CDSC

CENTRAL DEPOSITORY &
SETTLEMENT CORPORATION

Invested in Progress

2020 Annual Report & Financial Statements

ABOUT US

VISION

Become the solution provider of choice for depository & settlement services.

MISSION

Facilitate marketplaces that are secure, transparent and efficient.

VALUES

1. **Passion:** Intense enthusiasm, excitement and commitment to deliver value to our customers.
2. **Agility:** Ability to move quickly and easily.
3. **Simplicity:** Making investments in the capital markets for core and non-core products easy to understand and use.
4. **Innovation:** Putting new ideas into practice and turning the outcomes of the creative process into useful products, services or work methods.
5. **Trust:** Customers' firm belief that our people and systems are reliable, professional, secure, ethical and capable.

WHO WE ARE

The Central Depository & Settlement Corporation Limited (CDSC) is a limited liability Company approved by the Capital Markets Authority to provide automated clearing, delivery and settlement services in respect of transactions carried out at Nairobi Securities Exchange as well as holding of listed and non listed securities including other documents of title on behalf of investors.

CDSC TEAM AT YOUNG LIFE AFRICA


CDSC STAFF STRATEGY SESSION

CENTRAL DEPOSITORY & SETTLEMENT CORPORATION
Invested in Progress

YOU CAN NOW
LEND YOUR SHARES OR BORROW SHARES
TO EARN MORE RETURNS FROM THE STOCK MARKET.

CDSC's Securities Lending and Borrowing Platform now enables an investor to temporarily lend or borrow shares for a specific period, at an arranged fee.

The loaned shares are covered with adequate collateral from the borrower.

Contact us on **corporate@cdsckenya.com**
or visit our website at www.cdsckenya.com to learn more about Securities Lending and Borrowing

SLB
SECURITIES
LENDING &
BORROWING
@cdsckenya

GROUP CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Charles Ogalo - Chairman
	:	Isaac Awuondo
	:	Bob Karina
	:	Ashok Shah
	:	Eunice Kariuki
	:	Geoffrey Odundo
	:	Peter Mwangi (Resigned on 18 December 2020)
	:	Aida Kimemia - Nesbitt
	:	Samuel Kimani (Resigned on 3 September 2020)
	:	Kiprono Kittony (Appointed on 16 September 2020)
	:	Nkoregamba Mwebesa (Appointed 18 June 2020)
CHIEF EXECUTIVE OFFICER	:	Nkoregamba Mwebesa
REGISTERED OFFICE	:	Nation Centre, 10th Floor
	:	Kimathi Street
	:	P.O. Box 3464, 00100
	:	NAIROBI
INDEPENDENT AUDITOR	:	PKF Kenya LLP
	:	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 Rwanda Limited
	:	RWANDA

CDSC BOARD COMMITTEE MEMBERS

TECHNOLOGY COMMITTEE

1. Eunice Kariuki - Chairperson
2. Bob Karina
3. Geoffrey Odundo
4. Kevin Kinyanjui
5. Lawrence Kimathi – Joined on 18/06/2020

BUSINESS CONDUCT COMMITTEE

1. Geoffrey Odundo - Chairperson
2. Job Kihumba
3. Peter Waiyaki
4. Eunice Kariuki
5. Gideon Chokah

FINANCE COMMITTEE

1. Bob Karina – Chairperson
2. Aida Kimemia-Nesbitt
3. Isaac Awuondo
4. Sam Kimani
5. Kiprono Kittony – Joined on 01/10/2020

AUDIT AND RISK COMMITTEE

1. Ashok Shah - Chairperson
2. Aida Kimemia -Nesbitt
3. Sam Kimani
4. Peter Mwangi – Left on 18/12/2020
5. Lawrence Kimathi - Joined on 18/06/2020

NOMINATIONS COMMITTEE

1. Charles Ogalo - Chairman
2. Aida Kimemia-Nesbitt
3. Ashok Shah
4. Isaac Awuondo
5. Sam Kimani – Left on 03/09/2020
6. Kiprono Kittony – Joined on 1/10/2020

BOARD EVALUATION DISCLOSURE REPORT

This report details the results of the Board evaluation for the period to December 31st 2020. As with the previous years, this self-assessment was facilitated by an external facilitator. This year, the company engaged the Centre for Corporate Governance to facilitate the Board Evaluation and Board trainings.

The Company did not conduct an evaluation for year 2019 due to the business interruptions occasioned by the Covid – 19 pandemic in the year 2020.

This evaluation provided an opportunity for directors to self - evaluate and be evaluated by their peers, hence providing an opportunity to identify the collective strengths on the board as well as gaps that may require attention.

Over the recent past, great strides have been made in optimizing the balance on the Board, both with regard to the functioning of the Board and with regard to the Boards' mutual relationship with management. Some of the key findings are summarized below:

Key For Level of Performance:

Excellent	=	5	(4.51-5.00)
Good	=	4	(3.51-4.50)
Satisfactory	=	3	(2.51-3.50)
Fair	=	2	(1.51-2.50)
Poor	=	1	(0.51-1.50)

1. SUMMARY OF THE OVERALL BOARD EVALUATION

The overall performance of the Board of CDSC is **Excellent**. A mean score of **4.66** translating to **93.2%** shows the Board is diligent and effective in fulfilling its mandate.

2. SUMMARY OF THE BOARD PERFORMANCE UNDER SPECIFIC AREAS

a. The overall performance of the Board under the item of the **"General Operations of the Board"** is at the level of **Excellent.** The mean is **4.62**.

b. The overall performance of the Board under the item of **"Board Structure"** is at the level of **Excellent.** The mean is **4.86.**

c. The overall performance of the Board under the item of **"Board Committees"** is at the level of **Excellent**. The mean is **4.74.**

d. The overall performance of the Board under the item of **"Selection, Appointment, Induction, Development, Remuneration, Rotation and Succession of Directors"** is at the level of **Good.** The mean is **4.12.**

e. The overall performance of the Board under the item of **"Board Effectiveness (Board Meetings)"** is at the level of **Excellent**. The mean is **4.73.**

f. The overall performance of the Board under the item of **"Role of the Board in Strategic Management"** is at the level of **Excellent.** The mean is **4.80**.

g. The overall performance of the Board under the item of **"Role of the Board in Key Human Resource Management"** is at the level of **Excellent.** The mean is **4.75.**

h. The overall performance of the Board under the item of **"Role of the Board in Financial Management"** is at the level of Excellent. The mean is **4.86.**

i. The overall performance of the Board under the item of **"Stewardship of Resources"** is at the level of **Excellent.** The mean is **4.79.**

j. The overall performance of the Board under the item of **"Assessing Performance"** is at the level of **Good.** The mean is **4.49.**

k. The overall performance of the Board under the item of **"Sustainability"** is at the level of **Excellent.** The mean is **4.60.**

l. The overall performance of the Board under the item of **"Risk Management"** is at the level of **Excellent.** The mean is **4.67.**

m. The overall performance of the Board under the item of **"Legal Compliance"** is at the level of **Excellent.** The mean is **4.60.**

n. The overall performance of the Board under the item of **"Accountability"** is at the level of **Excellent.** The mean is **4.60.**

3. CONCLUSION AND RECOMMENDATIONS

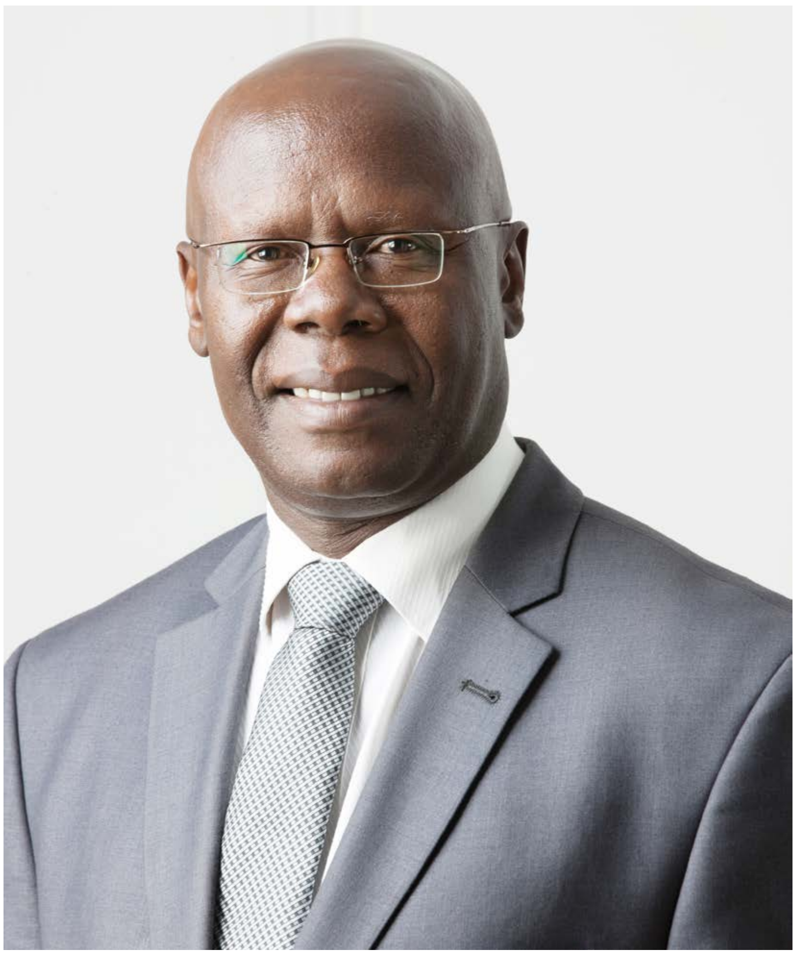
The Board is committed to maintaining the excellent performance and is working with Management and the Centre for Corporate Governance to improve on the areas that have been highlighted as having performed below the overall average.

Aida Kimemia – Nesbitt

Chairperson

CHAIRMAN'S STATEMENT TO SHAREHOLDERS

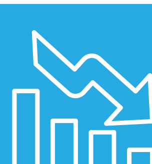
In the year under review, a total of 263,907 deals were settled through the CDS, up from 249,605 deals in 2019 representing a 5.7% improvement.



CDSC ASSET BASE

Ksh. 667.6M 2020

Ksh. 684.2M 2019



PRE-TAX PROFIT

Ksh. 60.3M 2020

Ksh. 71.9M 2019

Dear Shareholders,

It is with great pleasure that I present to you, on behalf of the Board and Management of the Central Depository & Settlement Corporation Limited, the Group's Annual Report and Financial Statements for the year ended 31 December 2020.

Economic Effects of Covid-19

The events that unfolded in 2020 were completely unprecedented. The extent of the effects of the Covid-19 pandemic could not have been predicted. The pandemic brought with it high levels of uncertainty and unpredictability in all spheres of our lives affecting individuals, business and governments in different negative ways.

The year was characterized by challenges both locally and globally. Global economy contracted by an estimated 4.3% mainly due to the slowdown in global trade as a result of restrictions of movement of people and goods that started in the second quarter of 2020. This put significant pressure on businesses in the banking, transport, aviation, oil and gas drilling, food and accommodation and manufacturing sectors. Global equities market in contrast, performed exceptionally well. The MSCI world index sustained its rebound to post a positive return of 15.90% with the S&P 500 index going up by 18.4%. Other major indexes like the Dow Jones Industrial Average and NASDAQ also posted significant gains at 9.7% and 45% respectively. This rally in the global markets was mainly driven by technology company stocks.

Sub-Saharan Africa economies contracted by an estimated 2.6% in 2020 as the region grappled with the effects of the pandemic.

CHAIRMAN'S STATEMENT TO SHAREHOLDERS (cont'd)

This was a significant decline from 2.4% positive growth experienced in 2019. The main contribution to this decline was the tourism-dependent and oil exporting economies. With the easing of lock-down measures, and coordinated distribution of the Covid-19 vaccine, trade is likely to resume with its major partners Europe, USA and China with the projected economic performance estimated at a modest rate of 3.2% mainly influenced by reduced fiscal policy space that will make sub-Saharan countries struggle to sustain an economic expansion.

