CDSCKenya

# 2019 ANNUAL REPORT & FINANCIAL STATEMENTS

CENTRAL DEPOSITORY & SETTLEMENT CORPORATION

*Invested in Progress*

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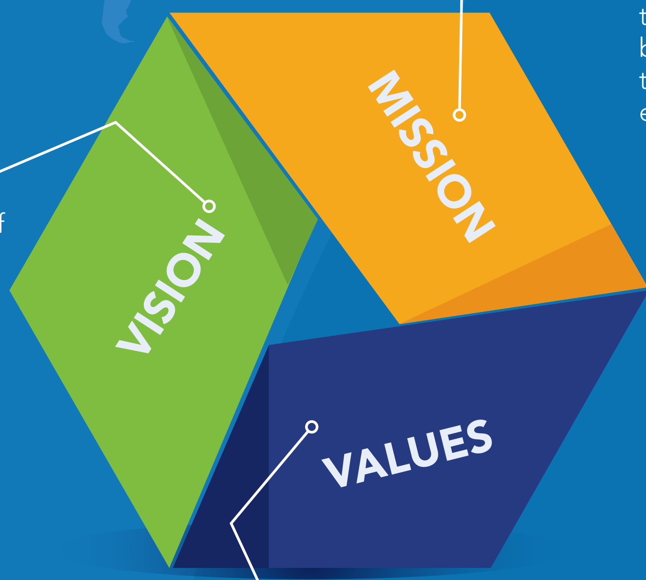
CENTRAL DEPOSITORY & SETTLEMENT CORPORATION
*Invested in Progress*




To provide secure, efficient custody, clearing, settlement and related services to all stakeholders by leveraging on technology and service excellence.

A leading provider of innovative solutions for custody, clearing and settlement services.

- **Bankability;** Transactional trust
- **Integrity;** Public reliability
- **Customer centric;** Market solutions
- **Professionalism;** Competence
- **Confidentiality;** Non-disclosure
- **Stewardship;** Wise and just use of talent and resources in a collaborative manner

## OUR CONTACTS

Nation Center, 10th Floor, Kimathi Street
P.O. Box 3464-00100 GPO Nairobi, Kenya
+254 (020) 2912000/ +254 (0) 724256130 / +254 (0) 733222033
helpdesk@cdsckenya.com

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CENTRAL DEPOSITORY & SETTLEMENT CORPORATION
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## TRACK YOUR CDS ACCOUNT ANYWHERE, ANYTIME WITH THE NEW CDSC MOBILE APP

The new CDSC Mobile Application allows you to keep track of your investments in real time. Investors can enjoy a wide range of benefits including:

- Real time account tracking 24/7
- View transaction history
- Receive alerts on transactions and corporate actions
- Personalized account information


## CDSC DATA VENDING SERVICE

Did you know you can get access to market transactional data for all accounts held in the CDS  system?

CDSC Data Vending Service, offers a wide range of data sets that can carter for both the commercial and academic needs of our clients. Contact us through our email on **corporate@cdsckenya.com** for facilitation on all your data needs.

## OTHER CDSC PRODUCTS AND SERVICE OFFERING

### DEPOSITORY SERVICES

- Holding of securities in CDS
- Movement of securities within CDAs
- Transfer of securities to beneficiaries or as gifts
- Investors can use shares to secure loans with lending institutions

### REGISTRY SERVICES

Through our subsidiary company CDSCR, we offer;

- IPO processing and register creation.
- Administration of AGMs / EGMs
- Processing of entitlement / dividend payments
- Register maintenance
- Settlement of equities, corporate bonds and M-Akiba bonds.

### INVESTOR SERVICES

- Online Account Access
- Email Statement Service
- Statement of Accounts

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- Email us on **corporate@cdsckenya.com** to access in depth capital markets related data sets through the CDSC Data Vending Service

**CONTACTS US AT**

Nation Center, 10th Floor, Kimathi Street | P. O. Box  3464 - 00100 GPO Nairobi , Kenya

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# GROUP **INFORMATION**

## BOARD **OF DIRECTORS**

Charles Ogalo - Chairman
Isaac Awuondo
Bob Karina
Ashok Shah
Eunice Kariuki
Geoffrey Odundo
Peter Mwangi
Aida Kimemia - Nesbitt
Samuel Kimani

## CHIEF **EXECUTIVE OFFICER**

Nkoregamba Mwebesa

**REGISTERED OFFICE**

Nation Center, 10th Floor
Kimathi Street
P.O. Box 3464, 00100 NAIROBI

## INDEPENDENT **AUDITOR**

PKF Kenya
Certified Public Accountants
P.O. Box 14077, 00800 NAIROBI

## COMPANY **SECRETARY**

Hilda Njeru
Certified Public Secretary
P.O. Box 4939, 00100 NAIROBI

## PRINCIPAL **BANKERS**

Stanbic Bank Kenya Limited
NAIROBI

NCBA Bank Kenya
PLC NAIROBI

## SUBSIDIARIES

CDSC Nominees
Limited, KENYA

CDSC Registrars Kenya
Limited, KENYA

CDSC Registrars Rwanda
Limited, RWANDA

# BOARD **COMMITTEE MEMBERS**

## NOMINATION AND REMUNERATION COMMITTEE

1. Charles Ogalo - Chairman
2. Aida Kimemia - Member
3. Ashok Shah - Member
4. Sam Kimani - Member
5. Isaac Awuondo - Member

## FINANCE AND STAFF COMMITTEE

1. Bob Karina - Chairman
2. Sam Kimani - Member
3. Isaac Awuondo - Member
4. Aida Kimemia - Nesbitt - Member

## BUSINESS CONDUCT COMMITTEE

This is a statutory committee established pursuant to Rule 42 of the Central Depository Rules)

1. Geoffrey Odundo - Chairman
2. Eunice Kariuki - Member
3. Job Kihumba - Member, representing trading participants (stockbrokers)
4. Gideon Chokah - Member, representing non-trading participants
5. Peter Waiyaki - Member, Industry expert

## TECHNOLOGY COMMITTEE

1. Eunice Kariuki - Chairperson
2. Bob Karina - Member
3. Geoffrey Odundo - Member
4. David Wainaina - Member - Chief Operating Officer NSE
5. Kelvin Kinyanjui - Member - Industry expert

## AUDIT COMMITTEE

1. Ashok Shah - Chairman
2. Peter Mwangi - Member
3. Aida Kimemia - Member
4. Sam Kimani - Member

CENTRAL DEPOSITORY & SETTLEMENT CORPORATION
*Invested in Progress*

**Charles Ogalo**
CHAIRMAN

**Nkoregamba Mwebesa**
CEO

# STATEMENT TO SHAREHOLDERS

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# STATEMENT **TO SHAREHOLDERS**

### Dear Shareholders,

It is with great pleasure that we present to you, on behalf of the Board and Management of CDSC, the Company's Performance for the year ended 31st December 2019.

> CDSC's retained earnings went up by 8% to Kes.409.5 million in the year up from Kes.377.5 million posted in 2018.

### Economic Performance

The year 2019 was characterized by challenges both locally and globally that affected the general performance of the Economy and in turn the Capital Markets. The global macro-economic environment was characterized by a slow-down in growth, which was weighed down by the negative effects of the trade conflicts among the major economies such as the trade dispute between the US and China, Britain over its exit from the European Union ("Brexit"), Geopolitical tension between the US and Iran, disrupting the mid-stream and down-stream oil supply channel, and trade. Global market capitalization increased by 25.58% from 74.4 trillion US Dollars in 2018 to 93.32 trillion US Dollars in the year under review while shares traded volumes were up by 13% to 24.8 trillion US Dollars in 2019 up from 21.9 trillion US Dollars in 2018. Global growth for 2019 is reported at a rate of 2.9%, a decline of 0.6% from a 3.5% performance recorded in 2018.

The Sub-Saharan region recorded a sharp decrease in GDP growth at 2.4% in 2019 compared to 3.0% growth in 2018. The activity was dampened by softening of external demand, heightened global policy uncertainty, and falling commodity prices, as well as domestic fragilities in several countries which further constrained activity.

Back home, Kenya's GDP grew at an average rate of 5.9% in 2019 compared to a 6.3% growth recorded in 2018. This slowdown was attributed to reduced agricultural output, owing to delayed long rains in the first quarter of the year that led to a decline in agricultural production. The manufacturing sector also experienced a decline. In 2019, the sector real value added increased by 3.2 per cent, which was a slower growth compared to 4.3 per cent recorded in 2018.

As such GDP was largely driven by household consumption and investment on the demand side and services on the supply side, such as public administration, information technology, finance and insurance, transport and storage. In 2020, performance of Kenya's Gross Domestic Product (GDP) is projected to decelerate substantially due to the negative impact of the COVID-19 pandemic. The World Bank Kenya Economic Update (KEU) predicts growth of 1.5% in 2020 in the baseline scenario, with a potential downside scenario of a contraction to 1.0%, if COVID-19 related disruptions in economic activity lasts longer.

## Group Performance

In the Equity Market a total of 248,369 deals were settled through the CDS system in 2019 compared to 307,873 deals settled in the previous year representing a 19.3% decline.

Annual trading volumes decreased to 4.8 billion shares; down from 6.3 billion shares traded in year 2018 representing a 23.8% decline, with the equities turnover declining by 12.40% to Kes.153 billion from Kes.175 billion posted in 2018. Market capitalization stood at Kes.2.5 trillion against Kes.2.1 trillion posted at the close of year 2018 representing a total increase of 21.44%.

In contrast, the market witnessed a vibrant corporate bonds market in 2019, with the bonds turnover recording a 15.84% increase to Kes.651 billion up from Kes.562 billion recorded in 2018.

The Group recorded a net profit of Kes.43.5 million representing a 53% decline from last year's profit of Kes.82 million. The reduction is mainly attributed to the reduced Equity Market turnover mentioned above, which affected the transaction levies which is the main revenue stream for the Group. Transaction levies being our main revenue driver contributed 68% of the total revenue line affirming the importance of a vibrant capital markets to CDSC's overall performance.

The drop in market turnover reflected a 5.6% decrease in revenue in 2019 to Kes.335.3 million from Kes.355.3 million posted in 2018. Transaction levies decreased by 12.8% YoY to Kes.245 million from Kes.281 million. Total expenses increased by 12.4% to Kes.305.4 million in 2019 from Kes.267.4 million in the previous year. This was attributed to an increase in operating and administrative costs.

> "At the close of 2019, there were 1,530,585 active CDS accounts; an increase of 24.2 % compared to 1,159,674 active CDS accounts recorded at the close of 2018.

CDSC 's total assets grew by 6.2% to Kes.598.8 million compared to Kes.569.3 million recorded in 2018 while retained earnings went up by 8% to Kes.409.5 million in the year up from Kes.377.5 million posted in 2018.

At the close of 2019, there were 1,530,585 active CDS accounts; an increase of 24.2 % compared to 1,159,674 active CDS accounts recorded at the close of 2018. This follows the data clean up exercise undertaken in 2017 and 2018 whose main objective was to ensure all records maintained by CDSC are authentic, accurate and complete, and that they are reflective of CDSC clients' data which is compliant with the Know Your Customer (KYC) requirements.

In 2019, CDSC Registrars recorded a loss of Kes.12.1million compared to a loss of Kes.7.6 million in 2018; while CDSCR Rwanda recorded a loss of Kes.2.8 million compared to a loss of Kes.1.1million in 2018. This is attributed to tax penalties in Rwanda.

## Dividend Payment

The Board of Directors recommended a final dividend of Kes.6.86 per share for the year ended 2019 compared to Kes.10 per share in 2018.

## M-Akiba Retail Bond

The National Treasury issued three tranches of the Government Retail Bond dubbed M-Akiba.

The roll out was done in March, May and September, raising an additional of Kes.648.1 million. To date, the bond has been Issued five times raising a total Kes.1,045,120,100.

In April 2020, CDSC as the issuing and paying agent for the National Treasury (TNT) paid out the Principal amount and the final interest of Kes.157,552,500.00 to 5,609 M-Akiba 1 Bond investors; bringing the total amount paid out to Kshs. 158,132,500.00. M-Akiba 2 will mature on 7th September 2020. CDSC continues to manage interest payouts to all M-Akiba Bond holders as they fall due.

### Guarantee Fund

The CDSC Guarantee Fund is managed by CDSC as the Fund Manager and Administrator and operated in accordance with the CDSC Operational Rules and the Guarantee Fund Procedures. The purpose of the Fund is to mitigate settlement risks by guaranteeing funds settlement between settlement participants in instances of one or more parties' inability to meet settlement obligations. The Fund covers all the Central Depository Agents (CDAs). These are stockbrokers, investment banks and custodian banks.

As at the close of 2019, the CDSC Guarantee Fund recorded a net surplus of Kes.77.6 million, a decline from Kes.87 million recorded in 2018. This was attributed to a decline in the Guarantee Fund levy that recorded Kes.30.6 million in 2019, compared to Kes.35 million in 2018 and a re-measurement of loss on balances held with banks under receivership of Kes.1.7 million, as well as an increase in Administrative expenses to Kes.12.8 million in 2019 up from Kes.11.9 million in 2018. Despite a decline in Guarantee Fund Levy¬ and a re-measurement loss on balances held with banks under receivership as well as increase in administrative expenses, there was an increase in other Operating Income from Kes.70.6 million in 2018 to Kes.80.8 million in 2019, recording a combined growth of 5.1% to Kes.111.4 million in 2019 up from 105.8 million in 2018. The Fund's total assets consequently increased from Kes.916.6 million in 2018 to Kes.1,009.2 million in 2019.

" an increase in other Operating Income from Kes.70.6 million in 2018 to Kes.80.8 million in 2019, recording a combined growth of 5.1%

### Future outlook

As we take stock of last year's accomplishments and learnings, we are cautiously optimistic of the future as the capital market environment continues to experience volatility and low trading volumes. In the year 2020, CDSC Board and management will focus on increasing the revenue stream options for the group while ensuring prudent utilization of company resources for enhanced operational efficiency and business growth in the wake of Coronavirus disease (Covid-19). We take note of measures taken by the capital markets to ensure the industry remains resilient as we adjust to the "New Normal".

### Delivering the Strategy

The company continues to fulfill its vision to be a leading provider of innovative solutions for custody clearing and settlement services with key focus and commitment to achieving this goal through the implementation of our 2016 – 2020 strategy.

CDSC's 2016-2020 strategy is now in its final year of implementation. In 2020 CDSC shall focus on three key areas namely; (a) Increase product offering to propel profit growth, (b) enhance strategic partnerships and stakeholder engagements, (c) Sustain robust Risk management and corporate governance practices.

During the year under review, CDSC commissioned a new depository system following approval by the Capital Markets Authority (CMA) in October 2019. Perago Financial Systems Enablers Limited, a South African based company, provided the new system. The new system has enabled removal of pre-validation by decoupling the trading and the depository systems, enabling multiple settlement cycles, enhanced risk mitigation measures, supported multiple markets, currencies, and high availability cluster.

CDSC commissioned Thomas Murray (TM), a London based Market Data, Counterparty Monitoring and Risk Analytics Firm to undertake an independent self-assessment of CDSCs level of compliance with the Committee on Payment and Market Infrastructures (CPMI) and the Technical Committee of the International Organization of Securities Commissions (IOSCO); CPMI-IOSCO Principles for Financial Market Infrastructures (PFMIs) as part of Kenya's efforts to comply with mandates set by G-20 authorities. TM conducted an analysis of CDSC's practices and arrangements in the context of the assessment methodology defined by CPMI-IOSCO. FMIs are expected to undertake regular self-assessments in order to establish their degree of observance of the PFMI, using the Disclosure Framework and Assessment Methodology published in 2012.

The assessment was in fulfillment of the Capital Markets Master Plan and the regulatory requirements spelt out under the Conduct of Business (Market Intermediaries Regulations as well as in the company's 2016-2020 strategic plan.

