SLB
SECURITIES LENDING & BORROWING

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ANNUAL REPORT & FINANCIAL STATEMENTS

UNLOCKING CAPITAL MARKETS POTENTIAL

2021

CDSC

CENTRAL DEPOSITORY & SETTLEMENT CORPORATION

Invested in Progress

Central Depository and Settlement Corporation

CDSC is the quality provider of clearing and settlement services in the Kenya Capital Markets. In line with our mission, we facilitate market places that are secure, transparent and efficient ensuring the safe custody and transfer of investor's value. In order to boost confidence in the Market, we have have invested and deployed customized solutions which will ensure that you, the investor, is aware of the transactions that happen in your CDS account whenever they occur. We are also making it possible to make positive returns from the stock market in all market conditions when you lend or borrow shares through Securities Lending and Borrowing (SLB).

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NATURE OF BUSINESS

The business of the Company is to establish and operate a central depository system and provide central clearing, settlement and depository services for securities initially in Kenya in respect to securities listed on the Nairobi Securities Exchange. The central depository system provides a centralized system for the transfer and registration of securities in electronic format without the necessity of physical certificates.

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.

Ksh. 615.2M
2021
CDSC TOTAL ASSETS

Ksh. 8.22M
2021
LOSS FOR THE YEAR

1,630,838
2021
CDS ACCOUNT REGISTRATIONS


CDSC
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
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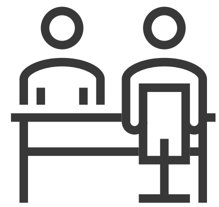
GROUP CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Aida Kimemia - (Chairperson)
	:	Ashok Shah
	:	Bob Karina
	:	Eunice Kariuki
	:	Geoffrey Odundo
	:	Kiprono Kittony
	:	Isaac Awuondo
	:	Lawrence Kimathi
	:	Sitoyo Lopokoiyit (Appointed on 1 April 2021)
	:	Charles Ogalo (Resigned on 31 March 2021)
	:	Nkoregamba Mwebesa
CHIEF EXECUTIVE OFFICER	:	Nkoregamba Mwebesa
REGISTERED OFFICE	:	Europa Towers, 10th Floor
	:	Lantana Road
	:	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

A. NOMINATIONS AND REMUNERATION COMMITTEE

1.	Aida Kimemia	-	Chairperson
2.	Eunice Kariuki	-	Member
3.	Ashok Shah	-	Member
4.	Kiprono Kittony	-	Member
5.	Isaac Awuondo	-	Member



B. FINANCE AND STRATEGY COMMITTEE

1.	Bob Karina	-	Chairman
2.	Isaac Awuondo	-	Member
3.	Lawrence Kimathi	-	Member
4.	Kiprono Kittony	-	Member
5.	Nkoregamba Mwebesa	-	Member

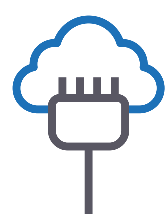
C. BUSINESS CONDUCT COMMITTEE

This is a statutory committee established pursuant to Rule 42 of the Central Depository Rules. The key mandate of the BCC is to advise the Board on matters of regulatory and business nature with regards to CDSC's operations, to monitor the operations and compliance of Central Depository Agents (CDAs) to CDSC's regulatory framework and to oversee the management of the Guarantee Fund.

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

D. TECHNOLOGY COMMITTEE

1.	Eunice Kariuki	-	Chairperson
2.	Bob Karina	-	Member
3.	Geoffrey Odundo	-	Member
4.	Sitoyo Lopokoiyit	-	Member
5.	Kelvin Kinyanjui	-	Member (Industry expert)



E. AUDIT COMMITTEE

1.	Lawrence Kimathi	-	Chairman
2.	Ashok Shah	-	Member
3.	Sam Kimani	-	Member
4.	Sitoyo Lopokoiyit	-	Member

BOARD EVALUATION DISCLOSURE REPORT

1. INTRODUCTON

The Board Evaluation for the year ended December 31, 2021 was conducted in April 2022. The exercise was conducted internally and facilitated by the Company Secretary.

*KEY FOR LEVEL OF PERFORMANCE:	
Excellent	**4**
Good	**3**
Fair	**2**
Poor	**1**

2. SUMMARY OF THE OVERALL BOARD EVALUATION

The overall performance of the Board of CDSC was rated as **Very Good** with a mean score of **3.63**.

2.1 ASSESSMENT OF THE BOARD AS A WHOLE:

ASSESSMENT AREA	AVERAGE SCORE
Overall, how well do you think the board fulfills its governance responsibilities?	3.75
Mission: The board understands the mission and purpose of the organization.	3.56
Overall, how well do you think the board fulfills its governance responsibilities?	3.75
CEO: The board monitors and evaluates the performance of the CEO on a regular basis, and delegates the day-to-day management to the CEO.	3.78
Strategy: The board approves an annual operating plan, monitors implementation, and makes sure there are strategy-implementation programs to evaluate and measure progress and impact.	3.78
Planning: The board participates with staff/Management in determining strategies and overall long-term priorities.	3.33
Financial Oversight and Viability: The board safeguards assets from misuse, waste, and embezzlement through financial oversight and making sure that effective internal controls are in place. The board ensures a realistic budget that maximizes use of resources is in place and is adhered to.	3.67

BOARD EVALUATION DISCLOSURE REPORT

ASSESSMENT AREA	AVERAGE SCORE
Policies: The board approves governing policies and reviews them periodically to ensure policies are up to date and relevant.	3.67
Legal: The board ensures the organization is compliant with laws, regulations, and fulfillment of contractual obligations, including payment of taxes and filing of required returns.	3.89
Evaluation: The board regularly assesses whether the organization is achieving its purpose (effectiveness), at what cost (efficiency), and is meeting the needs of the stakeholders.	3.44
Board effectiveness; The board ensures effective governance through evaluation of the board itself, board committees, and its leadership, and ensures the board's own continuity.	3.78
The board has a clear policy on the responsibilities of board members.	3.67
Board members clearly understand their board responsibilities, and fulfill them.	3.78
The board currently contains an appropriate range of expertise and diversity to make it an effective governing body.	3.56
The board regularly assesses its own work.	3.56
The board actively recruits, orients and trains new board members, and has procedures in place for removal of those members who are not fulfilling their agreed upon responsibilities.	3.44
The board encourages and supports individuals to treat fellow board members and staff with trust, respect, and understanding.	3.56
Board and committee meetings are well run and effective.	3.67
The board has the necessary effective board leadership – an individual and/or group of individuals who are willing and able to help the board fulfill its governance and support functions.	3.89

The overall opinion of the directors on how well the board does in fulfilling its responsibilities *(Understanding the mandate and vision of the Corporation, providing oversight, providing strategic direction, monitoring and evaluating performance, adding credibility and responding to challenges)* was rated as **Good** with an Average score of **3.50**

KEY BUSINESS DRIVERS FOR 2021-2025 STRATEGY PERIOD

TECHNOLOGY

Our core business depends on how well our tech platforms address the needs of the market

- Service Availability: We must maintain world class service availability levels
- Security: Ensure confidentiality, availability, and integrity of data and systems
- UXP: Our user experience must make the investor prefer us
- Innovation: We must continually expand and evolve the capabilities of our platform
- Diversification: Diversify products & segments beyond trading and the capital markets

PEOPLE

Enlist our employees in the change management process of transforming our culture

- Organizational Review: Realign structure to match strategic objectives
- Culture: Drive high levels of employee engagement
- Capacity: Grow and develop our people in line with our strategic priorities
- Performance: Strengthen performance measurement & management to drive productivity
- Reward: Align compensation & recognition with performance (PBP)

DISTRIBUTION

We must make it easier for target customers to use our services

- Digitization: Increase self-service, and automation to improve and simplify access
- Channels: Expand number and type of channels and customer access points
- Customer Experience: Make our products easy to sell, easy to understand, easy to use
- Market Education: Partner with other players to educate the market on securities, and depository & settlement services