The economic performance trend was the same in the East African region. Kenya also experienced a deceleration of 0.1% in its economic performance in contrast to a growth of 5.4% recorded in 2019. Tanzania, Uganda and Rwanda all experienced significant deceleration in growth expanding by only 2.5% (6.5%, 2019), 1.7% (5.6%, 2019) and 2.0% (8.5%, 2019) respectively.

Kenya also experienced a deceleration of 0.1% in its economic performance in contrast to a growth of 5.4% recorded in 2019.

The Kenyan Capital Markets was heavily impacted by the mass exit of foreign investors after the global lock down. Investors turned net sellers in anticipation for decline in companies' financial performance with foreign investors redeploying capital to other markets. This resulted in the NSE All Share Index (NASI) and NSE 20 Share Index declining by 8.6% and 29.6% respectively in 2020.

We expect gradual recovery in the region and globally as travel restrictions are eased and more countries make arrangements to receive and distribute the Covid-19 vaccine. We however believe that some adjustments in the operations of business and individual lifestyles like remote working and adoption of online solutions are here to stay for the foreseeable future.

Sustaining operations during the Pandemic

Our motivation and driving force is making progress possible in the markets we operate in. Following the announcement of travel restrictions and other containment measures by the Kenyan Government, we facilitated our staff to work from home with only the most essential team members maintaining a daily office routine, this was later adjusted to scheduled work shifts among different teams. As part of our Business Continuity Plans, we ensured settlement was uninterrupted during this period by availing the CDS to all settlement participants through remote links. We have also continued offering depository services to our Central Depository Agents (CDAs) transitioning from physical document handling to use of secure online channels to receive, process and communicate with our stakeholders.

The organization was also part of the concerted endeavors by the Capital Markets industry stakeholders to help support the Kenyan Government in its efforts of containing the spread of Covid-19. Stakeholders raised a total of Kes.29 million which was channeled through the Emergency Respond Fund.

In recognition of our new reality and the evolving needs of our customers, remote account opening and maintenance is a key focus for us in the coming year. We are in the process of developing APIs that will allow Central Depository Agents to link to the CDS enabling full online opening and maintenance of client CDS accounts. We are also working on a revamped CDSC online portal with new features that will give investors better visibility of their holdings as well as provide alternative and efficient channels for account opening and maintenance to all our customers.

Group performance

In the year under review, a total of 263,907 deals were settled through the CDS, up from 249,605 deals in 2019 representing a 5.7% improvement.

Annual trading volume increased by 10.4% to 5.3 billion shares in 2020 up from 4.8 billion shares traded in 2019. Equities turnover conversely decreased marginally by 3.7% in 2020 to Kes.148.7 billion down from Kes.154.4 billion in 2019. The total market capitalization at the end of 2020 stood at Kes.2.3 trillion compared to Kes.2.5 trillion in 2019 representing an 8% decline in market value.

The fixed income side benefited slightly from the declining equities performance with the bonds traded in 2020 posting record numbers at Kes.691 billion, outpacing 2019's Kes.651 billion by 6.1%.

The Group posted a net profit of Kes.40.2 million representing a 7.6% decline compared to last year's profit of Kes.43.5 million. The reduction was as a result of declining stock prices despite increased trading activity as investors sold their holdings in listed companies in anticipation for the poor financial performance that was to be expected in the affected counters. The bear market conditions impacted transactional levies, our main revenue driver currently constituting 77.5% of total revenues.

The year saw an 8% reduction in Group revenues to Kes.308 million down from Kes.335 million in 2019. Transaction levies decreased marginally by 2.4% to Kes.238.7 million in 2020 from Kes.244.6 million in 2019. Administrative and operating expenses however, reduced to Kes.260 million in 2020 down from Kes.304.2 million in the previous year. The 14.5% reduction was mainly attributed to costs savings as a result of disruptions to normal administrative operations that were occasioned by the Corona Virus pandemic.

CDSC continues to protect investor value by sustaining a strong asset base. Total assets declined marginally by 2.4% to Kes.667.6 million in 2020 down from Kes.684.2 million in 2019. The Board and Management is keen on improving the balance sheet resilience to prepare for any unexpected outcomes in our operating environment as well as to strategically position the firm to take advantage of new business opportunities that may be available now and in future.

At the close of 2020, there were 1,519,832 (1,471,909 in 2019) CDS account registrations, out of which, 1,134,421 were active distinct CDS accounts. This was a marginal growth of 1.3% YoY in active distinct CDS accounts from 1,120,087 in 2019. CDS account registrations refers to all active account registrations investors have with their stockbrokers and custodian banks. Distinct CDS accounts are the unique accounts attributed to an investor. Investors have one unique CDS account but can have multiple registrations with different brokers and custodian banks.

At the close of 2020, there were 1,519,832 (1,471,909 in 2019) CDS account registrations, out of which, 1,134,421 were active distinct CDS accounts.

CDSC as the paying and issuing agent for the Government's M-Akiba Retail Bond, facilitated the final payout of Principal and Interest amounts to investors on 7 April 2020 and 7 September 2020 for M-Akiba 1 and M-Akiba 2 respectively. A total of Kes.1.041 billion had been raised through successful bond issuances in 2017 and 2019 with a total of Kes.312,420,000 paid out as interest to investors.

Dividend payment

The Board is committed to maintaining our record of sharing value with investors by progressively paying out dividends each year. The proposed final dividend for the year ended 2020 is Kes.10 per share (Kes.6.86 per share in 2019).

The directors further propose a special dividend of Kes.57.14 per share for the year ended 2020.

Guarantee Fund

The CDSC Guarantee Fund is a risk mitigation tool used to guarantee funds settlement between settlement participants in instances of failure by one or more partners to meet their settlement obligations. The fund covers all the approved stockbrokers and custodian banks jointly referred to as Central Depository Agents (CDAs).

The Guarantee Fund closed the year with a net surplus of Kes.82.8 million up by 6.7% from Kes.77.6 million recorded in 2019. This was a result of an increase in the Fund's finance income from bank balances held in interest earning accounts. The total assets of the Fund grew to Kes.1,133.4 million up from Kes.1,009.2 million in 2019. This represented a 13% growth in the assets value.

CDSC Registrars

In reviewing the Group's business operations and optimizing resources for growth, the Board made a strategic decision to sell off CDSC's entire stake in CDSC Registrars Kenya and CDSC Registrars Rwanda to Escrow Group. The transaction for the sale of CDSC Registrars Kenya was finalized in June 2020. The conclusion of the sale of CDSC Registrars Rwanda will mark our full exit from the registry business.

Our strategy

In December 2020, the Board adopted and approved the CDSC Strategic Plan 2021 – 2025. The new strategy cycle was timely as it coincided with the change in leadership when Mr. Nkoregamba Mwebesa joined the team as the new Chief Executive Officer on 10 February 2020.

Beginning 2021 and going forward, CDSC Group's business will be underpinned by its redefined purpose of facilitating marketplaces that are secure, transparent, and efficient. Our new strategy is focused on transformative growth to achieve set financial, employee and customer goals. These targets are anchored on three main drivers; Technology, People and Distribution.

Our commitment is to focus on these drivers to ensure we achieve the set objectives for the next five years.

To facilitate achievement of these goals, the organizational structure and culture will need to be aligned to build a more efficient, agile, and innovative team and processes that exudes passion, simplicity and trust from stakeholders in our systems, processes and people.

CHAIRMAN'S STATEMENT TO SHAREHOLDERS (cont'd)

We have embarked on this process as the first initiative in achieving our set goals and expect to have concluded the organization review and restructuring by the second quarter of 2021.

Outlook for 2021

The advent of Covid-19, its impact on the local as well as the global economies and the uncertain timeline in the recovery of businesses and way of living for people is a significant concern for us and the industry in general. We are bullish that the region and Kenya in particular will experience positive economic growth and improved business sentiment as businesses continue to recover from the effects of the Covid-19 pandemic. The capital markets is also expected to experience some marginal recovery with majority of the listed companies now fully adapted to the new normal. CDSC has ensured robust business continuity plans through adapting our systems and processes to the new realities to ensure minimal disruption in our service delivery to customers. We will also be aggressively pursuing the implementation of our new strategy that we believe will guide the Group well in delivering value for all our stakeholders by focusing on three key pillars; People, Distribution and Technology.

Board Changes

During the year, the Board underwent some changes in its membership.

Mr. Sam Kimani resigned from the Board and was replaced by Mr. Kiprono Kittony, EBS, who joined the Board as a Non–Executive Director representing the NSE following his appointment as the NSE Board Chairperson. Mr. Nkoregamba Mwebesa also joined the Board as an Executive Director following his appointment as CDSC Chief Executive Officer. Mr. Peter Mwangi left the Board in December and was replaced by Mr. Lawrence Kimathi who joined the Board in January 2021 as a representative of the Capital Markets Challenge Fund. The Board welcomes Mr. Kittony, Mr. Kimathi and Mr. Mwebesa to the team and look forward to tapping into their wealth of experience in the stewardship of the organization. We would also like to thank Mr. Sam Kimani and Mr. Peter Mwangi for their invaluable contribution and wish them the very best in their future endeavors.

Fellow directors and stakeholders, my season at the CDSC has come to an end. I have been with this company since its inception and a time has come that I should now take a rest and pass the mantle forward. I wish to express my most sincere gratitude to all of you colleagues on the Board for your immense support and exemplary contribution to the growth of this organization. I have been privileged to Chair this Board twice on your request, and I consider that a great honor and a demonstration of the faith you have had in me. For this, I remain grateful. I leave satisfied of the great progress we have made in building this organization to be an institution of fine repute with good corporate governance practices and high operational standards. I am excited of the journey ahead as I leave an able team charting a new course guided by the new strategy in its first year of implementation. It has been an honor working with you all and I can only wish you the very best in the journey ahead. I leave you in the very safe and capable hands of Madam Aida Kimemia, the new Chairperson whom you elected unanimously. Mr. Sitoyo Lopokoiyit will be joining the Board as the new public interest director in my place. I am confident that Mr. Sitoyo will be a great addition to the Board and his vast experience and network will be of strategic benefit to the Corporation.

Appreciation

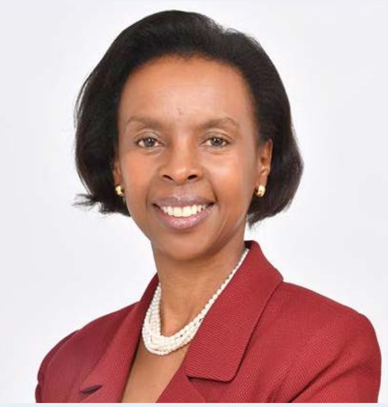
In conclusion, I wish to express my gratitude to all our stakeholders. In particular, I thank the Board for steadily steering the organization to achieve its set objectives. To the Management and staff, I thank you for your fidelity and commitment to diligently serving our customers and to all our strategic partners for continuing to walk this journey with us.

The Board and Management team is inspired by the new strategic direction and believe the next five years will usher a period of creating shared value with our Stakeholders and customers.

Charles Ogalo

Chairman

BOARD OF DIRECTORS PROFILES



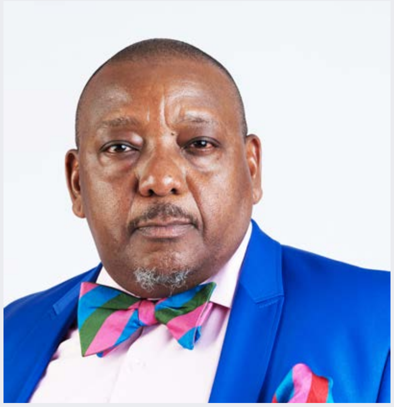
AIDA KIMEMIA-NESBITT (Chairperson effective - April 1, 2021)

Mrs. Kimemia-Nesbitt is a Director and Investment Committee Chair at Tiserin Capital, a financial advisory and investment firm which supports small and mid-sized businesses 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 Limited, a healthcare business which operates in Nigeria.