The results of the 2019 analysis show that CDSC is 'broadly' observant overall for the CPMI-IOSCO PFMIs. Out of the 24 Principles, 16 Principles are applicable to CDSC; out of which, CDSC 'fully' observes 3, 'broadly' observes 9, 'partly' observes 3, 'does not' observe 1.

> The improved rating was attributed to the significant changes in the Kenyan capital market affecting the depository

In a news flash broadcasted on 31st January 2020, Thomas Murray upgraded the CDSCs Risk Assessment from A- to A, which denotes a 'Low' Overall Risk in the annual review of the report for CDSC. The improved rating was attributed to the significant changes in the Kenyan capital market affecting the depository as well as the additional information obtained in relation to all risk categories. The following changes to the risk assessments were assigned:

| | |
|---|---|
| Asset Commitment Risk | Upgraded from BBB to A |
| Financial Risk | Upgraded from A- to A |
| Operational Risk | Upgraded from BBB to A+ |
| Governance and Transparency Risk | Upgraded from BBB to A- |

Some of the major developments which contributed to the upgrade were implementation of the new CSD System, removal of securities pre-validation on trade date, addition of a second daily settlement batch, addition of new penalties in relation to failures as a result of the removal of pre-validation, introduction of a Buy-in board, introduction of Securities Lending and Borrowing, and enhanced Controls through Maker-Checker approvals.

### Management Changes

Mrs. Rose Mambo resigned in September 2019 as the Chief Executive of CDSC. She had served CDSC diligently for twelve years. The Board appointed Ms.

Hilda Njeru, Company Secretary and Head of Legal & Compliance as the acting Chief Executive until the position was substantively filled. On behalf of the CDSC Board, I wish to thank Mrs. Mambo for her stewardship and dedicated service to CDSC as the Chief Executive Officer, and wish her all the best in her future endeavors.

The Board appointed Mr. Nkoregamba Mwebesa as the Chief Executive Officer of CDSC on 6 January 2020. On behalf of the Board, I extend a warm welcome to Mr. Nkoregamba who brings a wealth of experience of over 25 years, as a strategic and purpose-driven corporate leader in the Financial Services Sector in the East Africa Region. His expertise spans Banking, Wealth and Investment Management, Capital Markets and Securities Trading, and Investment Banking.

## Appreciation

In conclusion, we wish to thank the Board for their wise counsel and diligent support for the corporation. As a Board, we appreciate the total commitment and professionalism with which the management team have continued to offer seamless services to our esteemed stakeholders. To our suppliers, thank you for ensuring the corporation is sufficiently supplied with required resources to facilitate service excellence to our customers. As Board and Management, we shall continue to uphold good corporate governance standards in order to operate more efficiently and to safeguard our shareholders' interests.

**Charles Ogalo**
Chairman

**Nkoregamba Mwebesa**
Chief Executive

# BOARD **PROFILES**

Mr. Charles Ogalo holds a BSc in Economics from the State University of New York, New Paltz, and an MSc in Economics from Rutgers University, New Jersey. He is currently the Managing Director of Genafrica Asset Managers Ltd. (formerly Genesis Kenya Investment Management Ltd.), a position he has held since 1st April 1996. He has served in several public and private sector companies in Kenya as a Non-Executive Director, including Ecobank Kenya, Sony Sugar, Kenya Re and CAK among others. A member of the Institute of Directors, Mr. Ogalo served in various positions of responsibility in the banking industry for over 11 years, both locally and internationally before joining Genesis Kenya.

CHARLES **OGALO**

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Mr. Nkoregamba Mwebesa, joined CDSC as the Chief Executive on February 10, 2020. He has more than 25 years' experience as a highly strategic and purpose-driven corporate leader in the Financial Services Sector in the East Africa Region. His expertise spans Banking, Wealth and Investment Management, Capital Markets and Securities Trading, and Investment Banking. Prior to joining CDSC, Nkoregamba served as Managing Director of Stanlib Kenya Limited (Stanlib), a wholly owned subsidiary of Liberty Holdings where he crafted and led the strategic turnaround of the business.

Prior to joining Stanlib, he served as the Chief Executive of SBG Securities Limited (SBGS), a member of the Nairobi, Uganda and Rwandan Securities Exchanges and a wholly owned subsidiary of the Stanbic Holdings Plc. At SBGS, he led the strategic re-positioning of the business into a top tier regional investment bank. During his tenure, SBGS routinely ranked as the top broker on the three regional Exchanges. He was also a key member of numerous landmark transactions, such as the Stanlib Fahari I-Reit Initial Public Offering on the Nairobi Securities Exchange (2015), the Tanzania Breweries Limited Public Offer on the Dar es Salaam Securities Exchange (2011), the Kenya Airways Rights Issue on the Nairobi Securities Exchange (2011/2012) and the UMEME Initial Public Offering on the Uganda Securities Exchange (2012-2013). Mr. Nkoregamba also served as the Chief Executive Officer of the Nairobi Securities Exchange from 2005 to 2008 and was instrumental in the implementation of the Automated Trading System (ATS) that contributed to the largest trading expansion in the history of the bourse. He also oversaw 12 new equity listings and numerous debt listings during this period. This included the high profile listings of Kengen and Safaricom.

NKOREGAMBA **MWEBESA**

Mr. Peter K Mwangi is the former Group Chief Executive Officer of the UAP Old Mutual Group in East Africa. Before this appointment, he was the Chief Executive Officer of the Old Mutual Group in Kenya from October 2014. He previously served as the Chief Executive Officer of the Nairobi Securities Exchange Limited for a period of 6 years to September 2014. Prior to this, he was the Chief Executive Officer of Centum Investment Company Plc between 2004 and 2008. He serves as a Non-Executive Director on the Board of the Central Depository and Settlement Corporation (CDSC), British American Tobacco Kenya PLC, and Funguo Investments Limited. He has over 20 years of proven business and leadership experience. He holds a Bachelor of Science degree in Electrical Engineering from the University of Nairobi and is also a CFA charter holder. Additionally, he is a member of ICPAK, ICPSK and KIM

PETER **MWANGI**

Mr. Shah's education is in Applied Chemistry. Professionally he is a Chartered Insurer with ACII. He is a member of the Chartered Institute of Arbitrators (MCIArb) and an Associate of the Insurance Institute of Kenya (AIIK). He is a past Chairman of Association of Kenya Insurers (AKI). He is currently the Group Chief Executive of Apollo Investments Limited. Before taking over this position he was the CEO of APA Insurance from its inception from the merger of the General Insurance business of Apollo Insurance and Pan Africa Insurance. APA is a leading regional player. He is a Director of CDSC representing the Capital Market Challenge Fund. Other directorships include A P A Insurance Ltd, Absa Bank Kenya Plc, APA Life Assurance, Apollo Asset Management, APA Insurance Uganda and Reliance Insurance Company Ltd in Tanzania. He was the first recipient of the Lifetime Achievement Award for his contribution to the Insurance Industry. Recently he was one of the finalists of the Ernest and Young Entrepreneur of the Year Award in the Masters Category. Ashok emerged a finalist in the All Africa Business Leaders Awards – 2015 (AABLA), under the category of Philanthropist of The Year 2015. He is the winner of the 2016 AABLA Entrepreneur of the Year Award- East Africa Chapter.

ASHOK **KUMAR MEPA SHAH**

Mr. Karina is the Founder and Chairman of Faida Investment Bank, which is licensed by the Capital Markets Authority Kenya and a Member of the Nairobi Securities Exchange (NSE) Ltd. He is also the Managing Director, Faida Securities (Rwanda).

He is the Vice Chairman of the NSE and also the Vice Chairman of the Rwanda Stock Exchange (RSE), where he has played a key role in the set up of the RSE, where he serves as the Chairman of the Operations and Market Development Committee. He is also a Board Member of the Central Depository and Settlement Corporation (CDSC), where he serves as the Chairman of the Finance Committee. He is a Board Member of the NSE Clear, Trustee of both NSE Investor Protection Fund and NSE Derivatives Settlement Guarantee Fund. He is also a Board Member of the Kenya Industrial Estate (KIE), where he serves as the Chairman of the Finance Committee. KIE's principal activity is to promote and facilitate industrialization through the provision of credit facilities, business development services and industrial workspaces in Kenya.

He is an accomplished stockbroker, an information technology professional and a successful businessman. He plays other roles including; Chairman of Norwich Union Properties Ltd., Chairman of Association of Kenya Stockbrokers (AKS) Nominees Ltd and Founder Member of the Institute of Certified Securities and Investment Analysts (ICSIA). He is also a member of the Institute of Directors. He also served as a Governor and Director of the Kenya Private Sector Alliance (KEPSA) and as a Director of the Kenya National Chamber of Commerce and Industry (KNCCI) as the Chairman of the Finance Committee.

Mr. Karina was instrumental in the establishment of the CDSC, the implementation of the NSE's Automated Trading System (ATS), the Wide Area Network (WAN), and the Broker Back Office (BBO) system, as the Chair of the implementation committees that spearheaded these developments in the Kenyan capital markets. He has broad experience in advising institutional and corporate investors, corporate finance consulting and research analysis. He is a former Lecturer at the KCA University, Nairobi, Kenya. He holds a Master of Science (MSc) in Corporate Finance from the University of Liverpool, in the UK.

BOB **KARINA**

Aida Kimemia is Managing Director at Tiserin Capital, an impact private equity fund, which invests in small and mid-sized business in East and Southern Africa. She has broad experience in investment banking, corporate finance, general management and corporate governance. She is also non-Executive Chair on the board of Metropolitan Cannon General Insurance Limited and non-Executive Director on the board of Echo Scan a healthcare business which operates in Nigeria.

Prior to Tiserin Capital, Aida had a long career at the International Finance Corporation (IFC), culminating in her role as Regional Manager for Manufacturing and Consumer Services in Africa where she was responsible for a $300 million annual business.

Aida holds a Bachelor's Degree in Economics and Mathematics from St Lawrence University (New York) and a Master's Degree in Financial Management from Johns Hopkins University (Baltimore)

## AIDA **KIMEMIA - NESBITT**

Eunice is the Director of Partnerships, Innovation and Capacity at ICT Authority, a merger of former ICT Board, e-Government and Government Technology Systems (GITS) in 2013. Until then she held the double role of Deputy CEO and Marketing Director at Kenya ICT Board for 8 years, having joined from Microsoft where she worked for 2 years as the Education Account Manager for Eastern and Southern Africa.

Before then, Eunice spent 7 years running Records & Archives Management Systems (RAMS) Ltd, a Kodak Digital Imaging Systems Integration Startup that she founded in 1999, following the restructuring of Eastman Kodak (Kenya office) where she had worked for 2 years and founded her Business Information Technology Profession as her career. Before then she spent 1 year of industrial training at Avro International Aerospace in UK as a management trainee.

Eunice holds an MBA in Strategic Management from Maastricht School of Management (an affiliation of the Eastern Southern African Management Institute (ESAMI); BSc.(Hons) Degree in Business Studies - UK, a Higher National Diploma in Business Information Technology (BITech) - UK, and Chartered Institute of Marketing (CIM) Post Graduate Diploma also from UK. She has also undertaken Strategic Development Leadership Training (SLDP) and Project Management (PMYK). She is a Member of the Institute of Directors (IOD) and Chartered Institute of Marketing (CIM).

Eunice was listed on the 2009 top 40 under 40 women in Kenya, and most recently as one of the 2017 top 25 Digital Influencers in Kenya.

## EUNICE **KARIUKI**

Mr. Odundo holds a Master's degree in Strategic Management and an undergraduate degree in Mathematics and Economics. He is an Advanced Management Program (AMP) graduate from Strathmore Business School.

Mr. Odundo was appointed Chief Executive of the NSE on March 3, 2015. He is an accomplished Investment Banker having been in the financial services sector for the last 27 years, 21 of which have been in the Capital Markets.

Prior to his appointment, Mr. Odundo was the Managing Director and Chief Executive Officer of Kingdom Securities Limited. He was instrumental in the setting up of Coop Trust Investment Services, Co-op Consultancy Services Limited and Kingdom Securities Limited.

Mr. Odundo has advised on a number of corporate finance mandates in both the public and private sectors; he has also managed key mandates in the asset management industry. He has contributed to the growth of the Capital Markets in his previous role as a Director/Board Secretary - Kenya Association of Stock Brokers and Investment Banks, Chairman of the Financial Standards Committee - Kenya Bureau of Standards as well as the Board Director of the Nairobi Securities Exchange PLC. Mr. Odundo serves as a Director of the Central Depository and Settlement Corporation (CDSC) Limited, Director of the NSE Clear Limited; and a trustee of the NSE Fidelity Funds.

He is a member of the Central Bank Consolidative Forum for Domestic Debt Market (CFDDM) and a Council Member of the Institute of Certified Investment Financial Analysts (ICIFA). Mr. Odundo is also a board member of the Africa Securities Exchanges Association (ASEA), a Director of the East African Securities Exchanges Association and a Member of the Thomson Reuters Africa Customer Advisory Network.

GEOFFREY **ODUNDO**

Isaac has considerable experience in the financial services industry having worked for more than 32 years in the Kenyan and regional banking industry. He is currently the Chairman of NCBA Bank Kenya PLC. Prior to appointment as Chairman of NCBA Bank Kenya PLC (the result of a merger between NIC Group PLC and Commercial Bank of Africa Limited) he was Group Managing Director of CBA Group, the largest privately held commercial bank in Kenya with a regional focus, presently also operating in Tanzania, Uganda, Rwanda and Ivory Coast, for 24 years.

Prior to joining CBA Group (more than 23 years ago) Isaac was Chief Financial Officer and director at Standard Chartered Bank Kenya Ltd operations in Kenya and the East Africa region for over 8 years.

Isaac graduated from University of Nairobi in 1980 with a Bachelor of Commerce degree in accounting and finance. He trained at BDO Binder Hamlyn in London qualifying as a chartered accountant in 1984. On his return to Kenya, he worked with the firm of Githongo and Company (a BDO affiliate) as an Audit Manager in 1985. In 1986 he was appointed Group Auditor of Nation Printers and Publishers Limited (now the Nation Media Group) and eventually became the Group Financial Controller and Company Secretary.

Isaac is a member of the Institute of Chartered Accountants in England and Wales (ICAEW), the Institute of Certified Public Accounts of Kenya (ICPAK) and Fellow of the Kenya Institute of Management.

Isaac sits on the Board of several public and private companies, including Kenya Airports Authority (Chairman), Bata Shoes Company Kenya PLC, Copia Global, Art Caffe, Sandstorm Ltd, Aidspan (Chairman) and Riara University (Chairman of Council). Through his involvement in charitable and philanthropic activities, he is Chairman of the Kenya Conservatoire of Music, University of Nairobi Alumni Association, The Rhino Trust, a conservation charity involved in preservation of environmental biodiversity, and WWF Kenya, and Trustee of the Zawadi Africa Education Fund, an educational charity which provides scholarship support to disadvantaged girls from Africa (and presently operating in Kenya, Uganda, South Africa and Ghana) to Universities mainly in the US, South Africa, Ghana and Canada and more recently the UK and Japan.

He is a keen golfer, enjoys music and is a collector of contemporary African Art, an area of interest for more than 35 years."

ISAAC **AWUONDO**

Samuel Kimani is the Chairman of Jambo Credit Ltd. He has previously held senior management positions in the financial services industry. He is a member of ICPAK and holds an MBA in Strategic Management and a BSc in Civil Engineering, both from the University of Nairobi, an Advanced Management Program (AMP 177) Harvard and is a CPA (K).

Mr. Kimani has a wealth of experience in the banking industry having served as the as CEO of Jamii Bora Bank Ltd and as Deputy CEO and Finance Director of the KCB Group. Prior to this, he served at the Central Bank of Kenya as Deputy Chief Banking Manager, Deputy Director Financial Markets, Principal Financial Accountant, and the Chief Internal Auditor. He also headed the Surveillance Division of the Deposit Protection Fund. He has also served as a Senior Auditor at PriceWaterhouseCoopers.

