DIRECTORS

Mr Michael Bristow* - Chairman
Mr Ashok Shah*
Mr Charles Ogalo
Mr Joseph Kitamirike**
Mr Peter Mwangi
Mr Bob Karina
Mr Job Kihumba
Mr Nkoregamba Mwebesa
Mr James Mworia

* British
** Ugandan

CHIEF EXECUTIVE OFFICER

Rose Mambo

SECRETARY

Rose Mambo
P O Box 3464, 00100 GPO
Nairobi

REGISTERED OFFICE

10th Floor, Nation Centre
P O Box 3464, 00100 GPO
Nairobi

BANKERS

Commercial Bank of Africa Ltd
Mama Ngina Street
P O Box 30437, 00100 GPO
Nairobi

CFC Stanbic Bank Limited
Kimathi Street
P O Box 75501, 00200 City Square
Nairobi

AUDITORS

Deloitte & Touche
Deloitte Place
Waiyaki Way, Muthangari
P O Box 40092, 00100 GPO
Nairobi

LAWYERS

Mboya & Wangong'u Advocates
Lonrho House
P O Box 74041, 00200
Nairobi

The directors have pleasure in presenting their report and audited financial statements for the year ended 31 December 2011.

ACTIVITIES

The principal activity of the group is the provision of 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.

RESULTS

	2011 Sh
Profit before taxation	44,408,036
Taxation	(17,138,389)
Profit for the year	27,269,647

DIRECTORS

The current directors are shown on page 2.
Mr. Gabriel Kitua and Ms. Pauline Nyamweya resigned as directors with effect from 16th May 2011 and 30th August 2011 respectively.
Mr. Sam Kimani left the Board in July 2011 and was replaced by Mr. James Mworia.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office in accordance with Section 159(2) of the Companies Act.

BY ORDER OF THE BOARD

Secretary

Nairobi

The Kenyan Companies Act 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 operating results of the group for that year. It also requires the directors to ensure that the group and the company keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards in the manner required by the Kenyan Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and of the company and of the group's operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain going concerns for at least the next twelve months from the date of this statement.

Director	Director

Report on the Financial Statements

We have audited the accompanying financial statements of Central Depository and Settlement Corporation Limited and its subsidiaries set out on pages 7 to 36 which comprise the consolidated and the company statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income and consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the company and its subsidiaries as at 31 December 2011 and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report on Other Legal Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:
i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
iii) the company's statement of financial position(balance sheet) and statement of comprehensive income(income statement) are in agreement with the books of account.

Deloitte & Touche

Certified Public Accountants (Kenya)

2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 Sh	2010 Sh
Income	5	190,311,209	154,662,808
Operating Expenses	6	(154,711,188)	(138,128,487)
Operating Profit		35,600,021	16,534,321
Net Finance Income	8	8,808,015	4,664,417
Profit Before Taxation		44,408,036	21,198,738
Taxation Charge	9	(17,138,389)	(6,101,079)
Profit For The Year		27,269,647	15,097,659
Other Comprehensive Income			
Exchange Differences Arising From Translation Of Foreign Operation		(352,338)	-
Total Comprehensive Income For The Year		26,917,309	15,097,659

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2011

ASSETS	Note	2011 Sh	2010 Sh
Non -current assets			
Equipment	10	11,914,529	10,873,896
Intangible assets	11	8,961,989	15,105,876
Deferred taxation	17	500,736	-
		21,377,254	25,979,772
Current assets			
Receivables and prepayments	14	31,044,818	24,133,694
Due from related parties	19(b)	-	2,130,107
Fixed deposits	13	120,829,533	78,588,679
Call deposits	15	-	22,573,105
Bank and cash balances		39,962,315	37,813,963
		191,836,666	165,239,548
Total assets		213,213,920	191,219,320

EQUITY AND LIABILITIES	Note	2011 Sh	2010 Sh
Capital and reserves			
Share capital	16	100,000,000	100,000,000
Revenue reserve		92,395,978	65,126,331
Translation reserve		(355,338)	-
Shareholders' equity		192,043,640	165,126,331
Non -Current liabilities			
Deferred taxation	17	-	2,419,972
Current liabilities			
Payables	18	18,149,550	23,091,196
Due to related parties	19(a)	63,976	181,373
Taxation payable	9(c)	2,956,754	400,448
		21,170,280	23,673,017
Total equity and liabilities		213,213,920	191,219,320

The financial statements on pages 7 to 36 were approved by the board of directors on 12th April 2012 and were signed on their behalf by:

) Directors

COMPANY STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2011

ASSETS	Note	2011 Sh	2010 Sh
Non-current assets			
Equipment	10	11,593,685	10,873,896
Intangible assets	11	8,429,617	15,105,876
Investment in subsidiaries	12	261,043	20,000
Deferred taxation	17	500,736	-
		20,785,081	25,999,772
Current assets			
Receivables	14	29,870,259	24,133,694
Due from related parties	19(b)	5,899,266	2,130,107
Taxation receivable	9(c)	179,882	-
Fixed deposits	13	114,217,039	78,588,679
Call deposits	15	-	22,573,105
Bank and cash balances		27,467,290	37,813,963
		177,633,736	165,239,548
Total assets		198,418,817	191,239,320

EQUITY AND LIABILITIES	Note	2011 Sh	2010 Sh
Capital and reserves			
Share capital	16	100,000,000	100,000,000
Revenue reserve		81,795,827	65,126,331
Shareholders' equity		181,795,827	165,126,331
Non-Current liabilities			
Deferred tax liability	17	-	2,419,972
Current liabilities			
Payables	18	16,297,971	23,091,196
Due to related parties	19(b)	325,019	201,373
Taxation payable	9(c)	-	400,448
		16,622,990	23,693,017
Total equity and liabilities		198,418,817	191,239,320

The financial statements on pages 15 to 40 were approved by the board of directors on 12th April 2012 and were signed on their behalf by:

} Directors

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital	Revenue reserve	Translation reserve	Total
	Sh	Sh	Sh	Sh
At 1 January 2010	100,000,000	50,028,672	-	150,028,672
Profit for the year	-	15,097,659	-	15,097,659
Total comprehensive income for the year	-	15,097,659	-	15,097,659
At 31 December 2010	100,000,000	65,126,331	-	165,126,331
At 1 January 2011	100,000,000	65,126,331	-	165,126,331
Profit for the year	-	27,269,647	-	27,269,647
Other comprehensive loss	-	-	(352,338)	(352,338)
Total comprehensive income for the year	-	27,269,647	(352,338)	26,917,309
At 31 December 2011	100,000,000	92,395,978	(352,338)	190,043,640

The translation reserve represents the translation losses arising from conversion of the net assets of the foreign operation, CDSC Registrars Rwanda, to the reporting currency.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

OPERATING ACTIVITIES	Note	2011 Sh	2010 Sh
Cash generated from operations	20(a)	36,855,208	20,746,893
Income tax paid	9(c)	(17,070,883)	(6,676,693)
Interest received	8	8,826,568	4,664,417
Net cash generated from operating activities		28,610,893	18,734,617
INVESTING ACTIVITIES			
Purchase of equipment	10	(5,484,152)	(3,442,981)
Purchase of intangible assets	11	(1,310,640)	(1,033,154)
Net cash used in investing activities		(6,794,792)	(4,476,135)
NET INCREASE IN CASH AND CASH EQUIVALENTS		21,816,101	14,258,482
CASH AND CASH EQUIVALENTS:			
AT 1 JANUARY		138,975,747	124,717,265
AT 31 D ECEMBER	20(b)	160,791,848	138,975,747

1. ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards. For the Kenyan Companies Act reporting purposes, the balance sheet is represented by/equivalent to the statement of financial position and the profit and loss account is presented in the statement of comprehensive income.

Adoption of new and revised International Financial Reporting Standards (IFRSs)

(a.) New and revised IFRSs effective in the current period

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)	The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, the company had no such items and the amendment had no effect on the group's financial statements.
IAS 24 Related Party Disclosures (as revised in 2009)	IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities. The Group is not a government-related entity. The application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has not resulted in the identification of related parties that were not identified as related parties under the previous Standard.
Amendments to IAS 32 Classification of Rights Issues	The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application. The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

1. ACCOUNTING POLICIES

(a.) New and revised IFRSs effective in the current period (Continued)

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement	IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had material effect on the Group's financial statements.
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss. The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.
Improvements to IFRSs issued in 2010	The application of Improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the financial statements

(b) Early adoption of standards

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments and revised standards	Effective for annual periods beginning on or after
Amendments to IFRS 7-Disclosures-Transfers of Financial Assets	1 July 2011
IFRS 9 -Financial Instruments	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to IAS 12 -Deferred Tax -Recovery of Underlying Assets	1 January 2012
IAS 19 (as revised in 2011)- Employee Benefits	1 January 2013
IAS 27 (as revised in 2011)- Separate Financial Statements	1 January 2013
IAS 28 (as revised in 2011)- Investments in Associates and Joint Ventures	1 January 2013

1. ACCOUNTING POLICIES (Continued)

(b) New and revised IFRSs in issue but not yet effective(Continued)

Amendments to IFRS 7: Disclosures-Transfers of Financial Assets

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to IFRS 7 will have a significant effect on the Group's disclosures.