Prior to Tiserin Capital, Mrs. Kimemia-Nesbitt 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.

Mrs. Kimemia-Nesbitt 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).

She is nominated by the Capital Markets Challenge Fund on the CDSC Board.



NKOREGAMBA MWEBESA

Mr. Nkoregamba Mwebesa is the Chief Executive Officer of CDSC. He joined the CDSC in February 2020.

He has more than 25 years' experience 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, Investment Banking, Capital Markets and Securities Trading. Nkoregamba holds an Executive MBA (2007) from the Maastricht/ESAMI programme and a BA in Economics and Philosophy from the University of Nairobi (1990).

Prior to joining CDSC, Nkoregamba served as Managing Director of Stanlib Kenya Limited (STANLIB), a wholly owned subsidiary of Liberty Holdings where he led the strategic turnaround of the business in preparation for a landmark M&A transaction.

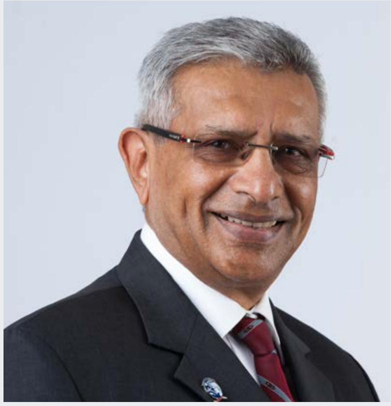
Preceding his tenure at STANLIB, Nkoregamba served as the Chief Executive of SBG Securities Limited (SBGS), a member of the Nairobi, Uganda and Rwandan Securities Exchanges and a wholly owned subsidiary of the Stanbic Holdings Plc. During his term, SBGS routinely ranked as the top broker on the three regional Exchanges. He was also a key member of numerous landmark transactions in the Regional Capital Markets. These included the Stanlib Fahari I-Reit Initial Public Offer on the Nairobi Securities Exchange (2015), the Tanzania Breweries Limited's Secondary Public Offer on the Dar es Salaam Securities Exchange (2011), the Kenya Airways Rights Issue on the Nairobi, Uganda and Dar-es- Salaam Exchanges (2011/2012) and the UMEME Initial Public Offer on the Uganda Securities Exchange (2012-2013).

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 is an Executive Director in the CDSC Board.

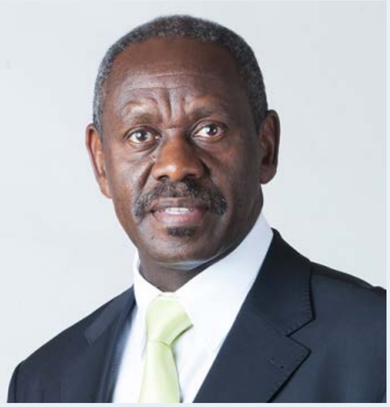
BOARD OF DIRECTORS PROFILES

ASHOK KUMAR MEPA SHAH



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 APA Insurance Ltd, ABSA Bank Kenya, 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. Shah 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.

BOB KARINA



Bob Karina is the Founder, Chairman of Faida Investment Bank, Corporate Finance Specialist, an accomplished Stockbroker and Research Analyst. He is the Vice Chairman, Nairobi Securities Exchange (NSE), Chairman of the Rwanda Stock Exchange, Chairman of Norwich Union Properties Ltd., Director Kenya Industrial Estates and served as Director of Kenya Private Sector Alliance (KEPSA) and Kenya National Chamber of Commerce and Industry (KNCC&I), among others. Bob, holds an MSc in Corporate Finance from the University of Liverpool, UK, in addition to technical and professional qualifications from the Institute of Systems Science, National University of Singapore, International Statistical Programs Center, United States Bureau of the Census, USA, Hong Kong Polytechnic Industrial Center, Institute of Development Studies, University of Sussex, UK., E.A. Statistical Training Centre, University of Dar-es-Salaam, Tanzania and London Institute of Statisticians. Bob is a Founder Member of the Institute of Certified Investment and Financial Analysts (ICIFA) and was awarded Commendation and admitted as a Fellow of the Institute for exemplary service rendered since inception. Bob serves as the Chairman of the Association of Kenya Stockbrokers Nominees Ltd. He is a Member of the Institute of Directors, Director of the Central Depository and Settlement Corporation (CDSC), the NSE Clear Ltd., Trustee of both NSE Investor Protection Fund and NSE Derivatives Settlement Guarantee Fund. Bob played a critical role in the establishment of the CDSC, the NSE Automated Trading System (ATS), the Wide Area Network and the Broker Back Office system at the NSE as the Chairman of the Implementation Committee that spearheaded developments in Kenya's Capital Markets. For over two decades, Bob has acquired vast experience in Investment Banking and is passionate about supporting organizations improve their bottom line, list on the exchange, mergers and acquisitions, raise capital, grow and thrive. He is married to Jennifer Karina, has three children and several grandchildren. He enjoys jogging, swimming and playing golf.

BOARD OF DIRECTORS PROFILES

EUNICE KARIUKI

Eunice is the immediate former Director of Partnerships, Innovation and Capacity at the ICT Authority, a position she held for thirteen years. She is an Independent Board Member at CDSC and a Board Member at CDSC Registrars. Eunice has held various senior leadership positions. At Microsoft, she was the Education Account Manager for Eastern and Southern Africa and was the founder and Managing Director of Records & Archives Management Systems (RAMS) Limited, a position she served diligently for seven years. Eunice also worked as a Sales and Marketing Manager at Kodak (K) Ltd. She is a member of the Institute of Directors (IOD) and Chartered Institute of Marketing (CIM).

Eunice is passionate about mentoring small start-ups and she is currently offering ICT Innovation Management Consultancy to five start-ups.

Eunice was listed on the 2009 top 40 under 40 Women in Kenya, one of the 2017 top 25 Digital Influencers in Kenya.

Eunice holds an MBA in Strategic Management from Maastricht School of Management an affiliate of Eastern Southern Management Institute (ESAMI). She holds a Bachelor of Science in Business Studies and a Higher National Diploma in Business Information Technology (BITech) from UK. Eunice also holds a Post Graduate Diploma from the Chartered Institute of Marketing (CIM). She has undertaken Strategic Development Leadership Training (SLDP) and Project Management (PMYK).

GEOFFREY ODUNDO

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 28 years, 22 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, all subsidiaries of the Co-operative Bank of Kenya Limited

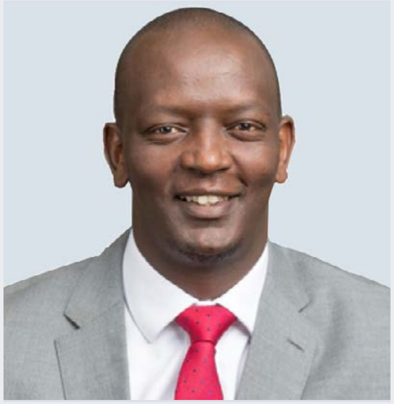
Mr. Odundo has advised on a number of corporate finance mandates in both the public and private sectors; he has also managed key mandates in the asset management industry. He has contributed to the growth of the Capital Markets in his previous role as a Director/Board Secretary - Kenya Association of 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 is an Independent Director of the Central Depository and Settlement Corporation Limited representing the Nairobi Securities Exchange PLC, Director of the NSE Clear Limited; and a trustee of the NSE Fidelity Funds.

He is the Vice Chairman of the REITs Association of Kenya (RAK), a member of the Working Committee of the World Federation of Exchanges (WFE), 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.

BOARD OF DIRECTORS PROFILES

SITOYO LOPOKOIYIT



Mr. Lopokoiyit is the Managing Director, M-PESA Africa and acting Chief Financial Services Officer at Safaricom. A distinguished financial services and change management expert, he previously worked in Vodacom as M-commerce Director where he oversaw the delivery of several transformative products and services; led the turnaround strategy and execution for M-PESA which has resulted in an accelerated growth of M-PESA in Tanzania.

Prior to joining Vodacom Tanzania PLC, he was the Head M-PESA Strategy and Business Development at Safaricom.

Sitoyo has over 10 years' senior managerial experience from different fields; oil & Gas (Chevron and Total Kenya Ltd) and in the Retail industry with Uchumi supermarkets in Kenya. He has worked extensively in the East Africa Region as well as in Mauritius and Reunion.

Sitoyo holds a Bachelor of Commerce (Hons) degree in marketing from the University of Nairobi (2000) and an MSc in Information Technology Management and Organizational Change from Lancaster University in UK.

KIPRONO KITTONY, EBS

Mr. Kiprono Kittony is the current chairman of the Nairobi Securities Exchange, the leading securities exchange in East and Central Africa.

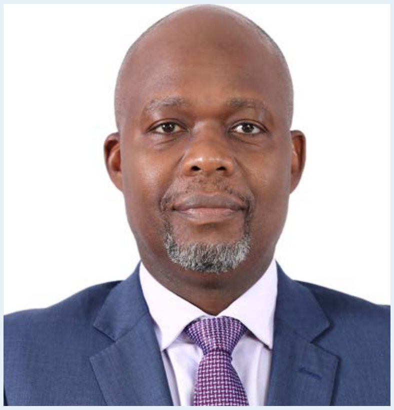
Prior to this appointment, he was the National Chairman of the Kenya National Chamber of Commerce & Industry, the premiere business membership organization in Kenya. He is a well-known personality in business leadership circles in Kenya, having served in several capacities, including being the immediate past Chairman of the Media Owners Association, an influential lobby group of Kenyan media. Mr. Kittony has widely been credited with the revival of the Kenya National Chamber of Commerce & Industry, which has been restored to its past glory through a series of transformative initiatives during his tenure.

An active player in business, he also chairs the following boards; - CreditInfo CRB Kenya Limited, Mtech Limited, Betway in Kenya and Radio Africa Group (which he co-founded in 2000). He sits on the advisory council of IFHA (International Fund for Health in Africa), an Amsterdam based private equity fund, and is Vice Chairman of the World Chambers Federation in Paris representing Africa. He is also a director at the Central Depositary and Settlement Corporation. Mr. Kittony was educated at the University of Nairobi and USIU and has the following degrees – Bachelor of Commerce (Hons), Nairobi; Bachelor of Law (Hons) Nairobi and Global Executive MBA from USIU (in Conjunction with Columbia University)

Mr. Kittony was conferred the award of Elder of the Order of the Burning Spear (EBS) by President Uhuru Kenyatta in 2019 in recognition of the distinguished and outstanding services rendered to the nation as a business leader.

He actively mentors the youth and regularly participates in several philanthropic projects.

BOARD OF DIRECTORS PROFILES



LAWRENCE KIMATHI

Mr. Kimathi is currently the Group Chief Finance Officer at KCB Group PLC.

He is a distinguished banker and finance expert with leadership experience spanning over 25 years having worked as Finance Director/CFO in several multinational organizations which include Cadbury East and Central Africa, AIG, East Africa Breweries Limited, BAT Sub Sahara Africa and BAT PLC in London.

Lawrence holds a Masters in Business Administration (MBA) with a merit from Warwick Business School UK, a Bachelor of Science degree majoring in accounting from United States International University – Africa (USIU) and is a Certified Public Accountant of Kenya, CPA (K). He is also a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Institute of Directors (IOD).

Lawrence represents the Capital Markets Challenge Fund on the CDSC Board.