He sits on the boards of Kenya Deposit Insurance Corporation (KDIC), is the Chairperson, Nairobi Securities Exchange (NSE), Chairman, CDSC Registrars and is a member of the University of Stellenbosch Executive Education Advisory Board (USB-AB).

SAMUEL **KIMANI**

Hilda heads the Legal & Compliance Department whose mandate is to provide legal services to CDSC and its subsidiaries, oversee and ensure compliance with legal and regulatory requirements. She is also the CDSC Group Company Secretary.

Hilda holds a Master of Laws degree (LL.M) and a Bachelor of Laws degree (LL.B) both from the University of Nairobi. She has a Post Graduate Diploma in Law from the Kenya School of Law and is an Advocate of the High Court of Kenya. She is also a Certified Public Secretary, CPS (K) and has successfully completed the Certified Public Accountants (CPA) course. She has over 13 years' experience in the field of financial law and compliance and has worked in the Banking and Capital Markets industries.

HILDA **NJERU**

# SENIOR **MANAGEMENT PROFILES**

Mr. Nkoregamba Mwebesa, joined CDSC as the Chief Executive on February 10, 2020. He has more than 25 years' experience as a highly strategic and purpose-driven corporate leader in the Financial Services Sector in the East Africa Region. His expertise spans Banking, Wealth and Investment Management, Capital Markets and Securities Trading, and Investment Banking. Prior to joining CDSC, Nkoregamba served as Managing Director of Stanlib Kenya Limited (Stanlib), a wholly owned subsidiary of Liberty Holdings where he crafted and led the strategic turnaround of the business.

Prior to joining Stanlib, he served as the Chief Executive of SBG Securities Limited (SBGS), a member of the Nairobi, Uganda and Rwandan Securities Exchanges and a wholly owned subsidiary of the Stanbic Holdings Plc. At SBGS, he led the strategic re-positioning of the business into a top tier regional investment bank. During his tenure, SBGS routinely ranked as the top broker on the three regional Exchanges. He was also a key member of numerous landmark transactions, such as the Stanlib Fahari I-Reit Initial Public Offering on the Nairobi Securities Exchange (2015), the Tanzania Breweries Limited Public Offer on the Dar es Salaam Securities Exchange (2011), the Kenya Airways Rights Issue on the Nairobi Securities Exchange (2011/2012) and the UMEME Initial Public Offering on the Uganda Securities Exchange (2012-2013). Mr. Nkoregamba also served as the Chief Executive Officer of the Nairobi Securities Exchange from 2005 to 2008 and was instrumental in the implementation of the Automated Trading System (ATS) that contributed to the largest trading expansion in the history of the bourse. He also oversaw 12 new equity listings and numerous debt listings during this period. This included the high profile listings of Kengen and Safaricom.

NKOREGAMBA **MWEBESA**

Hilda heads the Legal & Compliance Department whose mandate is to provide legal services to CDSC and its subsidiaries, oversee and ensure compliance with legal and regulatory requirements. She is also the CDSC Group Company Secretary.

Hilda holds a Master of Laws degree (LL.M) and a Bachelor of Laws degree (LL.B) both from the University of Nairobi. She has a Post Graduate Diploma in Law from the Kenya School of Law and is an Advocate of the High Court of Kenya. She is also a Certified Public Secretary, CPS (K) and has successfully completed the Certified Public Accountants (CPA) course. She has over 13 years' experience in the field of financial law and compliance and has worked in the Banking and Capital Markets industries.

HILDA **NJERU**

James is the Head of Information and Communication Technology at CDSC and he participates in policy and decision making at executive management level regarding the future direction and proposed information systems in CDSC.

James holds a Master's of Science in Information Systems specializing in Strategic Management of Information and Communication Technology as well as Information Systems Security. He also holds a Bachelor of Science degree in Mathematics and Computer Science from University of Nairobi. James is a Certified Information Systems Auditor (CISA) and has over 18 years experience in the Information and Communication Technology fields with 16 years' experience in Banking IT systems having worked with Barclays Bank of Kenya and Transnational Bank Limited.

JAMES **GIKONYO**

Irene heads the HR and Corporate Communications Department and represents CDSC in Investor Education Working Committee (IEWC), Securities Industry Training Institute East Africa (SITI), and is a member of Champions of Corporate Governance Award (COG) taskforce.

Irene holds a Masters of Business Administration, Degree in Human Resources Management and a Bachelors Degree in Commerce both from University of Nairobi. Irene is a qualified Executive Coach, Certified Human Resource Analyst (CHRA), a Full Member of Women on Boards Network, Institute of Human Resource Management (IHRM), Kenya Institute of Management (KIM) and Society of Human Resources (SHRM). Irene has over nine years experience in Human Capital Management and Corporate Communication. Prior to joining CDSC, she worked at Nairobi Securities Exchange and held various positions.

IRENE **MUTISO**

Marion heads the Operations Department which is charged with the safe custody of securities and management of the daily electronic clearing, delivery and settlement processes. She is also the secretary of CDSC's Business Conduct Committee.

Marion is a Director at CDSC Registrars Limited and serves in the Strategy Committee and the Finance, Audit and Compliance committee of the CDSCR Board.

Marion holds a Bachelor of Science Degree from the University of Nairobi. She is currently pursuing Master of Science Degree in Finance at the University of Nairobi. Marion has over 14 years' experience in Operations at CDSC and a wealth of experience in the Capital market. Prior to joining CDSC, Marion worked for Nairobi Securities Exchange in the Delivery & Settlement department.

MARION **KIOI**

Francis heads the Risk Management at CDSC.

Francis holds a Bachelor of Commerce Degree, Finance option. He is a CFA Charter holder, a Certified Public Accountant, a Certified Information Systems Auditor and a member of the Association of Certified Fraud Examiners. He is currently pursuing a Masters of Science in Finance at University of Nairobi. He has previously served in various capacities as both external and internal auditor, and has a wealth of experience in audit, risk and compliance.

FRANCIS **KIBATHI**

Jesse is the Head of Finance and Administration at CDSC, and is responsible for providing technical and professional leadership in the planning, development, execution and evaluation of financial policies and systems, aimed at ensuring prudent management and control of financial resources. Jesse also oversees the effective implementation of the CDSC administration function, fundamental to the day to day functioning of the corporation.

He holds Masters in Business Administration (MBA) Finance, Bachelor of Business Management (Finance & Banking), and is a certified public accountant (CPA.K). Jesse is a seasoned and accomplished business manager with over 17 years' experience in managerial, strategy, operational and financial administration.

JESSE **KAGOMA**

Titus is the head of Internal Audit at CDSC.

Mr. Miranyi is a Certified Public Accountant, a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors of Kenya (IIA-K),

He holds a Bachelor's degree in Business and Management (Accounting), certified In-formation System Auditor (CISA) and currently pursuing an MBA in Finance at Kenyatta University. He is an accomplished Audit professional with over eight (8) years of audit experience having served in different capacities across multiple industries.

TITUS **MIRANYI**









1. Central Depository & Settlement Corporation (CDSC) Management team led by the Chief Executive Nkoregamba Mwebesa (second Right seated) paid a courtesy call to the Nairobi Securities Exchange (NSE) Management team

2. CDSC team pose for a group photo during the 2019 team building and end year party held in Naivasha

3. Ms. Hilda Njeru, CDSC Head of Legal and Company Secretary receives an award on behalf of CDSC for Distinguished Taxpayers from His Excellency the President Uhuru Kenyatta. Looking on is the Cabinet Secretary National Treasury Amb. Ukur Yatani

4. CDSC former CEO, Ms. Rose Mambo (2nd Left), Machakos County Deputy Governor H.E Eng. Francis Maliti (Centre), NSE Chief Executive Mr. Geoffrey Odundo (2nd Right) among other invited guests during the launch of the 4th M-Akiba Retail Bond at the Machakos People's Park

5. Ms. Rose Mambo (former CDSC CEO) cuts a ribbon to commemorate a new washing area constructed by CDSC as a Corporate Social Responsibility initiative at the Young Life Africa Children's Home in Ruiru

6. Ms. Rose Mambo (2nd Right, former CDSC CEO) during the East Africa Capital Markets Day held in Kigali, Rwanda

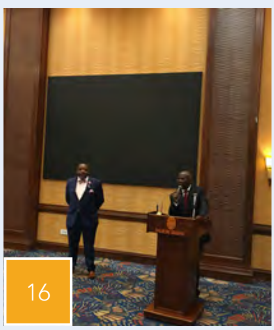
7. CDSC team pose for group photo during the Nairobi Standard Chartered Marathon

8. Guests attending the CDSC Securities Lending and Borrowing (SLB) stakeholders' workshop at the Hilton Hotel, Nairobi









9. CDSC team and children at the Young Life Children's Home in Ruiru pose for a group photo after a Corporate Social Responsibility event

10. CDSC Staff members join Ms. Rose Mambo (former CDSC CEO) in dance during her farewell party at the Royal Park Hotel, Nairobi

11. CDSC Board of Directors share a light moment with Ms. Rose Mambo (former CDSC CEO) during her farewell party at the Sankara Hotel, Nairobi

12. Ms. Hilda Njeru, Head of Legal and Company Secretary gives her remarks during the Champions of Governance (COG) Awards by the Institute of Certified Secretaries (ICS)

13. Mr. Francis Kibathi, Head of Risk Management presents a farewell gift on behalf of staff members to Ms. Rose Mambo (former CDSC CEO)

14. CDSC Staff engage clients during one of the investor education forums

15. CDSC Board of Directors and Staff members during an official welcome ceremony of the Chief Executive Nkoregamba Mwebesa at the Serena Hotel, Nairobi.

16. CDSC Chairman gives his remarks during the official welcome ceremony of the Chief Executive Nkoregamba Mwebesa (Looking on) at the Serena Hotel

17. CDSC Head of HR & Corporate Affairs, Irene Mutiso, (Left) cuts a cake with clients to commemorate Customer Service Week 2019

# INDEPENDENT **ASSURANCE REPORT**

## TO THE DIRECTORS OF CENTRAL DEPOSITORY AND SETTLEMENT CORPORATION

PKF

We have been engaged to perform a limited assurance engagement in respect of the operational capabilities of the central depository system as required by Section 33(3) of the Central Depositories Act, 2000.

### Responsibilities of directors

The directors are responsible for keeping or cause to be kept such records and accounts, in sufficient detail as per Section 32 of the Central Depositories Act, 2000 and to also ensure that the Central Depository's operations are functioning satisfactorily with due regards to the duties of Central Depository as per the Central Depositories Act, 2000.

Section 32 of the Central Depositories Act, 2000 requires the Central Depository to keep or cause to be kept such records and accounts, in sufficient detail, so as to show particulars of:

- all transfer of book-entry securities to and from a securities account;
- all moneys received or paid by a central depository, including dividends received in respect of any book-entry securities and the disbursement of such dividends to depositors;
- all income received from commissions, fees, charges and other sources, and all expenses, commissions, and other payments made or paid by the central depository; and
- all assets and liabilities (including contingent liabilities) of the central depository.

Section 33 (1) of the Central Depositories Act, 2000 requires the Central Depository at the end of every financial year cause an audit to be conducted in respect of every record or account kept pursuant to section 32, which shall include:

- verification of the accuracy of the details shown in such records or accounts;
- a stock count of all certificates held by the central depository.

### Our independence and quality control

The firm applies International Standard on Quality Control 1 and, accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with ethical responsibilities in Kenya and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Our responsibilities and scope

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 which requires that we comply with ethical requirements and plan and perform the assurance engagement, under consideration of materiality, to provide our conclusion with limited assurance.

Our responsibility is to obtain limited assurance about whether the company has complied with the requirements of Section 32 and 33 (1) of the Central Depositories Act, 2000. Our procedures are designed to provide limited but not reasonable or absolute assurance that the proper records and accounts have been kept with sufficient detail, that the Central Depository System operates and performs its functions satisfactorily and that there is no material non-compliance with the requirements of Section 32 of the Central Depositories Act, 2000. Our procedures therefore cannot be relied upon or used as a substitute for adequate internal records including monitoring thereof or audit of every record kept by the depository under the requirements of Section 33 (1). Accordingly, this engagement does not meet the requirements as set out under Section 33 (1) of the Central Depositories Act, 2000.

Within our scope of work, are:

- Performed procedures to review the adequacy of the Information System Control Environment.
- Reviewed application controls including the system integration between the Nairobi Securities Exchange, Central Depositories Agents and the Depository.
- Performed tests on operating effectiveness of controls over operational procedures as detailed in our Letter of Engagement dated 31 January 2017.

## Conclusion

Based on our limited procedures, nothing has come to our attention to cause us to believe that proper records and accounts have not been kept with sufficient detail and the Central Depository System cannot operate and perform its functions satisfactorily.

## Emphasis of Matter – internal controls recommendations

We have detailed in our separate management letter a number of recommendations related to the internal control environment including IT controls which should be read in conjunction with this report. Our conclusion is not qualified in this respect.

Pkf Kenya LLP

PKF KENYA LLP

CERTIFIED PUBLIC ACCOUNTANTS

30-March .....2020


# FINANCIAL STATEMENTS

@cdsckenya

# REPORT **OF THE DIRECTORS**

The directors submit their report and the audited financial statements for the year ended 31 December 2019, which disclose the state of affairs of the company and the group.

## PRINCIPAL ACTIVITIES

The principal activities of the group are that of providing automated clearing, delivery and settlement facilities in respect of transactions carried out at the Nairobi Securities Exchange and the holding of securities as nominees on behalf of investors.

## BUSINESS REVIEW

During the year ending 31 December 2019, the total turnover of the company decreased from Shs. 342,505,483 to Shs. 322,702,312. The profit before tax decreased from Shs. 115,619,108 to Shs. 76,782,241.

As at 31 December 2019, the net current asset position of the company was Shs. 391,197,242 compared to Shs. 353,032,108 as at 31 December 2018.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Key performance indicators | 2019 | 2018 | 2019 | 2018 |
| Revenue (Shs) | 335,332,112 | 355,275,708 | 322,702,312 | 342,505,483 |
| Profit for the year (Shs) | 43,468,671 | 82,183,351 | 43,379,188 | 79,608,142 |
| Net profit margin (%) | 13% | 23% | 13% | 23% |
| Net assets (Shs) | 598,755,170 | 569,303,167 | 581,245,366 | 560,002,183 |

## PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk and uncertainty affecting the business is fluctuation of market turnover which affects the transaction levies.

## DIVIDENDS

The directors propose a final dividend of Shs. 6.86 per share (2018: Shs. 10) amounting to a total of Shs. 12,000,000 (2018: Shs. 17,500,000).

## DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 5. In accordance with the group's Articles of Association, Samuel Kimani, Bob Karina and Eunice Kariuki retire by rotation in accordance with the company's Articles of Association and being eligible, offer themselves for re-election.

## STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

With respect to each director at the time this report was approved:

(a) there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and

(b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

## TERMS OF APPOINTMENT OF THE AUDITOR

PKF Kenya continues in office in accordance with the group's Articles of Association and Section 719 of the Kenyan Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

Huda Njeru

COMPANY SECRETARY

NAIROBI

25 March 2020

# STATEMENT OF **DIRECTORS' RESPONSIBILITIES**

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of the group's and company's profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that are sufficient to show and explain the transactions of the group and the company; that disclose, with reasonable accuracy, the financial position of the group and the company and that enable them to prepare consolidated financial statements of the group and the company that comply with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015. The directors are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

(i) Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;

(ii) Selecting and applying appropriate accounting policies; and

(iii) Making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the consolidated financial statements give a true and fair view of the financial position of the group and the company as at 31 December 2019 and of the group's and company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Having made an assessment of the company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the consolidated financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 25 March, 2020 and signed on its behalf by

DIRECTOR

DIRECTOR

# REPORT OF THE **INDEPENDENT AUDITOR**

## TO THE MEMBERS OF CENTRAL DEPOSITORY AND SETTLEMENT CORPORATION LIMITED

### Opinion

We have audited the accompanying consolidated and company financial statements of Central Depository and Settlement Corporation Limited and its subsidiaries, (collectively referred to as the 'group') set out on pages 33 to 81 which comprise the consolidated and company statement of financial position as at 31 December 2019, the consolidated and company statement of profit or loss and other comprehensive income, the consolidated and company statement of changes in equity, consolidated and company statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the consolidated and company financial position of as at 31 December 2019 and of the consolidated and company financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters.

