817,842	673,511,537
	743,817,842	673,511,537
3 Other Interest Income		
Interest income from Co-operative Bank	6,181,986	17,359,171
Interest income from KCB Bank	2,985,479	3,212,868
	9,167,465	20,572,039
4 Interest Expenses		
Interest on members deposits	283,125,080	246,265,824
Interest on fixed and savings deposits	11,493,417	8,220,012
	294,618,497	254,485,836
5 Other Operating Income		
Commission on mobile banking	10,246,261	7,569,133
FOSA income	11,480,580	10,590,531
Entrance Fees	4,340,600	3,731,670
Dividends income	10,798,708	6,427,360
Miscellaneous income	1,503,862	3,000,485
Bad Debts recovery	-	183,715
Gain from Fixed Deposit	76,057	-
	38,446,068	31,502,894
6 Administrative expenses		
Office expenses	4,606,414	3,993,095
Motor vehicle expenses	2,197,318	2,094,149
Security expense	13,301,103	13,372,419
Fidelity and cash insurance	1,318,239	1,280,225
Loan insurance premiums	21,055,262	17,893,843
Printing and stationery	2,962,779	3,090,395
Repairs and maintenance	2,537,585	2,177,993
Cleaning services	4,863,050	4,242,161
Operations and business reviews	1,852,655	1,404,527
Annual system support and maintenance	4,607,664	3,386,395
SASRA levy	5,257,445	4,961,894
Telephone, Courier & postage	2,243,156	1,869,041
Bulk SMS expenses	1,221,764	1,683,980
Licenses and subscriptions	4,946,564	3,718,637
Ushirika day celebrations	1,155,467	795,907
Branches electricity	3,216,264	2,223,267
Internet services	4,845,929	5,820,508
Office rent expense	28,791,802	26,412,452
Strategic plan and policies review expenses	6,165,996	1,762,910
Credit reference bureau expenses	1,072,210	1,058,383
Corporate social responsibility	73,000	-
General insurance	350,444	213,696
Library and reference materials	150,310	149,348
Asset Tagging	75,000	144,000
Bad debts (Factory Control Account)	1,168,865	2,201,114
QMS & ISO Certification	2,476,081	2,637,604
Debt Collection Expenses	-	297,476
	122,512,366	108,885,419

CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2023

	2023 Kshs	2022 Kshs
7 Personnel expenses		
Salaries and wages	107,848,923	94,063,056
NSSF employer contribution	1,543,680	282,800
Staff provident fund scheme	11,508,691	9,398,142
Provision for leave days	-	806,604
Fringe benefit tax	39,669	16,441
Staff medical insurance scheme	10,368,899	13,676,136
Staff insurance	1,448,512	910,576
Staff benefits and leave allowances	9,991,669	7,322,435
Staff travel and subsistence	7,885,356	6,014,308
Staff benevolent	943,847	887,811
Staff evaluation, training and recruitment	8,317,979	8,402,133
Staff bonus	8,466,500	8,649,592
Staff Job evaluation	359,264	519,961
Staff Team Building	4,006,873	2,810,895
Nita Expense	83,150	48,850
Housing Levy Employer Contribution	1,061,717	-
	173,874,729	153,809,740
8 Marketing and public relations expenses		
Marketing expenses	14,767,193	12,450,824
Public relations & 50th anniversary	12,642,043	4,155,428
Advertisement	2,981,272	1,627,802
	30,390,508	18,234,054
9 Governance expenses		
Board sitting allowance	4,513,131	4,305,693
Members and delegates education	11,273,246	9,789,425
Board subsistence	4,352,078	3,957,164
Board education and seminars	7,294,261	4,551,581
Board travelling	2,113,551	2,288,557
ADM expenses	14,195,658	9,181,662
Branch committee costs	1,189,013	1,078,682
Election expenses	668,489	121,451
Board and delegates welfare	556,717	50,593
	46,156,144	35,324,808
10 Financial Expenses		
Bank charges	2,504,879	2,715,607
M-pesa charges	276,522	209,259
	2,781,401	2,924,866
11 Professional expenses		
Legal fees	842,400	629,930
Managed Cybersecurity expenses	1,968,700	1,734,933
Tax Consultancy	236,800	139,200
Audit fees	433,440	433,400
Business Continuity Plan	-	899,224
System Audit	450,000	-
IFRs 9 IFRs 16 Consultancy	-	705,500
	3,931,340	4,542,187

CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2023

	2023 Kshs	2022 Kshs
12 Depreciation and Amortization		
Depreciation	11,536,432	10,522,101
Amortization	4,433,323	3,882,889
	15,969,755	14,404,990
13 Cash and Cash Equivalents		
Petty cash/imprest account	385,463	233,816
Treasury cash	23,867,798	31,886,937
Fixed deposit-KBC bank	280,000,000	230,000,000
SBM (25% with KDIC)	4,566,125	4,566,125
KCB current Account -Litein branch	6,618,843	9,200,281
Co-op bank current account - BOSA	-	3,124,152
Co-op bank current account- Nrb FOSA	17,427,073	23,204,772
Co-op kwa jirani (pos) investment	473,000	474,000
Mpesa settlement account	3,368,480	3,473,806
B2C settlement account	78,099	902
Safaricom paybill(Tangazoletu)	30,859,907	7,573,856
Tangazoletu settlement account	16,698,437	12,418,060
Chai Pesa settlement account	6,882,298	5,745,602
Safaricom Paybill (Skyworld)	2,194,430	214,176
Overdrawn account balances		
ATM settlement account	(186,171)	(15,584)
Co-op bank current account - BOSA	(2,959,979)	-
Bankers cheque settlement account	(2,413,261)	(1,384,067)
	387,860,542	330,716,834
14 Accounts and other receivables		
Prepayments	16,186,948	6,364,626
Rent and electricity deposits	5,309,615	5,139,363
Insurance claims (CIC)/Funeral claims	2,888,197	1,544,104
Chai Diamond Ltd loan and expenses receivable	19,492,766	29,986,256
Station remittances	18,843,398	12,401,170
Staff debtors	16,524	157,680
Investment Income	5,224,178	-
	67,961,626	55,593,199

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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 2023
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%	COMPUTERS & ACCESSORIES 25.0% KSHS	TOTAL KSHS
Cost or Valuation							
As at 01 January 2022	85,937,642	21,616,757	12,859,103	8,150,000	604,250	46,578,972	175,746,724
Additions	19,471,142	4,292,946	1,812,330	-	-	4,250,933	29,827,351
Disposal	-	(195,841)	(97,160)	-	-	(1,050,599)	(1,343,600)
Reclassification	-	-	-	-	-	-	-
As at 31 December 2022	<u>105,408,784</u>	<u>25,713,862</u>	<u>14,574,273</u>	<u>8,150,000</u>	<u>604,250</u>	<u>49,779,306</u>	<u>204,230,475</u>
Depreciation							
As at 01 January 2022	48,501,250	11,707,918	6,316,982	2,212,233	197,382	35,669,854	104,605,619
Charge for the period	4,396,471	1,130,579	739,137	1,309,469	89,728	2,856,718	10,522,102
Disposal	-	-	-	-	-	-	-
Reclassification	-	(145,006)	(76,491)	-	-	(892,207)	(1,113,704)
As at 31 December 2022	<u>52,897,721</u>	<u>12,693,491</u>	<u>6,979,628</u>	<u>3,521,702</u>	<u>287,110</u>	<u>37,634,365</u>	<u>114,014,017</u>
Net book value							
As at 31st December 2022	<u>52,511,063</u>	<u>13,020,371</u>	<u>7,594,645</u>	<u>4,628,298</u>	<u>317,140</u>	<u>12,144,941</u>	<u>90,216,457</u>
Cost or Valuation							
As at 01 January 2023	105,408,784	25,713,862	14,574,273	8,150,000	604,250	49,779,306	204,230,475
Additions	25,588,460	2,409,260	518,850	-	323,990	7,375,757	36,216,317
Disposal	-	-	-	-	-	(62,640)	(62,640)
Reclassification	-	-	-	-	-	-	-
As at 31 December 2023	<u>130,997,244</u>	<u>28,123,122</u>	<u>15,093,123</u>	<u>8,150,000</u>	<u>928,240</u>	<u>57,092,423</u>	<u>240,384,152</u>
Depreciation							
As at 01 January 2023	52,897,721	12,693,491	6,979,628	3,521,702	287,110	37,634,365	114,014,017
Charge for the period	5,337,052	1,271,855	736,272	1,020,689	111,323	3,059,241	11,536,432
Reclassification	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	(50,857)	(50,857)
As at 31 December 2023	<u>58,234,773</u>	<u>13,965,346</u>	<u>7,715,900</u>	<u>4,542,391</u>	<u>398,433</u>	<u>40,642,749</u>	<u>125,499,592</u>
Net book value							
As at 31 December 2023	<u>72,762,471</u>	<u>14,157,776</u>	<u>7,377,223</u>	<u>3,607,609</u>	<u>529,807</u>	<u>16,449,674</u>	<u>114,884,559</u>