OBJECTIVES FOR 2021 – 2025 STRATEGY PERIOD

FINANCIAL

- Grow revenues by between 12% and 15% a year
  - Double revenues from 350M to 700M by 2025
  - Grow annual revenues on existing business 4% a year
  - Grow annual revenues on new business 88% a year
- Diversify revenues by increasing contribution of non-core* products from 26% to 35%
- Steadily reduce cost income ratio to below 50% by 2025
- Achieve ROA of 26% by 2025
- Provide shareholders with an ROE of 29% by 2025

CUSTOMER

- Grow % of active accounts from 1.13% to 3% between 2021 and 2025
- Work with partners to ensure country-wide access to CDS accounts / services
- Increase number of CDS accounts by 5% - 10% each year
- Strengthen mobile/online/self-service CDS account open/transaction capability
- Improve service availability as measured by uptime, incidents, issues, and impact hours

EMPLOYEE

- Grow key productivity ratios by 5% - 10% each year (active accounts/employee, transactions/employee, revenue/employee, cost per employee)
- Review and optimize organizational structure to align with strategic objectives
- Commit 5% of payroll to learning & development with weekly time allocation for curated eLearning, testing & certification
- Maintain employee engagement index above 85%

CHAIRPERSON'S STATEMENT TO SHAREHOLDERS

Dear Shareholders,

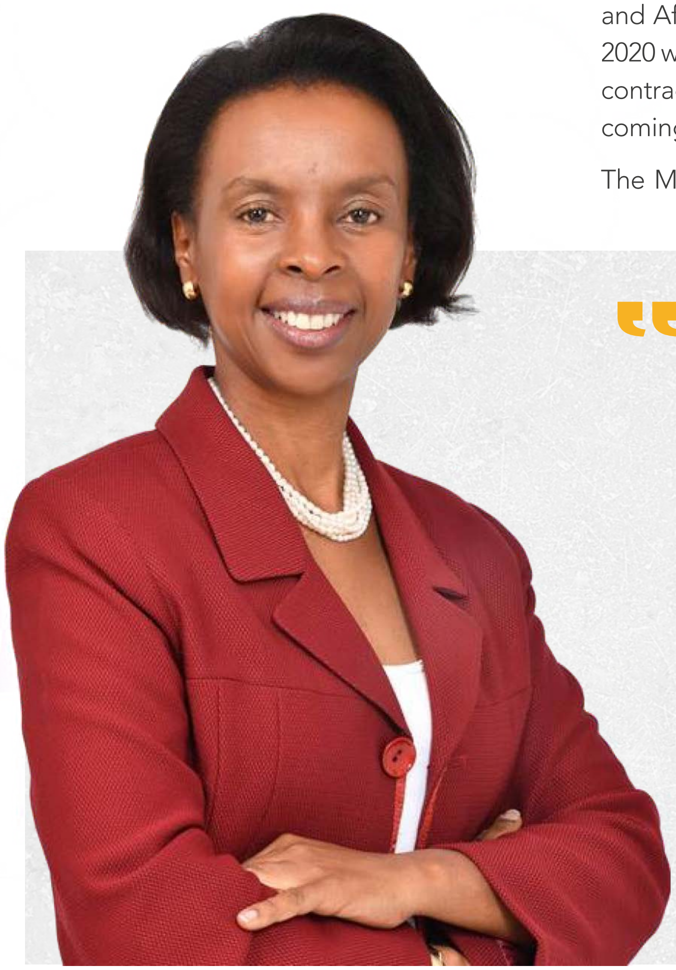
It is my pleasure to present my first Chairman's statement to the shareholders. I will highlight the key points.

When I took the mantle as Chairperson in April 2021 Kenya, like the rest of the world was working to contain the Coronavirus pandemic. Having seen the back of a very challenging 2020, we held great hope for 2021. Unfortunately, a third Covid wave resulted in continued lockdowns, travel restrictions and high freight costs making for a complex business environment. I am grateful to the Board and Management, for the measures they put in place that guaranteed the safety of our staff and clients and for the resilience demonstrated to ensure the company continued to deliver on its mandate. We are experiencing some form of economic recovery as the pangs of the pandemic start to wade off.

Global and Local Operating Environment

Macro economic performance in 2021 was positive overall in global and African operating environments. This was largely expected as 2020 was a difficult year that saw major economies experience a net contraction in growth. Kenya's GDP grew by an impressive 7.5% coming from the previous year's contraction of 0.3%.

The MSCI World Index that captures large and mid-cap counters



> ***On the equities side, 2021 saw market capitalization grow by 10.97% to Kes.2.6 trillion. Conversely, however, the volumes traded were significantly lower standing at 4 billion in 2021 compared to 5.2 billion in 2020.***

AIDA KIMEMIA
Chairperson

across 23 Developed Markets reported a growth of 22% in 2021 compared to a growth of 16.5% in 2020. In contrast, The Kenyan Capital Markets posted mixed performances. In the fixed income space, bonds traded in 2021 grew by 38.4% growth from the previous year. On the equities side, 2021 saw market capitalization grow by 10.97% to Kes.2.6 trillion. Conversely, however, the volumes traded were significantly lower standing at 4 billion in 2021 compared to 5.2 billion in 2020. This represented a decline of 23%.

Financial performance

CDSC's 2021 financial year was marked by continued volatility.

Since our inception, we have had a steady streak of positive financial performance. This trend was broken in 2021 when the Group posted a net loss of Kes.8.2 million, down from a net profit of Kes.40.2 million in 2020. The net loss position was a result of a 10% percent decline in total revenues in the period, precipitated by the 23% decline in the volume of shares traded at the Exchange.

This was exacerbated by a 26% increase in administrative and operating expenses attributed to higher costs to maintain technology infrastructure and staff overheads. Furthermore, CDSC ceded 50% of bond (fixed income) levy revenues to the NSE in line with the agreement to cede the entire levy by the year 2023.

CDSC's balance sheet remains strong and resilient to overcome any short-term and medium-term headwinds. Total assets currently stand at Kes.615.2 million. The Board and Management will continue to manage the current asset base prudently, as we navigate the business and uphold shareholder value.

In the face of these new business realities, the Board, working closely with Management, is implementing a wide array of cost rationalization and revenue-generating initiatives that are guided by the 2021-2025 Strategy.

Strategic Direction

During the first year of implementation of the strategy, the Group made significant strides in meeting the set goals. The Key 2021 milestones were:

1. Concluding our organizational restructuring and alignment of all functions to support the delivery of our strategic ambitions.
2. We also made progress in the partial automation of our processes including account opening, transfers and settlement services which are now shared and processed electronically.
3. As a result of a successful CDS Account activation campaign, the percentage of active accounts trading doubled to 2% in 2021. This is against a target of 3% active CDS accounts by 2025.
4. The CDSC Chatbot was launched in the last quarter of 2021 with new features that allow customers to check their account balance, get a statement of their holdings, perform portfolio valuation, view share trading price, and check on upcoming corporate actions.
5. And most importantly we ensured Service availability with an overall score of 100%. This is measured as uptime, incidents, issues, and impact hours of our systems

The Corporation has identified key areas of focus in its revenue diversification objective to ensure business sustainability and consistent returns to our shareholders. In the first quarter of 2022, the Corporation received full approval from the Capital Markets Authority (CMA) to offer Securities Lending and Borrowing (SLB) to investors in a live market environment.

Some of our other strategic priorities under implementation in the current year include the introduction of fees for corporate transfers and mergers, the introduction of Entitlement File fees for processing of corporate actions, CDS account maintenance fees, as well as updating our Investment Policy to ensure the company enjoys reasonable and competitive risk-adjusted returns from its liquid assets.

As we head into the future, we are confident that our strategy and proposition to customers will drive our growth and contribute to the shared value created for our shareholders and customers.