**- Recoverability of bank balances held with SBM Bank (Kenya) Limited**

As disclosed in Note 18 to the financial statements, at the reporting date the company held deposits measured at Shs. 46,631,963 included within cash and cash equivalents with SBM Bank (Kenya) Limited. These deposits were transferred from Chase Bank Kenya Limited (In Receivership) as part of the transfer of assets and liabilities. The directors have exercised significant judgement and estimation as detailed in accounting policy (b) whilst assessing the recoverability and measurement of these balances. Because of the significance of these judgements and the value of these balances at the reporting date, this is a key audit matter.

**- Information technology (IT) systems and controls over financial reporting**

The group is heavily reliant on complex IT systems. There is a risk that the controls around complex IT systems may not be designed and operating effectively.

We assessed and tested the overall design and operational effectiveness of controls over information systems that are critical to financial reporting. Where deficiencies were observed that affected application and databases within the scope of our audit, we performed additional controls and substantive procedures to determine the reliance placed on the completeness and accuracy of the system generated information.

## Other information

The directors are responsible for the other information. The other information comprises the report of the directors and the schedule of expenditure but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the report to shareholders, which is expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 the report to shareholders, 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

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA's) 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 skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other matters prescribed by the Kenyan Companies Act, 2015

In our opinion the information given in the report of the directors on pages 29 and 30 is consistent with the financial statements.

PKF Kenya LLP

Certified Public Accountants

NAIROBI 30 - 03 2020

CPA Ritesh Haresh Mirchandani, Practising certificate No. 1631

Signing partner responsible for the independent audit 179/20

# CONSOLIDATED **STATEMENT**

## OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | 2019<br>Shs | 2018<br>Shs |
|---|---|---|---|
| Revenue | 1 | 335,332,112 | 355,275,708 |
| Other operating income | 2 | 48,248,885 | 22,404,438 |
| Remeasurement (loss)/gain on balances held with banks under receivership | 18 | (1,911,704) | 14,092,268 |
| Administrative expenses | | (243,970,193) | (217,218,918) |
| Other operating expenses | | (61,417,712) | (50,151,447) |
| **Operating profit** | 3 | 76,281,388 | 124,402,049 |
| Finance costs | 5 | (4,424,829) | (1,014,286) |
| **Profit before tax** | | 71,856,559 | 123,387,763 |
| Tax | 6 | (28,387,888) | (41,204,412) |
| **Profit for the year** | | 43,468,671 | 82,183,351 |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| - Exchange differences on translation of foreign operations | | 2,946,018 | (496,768) |
| **Total comprehensive income for the year** | | 46,414,689 | 81,686,583 |
| Profit for the year is attributable to: | | | |
| - Owners of the parent company | | 46,994,863 | 84,322,919 |
| - Non-controlling interests | | (3,526,192) | (2,139,568) |
| | | 43,468,671 | 82,183,351 |
| **Other comprehensive income:** | | | |
| Dividend: | | | |
| Proposed final dividend for the year | 8 | 12,000,000 | 17,500,000 |

The notes on pages 45 to 83 form an integral part of these financial statements.

Report of the independent auditor - pages 32 to 34.

# COMPANY **STATEMENT**

## OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | 2019<br>Shs | 2018<br>Shs |
|---|---|---|---|
| Revenue | 1 | 322,702,312 | 342,505,483 |
| Other operating income | 2 | 47,470,179 | 21,373,203 |
| Remeasurement (loss)/gain on balances held with banks under receivership | 18 | (1,911,704) | 14,092,268 |
| Administrative expenses | | (230,715,120) | (215,828,672) |
| Other operating expenses | | (56,829,456) | (46,315,780) |
| **Operating profit** | 3 | 80,716,211 | 115,826,502 |
| Finance costs | 5 | (3,933,970) | (207,394) |
| **Profit before tax** | | 76,782,241 | 115,619,108 |
| Tax | 6 | (33,403,053) | (36,010,966) |
| **Total comprehensive income for the year** | | 43,379,188 | 79,608,142 |
| **Dividend:** | | | |
| Proposed final dividend for the year | 8 | 12,000,000 | 17,500,000 |

The notes on pages 45 to 83 form an integral part of these financial statements.

Report of the independent auditor - pages 32 to 34.

# CONSOLIDATED **STATEMENT**

## OF FINANCIAL POSITION

| | Notes | As at 31 December 2019 Shs | 2018 Shs |
|---|---|---|---|
| **CAPITAL EMPLOYED** | | | |
| Share capital | 7 | 175,000,000 | 175,000,000 |
| Preference shares | 9 | 2,307,206 | 2,307,206 |
| Translation reserve | | (32,528) | (2,978,546) |
| Retained earnings | | 409,480,492 | 377,474,507 |
| Proposed dividends | 8 | 12,000,000 | 17,500,000 |
| **Equity attributable to owners of the company** | | 598,755,170 | 569,303,167 |
| Non-controlling interests | | 8,372,271 | 11,898,463 |
| **Total equity** | | 607,127,441 | 581,201,630 |
| **Non-current liabilities** | | | |
| Preference shares | 9 | 5,747,055 | 5,399,404 |
| Lease liabilities | 10 | 10,060,608 | - |
| Trade and other payables | 19 | 2,255,196 | - |
| | | 18,062,859 | 5,399,404 |
| | | 625,190,300 | 586,601,034 |
| **REPRESENTED BY** | | | |
| Non-current assets | 11 | 75,172,032 | 16,110,202 |
| Property and equipment | 12 | 17,622,601 | - |
| Intangible assets | 13 | 111,432,311 | 174,920,212 |
| Deferred tax | 14 | 16,209,583 | 23,367,833 |
| | | 220,436,527 | 214,398,247 |

CONTINUED
CONSOLIDATED STATEMENT
OF FINANCIAL POSITION

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

| | Notes | As at 31 December 2019 Shs | 2018 Shs |
|---|---|---|---|
| **Current assets** | | | |
| Assets of disposal group classified as held-for-sale | 20 | 11,189,731 | - |
| Investments | 16 | 56,230,542 | 52,464,813 |
| Trade and other receivables | 17 | 69,457,050 | 38,333,857 |
| Cash and cash equivalents | 18 | 279,845,013 | 309,911,053 |
| Tax recoverable | | 46,997,737 | 22,806,808 |
| | | 463,720,073 | 423,516,531 |
| **Current liabilities** | | | |
| Liabilities directly associated with assets classified as held-for-sale | 20 | 1,972,445 | - |
| Lease liabilities | 10 | 14,080,341 | - |
| Trade and other payables | 19 | 42,913,514 | 51,313,744 |
| | | 58,966,300 | 51,313,744 |
| **Net current assets** | | 404,753,773 | 372,202,787 |
| | | 625,190,300 | 586,601,034 |

The financial statements on pages 35 to 83 were approved and authorised for issue by the Board of Directors on 25 March , 2020 and were signed on its behalf by:

_______________ DIRECTOR _______________ DIRECTOR

The notes on pages 45 to 83 form an integral part of these financial statements.

Report of the independent auditor - pages 32 to 34.

# COMPANY **STATEMENT**

## OF FINANCIAL POSITION

| | Notes | As at 31 December 2019 Shs | 2018 Shs |
|---|---|---|---|
| **CAPITAL EMPLOYED** | | | |
| Share capital | 7 | 175,000,000 | 175,000,000 |
| Retained earnings | | 394,245,366 | 367,502,183 |
| Proposed dividends | 8 | 12,000,000 | 175,000,000 |
| **Equity attributable to owners of the company** | | 581,245,366 | 560,002,183 |
| **Non-current liabilities** | | | |
| Lease liabilities | 10 | 10,060,608 | - |
| | | 591,305,974 | 560,002,183 |
| **REPRESENTED BY** | | | |
| **Non-current assets** | | | |
| Property and equipment | 11 | 74,677,846 | 15,967,211 |
| Right of use assets | 12 | 17,622,601 | - |
| Intangible assets | 13 | 91,366,411 | 152,537,137 |
| Deferred tax | 14 | 16,180,831 | 28,380,816 |
| Investment in subsidiaries | 15 | 261,043 | 261,043 |
| Trade and other receivables | 17 | - | 9,823,868 |
| | | 200,108,732 | 206,970,075 |
| **Current assets** | | | |
| Investments | 16 | 56,230,542 | 52,464,813 |
| Trade and other receivables | 17 | 75,199,011 | 42,154,811 |
| Cash and cash equivalents | 18 | 278,722,846 | 286,036,793 |
| Tax recoverable | | 36,945,227 | 17,925,931 |
| | | 447,097,626 | 398,582,348 |
| **Current liabilities** | | | |
| Lease liabilities | 10 | 14,080,341 | - |
| Trade and other payables | 19 | 41,820,043 | 45,550,240 |
| | | 55,900,384 | 45,550,240 |
| **Net current assets** | | 391,197,242 | 353,032,108 |
| | | 591,305,974 | 560,002,183 |

The financial statements on pages 35 to 83 were approved and authorised for issue by the Board of Directors on 25 March, 2020 and were signed on its behalf by:

_____________ DIRECTOR _____________ DIRECTOR

The notes on pages 45 to 83 form an integral part of these financial statements.

Report of the independent auditor - pages 34 to 34.

# CONSOLIDATED **STATEMENT**

## OF CHANGES IN EQUITY

| | Notes | Share capital | Preference shares | Translation reserve | Retained earning | Proposed dividends | Total equity attributable to the owners | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | Shs | Shs | Shs | Shs | Shs | Shs | Shs | Shs |
| **Year ended 31 December 2018** | | | | | | | | | |
| At start of year - as previously stated | | 175,000,000 | - | (2,481,778) | 310,139,286 | 12,000,000 | **494,657,508** | - | **494,657,508** |
| Transition adjustments: | | | | | | | | | |
| - Changes on initial application of IFRS 9 | | - | - | - | (2,636,428) | - | **(2,636,428)** | - | **(2,636,428)** |
| At start of year - as restated | | 175,000,000 | - | (2,481,778) | 307,502,858 | 12,000,000 | **492,021,080** | - | **492,021,080** |
| Issue of preference shares | 9 | - | 2,307,206 | - | - | - | **2,307,206** | - | **2,307,206** |
| Accounting for non-controlling interests | | - | - | - | - | - | **-** | 17,186,760 | **17,186,760** |
| Accounting for net assets relating to non-controlling interests | | - | - | - | 3,148,730 | - | **3,148,730** | (3,148,730) | - |
| Total comprehensive income for the year | | - | - | (496,768) | 84,322,919 | - | **83,826,151** | (2,139,568) | **81,686,583** |
| **Transactions with owners:** | | | | | | | | | |
| - Final for 2017 (paid) | | - | - | - | - | (12,000,000) | **(12,000,000)** | - | **(12,000,000)** |
| - Final for 2018 (proposed) | | | | | (17,500,000) | 17,500,000 | **-** | - | - |
| At end of year | | 175,000,000 | 2,307,206 | (2,978,546) | 377,474,507 | 17,500,000 | **569,303,167** | 11,898,463 | **581,201,630** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

| | Notes | Share capital | Preference shares | Translation reserve | Retained earning | Proposed dividends | Total equity attributable to the owners | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | Shs | Shs | Shs | Shs | Shs | Shs | Shs | Shs |
| **Year ended 31 December 2019** | | | | | | | | | |
| At start of year - as previously stated | | 175,000,000 | 2,307,206 | (2,978,546) | 377,474,507 | 17,500,000 | **569,303,167** | 11,898,463 | **581,201,630** |
| Transition adjustments: | | | | | | | | | |
| - Changes on initial application of IFRS 16 | | - | - | - | (4,636,005) | - | **(4,636,005)** | - | **(4,636,005)** |
| At start of year - as restated | | 175,000,000 | 2,307,206 | (2,978,546) | 372,838,502 | 17,500,000 | **564,667,162** | 11,898,463 | **576,565,625** |
| Accounting for net assets relating to non-controlling interests | | - | - | - | 1,647,127 | - | **1,647,127** | - | **1,647,127** |
| Total comprehensive income for the year | | - | - | 2,946,018 | 46,994,863 | - | **49,940,881** | (3,526,192) | **46,414,689** |
| **Transactions with owners:** | | | | | | | | | |
| - Final for 2018 (paid) | 8 | - | - | - | - | (17,500,000) | **(17,500,000)** | - | **(17,500,000)** |
| - Final for 2019 (proposed) | 8 | - | - | - | (12,000,000) | 12,000,000 | **-** | - | **-** |
| At end of year | | 175,000,000 | 2,307,206 | (32,528) | 409,480,492 | 12,000,000 | **598,755,170** | 8,372,271 | **607,127,441** |

The notes on pages 45 to 83 form an integral part of these financial statements.

Report of the independent auditor - pages 32 to 34.

# COMPANY **STATEMENT**

## OF CHANGES IN EQUITY

| | Notes | Share capital | Retained earnings | Proposed dividends | Total |
|---|---|---|---|---|---|
| | | Shs | Shs | Shs | Shs |
| **Year ended 31 December 2018** | | | | | |
| At start of year | | 175,000,000 | 307,758,649 | 12,000,000 | 494,758,649 |
| Transition adjustments: | | | | | |
| - Changes on initial application of IFRS 9 | | - | (2,364,608) | - | (2,364,608) |
| At start of year - as restated | | 175,000,000 | 305,394,041 | 12,000,000 | 492,394,041 |
| Total comprehensive income for the year | | - | 79,608,142 | - | 79,608,142 |
| **Transactions with owners:** | | | | | |
| - Final for 2018 (paid) | 8 | - | - | (12,000,000) | (12,000,000) |
| - Final for 2019 (proposed) | 8 | - | (17,500,000) | 17,500,000 | - |
| At end of year | | 175,000,000 | 367,502,183 | 17,500,000 | 560,002,183 |
| **Year ended 31 December 2019** | | | | | |
| At start of year - as previously stated | | 175,000,000 | 367,502,183 | 17,500,000 | 560,002,183 |
| Transition adjustments: | | | | | |
| - Changes on initial application of IFRS 16 | | - | (4,636,005) | - | (4,636,005) |
| At start of year - as restated | | 175,000,000 | 362,866,178 | 17,500,000 | 555,366,178 |
| Total comprehensive income for the year | | - | 43,379,188 | - | 43,379,188 |
| **Transactions with owners:** | | | | | |
| - Final for 2018 (paid) | 8 | - | - | (17,500,000) | (17,500,000) |
| - Final for 2019 (proposed) | 8 | - | (12,000,000) | 12,000,000 | - |
| At end of year | | 175,000,000 | 394,245,366 | 12,000,000 | 581,245,366 |

The notes on pages 45 to 83 form an integral part of these financial statements.

Report of the independent auditor - pages 32 to 34.

# CONSOLIDATED **STATEMENT**

## OF CASH FLOWS

| | Notes | 2019<br>Shs | 2018<br>Shs |
|---|---|---|---|
| **Operating activities** | | | |
| Cash from operations | 21 | 103,397,857 | 230,015,941 |
| Interest received | | (26,316,744) | (16,013,083) |
| Tax paid | | (37,333,171) | (58,847,669) |
| Net cash from operating activities | | 39,747,942 | 155,155,189 |
| **Investing activities** | | | |
| Additions to right-of-use assets | 10 | (12,008,922) | - |
| Purchase of property and equipment | 11 | (5,548,064) | (8,235,163) |
| Purchase of intangible assets | 13 | (8,121,111) | (52,110,458) |
| Net cash (used in) investing activities | | (25,678,097) | (60,345,621) |
| **Financing activities** | | | |
| Dividends paid | 8 | (17,500,000) | (12,000,000) |
| Proceeds from issue of preference shares | 9 | - | 7,085,440 |
| Proceeds from issue of ordinary shares | 9 | - | 17,186,760 |
| Net cash (used in)/from financing activities | | (17,500,000) | 12,272,200 |
| **Increase in cash and cash equivalents** | | (3,430,155) | 107,081,768 |
| **Movement in cash and cash equivalents** | | | |
| At start of year | | 293,365,033 | 186,773,566 |
| Increase | | (3,430,155) | 107,081,768 |
| Exchange differences on translation of foreign operations | | (491,286) | (490,301) |
| At end of year | 18 | 289,443,592 | 293,365,033 |

The notes on pages 45 to 83 form an integral part of these financial statements.