ISAAC AWUONDO

Isaac has considerable experience in the financial services industry having worked for more than 33 years in the Kenyan and regional banking industry. He is currently the Chairman of NCBA Bank Kenya PLC the result of a merger between Commercial Bank of Africa Limited and NIC Group PLC which took effect on 1st October 2019. NCBA Bank is the 3rd largest banking Group in Kenya. He was Group Managing Director of Commercial Bank of Africa Limited ("CBA Group") the largest privately held commercial bank in Kenya with a regional focus and operations in Tanzania, Uganda, Rwanda and Ivory Coast for over 20 years. CBA Group was one of the strongest and ethically managed commercial banks' offering a comprehensive range of banking services, including Mobile and Digitally enabled financial solutions and is recognized as the market leader in the provision of Mobile Lending and Savings solutions, in partnership with Safaricom (Kenya), Vodacom (Tanzania) and MTN (Uganda, Rwanda and Ivory Coast). NCBA Group presently serves in excess of 50 million customers in its five main markets. 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 in London as a chartered accountant qualifying in 1984. On his return to Kenya he worked with the firm of Githongo and Company as an Audit Manager. In 1986 he was appointed Group Auditor of Nation Printer and Publishers Limited (now the Nation Media Group) and eventually became the Group Financial Controller and Company Secretary. Isaac is a Fellow 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 organisations, including Bata Shoes Company Kenya Limited, ArtCaffe (as Chairman) and Kenya Airports Authority (as Chairman). Through his involvement in charitable and philanthropic activities, he is Chairman of the Kenya Conservatoire of Music, University of Nairobi Alumni Association and WWF Kenya; former Chairman of The Rhino Trust, a conservation charity involved in preservation of environmental biodiversity; 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 and Canada and more recently the UK and Japan.

He is a keen golfer, music enthusiast and a collector of contemporary African Art, an area of interest for more than 30 years.

BOARD OF DIRECTORS PROFILES

HILDA NJERU

Hilda heads the Strategy and Research as well as the Legal and Compliance functions at CDSC.

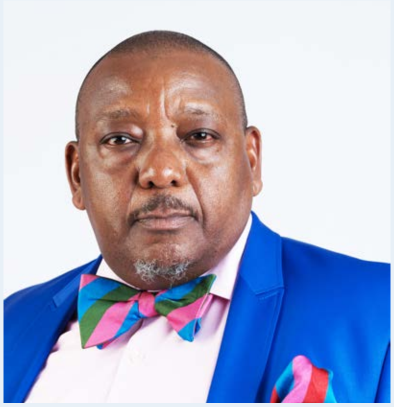
As the Head of Strategy and Research, Hilda is responsible for the formulation, implementation and monitoring of the strategy of the Company. She provides the vision, leadership, and operational direction for all research activities for sustainable growth and development of the Company.

Her mandate as the head of Legal and Compliance is to provide legal services to CDSC and its subsidiaries, oversee and ensure compliance with legal and regulatory requirements.

She is also CDSC Group's 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 a certified Governance Auditor and has successfully completed the Certified Public Accountants (CPA) course. She has over 14 years' experience in the field of financial law and compliance and has worked in the Banking and Capital Markets industries.

SENIOR MANAGEMENT PROFILES



NKOREGAMBA MWEBESA

Mr. Nkoregamba Mwebesa is the Chief Executive Officer of CDSC. He joined the CDSC in February 2020.

He has more than 25 years' experience 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, Investment Banking, Capital Markets and Securities Trading. Nkoregamba holds an Executive MBA (2007) from the Maastricht/ESAMI programme and a BA in Economics and Philosophy from the University of Nairobi (1990).

Prior to joining CDSC, Nkoregamba served as Managing Director of Stanlib Kenya Limited (STANLIB), a wholly owned subsidiary of Liberty Holdings where he led the strategic turnaround of the business in preparation for a landmark M&A transaction.

Preceding his tenure at STANLIB, Nkoregamba 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. During his term, SBGS routinely ranked as the top broker on the three regional Exchanges. He was also a key member of numerous landmark transactions in the Regional Capital Markets. These included the Stanlib Fahari I-Reit Initial Public Offer on the Nairobi Securities Exchange (2015), the Tanzania Breweries Limited's Secondary Public Offer on the Dar es Salaam Securities Exchange (2011), the Kenya Airways Rights Issue on the Nairobi, Uganda and Dar-es- Salaam Exchanges (2011/2012) and the UMEME Initial Public Offer on the Uganda Securities Exchange (2012-2013).

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 is an Executive Director in the CDSC Board.

HILDA NJERU

Hilda heads the Strategy and Research as well as the Legal and Compliance functions at CDSC.

As the Head of Strategy and Research, Hilda is responsible for the formulation, implementation and monitoring of the strategy of the Company. She provides the vision, leadership, and operational direction for all research activities for sustainable growth and development of the Company.

Her mandate as the head of Legal and Compliance is to provide legal services to CDSC and its subsidiaries, oversee and ensure compliance with legal and regulatory requirements. She is also CDSC Group's 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 a certified Governance Auditor and has successfully completed the Certified Public Accountants (CPA) course. She has over 14 years' experience in the field of financial law and compliance and has worked in the Banking and Capital Markets industries.

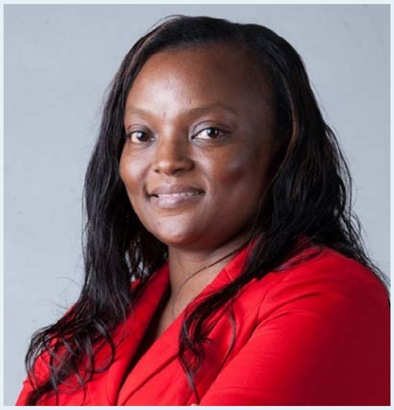
SENIOR MANAGEMENT PROFILES

JAMES GIKONYO

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 19 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.

MARION KIOI



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 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 16 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.

SENIOR MANAGEMENT PROFILES

IRENE MUTISO

Irene heads the HR and Corporate Affairs 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 Bachelor's 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 Affairs. Prior to joining CDSC, she worked at Nairobi Securities Exchange and held various positions.

FRANCIS KIBATHI

Francis heads the Risk Management function at CDSC.

Francis holds a Bachelor of Commerce Degree (Finance) from Kenyatta University. He is 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.

Francis has previously served in various capacities as both external and internal auditor, and has over 12 years' experience in audit, risk and compliance.

SENIOR MANAGEMENT PROFILES

JESSE KAGOMA

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 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).

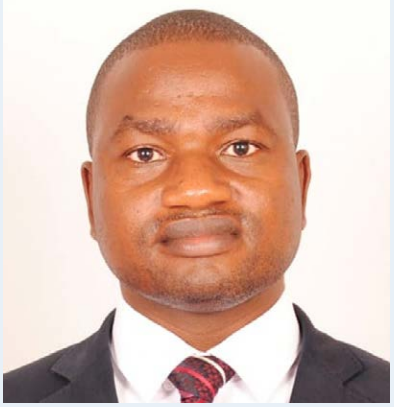
Jesse is a seasoned and accomplished business manager with over 18 years' experience in managerial, strategy, operational and financial administration.

TITUS MIRANYI

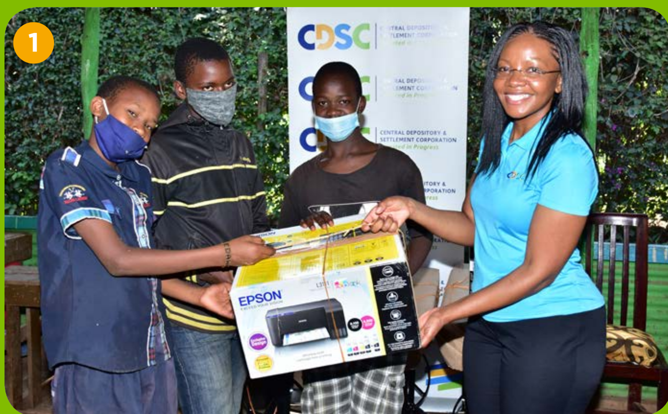
Titus heads the Internal Audit at CDSC.

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 Information System Auditor (CISA) and currently pursuing an MBA in Finance at Kenyatta University. He is an accomplished Audit professional with over nine (9) years of audit experience having served in different capacities across multiple industries.



PICTORIALS



1. Ms. Hilda Njeru Head of Strategy, Legal and Compliance Presents CDSC printer donations at the Young Life Africa Children's Home **2.** CDSC Team in a strategy formulation session **3.** CDSC Team pose for a photo with the boys at Young Life Africa Children's Home **4.** Settlement Services Officer, Ms. Hannah Nyawira receives a token of appreciation from CDSC Chief Executive, Nkoregamba Mwebesa for her creativity in an internal staff competition **5.** CDSC staff during a sensitization session on the new organization strategy 2021 - 2025

INDEPENDENT ASSURANCE REPORT TO THE DIRECTORS OF CENTRAL DEPOSITORY AND SETTLEMENT CORPORATION

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.

INDEPENDENT ASSURANCE REPORT TO THE DIRECTORS OF CENTRAL DEPOSITORY AND SETTLEMENT CORPORATION

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 controls including monitoring thereof or an 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, we:

- 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 22 October 2020.

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 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, CERTIFIED PUBLIC ACCOUNTANTS

PKF Kenya LLP

30 March, 2021

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2020, 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 2020, the total turnover of the company decreased from Shs. 322,702,312 to Shs. 303,446,712. The profit before tax decreased from Shs. 76,782,241 to Shs. 70,154,871.

As at 31 December 2020, the net current asset position of the company was Shs. 444,345,755 compared to Shs. 395,216,975 as at 31 December 2019.

	GROUP		COMPANY	
Key performance indicators	**2020**	**2019**	**2020**	**2019**
Revenue (Shs)	308,169,172	335,332,112	303,446,712	322,702,312
Profit for the year (Shs)	40,228,293	43,468,671	50,273,609	43,379,188
Net profit margin (%)	13%	13%	17%	13%
Net assets (Shs)	625,978,406	598,755,170	619,518,975	581,245,366

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. 10 per share (2019: Shs. 6.86) amounting to a total of Shs. 17,500,000 (2019: Shs. 12,000,000).

The directors further propose a special dividend of Shs. 57.14 per share amounting to Shs. 100,000,000.

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, Aida Kimemia, Nesbitt retires by rotation in accordance with the company's Articles of Association and being eligible, offers herself 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 LLP continues in office in accordance with the company's Articles of Association and Section 719 of the 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.

Hulda Njeru

COMPANY SECRETARY
NAIROBI

23 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The 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 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 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

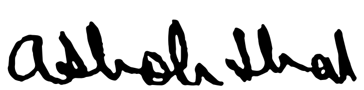
iii. Making accounting estimates and judgements that are reasonable in the circumstances.

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 2020 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 Companies Act, 2015.

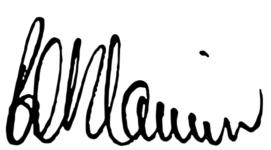
Having made an assessment of the company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

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 23 March, 2021 and signed on its behalf by:



DIRECTOR



DIRECTOR

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF CENTRAL DEPOSITORY AND SETTLEMENT CORPORATION LIMITED

Report on the financial statements

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 9 to 47 which comprise the consolidated and company statement of financial position as at 31 December 2020, 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 2020 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. 22,179,704 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. .

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF CENTRAL DEPOSITORY AND SETTLEMENT CORPORATION LIMITED (CONTINUED)

Key Audit Matters (continued)

- 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.

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF CENTRAL DEPOSITORY AND SETTLEMENT CORPORATION LIMITED (CONTINUED)

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear 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 Companies Act, 2015

In our opinion the information given in the report of the directors on pages 26 and 27 is consistent with the financial statements.

CERTIFIED PUBLIC ACCOUNTANTS

NAIROBI

26 March 2021

CPA Ritesh Haresh Mirchandani, Practising certificate No. 1631

Signing partner responsible for the independent audit

CONSOLIDATED STATEMENT
OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2020 Shs	2019 Shs
Revenue	1	308,169,172	335,332,112
Other operating income	2	15,734,230	21,932,141
Remeasurement gain/(loss) on balances held with banks under receivership	18	4,432,918	(1,911,704)
Net impairment losses on financial and contract assets		(32,182,118)	(1,196,042)
Administrative expenses		(215,721,051)	(242,774,151)
Other operating expenses		(44,289,321)	(61,417,712)
Operating Profit	3	36,143,830	49,964,644
Finance Income	5	26,472,271	26,316,744
Finance (costs)	5	(2,315,036)	(4,424,829)
Net finance income		24,157,235	21,891,915
Profit before tax		60,301,065	71,856,559
Tax	6	(20,072,772)	(28,387,888)
Profit for the year		**40,228,293**	**43,468,671**
Items that may be reclassified subsequently to profit or loss:			
- Exchange differences on translation of foreign operations		(250,339)	2,946,018
Total comprehensive income for the year		39,977,954	46,414,689
Profit for the year is attributable to:			
- Owners of the parent company		41,780,781	46,994,863
- Non-controlling interests		(1,552,488)	(3,526,192)
		40,228,293	43,468,671
Other comprehensive income:			
Dividend:			
Proposed final dividend for the year	8	117,500,000	12,000,000

The notes on pages 41 to 78 form an integral part of these financial statements.