Guarantee Fund

The CDSC Guarantee Fund continues to grow as it performs its purpose of ensuring there is settlement of funds between settlement participants in instances of inability to meet settlement obligations. During the year under review, total assets of the Fund grew by 7.5% to Kes.1.2 billion.

Board and Governance

In March 2021, Mr. Charles Ogalo left the Board after serving the Corporation since its inception. Mr. Ogalo, served a remarkable two terms at the helm of the Board. The Shareholders, Board and Management remain grateful to Mr. Ogalo for his distinguished leadership and service.

We are privileged to have Mr. Sitoyo Lopokoiyit who joined the Board in April 2021. He brings a wealth of experience in business strategy, financial technologies, and business management. His vast experience and network is a great addition to the Corporation.

Outlook

We remain cognizant of near-term risks in 2022 such as inflation concerns due to rising oil prices and pressure on the local currency. We are also mindful of global occurrences like the ongoing conflict between Russia and Ukraine as well as actions by the Federal Reserve due to their potential impact on the investment decisions taken by our international clients. Furthermore, Kenya will be having general elections this year and this is expected to have an overall effect of slowing down trading activity in the Kenyan Capital Markets space.

Despite these uncertainties, we are confident in our investment decisions anchored on our clearly defined strategic priorities that are expected to drive the next phase of growth of this organization. Our success will be defined by the disciplined and consistent execution of the planned initiatives and our deliberate focus on the full automation of our services. We will continue to invest in areas of our competitive strength, support and protect the well-being of our staff, customers and champion sustainable causes in the communities we operate.

Conclusion

My sincere gratitude to the Board of Directors whose availability, insights and consistent engagements have provided sound stewardship necessary to deliver immense value to all our stakeholders.

I wish to acknowledge the dedication of the Management and staff in ensuring continuity of service to our clients and diligently delivering on the set objectives in an exceptionally challenging year.

Finally, on behalf of the organization, I would like to extend a special appreciation to our key stakeholders; the Capital Markets Authority (CMA) and the Kenya Association of Stockbrokers and Investment Banks (KASIB) for the continuous and fruitful engagements. I also wish to recognize the Nairobi Securities Exchange (NSE) for the long-standing partnership we continue to enjoy as we provide critical market infrastructure solutions and products that meet our customers' needs. I am confident that we will sustain this collaboration and I look forward to even greater interactions for our mutual growth.

AIDA KIMEMIA
Chairperson

BOARD OF DIRECTORS PROFILES

BOARD OF DIRECTORS PROFILES

AIDA KIMEMIA (Chairperson effective - April 1, 2021)

Mrs. Aida Kimemia has over 25 years of banking and development finance experience in Africa, Asia and Eastern Europe. She currently serves as non-executive director on the boards of three private companies operating in multiple African countries and chairs the investment committee of Tiserin - Adapta, a credit facility which finances and provides climate-smart solutions to small and medium agribusiness companies. Aida previously served as Chair on the Board of Metropolitan Cannon General Insurance Company.

Aida had a long career at the International Finance Corporation (IFC), rising to the rank of Regional Manager, where she led a team in developing a significant and diverse investment portfolio in the manufacturing and services sectors in Africa. Within IFC she also led IFC's Africa Health and Education business and was Head of the East Africa regional office.

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

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

ASHOK KUMAR MEPA SHAH

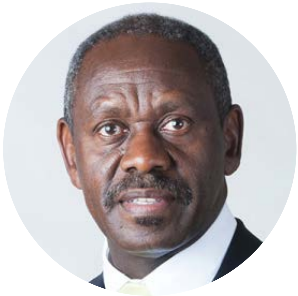
Mr. Shah is currently the Group Chief Executive of Apollo Investments Limited. Before taking over this position, he was the CEO of APA Insurance from its inception to the merger of the General Insurance business of Apollo Insurance and Pan Africa Insurance. APA is a leading regional player and in previous years has been recognized as the Best Insurance Company in Claims Settlement (Life Business). His other directorships include APA Insurance Ltd, Barclays Bank of Kenya, APA Life Assurance, Apollo Asset Management, APA Insurance Uganda and Reliance Insurance Company Ltd in Tanzania.

Ashok 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 Ernst and Young Entrepreneur of the Year Award in the Masters' Category. Shah emerged as 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.

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 the Association of Kenya Insurers (AKI).

Ashok is a Director of CDSC representing the Capital Markets Challenge Fund.

BOB KARINA



Bob Karina is the Founder and the Chairman of Faida Investment Bank. He is the Managing Director of Faida Securities Rwanda. He is the Chairman of the Rwanda Stock Exchange (RSE), the immediate former Vice Chairman of the Nairobi Securities Exchange, Chairman of Norwich Union Properties Ltd., Former Director at Kenya Industrial Estates and served as Director of Kenya Private Sector Alliance (KEPSA), Kenya National Chamber of Commerce and Industry (KNCC&I), Registration of Accountants Board at the National Treasury, among others.

Bob is a Corporate Finance Specialist and an accomplished Stockbroker. He 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 a Commendation and admitted as a Fellow of the Institute for exemplary service rendered since it's inception. Bob serves as the Chairman of the Association of Kenya Stockbrokers Nominees Ltd. He is also a Member of the Institute of Directors. 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 during his tenure 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 to improve their bottom line, list on the Exchange, mergers and acquisitions, raise capital, grow and thrive. Mr. Karina represents the Association of Kenya Stockbrokers on the CDSC Board.

He is married to Jennifer Karina and has three children and several grandchildren. He enjoys jogging, swimming and playing golf.

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 in 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 the 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 also listed on the 2009 top 40 under 40 Women in Kenya, and 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 the UK. Eunice also holds a Post Graduate Diploma from the Chartered Institute of Marketing (CIM). She has undertaken Strategic Leadership Development Programme (SLDP) Training and Project Management (PMYK).

Eunice is an independent director representing public interest on the CDSC Board.

GEOFFREY ODUNDO

Mr. Odundo is the Chief Executive of the Nairobi Securities Exchange Plc (NSE), a position he has held for the last seven (7) years. He is an accomplished Investment Banker and has been in the financial services sector for the last 30 years holding senior roles in Asset Management, Corporate Finance and Securities Trading.

Before this, he was the Managing Director of Kingdom Securities Limited and Chief Manager, Merchant and Investment Banking at the Co-operative Bank of Kenya Group.

Mr. Odundo is a Director of the Central Depository and Settlement Corporation Limited; NSE Clear Limited and Trustee of the NSE Fidelity Funds. He is the Vice-Chairman of the REITs Association of Kenya (RAK) and a past Director of the Association of Stock Exchanges of Africa (ASEA).

He is a Council Member of the Institute of Certified Financial Analysts (ICIFA), a member of the Working Committee of the World Federation of Exchanges (WFE), and a member of the Central Bank of Kenya - Consolidated Fund for Debt Management (CFDDM) Committee.

He holds a Master's Degree in Strategic Management from the United States International University and an undergraduate degree in Mathematics and Economics from Egerton University and is an Advanced Management Program graduate from Strathmore/IESE (Spain) Business Schools.

KIPRONO KITTONY, EBS

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

Before this appointment, he was the National Chairman of the Kenya National Chamber of Commerce & Industry, the premier 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 the 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 as 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.

ISAAC AWUONDO

He is currently the Chairman of NCBA Bank Kenya and prior to the merger between Commercial Bank of Africa Limited ("CBA Group") and NIC Group PLC, which took effect on 1st October 2029, he was the Group Managing Director of Commercial Bank of Africa Limited ("CBA Group").

Isaac has considerable experience in the financial services industry having worked for more than 34 years in the Kenyan and regional banking industry. NCBA Group presently serves more than 50 million customers in its five main markets and through its 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). Before joining CBA Group (more than 23 years ago) Isaac was Chief Financial Officer and executive director at Standard Chartered Bank Kenya Ltd operations in Kenya and the East Africa region for over 8 years. Isaac graduated from the 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 a Fellow of the Kenya Institute of Management. Isaac sits on the Board of several public and private organizations, 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 the 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.