Report of the independent auditor - pages 32 to 34.

# COMPANY **STATEMENT**

## OF CASH FLOWS

| | Notes | 2019<br>Shs | 2018<br>Shs |
|---|---|---|---|
| **Operating activities** | | | |
| Cash from operations | 21 | 125,141,364 | 223,312,270 |
| Interest received | | (25,538,038) | (14,985,848) |
| Tax paid | | (38,235,505) | (54,719,258) |
| Net cash from operating activities | | 61,367,821 | 153,607,164 |
| **Investing activities** | | | |
| Additions to right-of-use assets | 10 | (12,008,922) | - |
| Purchase of property and equipment | 11 | (5,097,136) | (8,129,206) |
| Purchase of intangible assets | 13 | (7,931,111) | (27,682,268) |
| Net cash (used in) investing activities | | (25,037,169) | (35,811,474) |
| **Financing activities** | | | |
| Dividends paid | 8 | (17,500,000) | (12,000,000) |
| Net cash (used in) financing activities | | (17,500,000) | (12,000,000) |
| **Increase in cash and cash equivalents** | | 18,830,652 | 105,795,690 |
| **Movement in cash and cash equivalents** | | | |
| At start of year | | 269,490,773 | 163,695,083 |
| Increase | | 18,830,652 | 105,795,690 |
| At end of year | 18 | 288,321,425 | 269,490,773 |

The notes on pages 45 to 83 form an integral part of these financial statements.

Report of the independent auditor - pages 32 to 34.

# NOTES

## SIGNIFICANT ACCOUNTING POLICIES

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

**a) Basis of preparation**

The consolidated and company financial statements have been prepared under the historical cost convention and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets.

The financial performance of the group is set out in the report of the directors and in the consolidated statement of profit or loss and other comprehensive income. The financial position of the group is set out in the consolidated statement of financial position and the company statement of financial position. Disclosures in respect of risk management are set out in Note 24 and disclosures in respect of capital management are set out in Note 25.

These financial statements comply with the requirements of the Kenyan Companies Act, 2015. The statement of profit or loss and other comprehensive income represents the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

### Going concern

Based on the financial performance and position of the group and its risk management policies, the directors are of the opinion that the group 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.

**i) New and amended Standards adopted by the group**

All new and amended standards and interpretations that have become effective for the first time in the financial year beginning 1 January 2019 have been adopted by the group. Of those, the following has had an effect on the group's financial statements:

### International Financial Reporting Standard 16 (IFRS 16): Leases

From 1 January 2019, to comply with IFRS 16, Leases, which replaced IAS 17, Leases, the group now recognises lease liabilities relating to leases under which the group is the lessee that had previously been classified as operating leases (other than leases with less than 12 months to run from 1 January 2019 and leases of low value items). Such liabilities have been measured at 1 January 2019 at the present value of the remaining lease payments discounted using the group's incremental borrowing rate as at 1 January 2019. Corresponding right-of-use assets have been recognised, measured as if the group's new accounting policy (see Note 1(k)) had been applied since the commencement of each lease but discounted using the group's incremental borrowing rate as at 1 January 2019. The difference between the lease liabilities and right-of-use assets at 1 January 2019 has been recognised as an adjustment to retained earnings at that date.

As permitted by the transition provisions in the new standard, comparative amounts have not been restated. The group's accounting policy for leases under which the group was lessee was, up to 31 December 2018, as follows:

## International Financial Reporting Standard 16 (IFRS 16): Leases (continued)

- Leases of property, plant and equipment including hire purchase contracts where the group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease Property, plant and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset.
- Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

The measurement of assets and liabilities that were recognised as finance leases under the previous accounting policy has continued unchanged right-of-use assets and lease liabilities in respect of operating leases (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) in force at 1 January 2019 have been recognised in accordance with the transition requirements of IFRS 16, as described above.

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The resulting adjustment passed at 1 January 2019 as a result of applying IFRS 16, was as follows:

| | Shs. |
|---|---|
| Lease liabilities | 32,413,302 |
| Right-of-use assets | 25,790,438 |
| Net deferred tax (asset) | (1,986,859) |
| Net adjustment to retained earnings at 1 January 2019 | 4,636,005 |

### Other standards and amendments

The following, which became effective from 1 January 2019, have been adopted but have not had a significant impact on the group's financial statements.

- Amendments to IAS 12 'Income Taxes' effective for annual periods beginning on or after 1 January 2019 clarifying on the recognition of income tax consequences of dividends.
- Amendments to IAS 19 'Employee Benefits' effective for annual periods beginning on or after 1 January 2019 clarifying the effects of a retirement benefit plan amendment, curtailment or settlement.
- Amendments to IAS 23 'Borrowing Costs' effective for annual periods beginning on or after 1 January 2019 clarifying that specific borrowings remaining unpaid at the time the related asset is ready for its intended use or sale will comprise general borrowings.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' effective for annual periods beginning on or after 1 January 2019 clarifying that IFRS 9 is only applicable to investments to which the equity method is not applied.
- Amendments to IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' effective for annual periods beginning on or after 1 January 2019 in relation to remeasurement of previously held interests on a joint operation on obtaining control.
- Amendments to IFRS 9 'Financial Instruments' effective for annual periods beginning on or after 1 January 2019 clarifying that the existence of prepayment features with negative compensation will not in itself cause the instrument to fail the amostised cost classification.
- Amendments to IFRS 11 'Joint Arrangements ' effective for annual periods beginning on or after 1 January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not remeasure its previously held interests.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (issued June 2017) effective for annual periods beginning on or after 1 January 2019 clarifies the accounting for uncertainties in income taxes.

### ii) New standards, amendments and interpretations issued but not effective

At the date of authorisation of these consolidated financial statements the following standards and interpretations, which have not been applied in these consolidated financial statements, were in issue but not yet effective for the year presented:

- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (issued in September 2014) applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.
- IFRS 17 'Insurance Contracts' (issued in May 2017) effective for annual periods beginning on or after 1 January 2021 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts

### ii) New standards, amendments and interpretations issued but not effective (continued)

held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Group does not issue insurance contracts.

- Amendments to IFRS 3 'Definition of a Business' (issued in October 2018) applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

- Amendments to IAS 1 and IAS 8 'Definition of Material' (issued in October 2018) applicable to annual periods beginning on or after 1 January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that previously featured elsewhere in IFRS.

The directors do not expect that adoption of these standards and interpretations will have a material impact on the financial statements in future periods. The group plans to apply the changes above from their effective dates.

### b) Critical accounting estimates and judgement

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Management have made the following estimate that has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- Measurement of expected credit losses (ECL):

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

### Measurement of expected credit losses (ECL) (continued)

The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD).

The ECL model applied for financial assets other than trade receivables and contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- **Stage 1** - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.
- **Stage 2** - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.
- **Stage 3** - When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

Assessment of significant increase in credit risk: The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The group uses these guidelines in determining the staging of its assets unless there is persuasive evidence available to rebut these presumptions.

For trade receivables, the group has applied the simplified model under IFRS 9 where lifetime expected credit loss allowance is recognised on the basis of a provisioning matrix.

#### - Impairment of balances due from related party, CDSC Registrars Limited

Management has carried out an impairment review on balances due from related parties. Whilst determining whether the balances receivable are impaired, management has made a judgement as to whether any evidence exists indicating a decrease in estimated future cash flows from the subsidiary.

#### - Useful lives of property and equipment and intangible assets

Management reviews the useful lives and residual values of the items of property and equipment and intangible assets on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

### - Accounting for leases under IFRS 16

Management has made various judgements and estimates under IFRS 16 as detailed below:

**Incremental borrowing rate:** To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which does not have recent third party financing; and

- makes adjustments specific to the lease, e.g.. term, country, currency and security.

**Lease term/period**: In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of offices, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).

-If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).

- Otherwise, the group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the group could replace the assets without significant cost or business disruption. The lease term is reassessed if an option is actually exercised (or not exercised) or the group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

## c) Revenue recognition

The company recognises revenue from services upon performance of the transactions and recognition in the Central Depository System. The company recognises revenue as and when it satisfies a performance obligation by transferring control of a service to a customer. The amount of revenue recognised is the amount the company expects to receive in accordance with the terms of the contract, and excludes amounts collected on behalf of third parties, such as Value Added Tax.

### i) Transaction, depository and bond levy income

Transaction levy income is recognised upon completion of equity and bond transactions in the Central Depository System. There is no variable element to the contract price, and payment is typically due within 30 days of performance of trading.

### ii) Other income

Interest income is accounted for in the period in which it is earned.

## d) Significant judgements made by management in applying the group's accounting policies

Management have made the following judgements that are considered to have the most significant effect on the amounts recognised in the consolidated financial statements:

#### - Impairment of trade and other receivables

The group reviews its portfolio of trade and other receivables at the reporting date. In determining whether receivables are impaired, the management makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected.

#### - Impairment of balances held with banks under receivership

The group has reassessed the need for impairment of balances held with banks that are under receivership. In determining whether these bank balances are impaired, the management has made judgements which have been disclosed in Note 18 of these consolidated financial statements.

## e) Consolidation

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies. Control is achieved when the group has power over the investee; is exposed or has right to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The group also assesses the existence of control where it does not have a majority of the voting rights power but is able to govern the financial and operating policies of a subsidiary. Control may arise in certain circumstances where including the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, where potential voting rights are held by the company and rights from other contractual arrangements etc. When the company has assessed and has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit and loss and other comprehensive income from the date the company gains control until the date the company ceases to control the subsidiary.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition and up to the effective date

**e) Consolidation** (continued)

of disposal as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Intra-group balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary adjustments are made to financial statements of subsidiary to bring their accounting policies into line with the groups accounting policy.

**f) Translation of foreign currencies**

Transactions in foreign currencies during the year are converted into Kenya Shillings (the functional currency), at the rates ruling at the transaction dates.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

**g) Property and equipment**

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

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

Depreciation is calculated on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

| | Prorated Rate % |
|---|---|
| Leasehold improvements | 12.5 |
| Motor vehicles | 25 |
| Office equipment | 25 |
| Furniture, fittings and equipment | 12.5 |
| Computer, faxes and copiers | 25 |

**g) Property and equipment** (continued)

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining profit before tax.

**h) Intangible assets - Computer software**

Computer software and licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software is amortised over its estimated useful life which is estimated to be at four years and eight years in respect of CDSC website and CDS software respectively.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

Gains and losses on disposal of intangible assets are determined by reference to their carrying amount and are taken into account in determining operating profit.

Capital work in progress is not amortised.

**i) Financial instruments**

Financial instruments are recognised when, and only when, the company becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the company commits itself to the purchase or sale.

### Financial assets

The group classifies its financial assets which include cash and bank, trade and other receivables and investments into the following category:

- Amortised cost;

  Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortised cost; The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

  At initial recognition of a financial asset, the group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the group has not identified a change in its business models.

### Financial assets (continued)

- Derecognition/write off

  Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the group has transferred substantially all risks and rewards of ownership, or when the group has no reasonable expectations of recovering the asset.

  Financial instruments that are subsequently measured at amortised cost are subject to impairment.

- Impairment

  The group recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortised cost:

  -Cash and cash equivalents

  -Trade receivables and related party balances

  The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which:

  - the credit risk has increased significantly since initial recognition; or

  -there is observable evidence of impairment (a credit-impaired financial asset).

  If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

  Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

  Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

  All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the reporting date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

### Financial liabilities

All other financial liabilities are classified and measured at amortised cost.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Company's normal operating cycle, those payable or expected to be paid within 12 months

### Financial liabilities (continued)

of the balance sheet date and those which the group does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

#### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### j) Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss.

#### Current tax

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

#### Deferred tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

### k) Accounting for leases

#### The group as a lessee:

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the company recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the company is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the company's incremental borrowing rate is used.

For leases that contain non-lease components, the company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

### Accounting for leases (continued)

All right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the company at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

The above accounting policy has been applied from 1 January 2019. Note 12 sets out the equivalent policy applied in the previous year and the impact of the change in accounting policy.

**l) Impairment of non-financial assets and intangible assets**

At the end of each reporting period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**m) Dividends**

Proposed dividends are disclosed as a separate component of equity until declared.

Dividends are recognised as a liabilities in the period in which they are approved by the company's shareholders.

**n) Employee entitlements**

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

**o) Retirement benefit obligations**

The group operates a defined contribution staff retirement benefit scheme for its permanent and pensionable employees. The scheme is administered by an insurance company. The group's contributions to the defined contribution retirement benefit scheme are charged to profit or loss in the year to which they relate. The company has no further payment obligations once the contributions have been paid.

The group and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The group's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

## p) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks and treasury bills maturing within 91 days of the reporting date.

Restricted cash balances are those balances that the group cannot use for working capital purposes.

## q) Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as equity and liabilities.

## r) Translation reserve

The translation reserve represents translation gains and losses arising from consolidation of foreign operations.

## s) Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

When the group is committed to a disposal plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the above criteria are met regardless of whether the group will retain a non-controlling interest in its former subsidiary after the sale.