			2023 Kshs	2022 Kshs
16 Loans and advance to Members				
At the start of the year			4,151,584,403	3,614,438,125
Disbursements during the year			2,811,624,139	3,135,511,722
Repayments during the year			(2,433,506,664)	(2,598,365,444)
			4,529,701,878	4,151,584,403
Provision for impairment				
As at start of the year			74,513,512	86,340,390
Provision for impairment			2,195,156	290,043
Impaired loans written off			(2,850,840)	(12,116,921)
			73,857,828	74,513,512
			4,455,844,050	4,077,070,891
2023				
NO	No of A/cs	Classification	Loan Portfolio	Req Prov
1	12,291	Performing (0 Days)	4,440,218,799	0.01
2	336	Watch (1-30 Days)	39,368,641	0.05
3	455	Substandard (31- 180 Days)	23,889,002	0.25
4	288	Doubtful (181 - 360 Days)	9,420,957	0.50
5	876	Loss Over 360 Days	16,804,479	1.00
	14,246		4,529,701,878	73,857,827
2022				
NO	No of A/cs	Classification	Loan Portfolio	Req Prov
1	13,014	Performing (0 Days)	4,053,478,764	0.01
2	328	Watch (1-30 Days)	38,157,525	0.05
3	467	Substandard (31- 180 Days)	26,191,379	0.25
4	328	Doubtful (181 - 360 Days)	16,467,464	0.50
5	766	Loss Over 360 Days	17,289,272	1.00
	14,903		4,151,584,404	74,513,513
		Net Increase / (Decrease) in impairment		(655,685)
17 Intangible Assets				
As at 1st January			39,070,837	28,304,010
Additions			2,118,866	10,766,827
			41,189,703	39,070,837
Accumulated amortization as at 1st January			15,096,622	11,213,733
Amortization for the year			4,433,322	3,882,889
			19,529,944	15,096,622
Net Book Value			21,659,759	23,974,215
18 Financial Assets				
Quoted Shares at fair Value				
Eveready (k) Ltd, 2,200 shares @ 1.08			2,376	1,518
Total Kenya Ltd, 9525 shares @ 18.00			171,450	227,171
Co-op Bank of Kenya Ltd, 176,400 Shares @ 11.40			2,010,960	2,169,720
National Bank of Kenya Ltd, 830 shares @ 4.12			3,420	3,420
Kengen Ltd, 6431 shares @ 2.00			12,926	20,708
Safaricom Ltd, 42500 shares @ 13.90			590,750	1,026,375
			2,791,882	3,448,912