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 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 the Institute of Directors (IOD).

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

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 the accelerated growth of M-PESA in Tanzania.

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

Sitoyo has over 10 years of senior managerial experience in 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 the UK.

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 of experience as a strategic and purpose-driven corporate leader in the Financial Services Sector in the East Africa Region. spans from Banking, Wealth and Investment Management, Investment Banking to 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).

Before 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) which 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 on the CDSC Board.

HILDA NJERU

Hilda heads the Legal & Corporate Affairs, Risk & Compliance Division at CDSC.

As the Head of Legal and Compliance, Hilda provides oversight and leadership on legal matters to CDSC and its subsidiaries, ensuring compliance with legal and regulatory requirements. She spearheads policy formulation and is charged with coordinating and championing risk management strategies for the Company. Hilda is 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), a certified Governance Auditor and has completed the Certified Public Accountants (CPA) course.

She has over 14 years of experience in the field of financial law and regulatory compliance spanning the Banking and Capital Markets industries.

EXECUTIVE COMMITTEE

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She has over 14 years of experience in the field of financial law and regulatory compliance spanning the Banking and Capital Markets industries.

JAMES GIKONYO

James oversees the Technology and Transformation Division and is the secretary of CDSC's Technology Committee of the Board.

He provides vision and leadership on ICT initiatives and has been instrumental in planning and implementing enterprise transformational Information Systems. He has also set up CDSC's Cyber Security framework. He has a wealth of experience in the Information Communication Technology field, having implemented and managed Banking IT systems for 16 years working for ABSA Bank (formerly Barclays Bank) and Transnational Bank before joining CDSC.

He joined CDSC in September 2007 and is an astute ICT and strategic commercial leader with more than 20 years of demonstrated achievement and leadership experience at the Executive level in the Capital Markets and the Banking sector.

James holds a Master of Science Degree in Information Systems specializing in Strategic Management of ICT and Information Security from the University of Nairobi (2001) and a Bachelor of Science Degree in Mathematics/Computer science from Kenyatta University (1991).

He is also a Certified Information Systems Auditor (CISA).

MARION KIOI

Marion is responsible for providing leadership in the Client and Intermediary Services division and is the secretary of CDSC's Business Conduct Committee.

She oversees the safe custody of securities, management of the daily electronic clearing, delivery and settlement processes, and customer service management. She is also charged with the operationalization of the company's strategic objectives.

She has over 17 years experience in Depository, Clearing and Settlement services at CDSC and a wealth of experience in the Capital market. Prior to joining CDSC, she worked for Nairobi Securities Exchange in the Delivery & Settlement department.

Marion holds a Bachelor of Science Degree from the University of Nairobi. She is currently pursuing a Master of Science Degree in Finance at the University of Nairobi.

JESSE KAGOMA

Jesse is responsible for providing technical and professional leadership in the planning, development, execution, and evaluation of CDSC's financial policies and systems, aimed at ensuring prudent management and control of financial resources. He also oversees the effective implementation of the CDSC administration function, procurements, human capital management, and any other corporate support services.

Jesse is a seasoned and accomplished business manager with over 18 years of experience in financial reporting, turnarounds & advising on business growth, strategy formulation & execution, business valuations & balance sheet restructuring, merger & acquisitions processes, budgetary controls & financial planning, investment funds & treasury management and tax & audit planning.

He holds a Masters in Business Administration (MBA) Finance and a Bachelor of Business Management (Finance & Banking). He is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

MUMO MUTISYA

Mr. Mumo Mutisya is Head of the Strategy and Commercial Division at CDSC.

As the Head of Division, Mumo provides vision, leadership, and oversight in; the formulation and execution of Strategy, Business Development, Branding and Marketing, Investor education, Market research, and Project management. In addition to this, Mumo drives the organization's innovation process towards the roll-out of innovative and responsive solutions for the organization and the market at large. He is also responsible for seeking out and establishing strategic partnerships to position the CDSC's products and services for success.

Mumo is a seasoned business leader with over 13 years of professional experience. He joined the CDSC in 2013 as an ICT Support Officer and rose to the position of Manager ICT Services in June 2016, a role he excelled at culminating in his appointment as Head of the Strategy and Commercial Division in October 2021. Over the last 9 years, Mumo has been instrumental in the success of ground-breaking initiatives such as; the digitization of share certificates, the M-Akiba retail Government Bond, the upgrade of the Central Depository and Settlement system, the implementation of CBK settlement for Capital Markets transactions, the CDSC's CPMI-IOSCO assessment and certification, as well as the implementation of SD-WAN connectivity for market participants. Mumo has also been instrumental in the formulation of the organization's Blockchain strategy as well as extensive Digital transformation in the CDSC's adoption of cloud computing, virtualization, and Information Security technology enhancements.

Mumo holds a Bachelor of Science degree in Computer Engineering from Kenyatta University (2009) and he has completed his Master's in Business Administration studies from the University of Suffolk (UK) awaiting graduation in October 2022. Mumo also holds various professional certifications in Project management (PRINCE2), Service delivery and Customer service certification (ITIL), ICT Governance and Strategy (CISA and COBIT 5), IT infrastructure management (CCNP, MCITP, and VCP) and he is a member of ISACA (Local and international chapters).

Mumo serves as a Board member of the NSE& CDSC Staff Provident Fund, and has previously served CDSC as a member of the Operational, Safety, and Health Committee.

TITUS MIRANYI

As the Head of Internal Audit in CDSC, Titus is responsible for providing independent and objective assurance on the effectiveness of Internal Controls, Planning and performing operational, ICT and financial audits, identifying business process risks, developing testing methodologies to evaluate the adequacy of controls, documenting and communicating the results of the evaluations and offering leadership to staff in the department.

Titus is an accomplished Audit professional with over ten years of experience having served in different capacities across multiple sectors in Kenya.

He holds a Bachelor of Business and Management Degree (Accounting) from Egerton University.

Titus is also a Certified Public Accountant, a Certified Information Systems Auditor, a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors of Kenya (IIA-K).

He is currently pursuing a Master's in Business Administration (Finance) at Kenyatta University.

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9. Equity Bank Kenya
10. Francis Drummond & Co.
11. Kingdom Securities
12. NCBA Investment Bank
13. ABC Capital

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2021, 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 2021, the total revenue of the group and company decreased from Shs. 308,169,172 to Shs. 278,464,205 and from Shs. 303,446,712 to Shs. 276,737,214 respectively.

The profit after tax of the Group decreased from Shs. 40,228,293 to a loss of Shs. 8,216,823 whereas that of the Company decreased from Shs. 50,273,609 to a loss of Shs. 8,652,156.

As at 31 December 2021, the net current asset position of the group was Shs. 315,199,388 compared to Shs. 450,907,876 while that of the company was Shs. 307,819,751 compared to Shs. 444,345,755 as at 31 December 2020.

	GROUP		COMPANY	
Key performance indicators	**2021**	**2020**	**2021**	**2020**
Revenue (Shs)	278,464,205	308,169,172	276,737,214	303,446,712
(Loss)/profit for the year (Shs)	(8,216,823)	40,228,293	(8,652,156)	50,273,609
Net assets (Shs)	500,529,896	625,978,406	493,366,819	619,518,975

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 do not recommend the declaration of a dividend for the year (2020: shs. 117,500,000).

Directors

The directors who held office during the year and to the date of this report are shown on page 5.

In accordance with the group's Articles of Association, Ashok Shah and Isaac Awuondo retire by rotation and being eligible, offer themselves for re-election.