## t) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

NOTES (CONTINUED)

## 1. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Shs | Shs | Shs | Shs |
| Recognised at a point in time: | | | | |
| - Transaction levy | 244,642,854 | 281,151,919 | 244,642,854 | 281,151,919 |
| - Depository levy | 17,127,146 | 20,089,460 | 17,127,146 | 20,089,460 |
| - Registry fees | 8,419,537 | 12,770,225 | - | - |
| - Bond levy | 26,067,264 | 22,411,480 | 26,067,264 | 22,411,480 |
| - Others | 39,075,311 | 18,852,624 | 34,865,048 | 18,852,624 |
| | 335,332,112 | 355,275,708 | 322,702,312 | 342,505,483 |

## 2. Other operating income

| | | | | |
|---|---|---|---|---|
| Interest income | | | | |
| Financial assets at amortised cost | 26,316,744 | 16,013,083 | 25,538,038 | 14,985,848 |
| Other income | 21,932,141 | 6,391,355 | 21,932,141 | 6,387,355 |
| | 48,248,885 | 22,404,438 | 47,470,179 | 21,373,203 |

## 3. Operating profit

| | | | | |
|---|---|---|---|---|
| The following items have been charged in arriving at operating profit: | | | | |
| Depreciation on property and equipment (Note 11) | 10,979,270 | 6,374,399 | 10,879,537 | 6,332,295 |
| Depreciation on right-of-use assets (Note 12) | 8,167,837 | - | 8,167,837 | - |
| Amortisation of intangible assets (Note 13) | 7,115,976 | 3,869,845 | 4,608,801 | 1,824,730 |
| Impairment loss on investments | 28,839 | 28,471 | 28,839 | 28,471 |
| Impairment loss on cash and bank balances | (50,363) | 350,318 | (39,981) | 350,063 |
| Impairment loss on trade and other receivables | 1,217,566 | 1,154,646 | 302,326 | 1,007,093 |
| Impairment loss on related party balances | - | - | 9,893,868 | 16,246,948 |
| Auditors' remuneration | | | | |
| - current year | 3,327,891 | 2,729,222 | 2,980,000 | 2,500,000 |
| - underprovision in prior years | 486,029 | 74,820 | 480,034 | 74,820 |
| Short term lease rent | 2,122,045 | 14,345,327 | 1,800,053 | 13,297,400 |
| Staff costs (Note 4) | 168,116,439 | 150,540,153 | 155,120,497 | 140,271,727 |
| Repairs and maintenance | 4,436,988 | 3,868,130 | 4,148,807 | 3,406,830 |

## 4. Staff costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Shs | Shs | Shs | Shs |
| Salaries and wages | 137,356,084 | 125,769,874 | 125,727,809 | 116,521,047 |
| Other staff costs | 20,950,621 | 14,767,353 | 19,756,921 | 13,781,416 |
| Pension costs: | | | | |
| - National Social Security Fund | 304,640 | 194,520 | 170,640 | 189,720 |
| - Defined contribution pension scheme | 9,505,094 | 9,808,405 | 9,465,127 | 9,779,544 |
| | 168,116,439 | 150,540,153 | 155,120,497 | 140,271,727 |

| The average number of persons employed during the year: | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Management and administration | 55 | 54 | 42 | 44 |

## 5. Finance costs

| | | | | |
|---|---|---|---|---|
| Interest on lease liabilities | 3,736,569 | - | 3,736,569 | - |
| Interest expense on preference shares | 347,651 | 621,170 | - | - |
| Net foreign exchange loss | 340,609 | 393,116 | 197,401 | 207,394 |
| | 4,424,829 | 1,014,286 | 3,933,970 | 207,394 |

## 6. Tax

| | | | | |
|---|---|---|---|---|
| Current tax | 19,245,282 | 38,097,618 | 19,216,209 | 37,956,447 |
| Underprovision in current tax - prior year | - | 9,515,304 | - | 9,515,304 |
| Underprovision in deferred tax - prior year (Note 14) | - | (9,515,304) | - | (9,515,304) |
| Deferred tax charge/(credit) (Note 14) | 9,142,606 | 3,106,794 | 14,186,844 | (1,945,481) |
| | 28,387,888 | 41,204,412 | 33,403,053 | 36,010,966 |
| The tax on the group's profit before tax differs from the theoretical amount that would arise using the basic rate as follows: | | | | |
| Profit before tax | 71,856,559 | 123,387,763 | 76,782,241 | 115,619,108 |
| Tax calculated at a tax rate of 30% (2018: 30%) | 21,556,968 | 37,016,329 | 23,034,672 | 34,685,732 |

## 6. Tax (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Tax effect of: | | | | |
| - expenses not deductible for tax purposes | 7,211,150 | 3,715,409 | 10,553,333 | 2,034,616 |
| - underprovision in prior year deferred tax | (184,952) | - | (184,952) | - |
| - income not subject to tax | (223,388) | (308,136) | - | - |
| - impact of IFRS 9 provisions | - | (790,928) | - | (709,382) |
| - effect of deferred tax asset not recognised | 28,004 | 1,571,808 | - | - |
| - effect of translation reserve movement | 106 | (70) | - | - |
| Tax Charge | 28,387,888 | 41,204,412 | 33,403,053 | 36,010,966 |
| Effective rate of tax | 40% | 33% | 44% | 31% |

The increase in the effective rate of tax was caused by an increase in expenses not deductible for tax purposes and tax losses relating to subsidiaries.

## 7. Share capital

| | Group & Company | |
|---|---|---|
| | 2019 | 2018 |
| | Shs | Shs |
| The increase in the effective rate of tax was caused by an increase in expenses not deductible for tax purposes and tax losses relating to subsidiaries. | | |
| **Authorised share capital:** | | |
| 2,000,000 (2018: 2,000,000) ordinary shares of Shs. 100 each | 200,000,000 | 200,000,000 |
| **Issued and fully paid:** | | |
| 1,750,000 (2018: 1,750,000) ordinary shares of Shs. 100 each | 175,000,000 | 175,000,000 |

## 8. Dividends

The directors propose a final dividend of Shs. 6.86 per share (2018: Shs. 10) amounting to a total of Shs. 12,000,000 (2018: Shs. 17,500,000).

The total dividend for the year is therefore Shs. 6.86 per share (2018: Shs. 10) amounting to a total of Shs. 12,000,000 (2018: Shs. 15,000,000).

In accordance with the Kenyan Companies Act, 2015 these financial statements reflect this dividend payable which is accounted for in the shareholders' funds as an appropriation of retained profits in the year ended 31 December 2019.

Payment of dividend is subject to a withholding tax at the rate of 5% for residents and 10% for non-residents. Payment of dividends to shares held by resident limited entities in excess of 12.5% of the shareholding are exempt from withholding tax.

## 9. Preference shares

The convertible preference shares were issued on 1 March 2018 at an issue price of Shs. 1 per share. The shares are convertible into ordinary shares of the company in 2022 based on certain pre-set criteria, but dependent on business valuation carried out at the time of conversion. On issue, the shares were convertible at a variable number of shares not exceeding 10% of the issued and paid up capital.

The net proceeds received from the issue of the convertible shares have been split between the financial liability element and an equity component representing the fair value of the embedded option to convert the financial liability into equity of the company as follows:

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| | Shs | Shs |
| **Proceeds of issue of convertible loan notes:** | | |
| Equity component | 2,307,206 | 2,307,206 |
| **Liability component at date of issue:** | 5,399,404 | 4,778,234 |
| Interest charged (Note 5) | 347,651 | 621,170 |
| Liability component at the end of year | 5,747,055 | 5,399,404 |

The equity component of Shs. 2,307,206 has been credited to equity reserve.

The interest expensed for the year is calculated by applying an effective interest rate of 13% to the liability component for the 12 months. The liability component is measured at amortised cost. The difference between the carrying amount of the liability component at the date of issue and the amount reported in the balance sheet at 31 December 2019 represents the effective interest rate less interest payable to that date.

## 10. Lease liabilities

| | Group & Company | |
|---|---|---|
| | 2019 | 2018 |
| | Shs | Shs |
| Non-current | 10,060,608 | - |
| Current | 14,080,341 | - |
| | 24,140,949 | - |
| Reconciliation of lease liabilities arising from financing activities: | | |
| At start of year | - | - |
| Transition adjustment (Note (a)) | 32,413,302 | - |
| Interest charged to profit or loss | 3,736,569 | - |
| Cash flows: | | |
| - Payments under leases | (12,008,922) | - |
| At end of year | 24,140,949 | - |

**10. Lease liabilities (continued)**

Lease liabilities are unsecured.

The leases expiring within one year are subject to review at various dates during the next financial year.

The exposure of the company's leases to interest rate changes and the contractual repricing dates at the reporting date are as follows:

| | Group & Company | |
|---|---|---|
| | 2019 | 2018 |
| | Shs | Shs |
| 6 months or less | 4,845,226 | - |
| 6 - 12 months | 5,215,382 | - |
| 1 - 5 years | 14,080,341 | - |
| | 24,140,949 | - |

Weighted average effective interest rates at the reporting date was:

| | Group & Company | |
|---|---|---|
| | 2019 | 2018 |
| Lease liabilities | 13% | - |

The carrying amounts of the group's lease liabilities are denominated in Kenya Shillings

Maturity based on the repayment structure of lease liabilities is as follows:

| | Group & Company | |
|---|---|---|
| | 2019 | 2018 |
| Gross lease liabilities - minimum lease payments | | |
| Not later than 1 year | 10,060,608 | - |
| Later than 1 year and not later than 5 years | 14,080,341 | - |
| Total gross lease | 24,140,949 | - |
| Future interest expense on leases liabilities | 3,058,540 | - |
| Present value of lease liabilities | 27,199,489 | - |

## 11. Property and equipment

**Year ended 31 December 2019**

| Group | Leasehold improvements | Motor vehicles | Office equipment | Furniture, fittings and equipment | Computers, faxes and copiers | Total |
|---|---|---|---|---|---|---|
| | Shs | Shs | Shs | Shs | Shs | Shs |
| **Cost** | | | | | | |
| At start of year | 12,668,017 | 130,900 | 6,657,233 | 4,472,704 | 51,885,815 | 75,814,668 |
| Additions | - | - | 2,966,168 | - | 2,581,896 | 5,548,064 |
| Reclassification from intangible assets (Note | - | - | - | - | 64,493,036 | 64,493,036 |
| At end of year | 12,668,017 | 130,900 | 9,623,401 | 4,472,704 | 118,960,747 | 145,855,768 |
| **Depreciation** | | | | | | |
| At start of year | 12,668,017 | 89,993 | 4,128,409 | 3,186,679 | 39,631,367 | 59,704,466 |
| Charge for the year | - | 32,725 | 1,703,000 | 392,623 | 8,850,922 | 10,979,270 |
| At end of year | 12,668,017 | 122,718 | 5,831,410 | 3,579,302 | 48,482,289 | 48,482,289 |
| **Net book value** | - | 8,182 | 3,791,991 | 893,402 | 70,478,458 | 75,172,032 |

### 11. Property and equipment (continued)

**Year ended 31 December 2018**

| Group | Leasehold improvements | Motor vehicles | Office equipment | Furniture, fittings and equipment | Computers, faxes and copiers | Total |
|---|---|---|---|---|---|---|
| | Shs | Shs | Shs | Shs | Shs | Shs |
| **Cost** | | | | | | |
| At start of year | 12,668,017 | 130,900 | 6,309,187 | 4,326,065 | 44,219,506 | 67,653,675 |
| Additions | - | - | 348,046 | 143,139 | 7,743,979 | 8,235,163 |
| Impairment | - | - | - | - | (79,900) | (79,900) |
| Translation difference | - | - | - | 3,500 | 2,230 | 5,730 |
| At end of year | 12,668,017 | 130,900 | 6,657,233 | 4,472,704 | 51,885,815 | 75,814,668 |
| **Depreciation** | | | | | | |
| At start of year | 12,668,017 | 57,268 | 2,675,006 | 2,719,723 | 35,284,624 | 53,404,638 |
| Charge for the year | - | 32,725 | 1,453,403 | 463,859 | 4,424,411 | 6,374,399 |
| Impairment | - | - | - | - | (79,898) | (79,898) |
| Translation difference | - | - | - | 3,097 | 2,230 | 5,327 |
| At end of year | 12,668,017 | 89,993 | 4,128,409 | 3,186,679 | 39,631,367 | 59,704,466 |
| **Net book value** | - | 40,907 | 2,528,823 | 1,286,025 | 12,254,448 | 16,110,202 |

All the additions made during the year were made through cash payments.

## 11. Property and equipment (continued)

### Year ended 31 December 2019

| Company | Leasehold improvements | Motor vehicles | Office equipment | Furniture, fittings and equipment | Computers, faxes and copiers | Total |
|---|---|---|---|---|---|---|
| | Shs | Shs | Shs | Shs | Shs | Shs |
| **Cost** | | | | | | |
| At start of year | 12,668,017 | 130,900 | 6,482,357 | 4,700,010 | 51,519,670 | 75,500,954 |
| Additions | - | - | 2,819,240 | - | 2,277,896 | 5,097,136 |
| Reclassification from intangible assets (Note | - | - | - | - | 64,493,036 | 64,493,036 |
| At end of year | 12,668,017 | 130,900 | 9,301,597 | 4,700,010 | 118,290,602 | 145,091,126 |
| **Depreciation** | | | | | | |
| At start of year | 12,668,017 | 89,993 | 4,081,914 | 3,308,497 | 39,385,322 | 59,533,743 |
| Charge for the year | - | 32,725 | 1,684,719 | 392,623 | 8,769,470 | 10,879,537 |
| At end of year | 12,668,017 | 122,718 | 5,766,633 | 3,701,120 | 48,154,792 | 70,413,280 |
| **Net book value** | - | 8,182 | 3,534,964 | 998,890 | 70,135,810 | 74,677,846 |

### Year ended 31 December 2018

| Company | Leasehold improvements | Motor vehicles | Office equipment | Furniture, fittings and equipment | Computers, faxes and copiers | Total |
|---|---|---|---|---|---|---|
| | Shs | Shs | Shs | Shs | Shs | Shs |
| **Cost** | | | | | | |
| At start of year | 12,668,017 | 130,900 | 6,227,290 | 4,569,850 | 43,855,591 | 67,451,648 |
| Additions | - | - | 255,067 | 130,160 | 7,743,979 | 8,129,206 |
| Impairment | - | - | - | - | (79,900) | (79,900) |
| At end of year | 12,668,017 | 130,900 | 6,482,357 | 4,700,010 | 51,519,670 | 75,500,954 |
| **Depreciation** | | | | | | |
| At start of year | 12,668,017 | - | 2,663,063 | 2,852,190 | 35,040,810 | 53,281,348 |
| Charge for the year | - | 32,725 | 1,418,851 | 456,307 | 4,424,412 | 6,332,295 |
| Impairment | - | - | - | - | (79,900) | (79,900) |
| At end of year | 12,668,017 | 89,993 | 4,081,914 | 3,308,497 | 39,385,322 | 59,533,743 |
| **Net book value** | - | - | 2,400,443 | 1,391,513 | 12,134,348 | 15,967,211 |

All the additions made during the year were made through cash payments.

## 12. Right-of use assets

| | 2019 | 2018 |
|---|---|---|
| | Shs | Shs |
| Group and Company | | |
| Office space | 17,622,601 | - |
| | | |
| At start of year | - | - |
| Effect of change in accounting policy (Note (a)) | 25,790,438 | - |
| Depreciation charge for the year | (8,167,837) | - |
| At end of year | 17,622,601 | - |

Under the previous accounting policy prepaid operating lease rentals were recognised at historical cost and subsequently amortised over the lease period.

The company leases offices and storage spaces. The leased offices and storage spaces are typically for periods of between 2 and 5 years, with no options to renew. None of the leases contains any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

In the statement of cash flows, the amount for payments for right-of-use assets represents:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Additions, as above | 25,790,438 | - | 25,790,438 | - |
| Management and administration | (25,790,438) | - | (25,790,438) | - |
| Management and administration | - | - | - | - |

For information on the related lease liabilities, see Note 10.

## 13. Intangible assets

### Year ended 31 December 2019

| GROUP | Computer Software | Work in progress | Total |
|---|---|---|---|
| | Shs | Shs | Shs |
| Cost | | | |
| At start of year | 88,712,075 | 147,619,647 | 236,331,722 |
| Additions | 2,720,551 | 5,400,560 | 8,121,111 |
| Transfers | 153,020,207 | (153,020,207) | - |
| Reclassification to property and equipment (Note 11) | (64,493,036) | - | (64,493,036) |
| At end of year | 179,959,797 | - | 179,959,797 |
| **Amortisation** | | | |
| Transfers | 61,411,510 | - | 61,411,510 |
| Charge for the year | 7,115,976 | - | 7,115,976 |
| At end of year | 68,527,486 | - | 68,527,486 |
| **Net book value** | 111,432,311 | - | 111,432,311 |

### Year ended 31 December 2018

| GROUP | Computer Software | Work in progress | Total |
|---|---|---|---|
| | Shs | Shs | Shs |
| Cost | | | |
| At start of year | 60,050,649 | 124,170,615 | 184,221,264 |
| Additions | 28,661,426 | 23,449,032 | 52,110,458 |
| At end of year | 88,712,075 | 147,619,647 | 236,331,722 |
| **Amortisation** | | | |
| At start of year | 57,541,665 | - | 57,541,665 |
| Charge for the year | 3,869,845 | - | 3,869,845 |
| At end of year | 61,411,510 | - | 61,411,510 |
| **Net book value** | 27,300,565 | 147,619,647 | 174,920,212 |

Amortisation costs of Shs. 7,115,976 (2018: Shs. 3,869,845) are included under other operating expenses in profit or loss.