Report of the independent auditor - pages 29 to 32.

COMPANY STATEMENT
OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2020 Shs	2019 Shs
Revenue	1	303,446,712	322,702,312
Other operating income	2	14,108,065	21,830,961
Remeasurement gain/loss on balances held with			
banks under receivership	18	4,432,918	(1,911,704)
Net impairment losses on financial and contract assets		(3,165,807)	(10,185,052)
Administrative expenses		(207,200,730)	(220,530,068)
Other operating expenses		(65,582,475)	(56,829,456)
Operating profit	3	46,038,683	55,076,993
Finance income	5	26,466,452	25,538,038
Finance (costs)	5	(2,350,264)	(3,832,790)
Net finance income		24,116,188	21,705,248
Profit before tax		70,154,871	76,782,241
Tax	6	(19,881,262)	(33,403,053)
Profit for the year		50,273,609	43,379,188
Dividend:			
Proposed final dividend for the year	8	117,500,000	12,000,000

The notes on pages 41 to 78 form an integral part of these financial statements.

Report of the independent auditor - pages 29 to 32.

CONSOLIDATED STATEMENT
OF FINANCIAL POSITION

As at 31 December

	Note	2020 Shs	2019 Shs
Capital Employed			
Share capital	7	175,000,000	175,000,000
Preference shares	9	-	2,307,206
Translation reserve		(282,867)	(32,528)
Retained earnings		333,761,273	409,480,492
Proposed dividends	8	117,500,000	12,000,000
Equity attributable to owners of the company		625,978,406	598,755,170
Non-controlling interests		-	8,372,271
Total equity		625,978,406	607,127,441
Non-current liabilities			
Preference shares	9	-	5,747,055
Lease liabilities	10	1,992,513	14,080,341
Trade and other payables	19	-	2,255,196
		1,992,513	22,082, 592
		627,970,919	**629,210,033**
Represented By			
Non-current assets			
Property and equipment	11	53,726,890	75,172,033
Right-of-use assets	12	9,454,764	17,622,601
Intangible assets	13	99,410,827	111,432,311
Deferred tax	14	14,470,562	16,209,583
		177,063,043	220,436,528
Current assets			
Assets of disposal group classified as held-for-sale	20	11,534,723	11,189,731
Trade and other receivables	17	47,996,850	69,457,050
Cash and cash equivalents	18	405,207,020	336,075,555
Tax recoverable		25,795,680	46,997,736
		490,534,273	463,720,072
Current liabilities			
Liabilities directly associated with assets classified	20	1,794,708	1,972,445
Lease liabilities	10	12,087,828	10,060,608
Trade and other payables	19	25,743,861	42,913,514
		39,626,397	54,946,567
Net Current assets		450,907,876	408,773,505
		627,970,919	**629,210,033**

The financial statements on pages 33 to 78 were approved and authorised for issue by the Board of Directors on 23 March 2021 and were signed on its behalf by:

DIRECTOR **DIRECTOR**

The notes on pages 41 to 78 form an integral part of these financial statements.

Report of the independent auditor - pages 29 to 32.

COMPANY STATEMENT
OF FINANCIAL POSITION

As at 31 December

	Note	2020 Shs	2019 Shs
Capital Employed			
Share capital	7	175,000,000	175,000,000
Retained earnings		327,018,975	394,245,366
Proposed dividends	8	117,500,000	12,000,000
Equity attributable to owners of the company		619,518,975	581,245,366
Non-current liabilities			
Lease liabilities	10	1,992,513	14,080,341
		621,511,488	**595,325,707**
Represented By			
Non-current assets			
Property and equipment	11	53,726,890	74,677,846
Right of use assets	12	9,454,764	17,622,601
Intangible assets	13	99,408,894	91,366,411
Deferred tax	14	14,414,142	16,180,831
Investment in subsidiaries	15	161,043	261,043
		177,165,733	200,108,732
Current assets			
Trade and other receivables	17	58,148,816	75,199,011
Cash and cash equivalents	18	405,207,020	334,953,388
Tax recoverable		25,795,680	36,945,227
		489,151,516	447,097,626
Current liabilities			
Lease liabilities	10	12,087,828	10,060,608
Trade and other payables	19	32,717,933	41,820,043
		44,805,761	51,880,651
Net current assets		444,345,755	395,216,975
		621,511,488	**595,325,707**

The financial statements on pages 33 to 78 were approved and authorised for issue by the Board of Directors on 23rd March 2021 and were signed on its behalf by:

DIRECTOR **DIRECTOR**

The notes on pages 41 to 78 form an integral part of these financial statements.

Report of the independent auditor - pages 29 to 32.

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY

	Note	Share capital Shs	Preference shares Shs	Translation reserve Shs	Retained earnings Shs	Proposed dividends Shs	Total equity attributable to the owners Shs	Non-controlling interests Shs	Total 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 9		-	-	-	(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)		-	-	-	-	(17,500,000)	**(17,500,000)**	-	**(17,500,000)**
- Final for 2019 (proposed)		-	-	-	(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**
Year ended 31 December 2020									
At start 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**
Total comprehensive income for the year		-	(2,307,206)	(250,339)	41,780,781	-	**39,223,236**	(1,552,488)	**37,670,748**
Elimination of non-controlling interests on									
disposal of CDSC Registrars Kenya Limited		-	-	-	-	-	**-**	(6,819,783)	**(6,819,783)**
Transactions with owners:									
- Final for 2019 (paid)	8	-	-	-	-	(12,000,000)	**(12,000,000)**	-	**(12,000,000)**
- Final for 2020 (proposed)	8	-	-	-	(117,500,000)	117,500,000	**-**	-	**-**
At end of year		175,000,000	-	(282,867)	333,761,273	117,500,000	**625,978,406**	-	**625,978,406**

The notes on pages 41 to 78 form an integral part of these financial statements.

Report of the independent auditor - pages 29 to 32.

COMPANY STATEMENT
OF CHANGES IN EQUITY

	Notes	Share capital Shs	Retained earnings Shs	Proposed dividends Shs	Total Shs
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
Year ended 31 December 2020					
At start of year		175,000,000	394,245,366	12,000,000	581,245,366
Total comprehensive income for the year		-	50,273,609	-	50,273,609
Transactions with owners:					
- Final for 2019 (paid)	8	-	-	(12,000,000)	(12,000,000)
- Final for 2020 (proposed)	8	-	(117,500,000)	117,500,000	-
At end of year		175,000,000	327,018,975	117,500,000	619,518,975

The notes on pages 41 to 78 form an integral part of these financial statements.

Report of the independent auditor - pages 29 to 32.

CONSOLIDATED STATEMENT

OF CASH FLOWS

	Note	2020 Shs	2019 Shs
Operating activities			
Cash from operations	21	166,668,277	103,397,857
Interest received		(26,472,271)	(26,316,744)
Tax paid		(2,432,571)	(37,333,171)
Net cash from operating activities		137,763,435	39,747,942
Investing activities			
Additions to right-of-use assets	10	(12,616,139)	(12,008,922)
Purchase of property and equipment	11	(2,072,455)	(5,548,064)
Purchase of intangible assets	13	(22,688,330)	(8,121,111)
Proceeds from disposal of CDSC Registrars Kenya Limited		4,259,386	-
Net cash (used in) investing activities		(33,117,538)	(25,678,097)
Financing activities			
Dividends paid	8	(12,000,000)	(17,500,000)
Net cash (used in) financing activities		(12,000,000)	(17,500,000)
Increase/(decrease) in cash and cash equivalents		92,645,897	(3,430,155)
Movement in cash and cash equivalents			
At start of year		289,443,592	293,365,033
Increase/(decrease)		92,645,897	(3,430,155)
Exchange differences on translation of foreign operations		(331,008)	(491,286)
At end of year	18	381,758,481	289,443,592

The notes on pages 41 to 78 form an integral part of these financial statements.

Report of the independent auditor - pages 29 to 32.

COMPANY STATEMENT

OF CASH FLOWS

	Note	2020 Shs	2019 Shs
Operating activities			
Cash from operations	21	171,444,878	125,141,364
Interest received		(26,466,452)	(25,538,038)
Tax paid		(6,965,026)	(38,235,505)
Net cash from operating activities		138,013,400	61,367,821
Investing activities			
Additions to right-of-use assets	10	(12,616,139)	(12,008,922)
Purchase of property and equipment	11	(1,531,261)	(5,097,136)
Purchase of intangible assets	13	(22,688,330)	(7,931,111)
Proceeds from disposal of subsidiary		4,259,386	-
Net cash (used in) investing activities		(32,576,344)	(25,037,169)
Financing activities			
Dividends paid	8	(12,000,000)	(17,500,000)
Net cash (used in) financing activities		(12,000,000)	(17,500,000)
Increase in cash and cash equivalents		93,437,056	18,830,652
Movement in cash and cash equivalents			
At start of year		288,321,425	269,490,773
Increase		93,437,056	18,830,652
At end of year	18	381,758,481	288,321,425

The notes on pages 41 to 78 form an integral part of these financial statements.

Report of the independent auditor - pages 29 to 32.

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 standards, amendments and interpretations adopted by the group

The group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The revised conceptual framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the group.

Amendments to IAS 1 and IAS 8 Definition of Material (issued in October 2018)

The amendments, 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.

Amendments to IFRS 3: Definition of a Business (issued in October 2018)

The amendments, 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 an asset acquisition. These amendments had no impact on the consolidated financial statements of the group, but may impact future periods should the group enter into any business combinations.

a) Basis of preparation (continued)

i) New standards, amendments and interpretations adopted by the group (continued)

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform (issued in September 2019)

The amendments, applicable to annual periods beginning on or after 1 January 2020, provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the group as it does not have any interest rate hedge relationships.

Amendments to IFRS 16 Covid-19 Related Rent Concessions (issued on 28 May 2020)

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the group.

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 IAS 1 'Classification of Liabilities as Current or Non-current (issued in January 2020), effective for annual periods beginning or after 1 January 2023, clarify a criterion for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement for at least 12 months after the reporting date.
- Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use' (issued in May 2020), effective for a the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.
- Amendments to IAS 37 'Onerous Contracts – Costs of Fulfilling a Contract' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022, specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.
- Amendment to IAS 41 Agriculture 'Taxation in fair value measurements' (issued in May 2020), effective for annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted, removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards 'Subsidiary as a first-time adopter' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

a) Basis of preparation (continued)

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

- Amendments to IFRS 3 Business Combinations - The amendments added an exception to the the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. The amendments also clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

- Amendment to IFRS 9 Financial Instruments 'Fees in the '10 per cent' test for derecognition of financial liabilities' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- 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 2023, 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 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.

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, if applicable, from their effective dates.

b) Significant accounting judgements, estimates and assumptions

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.

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

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.

b) **Significant accounting judgements, estimates and assumptions (continued)**

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

- **Measurement of expected credit losses (ECL) (continued)**

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.

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.
- 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 that 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 financial 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.

The carrying amounts of the group's financial assets that are subject to impairment assessment are disclosed in notes 16, 17 and 18.

b) Significant accounting judgements, estimates and assumptions (continued)

- **Useful lives, depreciation methods and residual values of property, plant and equipment, intangible assets and right-of-use assets**

Management reviews the useful lives, depreciation methods and residual values of the items of property, plant and equipment, intangible assets and right-of-use assets on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values. The carrying amounts of property, plant and equipment, right-of-use assets and intangible assets are disclosed in notes 11, 12 and 13, respectively.