Statement as to Disclosure to the Company's Auditor

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

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

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

Terms of Appointment of the Auditor

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

Hilda Njeru

COMPANY SECRETARY

NAIROBI

29 March 2022

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 2021 and of the group's and company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

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

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

Approved by the board of directors on 29 March 2022 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 32 to 74 which comprise the consolidated and company statement of financial position as at 31 December 2021, 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 2021 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.

- 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 tests of controls and substantive procedures to determine the reliance placed on the completeness and accuracy of the system generated information.

Key Audit Matters (continued)

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.

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF CENTRAL DEPOSITORY AND SETTLEMENT CORPORATION LIMITED

As part of an audit in accordance with International Standards on Auditing, 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 directors' 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, whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF CENTRAL DEPOSITORY AND SETTLEMENT CORPORATION LIMITED

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

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 25 and 26 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Ritesh Haresh Mirchandani, Practising certificate No. 1631

For and on behalf of PKF Kenya LLP
Certified Public Accountants
Nairobi, Kenya

29 March 2022

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CONSOLIDATED STATEMENT

OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2021 Shs	2020 Shs
Revenue	1	278,464,205	308,169,172
Other operating income	2	12,017,382	15,734,230
Remeasurement gain/(loss) on balances held with banks under receivership		1,268,836	4,432,918
Net impairment losses on financial and contract assets	21(b)	4,448,139	(32,182,118)
Administrative expenses		(245,486,660)	(215,721,051)
Other operating expenses		(82,600,168)	(44,289,321)
Operating (Loss)/profit	3	(31,888,266)	36,143,830
Finance Income-Interest income	5	26,242,788	26,472,271
Finance (costs)	5	(6,038,104)	(2,315,036)
Net finance income		20,204,684	24,157,235
(Loss)/Profit before tax		(11,683,582)	60,301,065
Tax	6	3,466,758	(20,072,772)
(Loss)Profit for the year		**(8,216,823)**	**40,228,293**
Items that may be reclassified subsequently to profit or loss:			
- Exchange differences on translation of foreign operations		268,313	(250,339)
Total comprehensive (loss)/income for the year		(7,948,510)	39,977,954
(Loss)/profit for the year is attributable to:			
- Owners of the parent company		(8,216,823)	41,780,781
- Non-controlling interests		-	(1,552,488)
		(8,216,823)	40,228,293
Other comprehensive income:			
Dividend:			
Proposed final dividend for the year		-	117,500,000

The notes on pages 40 to 74 form an integral part of these financial statements.

Report of the independent auditor - pages 28 to 31.

COMPANY STATEMENT

OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2021 Shs	2020 Shs
Revenue	1	276,737,214	303,446,712
Other operating income	2	12,017,382	14,108,065
Remeasurement gain/loss on balances held with banks under receivership		1,268,836	4,432,918
Net impairment gain/(losses) on financial and contract assets	21(b)	4,448,139	(3,165,807)
Administrative expenses		(244,710,599)	(207,200,730)
Other operating expenses		(82,280,393)	(65,582,475)
Operating (loss)/profit	3	(32,519,421)	46,038,683
Finance income - interest income	5	26,242,788	26,466,452
Finance (costs)	5	(6,031,018)	(2,350,264)
Net finance income		20,211,770	24,116,188
(Loss)/profit before tax		(12,307,651)	70,154,871
Tax	6	3,655,495	(19,881,262)
(Loss)/profit for the year		(8,652,156)	50,273,609
Dividend:			
Proposed final dividend for the year		-	117,500,000

The notes on pages 40 to 74 form an integral part of these financial statements.

Report of the independent auditor - pages 28 to 31.

CONSOLIDATED STATEMENT

OF FINANCIAL POSITION

As at 31 December

	Note	2021 Shs	2020 Shs
Capital Employed			
Share capital	7	175,000,000	175,000,000
Translation reserve		14,554)	(282,867)
Retained earnings		325,544,450	333,761,273
Proposed dividends		-	117,500,000
Shareholders' funds		500,529,896	625,978,406
Non-current liabilities			
Lease liabilities	8	64,244,665	1,992,513
		564,774,561	627,970,919
REPRESENTED BY			
Non-current assets			
Property and equipment	9	56,906,112	53,726,890
Right-of-use assets	10	65,021,353	9,454,764
Intangible assets	11	101,760,753	99,410,827
Deferred tax	12	25,886,955	14,470,562
		249,575,173	177,063,043
Current assets			
Assets of disposal group classified as held-for-sale	17	12,048,714	11,534,723
Trade and other receivables	14	68,816,659	47,996,850
Cash and cash equivalents	15	235,761,806	405,207,020
Tax recoverable		49,000,512	25,795,680
		365,627,691	490,534,273
Current liabilities			
Liabilities directly associated with assets classified as held-for-sale	17	1,983,524	1,794,708
Lease liabilities	8	9,797,053	12,087,828
Trade and other payables	16	38,647,726	25,743,861
		50,428,303	39,626,397
Net current assets		315,199,388	450,907,876
		564,774,561	627,970,919

The financial statements on pages 32 to 74 were approved and authorised for issue by the Board of Directors on 29 March 2022 and were signed on its behalf by:

DIRECTOR **DIRECTOR**

The notes on pages 40 to 74 form an integral part of these financial statements.

Report of the independent auditor - pages 28 to 31.

COMPANY STATEMENT
OF FINANCIAL POSITION

As at 31 December

	Note	2021 Shs	2020 Shs
Capital Employed			
Share capital	7	175,000,000	175,000,000
Retained earnings		318,366,819	327,018,975
Proposed dividends		-	117,500,000
Shareholders' funds		493,366,819	619,518,975
Non-current liabilities			
Lease liabilities	8	64,244,665	1,992,513
		557,611,484	621,511,488
REPRESENTED BY			
Non-current assets			
Property and equipment	9	56,906,111	53,726,890
Right of use assets	10	65,021,353	9,454,764
Intangible assets	11	101,760,753	99,408,894
Deferred tax	12	25,942,473	14,414,142
Investment in subsidiaries	13	161,043	161,043
		249,791,733	177,165,733
Current assets			
Trade and other receivables	14	71,988,497	58,148,816
Cash and cash equivalents	15	235,761,806	405,207,020
Tax recoverable		49,000,512	25,795,680
		356,750,815	489,151,516
Current liabilities			
Lease liabilities	8	9,797,053	12,087,828
Trade and other payables	16	39,134,011	32,717,933
		48,931,064	44,805,761
Net current assets		307,819,751	444,345,755
		557,611,484	621,511,488

The financial statements on pages 32 to 74 were approved and authorised for issue by the Board of Directors on 29 March 2022 and were signed on its behalf by:

DIRECTOR **DIRECTOR**

The notes on pages 40 to 74 form an integral part of these financial statements.
Report of the independent auditor - pages 28 to 31.

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY

	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 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)	-	-	-	-	(12,000,000)	**(12,000,000)**	-	(12,000,000)
- Final for 2020 (proposed)	-	-	-	(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
Year ended 31 December 2021								
At start of year	175,000,000	-	(282,867)	333,761,273	117,500,000	**625,978,406**	-	625,978,406
Total comprehensive income for the year	-	-	268,313	(8,216,823)	-	**(7,948,510)**	-	(7,948,510)
Transactions with owners:								
- Final for 2020 (paid)	-	-	-	-	(117,500,000)	**(117,500,000)**	-	(117,500,000)
At end of year	175,000,000	-	(14,554)	325,544,450	-	**500,529,896**	-	500,529,896

The notes on pages 40 to 74 form an integral part of these financial statements.

Report of the independent auditor - pages 28 to 31.