IFRS 9: Financial Instruments

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that IFRS 9 will be adopted in the Group's financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 may not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

1. ACCOUNTING POLICIES (Continued)

(b) New and revised IFRSs in issue but not yet effective(Continued)

The "package of five" new and amended standards

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).
Key requirements of these five Standards are described below.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

IAS 27 (as revised in 2011) - Separate Financial Statements

IAS 27 has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements.

IAS 28 (as revised in 2011) - Investments in Associates and Joint Ventures

IAS 28 has been amended for conforming changes based on issuance of IFRS 10 and IFRS 11.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may not have significant impact on amounts reported in the consolidated financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 13 will be adopted in the Group's financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may not affect the amounts and disclosures in the financial statements.

1. ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(b) New and revised IFRSs in issue but not yet effective(Continued)

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The group has no items of other comprehensive income and the directors anticipate that the application of the amendment will have no impact on the amounts to be reported in future accounting periods.

Amendments to IAS 12 -Deferred Tax -Recovery of Underlying Assets

The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to IAS 12 in future accounting periods may not result in adjustments to the amounts of deferred tax liabilities as the company has no investment properties.

IAS 19 (as revised in 2011)- Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may not have an impact.

Early adoption of standards

The group did not early-adopt any new or amended standards in 2011.

Basis of accounting

The group prepares its financial statements under the historical cost convention.

Consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries, CDSC Nominees Limited, CDSC Registrars Rwanda limited and CDSC Registrars Kenya Limited all of which are made up to 31 December each year.

Subsidiary undertaking, being a company in which the group either directly or indirectly has an interest of more than 50% of the voting rights or otherwise has power to exercise control over the operations, has been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the group and are not consolidated as from the date of disposal. All intercompany transactions, balances and unrealised surpluses and deficits on transactions with the subsidiary companies have been eliminated. Subsidiary undertakings are disclosed in Note 12.

1. ACCOUNTING POLICIES (Continued)

Investment in subsidiary company

Investment in the subsidiary company is stated at cost less provision for impairment where applicable.

Revenue recognition

Revenue comprises transaction, depository levies which are recognised to income once the transaction is recognised in the Central Depository System.

Pledge income comprises fees paid by shareholders when pledging their shares as security for loans. The fees are recognized when the shares are designated as pledged, preventing them from being traded.

Fees, postage income, interest and other income are recognised to income on the accruals basis.

Motor vehicles, furniture and equipment

Motor vehicles, furniture and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight line basis to write off the cost of motor vehicles, furniture and fittings, equipment and computers over their expected useful lives at the following annual rates:

Motor vehicles	25%
Computer equipment	25%
Office equipment	25%
Furniture and fittings	12.5%

Intangible assets

Intangible assets represent computer software and CDS software which are stated at cost less amortisation. Amortisation is calculated to write off the cost of the computer software on a straight line basis over its estimated useful life of four years and eight years in respect of the CDS software.

1. ACCOUNTING POLICIES (Continued)

Taxation

Current taxation is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets in respect of taxable losses carried forward are recognised only to the extent that it is probable that future taxable income will be sufficient to utilise these losses.

Provision for liabilities and charges

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave at the balance sheet date.

Retirement benefit obligations

The group adheres to a defined contribution provident scheme for its staff and also makes contributions to the statutory National Social Security Fund, a defined contribution scheme registered under the National Social Security Act.

The group's obligations to all staff retirement benefits schemes are recognised to the income statement as they fall due.

Foreign currency translation

Assets and liabilities expressed in foreign currencies are translated into Kenya shillings at the rates of exchange ruling at the balance sheet date. Transactions during the year are translated at rates ruling on the dates of the transactions. Exchange gains and losses are dealt with in the income statement.

Financial instruments

Financial assets and liabilities are initially recognised in the group's balance sheet at cost using settlement date accounting, when the group has become a party to the contractual provisions of the instrument.

Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and classified as available for sale.

Loans, advances and receivables

Loans, advances and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Financial assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading.