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.

The carrying amounts of lease liabilities and right-of-use assets are disclosed in notes 10 and 12, respectively.

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.

b) Significant accounting judgements, estimates and assumptions (continued)

- **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.

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 theamount 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 recognised on a time proportion basis using the effective interest method. Once a financial asset is identified as credit-impaired, the effective interest rate is applied to the amortised cost (net of impairment losses) in subsequent reporting periods.

d) Consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 December 2020. 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 contractualarrangements 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. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

d) Consolidation (continued)

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

- Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

e) 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 translated using the exchange rates at the dates of the initial transactions.

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

f) Property and equipment

All property and equipment is initially recorded at cost and thereafter stated at historical cost less accumulated 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

f) Property and equipment (continued)

The assets residual values, useful lives and methods of depreciation are reviewed at the end of each reporting period and adjusted prospectively if appropriate.

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.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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.

g) 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.

h) 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***

All financial assets are recognised initially using the trade date accounting which is the date the group commits itself to the purchase or sale.

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.

h) Financial instruments (continued)

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.

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 financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

h) Financial instruments (continued)

- Financial liabilities (continued)

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 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 financialposition when there is a currently enforceable legal 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.

i) 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 at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the carry forward of unused tax credits and tax credits and unused tax losses can be utilised.

j) Accounting for leases

The group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time.

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.

j) Accounting for leases (continued)

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.

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.

k) 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.

l) Dividends

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

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

m) Employee entitlements

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

n) 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.

0) 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, net of restricted balances.

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

p) Share capital

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

q) Translation reserve

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

r) 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 rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

Property and equipment and intangible assets are not depreciated or amortised once classified asheld for sale.

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 thesale.

s) Comparatives

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

	Group		Company	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
1. Revenue				
Recognised at a point in time:				
Transaction levy	238,764,945	244,642,854	238,764,945	244,642,854
Depository levy	16,579,857	17,127,146	16,579,857	17,127,146
Registry fees	4,722,460	8,419,537	-	-
Bond levy	27,671,324	26,067,264	27,671,324	26,067,264
Others	20,430,586	39,075,311	20,430,586	34,865,048
	308,169,172	335,332,112	303,446,712	322,702,312
2. Other operating income				
Other income	15,734,230	21,932,141	14,108,065	21,830,961
3. Operating Profit				
The following items have been charged in arriving at operating profit:				
Depreciation on property and equipment (Note 11)	23,797,195	10,979,270	22,482,217	10,879,537
Depreciation on right-of-use assets (Note 12)	8,167,837	8,167,837	8,167,837	8,167,837
Amortisation of intangible assets (Note 13)	14,645,847	7,115,976	14,645,847	4,608,801
Board and committee allowances	14,508,389	20,146,315	14,335,229	19,192,368
Directors remuneration	11,490,589	-	11,490,589	-
Impairment (gain)/loss on investments (Note 16)	(29,183)	28,839	(29,183)	28,839
Impairment loss/(gain) on cash and bank balances (Note 18)	635,586	350,318	635,586	(39,981)
Impairment loss on trade and other receivables (Note 24)	31,575,715	1,154,646	2,559,404	302,326
Impairement loss/gain on cash and bank balances (Note 18)	-	-	-	9,893,868
Auditors' remuneration				
- current year	3,903,401	3,327,891	3,725,100	2,980,000
- underprovision in prior years	567,720	486,029	567,720	480,034
Short term lease rent	2,598,988	2,122,045	1,696,341	1,800,053
Staff costs (Note 4)	151,287,951	168,116,439	144,294,615	155,120,497
Repairs and maintenance	3,470,453	4,436,988	3,463,253	4,148,807

	Group		Company	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
4. Staff costs				
Salaries and wages	129,470,939	137,356,084	123,279,445	125,727,809
Other staff costs	11,097,401	20,950,621	10,322,662	19,760,921
Pension costs:				
- National Social Security Fund	163,949	304,640	162,400	170,640
- Defined contribution pension scheme	10,555,663	9,505,094	10,530,108	9,461,127
	151,287,951	168,116,439	144,294,615	155,120,497
The average number of persons employed during the year:				
Management and administration	44	55	43	42
5. Finance income and costs				
Finance income				
Interest income				
- financial assets at amortised cost	26,472,271	26,316,744	26,466,452	25,538,038
Finance (costs)				
Interest on lease liabilities	(2,555,531)	(3,736,569)	(2,555,531)	(3,736,569)
Interest expense on preference shares	-	(347,651)	-	-
Net foreign exchange gain/(loss)	240,495	(340,609)	205,267	(96,221)
Finance (costs) expensed	(2,315,036)	(4,424,829)	(2,350,264)	(3,832,790)
Net finance income	24,157,235	21,891,915	24,116,188	21,705,248
6. Tax				
Current tax	18,332,067	19,245,282	18,114,573	19,216,209
Deferred tax charge (Note 14)	1,740,705	9,142,606	1,766,689	14,186,844
	20,072,772	28,387,888	19,881,262	33,403,053
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	60,301,065	71,856,559	70,154,871	76,782,241
Tax calculated at a tax rate of 25% (2019: 30%)	18,090,320	21,556,968	17,538,718	23,034,672
Tax effect of:				
- expenses not deductible for tax purposes	2,049,424	7,211,150	2,048,096	10,553,333
- underprovision in prior year deferred tax	-	(184,952)	-	(184,952)
- effect of tax rate changes	294,448	-	294,448	-
- income not subject to tax	(361,420)	(223,388)	-	-
- effect of deferred tax asset not recognised	-	28,004	-	-
- effect of translation reserve movement	-	106	-	-

	Group		Company	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Tax charge	20,072,772	28,387,888	19,881,262	33,403,053
Effective rate of tax	33%	40%	28%	44%

The decrease in the effective rate of tax was caused by changes in tax rates as per amended tax regulations.

	Group & Company	
	2020 Shs	2019 Shs
7. Share capital		
Authorised share capital:		
2,000,000 (2019: 2,000,000) ordinary shares of Shs. 100 each	200,000,000	200,000,000
Issued and fully paid:		
1,750,000 (2019: 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. 10 per share (2019: Shs. 6.86) amounting Shs. 17,500,000 (2019: Shs. 12,000,000). In addition, the directors propose a special dividend of Shs. 57.14 per share amounting to Shs. 100,000,000.

The total dividend for the year is therefore Shs. 67.14 per share (2019: Shs. 6.86) amounting to a total of Shs. 117,500,000 (2019: Shs. 12,000,000).

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 2020.

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	
	2020 Shs	**2019 Shs**
Proceeds of issue of convertible loan notes:		
Equity component	-	2,307,206
Liability component at date of issue	-	5,399,404
Interest charged (Note 5)	-	347,651
Liability component at the end of year	-	5,747,055

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

During the year the preference share capital has been disposed off.

	Group & Company	
	2020 Shs	**2019 Shs**
10. Lease liabilities		
Non-current	1,992,513	14,080,341
Current	12,087,828	10,060,608
	14,080,341	24,140,949
Reconciliation of lease liabilities arising from financing activities:		
At start of year	24,140,949	-
Transition adjustment	-	32,413,302
Interest charged to profit or loss	2,555,531	3,736,569
Cash flows:		
- Payments under leases	(12,616,139)	(12,008,922)
At end of year	14,080,341	24,140,949

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	
	2020 Shs	**2019 Shs**
6 months or less	5,800,404	4,921,957
6 - 12 months	6,287,424	5,138,651
1 - 5 years	1,992,513	14,080,341
	14,080,341	24,140,949

Weighted average effective interest rates at the reporting date was:

	Group & Company	
	2020 Shs	**2019 Shs**
Lease liabilities	13%	13%

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

	Group & Company	
	2020 Shs	**2019 Shs**
Maturity based on the repayment structure of lease liabilities is as follows:		
Gross lease liabilities - minimum lease payments		
Not later than 1 year	13,219,508	12,438,210
Later than 1 year and not later than 5 years	2,065,308	15,462,745
Total gross lease	15,284,816	27,900,955
Future interest expense on leases liabilities	(1,204,475)	(3,760,006)
Present value of lease liabilities	14,080,341	24,140,949

NOTES (CONTINUED)

11. Property and equipment

Year ended 31 December 2020

Group	Leasehold improvements Shs	Motor vehicles Shs	Office equipment Shs	Furniture, fittings and equipment Shs	Computers, faxes and copiers Shs	Total Shs
Cost						
At start of year	12,668,017	130,900	9,623,401	4,472,704	118,960,747	145,855,767
Additions	-	-	-	26,900	2,045,555	2,072,455
Derecognition on loss of control of CDSC Registrars Kenya Limited	-	-	(321,804)	-	(1,211,339)	(1,533,143)
At end of year	12,668,017	130,900	9,301,597	4,499,604	119,794,963	146,395,080
Depreciation						
At start of year	12,668,017	122,718	5,831,410	3,579,302	48,482,289	70,683,736
Charge for the year	-	8,182	1,860,054	356,159	21,572,800	23,797,195
Derecognition on loss of control of CDSC Registrars Kenya Limited	-	-	(308,708)	-	(1,504,032)	(1,812,740)
At end of year	12,668,017	130,900	7,382,756	3,935,461	68,551,057	92,668,190
Net book value	-	-	1,918,841	564,143	51,243,907	53,726,890
Year ended 31 December 2019						
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 13)	-	-	-	-	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	59,704,465
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	70,683,736
Net book value	-	8,182	3,791,991	893,402	70,478,458	75,172,033

11. Property and equipment (continued)

Year ended 31 December 2020

Group	Leasehold improvements Shs	Motor vehicles Shs	Office equipment Shs	Furniture, fittings and equipment Shs	Computers, faxes and copiers Shs	Total Shs
Company						
Cost						
At start of year	12,668,017	130,900	9,301,597	4,700,010	118,290,602	145,091,126
Additions	-	-	-	26,900	1,504,361	1,531,261
At end of year	12,668,017	130,900	9,301,597	4,726,910	119,794,963	146,622,387
Depreciation						
At start of year	12,668,017	122,718	5,766,633	3,701,120	48,154,792	70,413,280
Charge for the year	-	8,181	1,616,123	356,159	20,501,754	22,482,217
At end of year	12,668,017	130,899	7,382,756	4,057,279	68,656,546	92,895,497
Net book value	-	-	1,918,841	669,631	51,138,417	53,726,890
Year ended 31 December 2019						
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 13)	-	-	-	-	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	-	-	3,534,964	998,890	70,135,810	74,677,846

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

NOTES (CONTINUED)

12. Right-of use assets

	2020 Shs	2019 Shs
Group and company		
Office space	9,454,764	17,622,601
At start of year	17,622,601	-
Effect of change in accounting policy	-	25,790,438
Depreciation charge for the year	(8,167,837)	(8,167,837)
At end of year	9,454,764	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 an option 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.

13. Intangible assets

Year ended 31 December 2020

Group	Computer software Shs	Total Shs
Cost		
At start of year	179,959,797	179,959,797
Additions	22,688,330	22,688,330
Derecognition on loss of control of CDSC Registars Kenya Limited	(25,155,689)	(25,155,689)
At end of year	177,492,438	177,492,438
Amortisation		
At start of year	68,527,486	68,527,486
Charge for the year	14,645,847	14,645,847
Derecognition on loss of control of CDSC Registars Kenya Limited	(5,091,722)	(5,091,722)
At end of year	78,081,611	78,081,611
Net book value	99,410,827	99,410,827

13. Intangible assets (continued)

Group	Computer software Shs	Work in progress Shs	Total 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			
At start of year	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

Amortisation costs of Shs. 14,645,847 (2019: Shs. 7,115,976) are included under other operating, expenses in profit or loss.