COMPANY STATEMENT
OF CHANGES IN EQUITY

	Share capital Shs	Retained earnings Shs	Proposed dividends ShsShs	Total
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)	-	-	(12,000,000)	(12,000,000)
- Final for 2020 (proposed)	-	(117,500,000)	117,500,000	-
At end of year	175,000,000	327,018,975	117,500,000	619,518,975
Year ended 31 December 2021				
At start of year	175,000,000	327,018,975	117,500,000	619,518,975
Total comprehensive income for the year	-	(8,652,156)	-	(8,652,156)
Transactions with owners:				
- Final for 2020 (paid)	-	-	(117,500,000)	(117,500,000)
At end of year	175,000,000	318,366,819	-	493,366,819

The notes on pages 40 to 74 form an integral part of these financial statements.

Report of the independent auditor - pages 28 to 31.

CONSOLIDATED STATEMENT
OF CASH FLOWS

	Note	2021 Shs	2020 Shs
Operating activities			
Cash from operations	18	85,146,140	166,668,277
Interest received		(26,242,788)	(26,472,271)
Tax paid		(31,267,580)	(2,432,571)
Net cash from operating activities		27,635,772	137,763,435
Investing activities			
Payment under leases	8	(13,219,508)	(12,616,139)
Purchase of property and equipment	9	(24,002,059)	(2,072,455)
Purchase of intangible assets	11	(19,331,742)	(22,688,330)
Proceeds from disposal of CDSC Registrars Kenya Limited		-	4,259,386
Net cash (used in) investing activities		(56,553,309)	(33,117,538)
Financing activities			
Dividends paid		(117,500,000)	(12,000,000)
Net cash (used in) financing activities		(117,500,000)	(12,000,000)
(Decrease)/increase in cash and cash equivalents		(146,417,537)	92,645,897
Movement in cash and cash equivalents			
At start of year		381,758,481	289,443,592
(Decrease)/increase		(146,417,537)	92,645,897
Exchange differences on translation of foreign operations		420,862	(331,008)
At end of year	15	235,761,806	381,758,481

The notes on pages 40 to 74 form an integral part of these financial statements.

Report of the independent auditor - pages 28 to 31.

COMPANY STATEMENT
OF CASH FLOWS

	Note	2021 Shs	2020 Shs
Operating activities			
Cash from operations	18	85,379,021	171,444,878
Interest received		(26,242,788)	(26,466,452)
Tax paid		(31,077,666)	(6,965,026)
Net cash from operating activities		28,058,567	138,013,400
Investing activities			
Payment under leases	8	(13,219,508)	(12,616,139)
Purchase of property and equipment	9	(24,002,059)	(1,531,261)
Purchase of intangible assets	11	(19,333,675)	(22,688,330)
Proceeds from disposal of subsidiary		-	4,259,386
Net cash (used in) investing activities		(56,555,242)	(32,576,344)
Financing activities			
Dividends paid		(117,500,000)	(12,000,000)
Net cash (used in) financing activities		(117,500,000)	(12,000,000)
(Decrease)/increase in cash and cash equivalents		(145,996,675)	93,437,056
Movement in cash and cash equivalents			
At start of year		381,758,481	288,321,425
(Decrease)/increase		(145,996,675)	93,437,056
At end of year	15	235,761,806	381,758,481

The notes on pages 40 to 74 form an integral part of these financial statements.

Report of the independent auditor - pages 28 to 31.

NOTES

SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

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

The financial performance of the group is set out in the report of the directors and in the consolidated statement of profit or loss and other comprehensive income. The financial position of the group is set out in the consolidated statement of financial position and the company statement of financial position. Disclosures in respect of risk management are set out in Note 21 and disclosures in respect of capital management are set out in Note 22.

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 2021. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the group. The group intends to use the practical expedients in future periods if they become applicable.

a) Basis of preparation (continued)

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

Covid-19-Related Rent Concessions beyond 30 June 2021 - Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. 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 was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within the allowed period of application.

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 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 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies (issued in February 2021). The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.
- Amendments to IAS 8 'Definition of Accounting Estimates' (issued in February 2021), effective for annual reporting periods beginning on or after 1 January 2023, introduce a definition of 'accounting estimates' and clarify the distinction between changes in accounting estimates and change in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.
- Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 prohibit entities from deducting from 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.

NOTES (cont'd)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

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

- 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.
- 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 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 and 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.

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; an
- 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 <u>other than trade receivables</u> 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.

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

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

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 14 and 15.

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

Management reviews the useful lives, depreciation methods and residual values of the items of property 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 and equipment, right-of-use assets and intangible assets are disclosed in notes 9, 10 and 11, 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.

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

- Useful lives, depreciation methods and residual values of property and equipment, intangible assets and right-of-use assets (continued)

Most extension options in offices and storage spaces 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 8 and 10, respectively.

c) Revenue recognition

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

i) Transaction, depository and bond levy income

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

ii) Other income

Interest income is 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 2021. Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies. Control is achieved when the group has power over the investee; is exposed or has right to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The group also assesses the existence of control where it does not have a majority of the voting rights power but is able to govern the financial and operating policies of a subsidiary. Control may arise in certain circumstances where including the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, where potential voting rights are held by the company and rights from other contractual arrangements etc.

When the company has assessed and has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

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

d) Consolidation (continued)

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

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.

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 and any accumulated impairment losses. 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:

f) Property and equipment

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

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 (loss) before tax.

g) Intangible assets - Computer software

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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 (loss)/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.

h) Financial instruments (continued)

- 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.

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.

h) Financial instruments (continued)

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.

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 financial position 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 amounts 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 unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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.

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.

o) 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.

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 as held 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 the sale.

s) Comparatives

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

NOTES (cont'd)

	Group		Company	
	2021 Shs	**2020 Shs**	**2021 Shs**	**2020 Shs**
1. Revenue				
Recognised at a point in time:				
Transaction levy	219,638,432	238,764,945	219,638,432	238,764,945
Depository levy	18,366,083	16,579,857	18,366,083	16,579,857
Registry fees	1,726,991	4,722,460	-	-
Bond levy	25,646,892	27,671,324	25,646,892	27,671,324
Others	13,085,807	20,430,586	13,085,807	20,430,586
	278,464,205	308,169,172	276,737,214	303,446,712
2. Other operating income				
Other income	12,017,382	15,734,230	12,017,382	14,108,065
3. Operating (loss)/profit				
The following items have been charged in arriving at operating profit:				
Depreciation on property and equipment (Note 9)	20,783,402	23,797,195	20,783,402	22,482,217
Depreciation on right-of-use assets (Note 10)	12,924,138	8,167,837	12,924,138	8,167,837
Amortisation of intangible assets (Note 11)	16,981,816	14,645,847	16,981,816	14,645,847
Board and committee allowances	12,077,727	14,508,389	12,077,727	14,335,229
Directors remuneration	22,741,892	11,490,589	22,741,892	11,490,589
Impairment (gain)/loss on cash and bank balances (Note 21)	(1,609,952)	606,403	(1,609,952)	606,403
Impairment (gain)/loss on trade and other receivables (Note 21)	(2,838,187)	1,154,646	(2,838,187)	302,326
Auditors' remuneration				
- current year	4,561,289	3,903,401	4,398,000	3,725,100
- underprovision in prior years	479,436	567,720	479,436	567,720
Short term lease rent	2,121,403	2,598,988	1,807,888	1,696,341
Staff costs (Note 4)	144,550,385	151,287,951	144,019,128	144,294,615
Repairs and maintenance	8,903,819	3,470,453	8,903,819	3,463,253