Available for sale financial assets

Financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans, advances and receivables, or (c) financial assets held to maturity are classified as available for sale.

Recognition and derecognition

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the group has transferred substantially all risks and rewards of ownership.

1. ACCOUNTING POLICIES (Continued)

Recognition and derecognition(Continued)

Available for sale financial assets are carried at fair value. Gains and losses arising from changes in the fair value are recognised directly in equity until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity are recognised in the income statement.

Impairment

At each balance sheet date, the group reviews the carrying amounts of its 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 and an impairment loss is recognized in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

Comparatives

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In the process of applying the group's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:

Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the finance department under policies approved by the Board of Directors. Finance identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

a) Market risk

(i) Price risk

The group does not hold investments that would be subject to price risk; hence this risk is not relevant.

(ii) Interest rate risk

The group holds interest bearing assets in form of call and fixed deposits. This risk has been managed by negotiating interest rates on the deposits with the banks resulting in consistent earnings during the duration of the deposits.

As at 31 December 2011, an increase/decrease of 5 basis points would have resulted in an increase/decrease in profit before taxation of Sh 419,964 (2010- Sh 321,285).

b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the company. Credit risk is managed on a group-wide basis. Credit risk arises from cash and cash equivalents, deposits with banks, as well as trade and other receivables. The group only deals with listed companies in the stock exchange and authorised central depository agents who are considered credit worthy counterparties. Individual risk limits are regularly assessed by the management of the group. The utilisation of credit limits is regularly monitored. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by the banking regulatory authority.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The amount that best represents the company's maximum exposure to credit risk at 31 December is as follows:

	2011 Kshs	2010 Kshs
Fixed deposits	120,829,533	78,588,679
Trade receivables	20,621,584	14,746,473
Call deposits	-	22,573,105
Bank and cash balances	39,962,315	37,813,963
	_________	_________
	181,413,432	153,722,220
	=========	=========

Classification of trade receivables

The group classifies the credit quality of its trade receivables into three categories; performing, past due and impaired. The performing debts are those which are within the set credit period of 30 days, the default rate is low.

Past due amounts are those beyond the maximum established credit period of 30 days and represents slow but paying customers. These receivables continue to be serviced even though this is not done on the contractual dates. The finance department is actively following this debt.

The analysis of trade receivables is as detailed below:

Receivables At 31 December 2011	Fully performing Sh	Past due Sh	Impaired Sh	Total (gross) Sh
Trade receivables	17,206,059	3,415,525	2,787,458	23,409,042
	========	========	========	========

Receivables At 31 December 2010	Fully performing Sh	Past due Sh	Impaired Sh	Total (gross) Sh
Trade receivables	10,869,510	3,876,963	-	14,746,473
	========	========	========	========

a) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash to meet group obligations. The group manages this risk by maintaining adequate cash balances in the bank, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month Sh	Between 1-3 months Sh	Over 3 months Sh	Total Sh
At 31 December 2011:				
Trade and other payables			-	15,758,078
Due to related parties	63,976			
	========	========	========	========
At 31 December 2010:				
Trade and other payables			3,609,385	22,307,857
Due to related parties	17,329,150	1,369,322	181,373	181,373
	========	========	========	========

4. CAPITAL MANAGEMENT

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.
Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. The group did not have borrowings in both year ends and was therefore not geared.

5. INCOME

	2011 Sh	2010 Sh
Transaction levy	94,816,568	107,979,514
Pledges	4,469,011	8,687,000
Bad debts recovered	-	987,998
IPO Postage income	29,130	6,130,650
Depository levy	21,486,200	23,747,890
Security transfer fees	3,389,826	5,052,550
Bond levy Income	19,502,212	771,286
Registry fees	22,541,972	
-		
SMS Solution fees	385,229	460,220
Interim statement fees	289,442	528,200
Appointment fees	559,856	227,500
Miscellaneous	29,950	28,000
Withdrawal fees	145,500	62,000
Project fees	22,666,313	-
	190,311,209	154,662,808