Company Year ended 31 December 2020	Computer software Shs	Total Shs
Cost		
At start of year	154,802,175	154,802,175
Additions	22,688,330	22,688,330
At end of year	177,490,505	177,490,505
Amortisation		
At start of year	63,435,764	63,435,764
Charge for the year	14,645,847	14,645,847
At end of year	78,081,611	78,081,611
Net book value	99,408,894	99,408,894

13. Intangible assets (continued)

Year ended 31 December 2019	Computer software Shs	Work in progress Shs	Total 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	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

14. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2019: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
At start of year	(16,209,583)	(23,367,833)	(16,180,831)	(28,380,816)
Charge to profit or loss (Note 6)	1,740,705	9,142,606	1,766,689	14,186,844
IFRS 16 transition adjustment	-	(1,986,859)	-	(1,986,859)
Translation difference	(1,684)	2,503	-	-
At end of year	(14,470,562)	(16,209,583)	(14,414,142)	(16,180,831)

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

14. Deferred tax (continued)

Group	At start of year Shs	Charge/ (credit) to profit or loss Shs	Translation difference Shs	At end of year Shs
Deferred tax (assets)				
Property and equipment	5,852,955	415,982	-	6,268,937
Leave pay provision	(372,550)	372,550	-	-
Impairment provision	(19,540,141)	777,479	-	(18,762,662)
Right of use assets	5,286,780	(2,450,351)	-	2,836,429
Lease liabilities	(7,242,285)	3,018,182	-	(4,224,102)
Gratuity provision	-	(532,744)	-	(532,744)
Other provisions	(28,752)	(25,984)	(1,684)	(56,420)
Tax losses	(5,878,127)	5,878,127	-	-
Deferred tax asset not recognised	5,712,536	(5,712,536)	-	-
Deferred tax (asset)	(16,209,583)	1,740,705	(1,684)	(14,470,563)

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.

Company	At start of year Shs	Charge/ (credit) to profit or loss	At end of year
Deferred tax (assets)			
Property and equipment	5,290,018	978,919	6,268,937
Leave pay provision	(372,550)	372,550	-
Bad debt provision	(19,142,795)	380,133	(18,762,662)
Right of use assets	5,286,780	(2,450,351)	2,836,429
Lease liabilities	(7,242,285)	3,018,182	(4,224,102)
Gratuity provision	-	(532,744)	(532,744)
Deferred tax (asset)	(16,180,831)	1,766,689	(14,414,143)

15. Investment in subsidiaries

Shares at cost	Country of incorporation	Holding	Company 2020 Shs	Company 2019 Shs
		2020: 0% (2019	-	
CDSC Registrars Kenya Limited	Kenya	70%)	-	100,000
CDSC Registrars Rwanda Limited	Rwanda	100%	141,043	141,043
CDSC Nominees Limited	Kenya	100%	20,000	20,000
			161,043	261,043

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

On 1 July 2020 the group disposed off its subsidiary CDSC Registrars Limited.

16. Investment

	Group 2020 Shs	Group 2019 Shs	Company 2020 Shs	Company 2019 Shs
At start of year	56,661,167	52,866,599	56,661,167	52,866,599
Accrued interest during the year	4,163,359	3,794,568	4,163,359	3,794,568
	60,824,526	56,661,167	60,824,526	56,661,167
Less: expected credit loss provisions	(401,442)	(430,625)	(401,442)	(430,625)
Transfer to cash and cash equivalents	(60,423,084)	(56,230,542)	(60,423,084)	(56,230,542)
At end of year	-	-	-	-

The investment related to a fixed deposit held with an intention of purchasing an office space in the future.
During the year, this has been reclassified to cash and cash equivalents.

17. Trade and other receivables

	Group 2020 Shs	Group 2019 Shs	Company 2020 Shs	Company 2019 Shs
Trade receivables	47,883,637	42,807,307	47,883,637	37,675,046
Other receivables	12,297,322	17,401,437	12,297,322	17,346,542
Receivable from related parties (Note 22)	20,000	461,180	10,171,966	26,385,705
Less: provision for expected credit losses	(35,293,909)	(7,845,229)	(35,293,909)	(22,840,637)
Net trade and other receivables	24,907,050	52,824,695	35,059,016	58,566,656
Prepayments	23,089,800	16,632,355	23,089,800	16,632,355
	47,996,850	69,457,050	58,148,816	75,199,011
Total trade and other receivables	47,996,850	69,457,050	58,148,816	75,199,011

Group	2020 Gross amount Shs	2020 ECL allowance Shs	2020 Carrying amount Shs	2019 Gross amount Shs	2019 ECL allowance Shs	2019 Carrying amount Shs
Trade receivables	52,887,108	(40,297,380)	12,589,728	42,807,307	(7,845,229)	34,962,078
Other receivables	12,297,322	-	12,297,322	17,401,437	-	17,401,437
Prepayments	23,089,800	-	23,089,800	16,632,355	-	16,632,355
Receivable from related parties	20,000	-	20,000	461,180	-	461,180
	88,294,230	(40,297,380)	47,996,850	77,302,279	(7,845,229)	69,457,050
Company						
	47,883,637	(35,293,909)	12,589,728	37,675,046	(6,593,689)	31,081,357
Other receivables	12,297,322	-	12,297,322	17,346,542	-	17,346,542
Prepayments	23,089,800	-	23,089,800	16,632,355	-	16,632,355
Receivable from related parties	10,171,966	-	10,171,966	36,279,573	(26,140,816)	10,138,757
	93,442,725	(35,293,909)	58,148,816	107,933,516	(32,734,505)	75,199,011

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. During the year there was a group impairment provision amounting to Shs. 26,140,816 which has been accounted for under profit or loss, this related to an impairment of the CDSC Registrars Kenya Limited balance.

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	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Cash at bank and in hand	39,358,672	40,330,980	39,358,672	39,208,813
Restricted bank balances	23,448,539	46,631,963	23,448,539	46,631,963
Fixed deposits	281,976,725	192,882,070	281,976,725	192,882,070
Transfer from cash and cash equivalents	60,423,084	56,230,542	60,423,084	56,230,542
	405,207,020	336,075,555	405,207,020	334,953,388
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	39,358,672	40,330,980	39,358,672	39,208,813
Fixed deposits	342,399,809	249,112,612	342,399,809	249,112,612
	381,758,481	289,443,592	381,758,481	288,321,425

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

	Group		Company	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Kenya Shillings	384,597,592	326,675,249	394,638,147	278,659,341
United States Dollars	10,568,873	63,505	10,568,873	63,505
Rwandese Franc	10,040,555	9,336,801	-	-
	405,207,020	336,075,555	405,207,020	278,722,846

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.

Of the 75% of deposits transferred to SBM Bank (Kenya) Limited, Shs. 122,264,010 representing 83% of deposits transferred has been received by the client. The remaining 17% 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. 22,179,704.

Total remeasurement losses amounting to Shs. 50,174,439 have been carried forward resulting into a remeasurement loss of Shs. 1,268,835 during the year.

18. Cash and cash equivalents (continued)

	Group		Company	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
At start of the year	(2,224,465)	(2,274,828)	(2,177,645)	(2,217,626)
Additional ECL provision for the year	(635,586)	50,363	(635,586)	39,981
At end of year	(2,860,051)	(2,224,465)	(2,813,231)	(2,177,645)

19. Trade and other payables

	Group		Company	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Non-current				
Payable to related parties (Note 22)	-	2,255,196	-	-
Current				
Trade payables	6,694,390	10,466,884	6,694,390	10,253,875
Other payables	15,939,960	25,226,628	15,939,960	19,106,615
Payable to related parties (Note 22)	3,109,511	7,220,002	10,083,583	12,459,553
	25,743,861	42,913,514	32,717,933	41,820,043
Total trade and other payables	25,743,861	45,168,710	32,717,933	41,820,043

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

Group	Within 1 year Shs	Over 1 year Shs	Total Shs
Year ended 31 December 2020			
Trade payables	6,694,390	-	6,694,390
Other payables	15,939,960	-	15,939,960
Payable to related parties	3,109,511	-	3,109,511
	25,743,861	-	25,743,861
Year ended 31 December 2019			
Trade payables	10,466,884	-	10,466,884
Other payables	25,226,628	-	25,226,628
Payable to related parties	7,220,002	2,255,196	9,475,198
	42,913,514	2,255,196	45,168,710

19. Trade and other payables (continued)

Company Year ended 31 December 2020	0 to 1 month Shs	2 to 3 months Shs	4 to 12 months Shs	Total Shs
Trade payables	23,970	118,487	6,551,933	6,694,390
Other payables	-	4,950,732	10,989,228	15,939,960
Payable to related parties	1,908,087	140,034	8,035,462	10,083,583
	1,932,057	5,209,253	25,576,623	32,717,933
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

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 Kenya Shillings

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.

	2020 Shs	2019 Shs
Assets		
Trade and other receivables	1,055,858	1,126,669
Cash and cash equivalents	10,040,555	9,336,782
Other current assets	438,310	726,280
	11,534,723	11,189,731
Liabilities		
Trade and other payables	1,794,708	1,972,445

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

21. Cash from operations

	Group		Company	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Reconciliation of profit before tax to cash from operations:				
Profit before tax	60,301,065	71,856,559	70,154,871	76,782,241
Adjustments for:				
Depreciation on property and equipment (Note 11)	23,797,195	10,979,270	22,482,217	10,879,537
Depreciation on right of use assets (Note 12)	8,167,837	8,167,837	8,167,837	8,167,837
Amortisation of intangible assets (Note 13)	14,645,847	7,115,976	14,645,847	4,608,801
Interest income (Note 2)	26,472,271	26,316,744	26,466,452	25,538,038
Interest expense (Note 9)	-	347,651	-	-
Interest on lease liabilities (Note 10)	2,555,531	3,736,569	2,555,531	3,736,569
(Gain) on disposal of subsidiary	(27,798,427)	-	(4,159,386)	-
Effect of expected credit losses on:				
- investments (Note 24)	-	(28,839)	-	-
- cash and bank balances (Note 24)	-	50,363	-	-
- trade and other receivables (Note 24)	31,575,715	1,217,566	-	-
Changes in working capital				
- trade and other receivables	21,460,200	(31,123,193)	17,050,195	(23,220,332)
- trade and other payables	(17,169,653)	(8,400,230)	(9,102,110)	(3,730,197)
- restricted bank balances	23,183,424	22,378,870	23,183,424	22,378,870
- assets classified as held for sale	(522,729)	(9,217,286)	-	-
Cash from operations	166,668,277	103,397,857	171,444,878	125,141,364

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:

	Group		Company	
i) Outstanding balances arising from sale and purchase of services	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Receivable from related parties can be analysed as follows:				
- Subsidiaries	20,000	356,933	10,008,383	26,281,458
- Other related parties	-	104,247	163,583	104,247
Total receivable from related parties (Note 17)	20,000	461,180	10,171,966	26,385,705
Payable from related parties can be analysed as follows:				
- Subsidiaries	20,000	160,440	6,994,071	7,480,356
- Other related parties	3,089,511	9,314,758	3,089,512	4,979,197
Total payable to related parties (Note 19)	3,109,511	9,475,198	10,083,583	12,459,553

22. Related party transactions (continued)

ii) Key management compensation	Group & Company	
	2020 **Shs**	**2019** **Shs**
Salaries and other short-term employment benefits:		
- Directors	20,185,827	15,337,528
- Employees	74,061,516	74,892,445
	94,247,343	90,229,973

23. Commitments

Contractual commitments for the acquisition of intangible assets		
At the reporting date these commitments were as follows:		
Computer software	-	42,190,285

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 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	
	2020 **Shs**	**2019** **Shs**
Effect of profit-(decrease)/increase	1,368,943	2,175,687

24. Risk management objectives and policie (continued)

Financial risk management (continued)

a) Market risk

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	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Effect of profit-(decrease)/increase	(1,141,357)	(1,833,537)	728,316	3,674

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

24. Risk management objectives and policies (continued)

Financial risk management (continued)

(b) Credit risk (continued)

- 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 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:

Basis for measurement of loss allowance

	12 month expected credit losses		Lifetime expected credit losses	
	Group	**Company**	**Group**	**Company**
As at 31 December 2020	**Shs**	**Shs**	**Shs**	**Shs**
Trade receivables	-	-	47,883,637	47,883,637
Other receivables	-	-	12,297,322	12,297,322
Receivable from related parties	-	-	20,000	10,171,966
Cash at bank	351,027,159	340,986,604	-	-
Investments	60,824,526	60,824,526	-	-
Gross carrying amount	411,851,685	401,811,130	60,200,959	70,352,925
Expected credit loss allowance	(3,261,493)	(3,214,673)	(40,297,380)	(35,293,909)
	408,590,192	398,596,457	19,903,579	35,059,016

24. Risk management objectives and policies (continued)

Financial risk management (continued)

(b) Credit risk (continued)

	12 month expected credit losses		Lifetime expected credit losses	
	Group	**Company**	**Group**	**Company**
As at 31 December 2019	**Shs**	**Shs**	**Shs**	**Shs**
Trade receivables	-	-	42,807,307	37,675,046
Other receivables	-	-	17,401,437	17,346,542
Receivables from related parties	-	-	461,180	26,385,705
Cash at bank	336,075,555	334,953,388	-	-
Investments	56,661,167	56,661,167	-	-
Gross carrying amount	392,736,722	391,614,555	60,669,924	81,407,293
Expected credit loss allowance	(2,655,090)	(3,214,673)	(8,721,665)	(35,293,909)
	390,081,632	388,399,882	51,948,259	46,113,384

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 Shs	31-60 Shs	61-90 Shs	91-180 Shs	Total Shs
As at 31 December 2020	9,184,679	873,818	1,334,135	36,491,005	47,883,637
As at 31 December 2019	12,621,132	12,451,913	6,014,049	6,587,952	37,675,046

24. Risk management objectives and policies (continued)

Financial risk management (continued)

(b) Credit risk (continued)

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

Basis for measurement of loss allowance	12 month expected credit losses		Lifetime expected credit losses	
Group		**Cash & cash**	**Trade**	
Year ended 31 December 2020	**Investments**	**equivalents**	**receivables**	**Total**
	Shs	**Shs**	**Shs**	**Shs**
At start of year	430,625	2,224,465	8,721,665	11,376,755
Changes relating to assets	(29,183)	635,586	31,575,715	32,182,118
At end of year	401,442	2,860,051	40,297,380	43,558,873
Year ended 31 December 2019				
At start of year	401,786	2,274,828	7,504,099	10,180,713
Changes relating to assets	28,839	(50,363)	1,217,566	1,196,042
At end of year	430,625	2,224,465	8,721,665	11,376,755

		Lifetime expected Credit losses			
Company		**Cash & cash**	**Related party**	**Trade**	
Year ended 31 December 2020	**Investments**	**equivalents**	**balances**	**receivables**	**Total**
	Shs	**Shs**	**Shs**	**Shs**	**Shs**
At start of year	430,625	2,177,645	26,140,816	6,593,689	35,342,775
Changes relating to assets	(29,183)	635,586	(26,140,816)	28,700,220	3,165,807
At end of year	401,442	2,813,231	-	35,293,909	38,508,582
Year ended 31 December 2019					
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

(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.

24. Risk management objectives and policies (continued)

Financial risk management (continued)

(c) Liquidity risk (continued)

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

	Interest rate	Within 1 year	Over 1 year	Total
Group	**%**	**Shs**	**Shs**	**Shs**
Year ended 31 December 2020				
Non-interest bearing liabilities:				
- Trade and other payables	0%	25,743,861	-	25,743,861
Interest bearing liabilities:				
- Lease liabilities				
- Operating leases	13%	13,219,508	2,065,308	15,284,816
		38,963,369	2,065,308	41,028,677
Year ended 31 December 2019				
Non-interest bearing liabilities:				
- Trade and other payables	0%	42,913,514	2,255,196	45,168,710
Interest bearing liabilities:				
- Lease liabilities				
- Operating leases	13%	12,438,210	15,462,745	27,900,955
		55,351,724	17,717,941	73,069,665
Company				
Year ended 31 December 2020				
Non-interest bearing liabilities:				
- Trade and other payables	0%	32,717,933	-	32,717,933
Interest bearing liabilities:				
- Lease liabilities				
- Operating leases	13%	13,219,508	2,065,308	13,219,508
		45,937,441	2,065,308	45,937,441
Year ended 31 December 2019				
Non-interest bearing liabilities:				
- Trade and other payables	0%	41,820,043	-	41,820,043
Interest bearing liabilities:				
- Lease liabilities				
- Operating leases	13%	12,438,210	15,462,745	54,258,253
		54,258,253	15,462,745	96,078,296

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).

1. ADMINISTRATIVE EXPENSES

	Group		Company	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Employment				
Salaries and wages	129,634,888	137,660,724	123,441,845	125,898,449
Staff medical and welfare expenses	10,255,037	12,005,417	9,481,834	10,905,485
Other staff expenses	11,398,027	18,450,297	11,370,936	18,316,563
Total employment costs	151,287,951	168,116,439	144,294,615	155,120,497
Other administration expenses:				
Directors remuneration	11,490,589	-	11,490,589	-
Postages and telephones	3,890,983	5,799,129	3,185,648	3,731,400
Entertainment and travelling	2,487,347	3,779,786	2,414,807	3,261,007
Board and committee allowances	14,508,389	20,146,315	14,335,229	19,192,368
Printing and stationery	883,725	1,355,484	830,236	1,204,604
Advertising and marketing expenses	1,516,286	2,980,830	1,510,856	2,407,819
Computer expenses	10,294,108	14,786,807	10,294,108	14,512,807
M-Akiba expenses	2,877,910	3,965,040	2,877,910	3,965,040
Audit fees				
- current year	3,903,401	3,327,891	3,725,100	2,980,000
- underprovision in prior years	567,720	486,029	567,720	480,034
Legal and professional fees	7,062,292	8,652,249	6,927,668	8,123,209
Bank charges and commissions	446,332	586,378	398,665	463,370
Donations	1,091,175	226,294	1,091,173	226,293
Subscriptions and periodicals	1,738,095	1,711,493	1,738,095	1,711,493
Office running expenses	1,670,933	2,359,258	1,514,879	2,150,127
Fines and penalties	3,814	4,494,730	3,432	1,000,000
Total other administrative expenses	64,433,099	74,657,712	62,906,115	65,409,571
Total administrative expenses	215,721,051	242,774,151	207,200,730	220,530,068

NOTES (CONTINUED)

2. OTHER OPERATING EXPENSES

	Group		Company	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Establishment:				
Short term lease rent	2,598,988	2,122,045	1,696,341	1,800,053
Service charges	3,946,219	4,919,543	3,946,219	3,855,114
Parking fees	1,917,653	1,991,585	1,917,653	1,986,155
Electricity and water	1,751,335	2,432,630	1,716,032	2,343,381
Repairs and maintenance	3,470,453	4,436,988	3,463,253	4,148,807
Insurance	6,335,541	5,961,366	6,290,645	5,826,663
Licenses	3,908,828	12,049,848	3,867,965	11,972,484
Security expense	1,547,852	1,240,624	1,547,852	1,240,624
(Gain) on disposal of subsidiary	(27,798,427)	-	(4,159,386)	-
Depreciation on right of use assets	8,167,837	8,167,837	8,167,837	8,167,837
Depreciation on property and equipment	23,797,195	10,979,270	22,482,217	10,879,537
Amortisation of intangible assets	14,645,847	7,115,976	14,645,847	4,608,801
Total other operating expenses	44,289,321	61,417,712	65,582,475	56,829,456

3. FINANCE COSTS

	Group		Company	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Interest on lease liabilities	2,555,531	3,736,569	2,555,531	3,736,569
Interest expense on preference shares	-	347,651	-	-
Net foreign exchange loss	(240,495)	340,609	(205,267)	96,221
Total finance costs	2,315,036	4,424,829	2,350,264	3,832,790

GUARANTEE FUNDSTATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

	Note	2020 Shs	2019 Shs
CAPITAL EMPLOYED			
Retained earnings		785,217,688	702,416,668
Fund balance		785,217,688	702,416,668
Non-current liabilities			
Contributions	6	348,264,895	306,751,110
		1,133,482,583	1,009,167,778
REPRESENTED BY			
Non-current assets			
Deferred tax	7	17,138,333	16,412,219
Current assets			
Investments	8	224,565,769	270,722,022
Trade and other receivables	9	2,095,002	1,645,311
Cash and cash equivalents	10	855,680,252	702,354,937
Tax recoverable		39,021,733	23,084,380
		1,121,362,756	997,806,650
Current liabilities			
Trade and other payables	11	5,018,506	5,051,091
Net current assets		1,116,344,250	992,755,559
		1,133,482,583	1,009,167,778

The financial statements on this page were approved and authorised for issue by the Board of Fund Administrator on 25 March 2021 and were signed on its behalf by:

FUND ADMINISTRATOR

FUND ADMINISTRATOR

CENTRAL DEPOSITORY AGENTS (CDA) LIST

1. ABC CAPITAL LTD
ABC Bank House, Mezzanine Floor
Westlands
P.O Box 34137 - 00100 Nairobi
Tel: 2246036/2242534
Email: headoffice@abccapital.co.ke
Website: www.abccapital.co.ke

2. ABSA BANK KENYA PLC
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Email: ABKETreasuryOprations@absa.africa
Website: www.absabank.co.ke

3. ABSA FINANCIAL SERVICES LTD
Westend Building, 5th Floor, westlands
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4. AFRICAN BANKING CORPORATION LTD
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Website: www.abcthebank.com

5. AIB-AXYS AFRICA
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P.O. Box 43676-00100 Nairobi
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6. APA INSURANCE LTD
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07 Ring Road Parklands, Westlands
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Website: www.apainsurance.org

7. APOLLO LIFE ASSURANCE LTD
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8. BANK OF AFRICA KENYA LTD
Bank of Africa House, Waiyaki Way
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Website: www.boakenya.com

9. CO-OPERATIVE BANK OF KENYA PLC
Custody Sales and Registrar Services,
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10. CREDIT BANK PLC
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Email: customerservice@creditbank.co.ke
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11. DRY ASSOCIATES LIMITED
Dry Associates House
Brookside Grove, Westlands
P.O. BOX 684 – 00606
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Website: www.dryassociates.com

12. DYER & BLAIR INVESTMENT BANK
Goodman Tower, 7th Floor Waiyaki Way
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Tel: 3240000/227803/4/5
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Website: www.dyerandblair.com

13. EFG HERMES KENYA LIMITED
8th Floor, Orbit Place, Westlands Road
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Website: www.efghermes.com

14. EQUATORIAL COMMERCIAL BANK
Equatorial Fidelity Centre
Waridi lane, Off Waiyaki Way
P.O. Box 52467- 00200 Nairobi
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Website: www.equatorialbank.co.ke

15. EQUITY BANK GROUP PLC
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Website: www.equitybankgroup.com

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Website: www.equitybank.co.ke

17. FAIDA INVESTMENT BANK LTD
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Website: www.fib.co.ke

18. FRANCIS DRUMMOND & CO. LTD
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20. HFC LIMITED
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21. I&M BANK PLC
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22. KCB CAPITAL
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Website: www.kcbgroup.com

23. KCB BANK KENYA LTD
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24. KESTREL CAPITAL (EAST AFRICA) LTD
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25. KINGDOM SECURITIES
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26. NATIONAL BANK OF KENYA PLC
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27. NCBA BANK GROUP PLC
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29. PRIME BANK LIMITED
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Fax: 4451247/4203204
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Website: www.primebank.co.ke

30. RENAISSANCE CAPITAL (KE) LTD
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Website: www.rencap.com

31. SBG SECURITIES LTD
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Website: www.sbgsecurities.co.ke

32. SBM BANK (KENYA) LTD
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Website: www.sbmbank.co.ke

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35. STANDARD CHARTERED BANK (KENYA) PLC
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Website: www.sterlingib.com

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Website: www.tnbl.co.ke

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Website: www.uapoldmutual.com

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42. UNCLAIMED FINANCIAL ASSETS AUTHORITY
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