## 13. Intangible assets (continued)

**Year ended 31 December 2019**

| COMPANY | Computer Software | Work in progress | Total |
|---|---|---|---|
| | Shs | Shs | Shs |
| **Cost** | | | |
| At start of year | 63,744,453 | 147,619,647 | 211,364,100 |
| Additions | 2,530,551 | 5,400,560 | 7,931,111 |
| Transfers | 153,020,207 | (153,020,207) | - |
| Reclassification to property and equipment (Note 11) | (64,493,036) | - | (64,493,036) |
| At end of year | 154,802,175 | - | 154,802,175 |
| **Amortisation** | | | |
| At start of year | 58,826,963 | - | 58,826,963 |
| Charge for the year | 4,608,801 | - | 4,608,801 |
| At end of year | 63,435,764 | - | 63,435,764 |
| **Net book value** | 91,366,411 | - | 91,366,411 |

**Year ended 31 December 2018**

| COMPANY | Computer Software | Work in progress | Total |
|---|---|---|---|
| | Shs | Shs | Shs |
| **Cost** | | | |
| At start of year | 59,511,217 | 124,170,615 | 183,681,832 |
| Additions | 4,233,236 | 23,449,032 | 27,682,268 |
| At end of year | 63,744,453 | 147,619,647 | 211,364,100 |
| **Amortisation** | | | |
| At start of year | 57,002,233 | - | 57,002,233 |
| Charge for the year | 1,824,730 | - | 1,824,730 |
| At end of year | 58,826,963 | - | 58,826,963 |
| **Net book value** | 4,917,490 | 147,619,647 | 152,537,137 |

## 14. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2018: 30%). The movement on the deferred tax account is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Shs | Shs | Shs | Shs |
| At start of year | (23,367,833) | (16,961,481) | (28,380,816) | (16,920,031) |
| (Credit)/charge to profit or loss (Note 6) | 9,142,606 | 3,106,794 | 14,186,844 | (1,945,481) |
| IFRS 16 transition adjustment | (1,986,859) | - | (1,986,859) | - |
| Underprovision in deferred tax - prior year (Note 6) | - | (9,515,304) | - | (9,515,304) |
| Translation difference | 2,503 | 2,158 | - | - |
| At end of year | (16,209,583) | (23,367,833) | (16,180,831) | (28,380,816) |

Deferred tax (assets) and deferred tax charge to profit or loss are attributable to the following items:

| Group | At start of year | (Credit)/ charge to profit or loss | IFRS 16 Transition adjustments | Translation difference | At end of year |
|---|---|---|---|---|---|
| | Shs | Shs | Shs | Shs | Shs |
| **Deferred tax (assets)** | | | | | |
| Property and equipment | (3,563,626) | 9,416,581 | - | - | 5,852,955 |
| Leave pay provision | (336,084) | 36,466) | - | - | (372,550) |
| Impairment provision | (18,481,929) | (1,058,212) | - | - | (19,540,141) |
| Right of use assets | - | (2,450,351) | 7,737,131 | - | 5,286,780 |
| Lease liabilities | - | 2,481,706 | (9,723,991) | - | (7,242,285) |
| Gratuity provision | (1,307,265) | 1,307,265 | - | - | - |
| Other provisions | (31,255) | - | - | 2,503 | (28,752) |
| Tax losses | (3,051,017) | (2,827,110) | - | - | (5,878,127) |
| Deferred tax asset not recognised | 3,403,342 | 2,309,193 | - | - | 5,712,536 |
| **Deferred tax (asset)** | (23,367,833) | 9,142,606 | (1,986,859) | 2,503 | (16,209,583) |

Deferred tax assets on tax losses carried forward are only recognised to the extent of certainty of availability of sufficient future taxable profits to utilise such losses against.

### 14. Deferred tax (continued)

| Company | At start of year | IFRS 16 Transition adjustments | (Credit)/ charge to profit or loss | At end of year |
|---|---|---|---|---|
| | Shs | Shs | Shs | Shs |
| **Deferred tax (assets)** | | | | |
| Property and equipment | (3,381,454) | - | 8,671,472 | 5,290,018 |
| Leave pay provision | (336,084) | - | (36,466) | (372,550) |
| Bad debt provision | (23,356,013) | - | 4,213,218 | (19,142,795) |
| Right of use assets | - | 7,737,131 | (2,450,351) | 5,286,780 |
| Lease liabilities | - | (9,723,991) | 2,481,706 | (7,242,285) |
| Gratuity provision | (1,307,265) | - | 1,307,265 | - |
| **Deferred tax (asset)** | (28,380,816) | (1,986,859) | 14,186,844 | (16,180,831) |

### 15. Investment in subsidiaries

| | | | Company | |
|---|---|---|---|---|
| | | | 2019 | 2018 |
| Share at cost | Country of incorporation | Holding | Shs | Shs |
| CDSC Registrars Kenya Limited | Kenya | 70% | 100,000 | 100,000 |
| CDSC Registrars Rwanda Limited | Rwanda | 100% | 141,043 | 141,043 |
| CDSC Nominees Limited | Kenya | 100% | 20,000 | 20,000 |
| | | | 261,043 | 261,043 |

The principle activities of the subsidiaries is to provide share registrar services to various companies listed on the Nairobi Securities Exchange and administration of financial markets, trusts, funds and similar financial services, security and commodity contract brokerage and holding of companies monetary intermediation.

## 16. Investments

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Shs | Shs | Shs | Shs |
| At start of year | 52,866,599 | 49,120,381 | 52,866,599 | 49,120,381 |
| Additions | 3,794,568 | 52,866,599 | 3,794,568 | 52,866,599 |
| Liquidation | - | (49,120,381) | - | (49,120,381) |
| | 56,661,167 | 52,866,599 | 56,661,167 | 52,866,599 |
| Expected credit loss provisions | (430,625) | (401,786) | (430,625) | (401,786) |
| At end of year | 56,230,542 | 52,464,813 | 56,230,542 | 52,464,813 |
| Investments can be analysed as follows: | | | | |
| Maturing within 91 days of the reporting date (Note 18) | 56,230,542 | 52,464,813 | 56,230,542 | 52,464,813 |

The carrying amounts of the company's investments are denominated in Kenya Shillings.

## 17. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Shs | Shs | Shs | Shs |
| Non-current | | | | |
| Receivable from related parties (Note 22) | - | - | 9,893,868 | 9,823,868 |
| Less: provision for expected credit losses | - | - | (9,893,868) | - |
| | - | - | - | 9,823,868 |
| Current | | | | |
| Trade receivables | 42,807,307 | 23,209,543 | 37,675,046 | 16,840,124 |
| Other receivables | 17,401,437 | 5,354,227 | 17,346,542 | 5,283,667 |
| Receivable from related parties (Note 22) | 461,180 | 181,683 | 26,385,705 | 26,327,138 |
| Less: provision for expected credit losses | (7,845,229) | (6,653,790) | (22,840,637) | (22,538,311) |
| Net trade and other receivables | 52,824,695 | 22,091,664 | 58,566,656 | 25,912,618 |
| Prepayments | 16,632,355 | 16,242,193 | 16,632,355 | 16,242,193 |
| | 69,457,050 | 38,333,857 | 75,199,011 | 42,154,811 |
| Total trade and other receivables | 69,457,050 | 38,333,857 | 85,092,879 | 51,978,679 |

## 17. Trade and other receivables (continued)

| | Gross amount | 2019 ECL allowance | Carrying amount | Gross amount | 2018 ECL allowance | Carrying amount |
|---|---|---|---|---|---|---|
| | Shs | Shs | Shs | Shs | Shs | Shs |
| **Group** | | | | | | |
| Trade receivables | 42,807,307 | (7,845,229) | 34,962,078 | 23,209,543 | (6,653,790) | 16,555,753 |
| Other receivables | 17,401,437 | - | 17,401,437 | 5,354,227 | - | 5,354,227 |
| Prepayments | 16,632,355 | - | 16,632,355 | 16,242,193 | - | 16,242,193 |
| Receivable from related parties | 461,180 | - | 461,180 | 181,683 | - | 181,683 |
| | 77,302,279 | (7,845,229) | 69,457,050 | 44,987,647 | (6,653,790) | 38,333,857 |
| **Company** | | | | | | |
| Trade receivables | 37,675,046 | (6,593,689) | 31,081,357 | 16,840,124 | (6,291,363) | 10,548,761 |
| Other receivables | 17,346,542 | - | 17,346,542 | 5,283,667 | - | 5,283,667 |
| Prepayments | 16,632,355 | - | 16,632,355 | 16,242,193 | - | 16,242,193 |
| Receivable from related parties | 36,279,573 | (16,246,948) | 20,032,625 | 36,151,006 | (16,246,948) | 19,904,058 |
| | 107,993,516 | (22,840,637) | 85,092,879 | 74,516,990 | (22,538,311) | 51,978,679 |

The group and company's credit risk arises primarily from trade receivables and related party balances. Trade receivables relate primarily to contracted payments due for Nairobi Securities Exchange transactions from the Central Depository Agents. The directors are of the opinion that the group's exposure is limited because the debt is widely held. There is also no significant concentration of credit risk.

In the opinion of the directors, the carrying amounts of trade and other receivables approximate to their fair value.

The carrying amounts of the group and company's trade and other receivables are denominated in Kenya Shillings.

Trade receivables that are aged past 30 days are considered past due but not impaired.

### 18. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Shs | Shs | Shs | Shs |
| Cash at bank and in hand | 40,330,980 | 26,975,770 | 39,208,813 | 16,869,069 |
| Restricted bank balances | 46,631,963 | 69,010,833 | 46,631,963 | 69,010,833 |
| Fixed deposits | 192,882,070 | 213,924,450 | 192,882,070 | 200,156,891 |
| | 279,845,013 | 309,911,053 | 278,722,846 | 286,036,793 |
| For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following: | | | | |
| Cash at bank and in hand | 40,330,980 | 26,975,770 | 39,208,813 | 16,869,069 |
| Investments maturing within 91 days (Note 16) | 56,230,542 | 52,464,813 | 56,230,542 | 52,464,813 |
| Fixed deposits | 192,882,070 | 213,924,450 | 192,882,070 | 200,156,891 |
| | 289,443,592 | 293,365,033 | 288,321,425 | 269,490,773 |

The carrying amounts of the group's and company's cash and cash equivalents are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Shs | Shs | Shs | Shs |
| Kenya Shillings | 270,444,707 | 293,040,118 | 278,659,341 | 285,797,011 |
| United States Dollars | 63,505 | 354,325 | 63,505 | 239,782 |
| Rwandan Francs | 9,336,801 | 16,516,610 | - | - |
| | 279,845,013 | 309,911,053 | 278,722,846 | 286,036,793 |

Restricted bank balances relate to balances held with SBM Bank (Kenya) Limited which were transferred from Chase Bank Kenya Limited as part of the statutory management. These balances are not immediately available for use.

In determining the basis of measurement of balances held with Chase Bank Kenya Limited (In Receivership) and SBM Bank (Kenya) Limited, the directors have assessed whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected, the perpetual period of such cash flows and the arrangement in relation to the transfer of deposits from Chase Bank Kenya Limited (In Receivership) to SBM Bank (Kenya) Limited.

Chase Bank Kenya Limited (In Receivership) was placed under statutory management and subsequently 75% of all balances held were transferred to SBM Bank (Kenya) Limited. Deposits amounting to Shs. 48,905,604 which relate to the 25% of deposits still held with Chase Bank Kenya Limited (In Receivership) have been fully impaired due to uncertainty over recovery of the same.

### 18. Cash and cash equivalents (continued)

Of the 75% of deposits transferred to SBM Bank (Kenya) Limited, Shs. 73,358,406 representing 50% of deposits transferred has been received by the client. The remaining 50% of deposits will be received over a pre-agreed 1-3 year period and will accrue interest at a rate of 6.3% per annum. These fixed deposits have been re-measured as at the reporting period to a carrying amount of Shs. 48,543,667.

Total remeasurement losses amounting to Shs. 50,783,949 have been carried forward resulting into a remeasurement loss of Shs. 1,911,704 during the year.

Expected credit losses for the year have been accounted as follows:

| | 2019 | 2018 |
|---|---|---|
| | Shs | Shs |
| At start of the year | (2,274,828) | - |
| 2017 ECL allowance credited to profit and loss | - | (1,924,510) |
| Additional ECL provision for the year | 39,981 | (350,318) |
| At end of year | (2,234,847) | (2,274,828) |

### 19. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Shs | Shs | Shs | Shs |
| Non-Current | | | | |
| Payable to related parties (Note 22) | 2,255,196 | - | - | - |
| | | | | |
| Non-current | | | | |
| Trade payables | 10,466,884 | 16,954,625 | 10,253,875 | 13,260,600 |
| Other payables | 25,226,628 | 31,127,036 | 19,106,615 | 21,573,601 |
| Payable to related parties (Note 22) | 7,220,002 | 3,232,083 | 12,459,553 | 10,716,039 |
| | 42,913,514 | 51,313,744 | 41,820,043 | 45,550,240 |
| Total trade and other payables | 45,168,710 | 51,313,744 | 41,820,043 | 45,550,240 |

The maturity analysis of trade and other payables is as follows:

| Group | 0 to 1 month | 2 to 3 months | 4 to 12 months | Over 1 year | Total |
|---|---|---|---|---|---|
| | Shs | Shs | Shs | Shs | Shs |
| **Year ended 31 December 2019** | | | | | |
| Trade payables | 7,340,910 | 2,695,214 | 430,760 | - | 10,466,884 |
| Other payables | 14,532,589 | 7,456,825 | 3,237,214 | - | 25,226,628 |
| Payable to related parties | - | - | 7,220,002 | 2,255,196 | 9,475,198 |
| | 21,873,499 | 10,152,039 | 10,887,976 | 2,255,196 | 45,168,710 |

### 19. Trade and other payables (continued)

| Group | 0 to 1 month | 2 to 3 months | 4 to 12 months | Over 1 year | Total |
|---|---|---|---|---|---|
| | Shs | Shs | Shs | Shs | Shs |
| **Year ended 31 December 2018** | | | | | |
| Trade payables | 13,828,651 | 2,695,214 | 430,760 | - | 16,954,625 |
| Other payables | 20,432,997 | 7,456,825 | 3,237,214 | - | 31,127,036 |
| Payable to related parties | - | - | 3,232,083 | - | 3,232,083 |
| | 34,261,648 | 10,152,039 | 6,900,057 | - | 51,313,744 |

| Company | 0 to 1 month | 2 to 3 months | 4 to 12 months | Total |
|---|---|---|---|---|
| | Shs | Shs | Shs | Shs |
| **Year ended 31 December 2019** | | | | |
| Trade payables | 991,438 | 9,262,437 | - | 10,253,875 |
| Other payables | 11,006,237 | 7,104,930 | 995,448 | 19,106,615 |
| Payable to related parties | 3,937,807 | - | 8,521,746 | 12,459,553 |
| | 15,935,482 | 16,367,367 | 9,517,194 | 41,820,043 |
| **Year ended 31 December 2018** | | | | |
| Trade payables | 10,135,795 | 2,695,214 | 429,591 | 13,260,600 |
| Other payables | 7,613,155 | 7,589,101 | 6,371,346 | 21,573,602 |
| Payable to related parties | - | - | 10,716,038 | 10,716,038 |
| | 17,748,950 | 10,284,315 | 17,516,975 | 45,550,240 |

In the opinion of the directors, the carrying amounts of the group's and company's trade and other payables approximate to their fair value.

The carrying amounts of the company's trade and other payables are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Shs | Shs | Shs | Shs |
| Kenya Shillings | 45,168,710 | 33,410,373 | 41,820,043 | 45,550,240 |
| Rwandan Francs | - | 2,947,286 | - | - |
| | 45,168,710 | 36,357,659 | 41,820,043 | 45,550,240 |

## 20. Assets and liabilities classified as held-for-sale

Assets of CDSC Rwanda Limited have been held for sale following approval by the company's management on 9 October 2019.

| Assets | Shs |
|---|---|
| Trade and other receivables | 1,126,669 |
| Cash and cash equivalents | 9,336,782 |
| Other current assets | 726,280 |
| | 11,189,731 |
| **Liabilities** | |
| Trade and other payables | 1,972,445 |

Discontinued operations have not been presented seperately under the statement of profit or loss mainly due the operations of CDSC Rwanda not constituting to be a major line of business to the group.