6. OPERATING EXPENSES

	2011 Sh	2010 Sh
Staff costs (Note 7)	70,822,941	61,944,205
Telephone and postage	13,749,460	18,519,841
Provision for doubtful debts	2,787,457	-
Software and equipment maintenance and hire	6,357,460	9,081,378
Office stationery	4,703,273	2,373,139
Rent and related expenses	13,110,626	13,749,923
Advertising & Public Education	955,782	1,490,478
Amortisation	7,458,125	7,227,982
Depreciation	3,655,676	3,913,462
Insurance	4,955,327	4,604,325
Immobilisation costs	183,931	655,516
Travelling	7,542,118	2,051,382
Professional fees	5,306,085	621,033
Licences & fees	629,514	610,216
Bank charges	521,282	780,165
Board and committee expenses	1,689,812	1,519,097
Office expenses	955,157	849,264
Statutory audit fees	918,354	712,042
Systems audit fees	776,040	3,318,226
Publications	495,726	602,620
General expenses	1,525,289	579,938
Internet services	3,267,001	487,200
Security charges	728,136	515,976
Subscriptions and periodicals	435,658	384,105
Conference expenses	105,406	108,655
Repairs and renewals	472,650	260,224
Entertainment	14,210	16,845
Donations	100,000	1,151,250
Installations	178,692	-
Legal Fees	310,000	-
	154,711,188	138,128,487

7. STAFF COSTS

	2011 Sh	2010 Sh
Salaries and wages	60,158,372	52,913,708
Employer provident fund contributions	3,311,959	3,210,838
Medical costs	3,912,105	3,427,305
Training costs	2,466,413	1,291,628
Staff welfare	1,035,714	593,016
NSSF employer contribution	85,200	93,000
CSR-Rwanda Employer Contribution	21,956	-
Leave pay provision	(168,778)	414,710
	70,822,941	61,944,205

8. NET FINANCE INCOME

	2011 Sh	2010 Sh
Interest income	8,826,568	4,664,417
Foreign exchange gain	(18,553)	-
	8,808,015	4,664,417

9. TAXATION

a) Taxation charge

	2011 Sh	2010 Sh
Current taxation based on chargeable Profit for the year at 30%	16,470,474	8,072,617
Prior year under provision	3,588,623	
Current tax charge	20,059,097	8,072,617
Deferred taxation credit (note 17)	(1,017,357)	(1,286,872)
Prior year deferred tax over provision	(1,903,351)	(684,666)
Deferred tax credit	(2,920,708)	(1,971,538)
Taxation expense	17,138,389	6,101,079

b) Reconciliation of taxation charge to the expected tax based on accounting profit before taxation

	2011 Sh	2010 Sh
Accounting profit before taxation	44,408,036	21,198,738
Tax at the applicable rate of 30%	13,322,411	6,359,622
Tax effect of expenses not deductible for tax	2,130,706	426,123
Prior year current tax under provision	3,588,623	-
Prior year deferred tax over provision	(1,903,351)	(684,666)
	17,138,389	6,101,079

c) Taxation payable – group

	2011 Sh	2010 Sh
At 1 January	400,448	(995,476)
Charge for the year	16,470,474	8,072,617
Tax paid in the year	(17,070,883)	(6,676,693)
Prior year current tax under provision	3,588,623	-
Exchange difference	(431,908)	-
	2,956,754	400,448

Taxation payable - company

	2011 Sh	2010 Sh
At 1 January	400,448	(995,476)
Charge for the year	11,927,553	8,072,617
Tax paid in the year	(15,736,742)	(6,676,693)
Prior year current tax under provision	3,588,623	-
	179,882	400,448

10. EQUIPMENT

GROUP

	Furniture fittings and office equipment Sh	Computer equipment Sh	Total Sh
COST			
At 1 January 2010	18,179,293	26,720,704	44,899,997
Additions	1,378,741	2,064,240	3,442,981
At 31 December 2010	19,558,034	28,784,944	48,342,978
At 1 January 2011	19,558,034	28,784,944	48,342,978
Additions	4,943,460	540,692	5,484,152
Write off	(1,083,639)	-	(1,083,639)
At 31 December 2011	23,417,855	29,325,636	52,743,491
DEPRECIATION			
At 1 January 2010	9,271,115	24,284,505	33,555,620
Charge for the year	2,606,630	1,306,832	3,913,462
At 31 December 2010	11,877,745	25,591,337	37,469,082
At 1 January 2011	11,877,745	25,591,337	37,469,082
Charge for the year	2,090,925	1,564,751	3,655,676
Write off	(293,486)	-	(293,486)
Translation adjustment	(2,010)	(300)	(2,310)
At 31 December 2011	13,673,174	27,155,788	40,828,962
NET BOOK VALUE			
At 31 December 2011	9,744,681	2,169,848	11,914,529
At 31 December 2010	7,680,289	3,193,607	10,873,896

Included in equipment are assets with a cost of Sh 30,482,778 (2010 – 23,674,666) that are fully depreciated. The normal annual depreciation charge on these assets would have been Sh 7,050,342 (2010 – 1,434,851).