	Group		Company	
	2021 Shs	**2020 Shs**	**2021 Shs**	**2020 Shs**
4. Staff costs				
Salaries and wages	119,314,504	129,470,939	118,811,454	123,279,445
Other staff costs	13,361,041	12,147,970	13,359,530	10,322,662
Pension costs:				
- National Social Security Fund	169,257	163,949	167,708	162,400
- Defined contribution pension scheme	11,705,583	9,505,094	11,680,436	10,530,108
	144,550,385	151,287,951	144,019,128	144,294,615
The average number of persons employed during the year:				
Management and administration	47	44	46	43
5. Finance income and costs				
Finance income				
Interest income				
- financial assets at amortised cost	26,242,788	26,472,271	26,242,788	26,466,452
Finance (costs)				
Interest on lease liabilities	(4,690,158)	(2,555,531)	(4,690,158)	(2,555,531)
Net foreign exchange gain/(loss)	(1,347,946)	240,495	(1,340,860)	205,267
Finance (costs) expensed	(6,038,104)	(2,315,036)	(6,031,018)	(2,350,264)
Net finance income	20,204,684	24,157,235	20,211,770	24,116,188
6. Tax				
Current tax	8,062,748	18,332,067	7,872,836	18,114,573
Deferred tax charge (Note 12)	(11,529,507)	1,740,705	(11,528,331)	1,766,689
	(3,466,759)	20,072,772	(3,655,495)	19,881,262
The tax on the group's (loss)/profit before tax differs from the theoretical amount that would arise using the basic rate as follows:				
(Loss)/profit before tax	(11,683,582)	60,301,065	(12,307,651)	70,154,871
Tax calculated at a tax rate of 30% (2020: 25%)	(3,505,075)	18,090,320	(3,692,295)	17,538,718
Tax effect of:				
- expenses not deductible for tax purposes	38,316	2,049,424	36,800	2,048,096
- effect of tax rate changes	-	294,448	-	294,448
- income not subject to tax	-	(361,420)	-	-
Tax charge	(3,466,759)	20,072,772	(3,655,495)	19,881,262
Effective rate of tax	30%	33%	30%	28%

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

NOTES (cont'd)

	Group & Company	
	2021 Shs	**2020 Shs**
7. Share capital		
Authorised share capital:		
2,000,000 (2020: 2,000,000) ordinary shares of Shs. 100 each	200,000,000	200,000,000
Issued and fully paid:		
1,750,000 (2020: 1,750,000) ordinary shares of Shs. 100 each	175,000,000	175,000,000
8. Lease liabilities		
Non-current	64,244,665	1,992,513
Current	9,797,053	12,087,828
	74,041,718	14,080,341
Reconciliation of lease liabilities arising from financing activities:		
At start of year	14,080,341	24,140,949
Interest charged to profit or loss	4,690,158	2,555,531
Additions	68,490,727	-
Cash flows:		
- Payments under leases	(13,219,508)	(12,616,139)
At end of year	74,041,718	14,080,341

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:

6 months or less	5,187,333	5,800,404
6 - 12 months	4,609,720	6,287,424 13.00%
1 - 5 years	64,244,665	1,992,513
	74,041,718	14,080,341

Weighted average effective interest rates at the reporting date was:

Lease liabilities	12.22% -13.00%	

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

	Group & Company	
	2021 Shs	2020 Shs
Maturity based on the repayment structure of lease liabilities is as follows:		
Gross lease liabilities - minimum lease payments		
Not later than 1 year	18,257,034	13,219,508
Later than 1 year and not later than 5 years	85,086,491	2,065,308
Total gross lease liabilities	103,343,525	15,284,816
Future interest expense on leases liabilities	(29,301,807)	(1,204,475)
Present value of lease liabilities	74,041,718	14,080,341

9. Property and equipment

Year ended 31 December 2021

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	9,301,597	4,499,604	119,794,963	146,395,080
Additions	23,579,527	-	-	-	422,532	24,002,059
Disposal	(12,668,017)	-	(117,129)	(142,349)	(1,156,633)	(14,084,128)
At end of year	23,579,527	130,900	9,184,468	4,357,255	119,060,862	156,313,011
Depreciation						
At start of year	12,668,017	130,900	7,382,756	3,935,461	68,551,057	92,668,190
Charge for the year	245,620	-	833,183	344,915	19,359,684	20,783,402
Disposal	(12,668,017)	-	(117,129)	(105,923)	(1,153,624)	(14,044,693)
At end of year	245,620	130,900	8,098,810	4,174,453	86,757,117	99,406,899
Net book value	23,333,908	-	1,085,659	182,802	32,303,745	56,906,112

NOTES (cont'd)

9. 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
Cost						
At start of year	12,668,017	130,900	9,623,401	4,472,704	118,960,747	145,855,768
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	-	-	1,918,842	564,143	51,243,906	53,726,890

9. Property and equipment (continued)

Year ended 31 December 2021

Company	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	9,301,597	4,726,910	119,794,963	146,622,387
Additions	23,579,527	-	-	-	422,532	24,002,059
Impairment	(12,668,017)	-	(117,129)	(142,349)	(1,156,633)	(14,084,128)
At end of year	23,579,527	130,900	9,184,468	4,584,561	119,060,862	156,540,318
Depreciation						
At start of year	12,668,017	130,900	7,382,756	4,057,279	68,656,546	92,895,498
Charge for the year	245,620	-	833,183	344,915	19,359,684	20,783,402
Impairment	(12,668,017)	-	(117,129)	(105,923)	(1,153,624)	(14,044,693)
At end of year	245,620	130,900	8,098,810	4,296,271	86,862,606	99,634,207
Net book value	23,333,907	-	1,085,658	288,290	32,198,256	56,906,111

Year ended 31 December 2020

Company	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	9,301,597	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

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

NOTES (cont'd)

10. Right-of use assets

	2021 Shs	2020 Shs
Group and company		
Office space	65,021,353	9,454,764
At start of year	9,454,764	17,622,601
Additions	68,490,727	-
Depreciation charge for the year	(12,924,138)	(8,167,837)
At end of year	65,021,353	9,454,764

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 6 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.

11. Intangible assets

Year ended 31 December 2021

Group	Computer software Shs	Total Shs
Cost		
At start of year	177,492,438	177,492,438
Additions	19,331,742	19,331,742
At end of year	196,824,180	196,824,180
Amortisation		
At start of year	78,081,611	78,081,611
Charge for the year	16,981,816	16,981,816
At end of year	95,063,427	95,063,427
Net book value	101,760,753	101,760,753

11. Intangible assets (continued)

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

Amortisation costs of Shs. 16,981,816 (2020: Shs. 14,645,847) are included under other operating expenses in profit or loss.

Year ended 31 December 2021

Company	Computer software Shs	Total Shs
Cost		
At start of year	177,490,505	177,490,505
Additions	19,333,675	19,333,675
At end of year	196,824,180	196,824,180
Amortisation		
At start of year	78,081,611	78,081,611
Charge for the year	16,981,816	16,981,816
At end of year	95,063,427	95,063,427
Net book value	101,760,753	101,760,753

11. Intangible assets (continued)

Year ended 31 December 2020

Company	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

Amortisation costs of Shs. 16,981,816 (2020: Shs. 14,645,847) are included under other operating expenses in profit or loss.

12. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2020: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	2021 Shs	2020 Shs	2021 Shs	2020 Shs
At start of year	(14,470,562)	(16,209,583)	(14,414,142)	(16,180,831)
(Credit)/charge to profit or loss (Note 6)	(11,417,395)	1,740,705	(11,528,331)	1,766,689
Translation difference	1,001	(1,684)	-	-
At end of year	(25,886,955)	(14,470,562)	(25,942,473)	(14,414,142)

12. Deferred tax (continued)

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

Group	At start of year Shs	Charge/ (credit) to profit or loss Shs	Translation difference Shs	At end of year Shs
Deferred tax (assets)/liabilities				
Property and equipment	6,268,937	(545,753)	-	5,723,184
Leave pay provision	-	(440,286)	-	(440,286)
Impairment provision	(18,762,662)	1,707,774	-	(17,054,888)
Right of use assets	2,836,429	16,669,977	-	19,506,406
Lease liabilities	(4,224,102)	(17,988,413)	-	(22,212,515)
Gratuity provision	(532,743)	(670,086)	-	(1,202,829)
Other provisions	(56,420)	118,256	1,001	62,838
Tax losses	-	(10,268,864)	-	(10,268,864)
Deferred tax (asset)	(14,470,562)	(11,417,395)	1,001	(25,886,955)