## 21. Cash from operations

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Shs | Shs | Shs | Shs |
| Reconciliation of profit before tax to cash from operations: | | | | |
| Profit before tax | 71,856,559 | 123,387,763 | 76,782,241 | 115,619,108 |
| Adjustments for: | | | | |
| Depreciation on property and equipment (Note 11) | 10,979,270 | 6,374,399 | 10,879,537 | 6,332,295 |
| Depreciation on right of use assets (Note 12) | 8,167,837 | - | 8,167,837 | - |
| Amortisation of intangible assets (Note 13) | 7,115,976 | 3,869,845 | 4,608,801 | 1,824,730 |
| Interest income (Note 2) | 26,316,744 | 16,013,083 | 25,538,038 | 14,985,848 |
| Interest expense (Note 9) | 347,651 | 621,170 | - | - |
| Interest on lease liabilities (Note 10) | 3,736,569 | - | 3,736,569 | - |
| Effect of expected credit losses on: | | | | |
| - investments (Note 24) | (28,839) | (373,315) | - | (373,315) |
| - cash and bank balances (Note 24) | 50,363 | (1,924,510) | - | (1,867,564) |
| - trade and other receivables (Note 24) | 1,217,566 | (338,603) | - | (123,729) |
| Changes in working capital | | | | |
| - trade and other receivables | (31,123,193) | 7,606,361 | (23,220,332) | 16,982,660 |
| - trade and other payables | (8,400,230) | 14,956,084 | (3,730,197) | 10,108,573 |
| - restricted bank balances | 22,378,870 | 59,823,664 | 22,378,870 | 59,823,664 |
| - assets classified as held for sale | (9,217,286) | - | - | - |
| Cash from operations | 103,397,857 | 230,015,941 | 125,141,364 | 223,312,270 |

## 22. Related party transactions

The group transacts with other companies related to it by virtue of common shareholding.

The following transactions were carried out with related parties:

| (i) Outstanding balances arising from sale and purchase of services | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Shs | Shs | Shs | Shs |
| Receivable from related parties can be analysed as follows: | | | | |
| - Subsidiaries | 356,933 | - | 26,281,458 | 35,925,450 |
| - Other related parties | 104,247 | 181,683 | 104,247 | 295,556 |
| Total receivable from related parties (Note 17) | 461,180 | 181,683 | 26,385,705 | 36,221,006 |
| Payable from related parties can be analysed as follows: | | | | |
| - Subsidiaries | 160,440 | - | 7,480,356 | 7,483,956 |
| - Other related parties | 9,314,758 | 3,232,083 | 4,979,197 | 3,232,083 |
| Total payable to related parties (Note 19) | 9,475,198 | 3,232,083 | 12,459,553 | 10,716,039 |

| (ii) Key management compensation | Group & Company | |
|---|---|---|
| | 2019 | 2018 |
| | Shs | Shs |
| Salaries and other short-term employment benefits: | | |
| - Directors | 15,337,528 | 11,936,905 |
| - Employees | 74,892,445 | 77,504,405 |
| | 90,229,973 | 89,441,310 |

## 23. Commitments

| | Group & Company | |
|---|---|---|
| Contractual commitments for the acquisition of intangible assets | 2019 | 2018 |
| At the reporting date these commitments were as follows: | Shs | Shs |
| Computer software | 42,190,285 | 19,324,788 |

## 24. Risk management objectives and policies

### Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk.

The group's overall risk management programme seeks to maximise the returns derived for the level of risk that it is exposed to and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the management under policies approved by the board of directors.

Management identifies, evaluates and hedges financial risks in close co-operation with various departmental heads.

#### (a) Market risk

- Interest rate risk

The group's exposure to interest rate risk arises from lease liabilities.

The table below summarises the effect on post-tax profit had interest rates been 1% higher, with all other variables held constant. If the interest rates were lower by 1%, the effect would have been the opposite.

| | Group & Company | |
|---|---|---|
| | 2019 | 2018 |
| | Shs | Shs |
| Effect on profit - (decrease) | (84,493) | - |

A 1% sensitivity rate is being used when reporting interest risk internally to key management personnel and represents managements assessment of the reasonably possible change in interest rates.

- Foreign exchange risk

The group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar and Rwandese Francs. The risk arises from future transactions, assets and liabilities in the statement of financial position.

The table below summarises the effect on post-tax profit had the Kenya Shilling weakened by 10% against each currency, with all other variables held constant. If the Kenya Shilling strengthened against each currency, the effect would have been the opposite.

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Shs | Shs | Shs | Shs |
| Effect of profit - (decrease)/increase | (1,833,537) | (2,495,803) | 3,674 | 29,098 |

A 10% sensitivity rate is being used when reporting foreign risk internally to key management personnel and represents managements assessment of the reasonably possible change in foreign exchange rates.

### (b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

In assessing whether the credit risk on a financial asset has increased significantly, the company compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the company considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For these purpose default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

If the company does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis.

For such purposes, the company groups financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument;
- industry in which the debtor operates; and
- nature of collateral.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties.

The gross carrying amount of financial assets with exposure to credit risk at the reporting date was as follows:

**(b) Credit risk** (continued)

| **Basis for measurement of loss allowance** | **Lifetime expected credit losses** | |
|---|---|---|
| | **Group** | **Company** |
| **As at 31 December 2019** | Shs | Shs |
| Trade receivables | 42,807,307 | 37,675,046 |
| Other receivables | 17,401,437 | 17,346,542 |
| Receivable from related parties | 461,180 | 26,385,705 |
| Cash at bank | 279,845,013 | 278,722,846 |
| Investments | 52,866,599 | 52,866,599 |
| Gross carrying amount | 393,381,536 | 412,996,738 |
| Expected credit loss allowance | (11,387,137) | (35,342,775) |
| | 381,994,399 | 377,653,963 |
| **As at 31 December 2018** | | |
| Trade receivables | 23,209,543 | 16,840,124 |
| Other receivables | 5,354,227 | 5,283,667 |
| Receivable from related parties | 181,683 | 26,327,138 |
| Cash at bank | 309,911,053 | 286,036,793 |
| Investments | 52,866,599 | 52,866,599 |
| Gross carrying amount | 391,523,106 | 387,354,321 |
| Expected credit loss allowance | (10,180,713) | (25,157,723) |
| | 381,342,393 | 362,196,598 |

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk ratings as follows:

a) financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;

b) financial assets that are credit impaired at the reporting date; and

c) trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices.

The age analysis of the trade receivables at the end of each year was as follows:

| | **Not past due** | **31 - 60** | **61 - 90** | **91 - 180** | **Total** |
|---|---|---|---|---|---|
| | Shs | Shs | Shs | Shs | Shs |
| As at 31 December 2019 | 12,621,132 | 12,451,913 | 6,014,049 | 6,587,952 | 37,675,046 |
| As at 31 December 2018 | 8,486,127 | 910,016 | 545,000 | 6,898,980 | 16,840,124 |

### (b) Credit risk (continued)

The age analysis of the trade receivables at the end of each year was as follows:

The changes in the loss allowance during the year were as follows:

| Basis for measurement of loss allowance | Lifetime expected credit losses | | | | |
|---|---|---|---|---|---|
| **Group** | **Investments** | **Cash and cash equivalents** | **Related party balances** | **Trade receivables** | **Total** |
| Year ended 31 December 2019 | Shs | Shs | Shs | Shs | Shs |
| At start of year | 401,786 | 2,274,828 | - | 7,504,099 | 10,180,713 |
| Changes relating to assets | 28,839 | (39,981) | - | 1,217,566 | 1,206,424 |
| At end of year | 430,625 | 2,234,847 | - | 8,721,665 | 11,387,137 |
| Year ended 31 December 2018 | | | | | |
| At start of year | 373,315 | 1,924,510 | - | 6,349,453 | 8,647,278 |
| Changes relating to assets | 28,471 | 350,318 | - | 1,154,646 | 1,533,435 |
| At end of year | 401,786 | 2,274,828 | - | 7,504,099 | 10,180,713 |

| Company | Investments | Cash and cash equivalents | Related party balances | Trade receivables | Total |
|---|---|---|---|---|---|
| Year ended 31 December 2019 | Shs | Shs | Shs | Shs | Shs |
| At start of year | 401,786 | 2,217,626 | 16,246,948 | 6,291,363 | 25,157,723 |
| Changes relating to assets | 28,839 | (39,981) | 9,893,868 | 302,326 | 10,185,052 |
| At end of year | 430,625 | 2,177,645 | 26,140,816 | 6,593,689 | 35,342,775 |
| Year ended 31 December 2018 | | | | | |
| At start of year | 373,315 | 1,867,564 | - | 5,284,270 | 7,525,149 |
| Changes relating to assets | 28,471 | 350,062 | 16,246,948 | 1,007,093 | 17,632,574 |
| At end of year | 401,786 | 2,217,626 | 16,246,948 | 6,291,363 | 25,157,723 |

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the nature of the underlying business, the group's management maintains flexibility in funding by maintaining sufficient cash and cash equivalents.

Note 19 discloses the maturity analysis of trade and other payables.

## (c) Liquidity risk (continued)

The table below disclose the undiscounted maturity profile of the group's financial liabilities:

| Group | Interest rate | Between 1 to 3 months | Between 1 to 3 months | Total |
|---|---|---|---|---|
| | % | Shs | Shs | Shs |
| Year ended 31 December 2019 | | | | |
| Non-interest bearing liabilities: | | | | |
| -Trade and other payables | 0% | 32,025,538 | 10,887,976 | 42,913,514 |
| Interest bearing liabilities: | | | | |
| - Lease liabilities | | | | |
| - Operating leases | 13% | 2,361,284 | 7,699,324 | 10,060,608 |
| | | 34,386,822 | 18,587,300 | 52,974,122 |
| Year ended 31 December 2018 | | | | |
| Non-interest bearing liabilities: | | | | |
| -Trade and other payables | 0% | 44,413,688 | 6,900,057 | 51,313,744 |

| Company | Interest rate | Between 1 to 3 months | Between 1 to 3 months | Total |
|---|---|---|---|---|
| | % | Shs | Shs | Shs |
| Year ended 31 December 2019 | | | | |
| Non-interest bearing liabilities: | | | | |
| -Trade and other payables | 0% | 32,302,849 | 9,517,193 | 41,820,042 |
| Interest bearing liabilities: | | | | |
| - Lease liabilities | | | | |
| - Operating leases | 13% | 2,361,284 | 7,699,324 | 10,060,608 |
| | | 34,664,133 | 17,216,517 | 51,880,650 |
| **Year ended 31 December 2018** | | | | |
| Non-interest bearing liabilities: | | | | |
| -Trade and other payables | 0% | 28,033,265 | 17,516,975 | 45,550,240 |

### 25. Capital management

The group's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing services commensurate with the level of risk;
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain a strong asset base to support the development of business; and
- to maintain an optimal capital structure to reduce the cost of capital.

The management sets the amount of capital in proportion to risk. The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders or issue new shares.

### 26. Incorporation

Central Depository and Settlement Corporation Limited and its subsidiaries CDSC Registrars Kenya Limited and CDSC Nominees Limited, are incorporated in Kenya under the Kenyan Companies Act, 2015 as private limited liability companies and are domiciled in Kenya. CDSC Registrars Rwanda Limited is a limited liability company incorporated and domiciled in the Republic of Rwanda in accordance with the Law relating to Companies No. 07/2009 of 27 April 2009.

### 27. Presentation currency

The financial statements are presented in Kenya Shillings (Shs).

# SCHEDULE OF **EXPENDITURE**

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| 1. ADMINISTRATIVE EXPENSES | Shs | Shs | Shs | Shs |
| **Employment:** | | | | |
| Salaries and wages | 137,660,724 | 125,964,394 | 125,898,449 | 116,710,767 |
| Staff medical and welfare expenses | 12,005,417 | 10,787,609 | 10,905,485 | 9,919,899 |
| Other staff expenses | 18,450,297 | 13,788,150 | 18,316,563 | 13,641,061 |
| **Total employment costs** | 168,116,439 | 150,540,153 | 155,120,497 | 140,271,727 |
| **Other administration expenses:** | | | | |
| Postages and telephones | 5,799,129 | 5,711,510 | 3,731,400 | 3,842,587 |
| Entertainment and travelling | 3,779,786 | 4,942,454 | 3,261,007 | 4,623,471 |
| Board and committee expenses | 20,146,315 | 15,514,916 | 19,192,368 | 14,971,787 |
| Printing and stationery | 1,355,484 | 1,508,731 | 1,204,604 | 1,166,753 |
| Advertising and marketing expenses | 2,980,830 | 3,567,233 | 2,407,819 | 2,905,202 |
| Computer expenses | 14,786,807 | 12,960,524 | 14,512,807 | 12,960,524 |
| M- Akiba expenses | 3,965,040 | 4,942,155 | 3,965,040 | 4,942,155 |
| Audit fees | | | | |
| - current year | 3,327,891 | 2,729,222 | 2,980,000 | 2,500,000 |
| - underprovision in prior years | 486,029 | 74,820 | 480,034 | 74,820 |
| Legal and professional fees | 8,652,249 | 4,616,194 | 8,123,209 | 3,988,697 |
| Bank charges and commissions | 586,378 | 495,559 | 463,370 | 414,223 |
| Donations | 226,294 | 511,012 | 226,293 | 511,012 |
| Subscriptions and periodicals | 1,711,493 | 2,181,247 | 1,711,493 | 2,181,247 |
| Office running expenses | 2,359,258 | 2,229,086 | 2,150,127 | 2,008,393 |
| Impairment loss on investments | 28,839 | 28,471 | 28,839 | 28,471 |
| Impairment loss on cash and bank balances | (50,363) | 350,318 | (39,981) | 350,063 |
| Impairment loss on trade and other receivables | 1,217,566 | 1,154,646 | 302,326 | 1,007,093 |
| Impairment loss on related party balances | - | - | 9,893,868 | 16,246,948 |
| Fines and penalties | 4,494,730 | 3,160,668 | 1,000,000 | 833,500 |
| **Total other administrative expenses** | 75,853,754 | 66,678,765 | 75,594,623 | 75,556,945 |
| **Total administrative expenses** | 243,970,193 | 217,218,918 | 230,715,120 | 215,828,672 |

## SCHEDULE OF EXPENDITURE (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **2. OTHER OPERATING EXPENSES** | | | | |
| **Establishment:** | | | | |
| Short term lease rent | 2,122,045 | 14,345,327 | 1,800,053 | 13,297,400 |
| Service charges | 4,919,543 | 4,176,759 | 3,855,114 | 4,176,759 |
| Parking fees | 1,991,585 | 1,838,645 | 1,986,155 | 1,838,645 |
| Electricity and water | 2,432,630 | 2,563,001 | 2,343,381 | 2,503,023 |
| Repairs and maintenance | 4,436,988 | 3,868,130 | 4,148,807 | 3,406,830 |
| Insurance | 5,961,366 | 6,151,052 | 5,826,663 | 6,151,052 |
| Licenses | 12,049,848 | 5,982,913 | 11,972,484 | 5,803,670 |
| Security expense | 1,240,624 | 981,376 | 1,240,624 | 981,376 |
| Depreciation on right of use assets | 8,167,837 | - | 8,167,837 | - |
| Depreciation on property and equipment | 10,979,270 | 6,374,399 | 10,879,537 | 6,332,295 |
| Amortisation of intangible assets | 7,115,976 | 3,869,845 | 4,608,801 | 1,824,730 |
| **Total other operating expenses** | 61,417,712 | 50,151,447 | 56,829,456 | 46,315,780 |
| | | | | |
| **3. FINANCE COSTS** | | | | |
| Interest on lease liabilities | 3,736,569 | - | 3,736,569 | - |
| Interest expense on preference shares | 347,651 | 621,170 | - | - |
| Net foreign exchange loss | 340,609 | 393,116 | 197,401 | 207,394 |
| | 4,424,829 | 1,014,286 | 3,933,970 | 207,394 |

# CENTRAL DEPOSITORY AGENTS **(CDA) LIST**

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