COMPANY

	Furniture fittings and office equipment Sh	Computer equipment Sh	Total Sh
COST			
At 1 January 2010	18,179,293	26,720,704	44,899,997
Additions	1,378,741	2,064,240	3,442,981
At 31 December 2010	19,558,034	28,784,944	48,342,978
At 1 January 2011	19,558,034	28,784,944	48,342,978
Additions	4,624,560	489,916	5,114,476
Write off	(1,083,639)	-	(1,083,639)
At 31 December 2011	23,098,955	29,274,860	52,373,815

10. EQUIPMENT (continued)

	Furniture fittings and office equipment Sh	Computer equipment Sh	Total Sh
DEPRECIATION			
At 1 January 2010	9,271,115	24,284,505	33,555,620
Charge for the year	2,606,630	1,306,832	3,913,462
At 31 December 2010	11,877,745	25,591,337	37,469,082
At 1 January 2011	11,877,745	25,591,337	37,469,082
Charge for the year	2,046,432	1,558,104	3,604,536
Write off	(293,488)	-	(293,488)
At 31 December 2011	13,630,689	27,149,441	40,780,130
NET BOOK VALUE			
At 31 December 2011	9,468,266	2,125,419	11,593,685
At 31 December 2010	7,680,289	3,193,607	10,873,896

Included in equipment are assets with a cost of Sh 30,482,778 (2010 – 23,674,666) that are fully depreciated. The normal annual depreciation charge on these assets would have been Sh 7,050,342 (2010 – 1,434,851).

11. INTANGIBLE ASSETS

GROUP

	Computer and CDS Software Sh
COST	
At 1 January 2010	48,329,742
Additions	1,033,154
At 31 December 2010	49,362,896
At 1 January 2011	49,362,896
Additions	702,215
At 31 December 2011	50,065,111
AMORTISATION	
At 1 January 2010	27,029,038
Charge for the year	7,227,982
At 31 December 2010	34,257,020
At 1 January 2011	34,257,020
Charge for the year	7,378,125
Translation adjustment	(3,598)
At 31 December 2011	41,711,547
NET BOOK VALUE	
At 31 December 2011	8,961,989
At 31 December 2010	15,105,876

11. INTANGIBLE ASSETS (Continued)

COMPANY

	Computer and CDS Software Sh
COST	
At 1 January 2010	48,329,742
Additions	1,033,154
At 31 December 2010	49,362,896
At 1 January 2011	49,362,896
Additions	702,215
At 31 December 2011	50,065,111
AMORTISATION	
At 1 January 2010	27,029,038
Charge for the year	7,227,982
At 31 December 2010	34,257,020
At 1 January 2011	34,257,020
Charge for the year	7,378,474
At 31 December 2011	41,635,494
NET BOOK VALUE	
At 31 December 2011	8,429,617
At 31 December 2010	15,105,876

12. INVESTMENT IN SUBSIDIAR IES

COMPANY

	2011 Sh	2010 Sh
CDSC Nominees Limited	20,000	20,000
CDSC Registrars Rwanda Limited	141,043	-
CDSC Registrars Kenya Limited	100,000	-
	261,043	20,000

Company	Share capital Sh	% Holding	Country of Incorporation	Principal activity
CDSC Nominees Limited	20,000	100%	Kenya	Holding securities as a nominee on behalf of Central Depository and Settlement Corporation Limited
CDSC Registrars Rwanda Limited	141,043	100%	Rwanda	Carry out business as a shares and securities registrar
CDSC Registrars Kenya Limited	100,000	100%	Kenya	Carry out business as a shares and securities registrar

The investment in subsidiaries is stated at cost.

13 FIXED DEPOSITS

GROUP

	2011 Sh	2010 Sh
Held to maturity -maturing within 120 days:		
CFC Stanbic Bank Limited – interest rate at 16.77% (2010 – 4.6%)	54,577,153	35,308,042
CBA Limited– interest rate at 18%(2010 - 4.8%)	24,181,016	23,170,021
Chase Bank-Interest rate at 30%(2010-6.25%)	21,470,985	20,110,616
I&M Bank –interest rate at 7.25%	20,600,379	-
	120,829,533	78,588,679