CHAI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2023

	2023 Kshs	2022 Kshs
(b) Un-quoted shares at fair value - Available for sale		
Co-op Holdings Ltd (6,683,544 shares of 1/=) valued 7.40/=(2021,7.40)	49,458,226	49,458,226
Co-operative Ins. Company Ltd (9,957,792 shares of 1/= each) 2.24/=	22,305,454	19,417,694
Kuscoco 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>139,834,470</u>	<u>136,946,710</u>
Total Investments	<u>142,626,352</u>	<u>140,395,622</u>
	2,230,730	(16,079,576)
19 Members deposits		
BOSA		
At the start of the year	2,846,191,093	2,625,524,765
Additions in the year	630,386,379	573,478,245
Withdrawals during the year	(366,689,842)	(352,811,917)
	<u>3,109,887,630</u>	<u>2,846,191,093</u>
FOSA		
At the start of the year	436,948,605	378,729,497
(Withdrawals)/additions in the year	50,160,724	58,219,108
	<u>487,109,329</u>	<u>436,948,605</u>
Total Members' deposits	<u>3,596,996,959</u>	<u>3,283,139,698</u>
20 Accounts and other payables		
Provision for leave days	1,345,833	1,686,119
Audit fees	259,987	259,987
Withholding tax payable	7,363	-
Excise duty payable	615,051	851,206
Withholding VAT payable	54,431	2,400
Accrued Interest on FOSA Savings	5,388,282	4,915,611
Staff statutory deductions	6,161,587	5,248,815
Deceased claims payable	12,412,693	10,862,697
Conveyance fees	91,400	115,620
Insurance premium payable	16,922,572	15,436,097
Deposit cover collection		434,241
Withholding tax rental	-	-
Unreceipted Bankings	333,673	333,673
Agency Float, Commission and banking securities	108,133	99,289
Sundry Creditors	8,989,196	2,564,694
Withholding Tax Rental	14,997	
	<u>52,705,198</u>	<u>42,810,449</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 2023

	2023 Kshs	2022 Kshs
21 Accrued Interest on Member Deposits		
As at start of the year	246,265,824	217,079,988
Payment during the year	(246,173,169)	(217,079,988)
Overprovision of Rebates	92,655	-
Accrued interest on Member Deposits	283,125,080	246,265,824
	283,125,080	246,265,824
22 Taxation		
Balance b/f	(5,791,225)	935,665
Installment tax	(1,428,264)	(11,827,216)
Tax provision for the year	6,716,573	6,554,430
Tax paid	-	(935,665)
Tax credit	9,617	(30,042)
Tax withheld	-	(488,397)
Balance c/f	(493,299)	(5,791,225)
23 Share capital		
As at the start of the year	569,216,357	536,545,376
Contributions during the year	73,491,672	32,670,981
At the end of the year	642,708,029	569,216,357
24 Reserves		
Retained earnings	258,612,315	255,583,264
Revaluation reserve	42,333,033	40,102,303
Statutory reserve	228,497,529	210,040,548
Proposed Dividends	83,552,044	74,000,000
Proposed Honoraria	2,800,000	2,600,000
	615,794,921	582,326,115
25 Disposal Account		
Cost of computers, furniture & equipment	62,640	1,343,600
Accumulated depreciation	(50,857)	(1,113,704)
Net Book Value	11,783	229,896
Cash paid for	87,840	114,138
Gain/(Loss) on disposal	76,057	(115,758)

	2023 Kshs	2022 Kshs
26 Prior year Adjustment		
Additional Income Tax Assessment 2016	-	107,732
Overprovision of Dividends 2022	7,829	(9,998)
Overprovision of Rebates 2022	57,554	(100,505)
Underprovision of instalment tax 2020	-	214,700
Reversal of Dividends wrongly earned 002165	-	(7,944)
Decrease in Loan Loss provision		(2,411,855)
Decrease for provision Previous year leave days	345,227	-
Excise Duty shares transfer & Loan Buyoffs 2021	-	421,499
Reversal of Legal Fees 2019	-	(1,132,265)
Accounts write-off/Closure	15,152,177	
Overprovision of Income Tax	(9,617)	
	15,553,170	(2,918,636)
27 Related party Transactions		
a. Key management personnel and directors remuneration		
Management salaries and wages	53,286,335	42,029,523
Honoraria and Sitting allowances	7,313,131	5,705,693
	60,599,466	47,735,216
b. Loans and Advances to Board		
At Start of the year	47,418,633	47,901,029
Disbursement during the year	40,520,500	18,706,110
Repayments	(38,694,641)	(19,188,506)
At the end of the year	49,244,492	47,418,633
Total Deposits	21,371,710	21,142,830
Share Capital	2,046,166	2,151,780
c. Loans and Advances to Staff		
At Start of the year	49,148,936	54,657,468
Disbursement during the year	56,312,103	47,552,943
Repayments	(44,087,550)	(53,061,475)
At the end of the year	61,373,489	49,148,936
Total Deposits	30,551,681	26,607,592
Share Capital	3,980,756	3,649,684

28 Comparatives

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