13. FIXED DEPOSITS (Continued)

COMPANY

	2011 Sh	2010 Sh
Held to maturity -Maturing within 120 days:		
CFC Stanbic Bank Limited – interest rate at 16.77% (2010 - 4.6%)	47,964,659	35,308,042
CBA Limited – interest rate at 18% (2010 - 4.8%)	24,181,016	23,170,021
Chase Bank - Interest rate at 30 % (2010 - 6.25%)	21,470,985	20,110,616
I&M Bank – interest rate at 7.25%	20,600,379	-
	114,217,039	78,588,679

14 RECEIVABLES

	2011 Sh	2010 Sh
GROUP		
Transaction levy fees receivable	5,096,687	6,931,726
Net depository levy receivable	3,070,358	7,043,461
Management fees	8,149,281	-
Bond levy debtors	3,130,699	771,286
Registry fees receivable	1,174,559	-
Total trade receivables	20,621,584	14,746,473
Prepayments	9,041,329	7,920,925
Other receivables	1,381,905	1,466,296
	31,044,818	24,133,694
COMPANY		
Transaction levy fees receivable	8,149,281	6,931,726
Net Depository levy receivable	-	7,043,461
Bond Levy Debtors	11,529,694	771,286
Prepayments	9,041,329	7,920,925
Other receivables	1,149,955	1,466,296
	29,870,259	24,133,694

15 CALL DEPOSITS

	2011 Sh	2010 Sh
Maturing on demand:		
Commercial Bank of Africa Limited – interest rate at 3.25% (2010 - 7%)	-	22,573,105
	-	22,573,105

16 SHARE CAPITAL

	2011 Sh	2010 Sh
Authorised, issued and fully paid 1,000,000 shares of Sh 100 each	100,000,000	100,000,000

17 DEFERRED INCOME TAXES

GROUP AND COMPANY

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted rate of 30%. The net deferred tax liability is attributable to the following items:

	2011 Sh	2010 Sh
Tax losses available for offset against future profits		-
Accelerated capital allowance	1,152,614	(2,654,974)
General bad debt provision	(836,246)	-
Leave pay provision	184,368	235,002
	500,736	(2,419,972)
Movement in net deferred tax liability is as follows:		
At 1 January	(2,419,972)	(4,391,510)
Deferred tax credit to the income statement (note 9(a)	1,017,357	1,286,872
Prior year deferred tax over provision	1,903,351	684,666
At 31 December	500,736	(2,419,972)

18 PAYABLES

	2011 Sh	2010 Sh
GROUP		
Accrued expenses	13,237,313	15,663,458
Trade and other payables	2,520,765	6,644,399
Leave pay provision	614,562	783,339
VAT payable	1,776,910	-
	18,149,550	23,091,196
COMPANY		
Accrued expenses	13,162,644	15,663,458
Trade and other payables	2,520,765	6,644,399
Leave pay provision	614,562	783,339
	16,297,971	23,091,196

19 RELATED PARTIES

The group transacts with other companies related to it by virtue of shareholding During the year, the following transactions were entered into with related parties:.

	GROUP		COMPANY	
	2011 Sh	2010 Sh	2011 Sh	2010 Sh
(a) Due to related parties				
Due to CDSC Nominees Limited	-		20,000	20,000
CDSC Guarantee Fund	63,976	181,373	63,976	181,373
Due to CDSC Registrars Kenya	-	-	100,000	-
Due to CDSC Registrars Rwanda	-	-	141,043	-
	63,976	181,373	325,019	201,373

19 RELATED PARTIES (Continued)

(b) Due from related parties

	GROUP 2011 Sh	GROUP 2010 Sh	COMPANY 2011 Sh	COMPANY 2010 Sh
CDSC Registrars	-	2,130,107	5,899,266	2,130,107
	-------	-------	-------	-------
	-	2,130,107	5,899,266	2,130,107
	======	======	======	======

(c) Compensation of Key Management Personnel

The remuneration of directors and other members of key management during the year were as follows:

GROUP AND COMPANY

	2011 Sh	2010 Sh
Salaries and other benefits	32,596,746	32,135,451
	========	========
Directors' remuneration		
Fees for services as directors	582,143	657,142
	========	========

20 NOTES TO THE STATEMENT OF CASH FLOWS

		2011 Sh	2010 Sh
(a)	Reconciliation of operating profit to cash used in operations		
	Profit before taxation	44,408,036	21,198,738
	Adjustments:		
	Interest income	(8,826,568)	(4,664,417)
	Depreciation	3,655,676	3,913,462
	Amortisation	7,458,125	7,227,982
	Operating cash flows before movements in working capital	46,695,269	27,675,765
	Increase in receivables	(6,911,124)	(9,772,512)
	(Decrease)/increase in payables	(4,941,647)	4,864,474
	(Decrease)Increase in due to related party balances	(117,397)	109,273
	(Increase)/Decrease in amounts due from related parties	2,130,107	(2,130,107)
	Net cash generated from/(used in) operations	36,855,208	20,746,893
(b)	Analysis of cash and cash equivalents		
	Bank and Cash balances	39,962,315	37,813,963
	Call deposit	-	22,573,105
	Fixed deposits	120,829,533	78,588,679
		160,791,848	138,975,747

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits maturing within 90 days, held with banks.

21 PROFIT FOR THE YEAR

A profit for the year of Sh 16,669,496 (2010 – Sh 15,097,659) has been dealt with in the books of the company, Central Depository and Settlement Corporation Limited.

22 OPERATING LEASE COMMITMENTS

GROUP AND COMPANY	2011 Sh	2010 Sh
Amounts payable under operating leases in respect of property rental (group offices)		
Within one year	5,790,817	5,515,068
Between one and two years	6,080,362	5,790,817
	11,871,179	11,305,885

23 CONTINGENT LIABILITIES - GROUP AND COMPANY

The group and the company had no contingent liabilities as at 31 December 2011(2010-Nil).

24 CAPITAL COMMITMENTS - GROUP AND COMPANY

	2011 Sh	2010 Sh
Authorised and contracted for	-	4,543,080
Authorised but not contracted for	45,221,924	-

25 INCORPORATION

The company is incorporated and domiciled in Kenya under the Companies Act.

26 CURRENCY

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

DETAILED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	2011 Sh	2010 Sh
INCOME (Appendix II)	167,158,702	154,662,808
OPERATING EXPENSES (Appendix II)	(145,255,366)	(138,128,487)
OPERATING PROFIT	21,903,336	16,534,321
NET FINANCE INCOME (Appendix II)	7,361,627	4,664,417
PROFIT BEFORE TAXATION	29,264,963	21,198,738
TAXATION CHARGE	(12,595,467)	(6,101,079)
PROFIT FOR THE YEAR	16,669,496	15,097,659
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME	16,669,496	15,097,659

DETAILED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011 (Continued)

INCOME	2011 Sh	2010 Sh
Transaction levy	94,816,568	107,979,514
Pledges	4,163,250	8,687,000
Bad debts recovered	-	987,998
IPO Postage income	29,130	6,130,650
Depository levy	21,486,200	23,747,890
Security transfer fees	3,362,500	5,052,550
Bond levy Income	19,502,212	771,286
SMS Solution fees	385,229	460,220
Interim statement fees	287,300	528,200
Appointment/Annual Subcription fees	292,500	227,500
Miscellaneous	22,000	28,000
Withdrawal fees	145,500	62,000
Project fees	22,666,313	-
	167,158,702	154,662,808

OPERATING EXPENSES	2011 Sh	2010 Sh
Staff costs	68,927,710	61,944,205
Telephone and postage	13,544,669	18,519,841
Provision for doubtful debts	2,787,457	-
Software and equipment maintenance and hire	6,357,460	9,081,378
Office stationery	4,618,817	2,373,139
Rent and related expenses	12,292,210	13,749,923
Advertising & Public Education	856,981	1,490,478
Amortisation	7,378,477	7,227,982
Depreciation	3,311,050	3,913,462
Insurance	4,876,021	4,604,325
Immobilisation costs	165,300	655,516

OPERATING EXPENSES	2011 Sh	2010 Sh
Travelling	4,164,104	2,051,382
Professional fees	5,125,650	621,033
Licences & fees	629,514	610,216
Bank charges	496,046	780,165
Board and committee expenses	1,689,812	1,519,097
Office expenses	1,108,311	849,264
Statutory audit fees	918,354	712,042
Systems audit fees	776,040	3,318,226
Publications	495,726	602,620
General expenses	764,188	579,938
Internet services	1,888,352	487,200
Security charges	728,136	515,976
Subscription s and periodicals	430,473	384,105
Conference expenses	71,359	108,655
Repairs and renewals	406,109	260,224
Entertainment	14,210	16,845
Donations	100,000	1,151,250
Legal Fees	310,000	-
Service Charge	22,344	-
	145,255,366	138,128,487

NET FINANCE INCOME	2011 Sh	2010 Sh
Interest income	7,380,180	4,664,417
Foreign exchange gain	(18,553)	-
	7,361,627	4,664,417