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 Shs	At end of year Shs
Deferred tax (assets)			
Property equipment and intangible assets	6,268,937	(545,753)	5,723,184
Leave pay provision	-	(440,286)	(440,286)
Bad debt provision	(18,762,662)	1,715,093	(17,047,569)
Right of use assets	2,836,429	16,669,977	19,506,406
Lease liabilities	(4,224,102)	(17,988,413)	(22,212,515)
Gratuity provision	(532,744)	(670,085)	(1,202,829)
Tax losses	-	(10,268,864)	(10,268,864)
Deferred tax (asset)	(14,414,142)	(11,528,331)	(25,942,473)

NOTES (cont'd)

13. Investment in subsidiaries			Company	
Shares at cost	**Country of incorporation**	**Holding**	**2021 Shs**	**2020 Shs**
CDSC Registrars Rwanda Limited	Rwanda	100%	141,043	141,043
CDSC Nominees Limited	Kenya	100%	20,000	20,000
			161,043	161,043

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

14. Trade and other receivables	Group		Company	
	2021 Shs	**2020 Shs**	**2021 Shs**	**2020 Shs**
Trade receivables	47,806,167	52,887,108	47,806,167	47,883,637
Other receivables	10,793,892	12,297,322	10,793,892	12,297,322
Receivable from related parties (Note 19)	2,938,521	20,000	6,110,359	10,171,966
Less: provision for expected credit losses (Note 21)	(32,455,722)	(40,297,380)	(32,455,722)	(35,293,909)
Net trade and other receivables	29,082,858	24,907,050	32,254,696	35,059,016
Prepayments	39,733,801	23,089,800	39,733,801	23,089,800
	68,816,659	47,996,850	71,988,497	58,148,816

14. Trade and other receivables (continued)

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

	2021			2020		
Group	**Gross amount Shs**	**ECL allowance Shs**	**Carrying amount Shs**	**Gross amount Shs**	**ECL allowance Shs**	**Carrying amount Shs**
Trade receivables	47,806,167	(32,455,722)	15,350,445	52,887,108	(40,297,380)	12,589,728
Other receivables	10,793,892	-	10,793,892	12,297,322	-	12,297,322
Prepayments	39,733,801	-	39,733,801	23,089,800	-	23,089,800
Receivable from related parties	2,938,521	-	2,938,521	20,000	-	20,000
	101,272,381	(32,455,722)	68,816,659	88,294,230	(40,297,380)	47,996,850
Company						
Trade receivables	47,806,167	(32,455,722)	15,350,445	47,883,637	(35,293,909)	12,589,728
Other receivables	10,793,892	-	10,793,892	12,297,322	-	12,297,322
Prepayments	39,733,801	-	39,733,801	23,089,800	-	23,089,800
Receivable from related parties	6,110,359	-	6,110,359	10,171,966	-	10,171,966
	104,444,219	(32,455,722)	71,988,497	93,442,725	(35,293,909)	58,148,816

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

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

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

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

15. Cash and cash equivalents

	Group		Company	
	2021 Shs	2020 Shs	2021 Shs	2020 Shs
Cash at bank and in hand	37,175,631	39,358,672	37,175,631	39,358,672
Restricted bank balances	-	23,448,539	-	23,448,539
Fixed deposits	198,586,175	342,399,809	198,586,175	342,399,809
	235,761,806	405,207,020	235,761,806	405,207,020
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	37,175,631	39,358,672	37,175,631	39,358,672
Fixed deposits	198,586,175	342,399,809	198,586,175	342,399,809
	235,761,806	381,758,481	235,761,806	381,758,481

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

	Group		Company	
	2021 Shs	2020 Shs	2021 Shs	2020 Shs
Kenya Shillings	235,733,629	405,143,515	235,733,629	394,638,147
United States Dollars	28,177	63,505	28,177	10,568,873
	235,761,806	405,207,020	235,761,806	405,207,020

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

	Group		Company	
	2021 Shs	2020 Shs	2021 Shs	2020 Shs
At start of the year	(3,261,493)	(2,655,090)	(3,214,673)	(2,608,270)
Additional ECL provision for the year	1,609,952	(606,403)	1,609,952	(606,403)
At end of year	(1,651,541)	(3,261,493)	(1,604,721)	(3,214,673)

16. Trade and other payables

	Group		Company	
	2021 Shs	2020 Shs	2021 Shs	2020 Shs
Trade payables	7,833,551	6,694,390	7,833,551	6,694,390
Other payables	29,249,160	15,939,960	29,249,160	15,939,960
Payable to related parties (Note 19)	1,565,015	3,109,511	2,051,300	10,083,583
	38,647,726	25,743,861	39,134,011	32,717,933

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

Group	0 to 3 months Shs	4 to 12 months Shs	Total Shs
Year ended 31 December 2021			
Trade payables	870,513	6,963,038	7,833,551
Other payables	11,146,393	18,102,767	29,249,160
Payable to related parties	503,625	1,061,390	1,565,015
	12,520,531	26,127,195	38,647,726
Year ended 31 December 2020			
Trade payables	132,457	6,561,933	6,694,390
Other payables	4,950,732	10,989,228	15,939,960
Payable to related parties	3,109,511	-	3,109,511
	8,192,700	17,551,161	25,743,861

16. Trade and other payables (continued)

Company Year ended 31 December 2021	0 to 1 month Shs	2 to 3 months Shs	4 to 12 months Shs	Total Shs
Trade payables	384,796	485,717	6,963,038	7,833,551
Other payables	-	10,846,393	18,402,767	29,249,160
Payable to related parties	849,876	140,034	1,061,390	2,051,300
	1,234,672	11,472,144	26,427,195	39,134,011
Year ended 31 December 2020				
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

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 group's and company's cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2021 Shs	2020 Shs	2021 Shs	2020 Shs
Kenya Shillings	338,432,157	25,743,861	38,918,442	32,717,933
United States Dollars	173,075	-	173,075	-
Euro	42,494	-	42,494	-
	38,647,726	25,743,861	39,134,011	32,717,933

17. 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 and subsequently signed a resulution and sale agreement on 15 November 2021. Control over the subsidiary will however be relinguished as at 28 February 2022.

	2021 Shs	2020 Shs
Assets		
Trade and other receivables	1,531,430	1,055,858
Cash and cash equivalents	10,112,707	10,040,555
Other current assets	404,576	438,310
	12,048,714	11,534,723
Liabilities		
Trade and other payables	1,983,524	1,794,708

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

18. Cash from operations

	Group		Company	
	2021 Shs	2020 Shs	2021 Shs	2020 Shs
Reconciliation of (loss)/profit before tax to cash from operations:				
(Loss)/profit before tax	(11,683,582)	60,301,065	(12,307,651)	70,154,871
Adjustments for:				
Depreciation on property and equipment (Note 9)	20,783,402	23,797,195	20,783,402	22,482,217
Depreciation on right of use assets (Note 10)	12,924,138	8,167,837	12,924,138	8,167,837
Amortisation of intangible assets (Note 11)	16,981,816	14,645,847	16,981,816	14,645,847
Interest income (Note 2)	26,242,788	26,472,271	26,242,788	26,466,452
Interest on lease liabilities (Note 8)	4,690,158	2,555,531	4,690,158	2,555,531
Impairment of property and equipment	-	-	39,434	-
(Gain) on disposal of subsidiary	-	(27,798,427)	-	(4,159,386)
Effect of expected credit losses on:				
- trade and other receivables (Note 21)	-	31,575,715	-	-
Changes in working capital				
- trade and other receivables	(20,819,809)	21,460,200	(13,839,681)	17,050,195
- trade and other payables	12,903,865	(17,169,653)	6,416,078	(9,102,110)
- restricted bank balances	23,448,539	23,183,424	23,448,539	23,183,424
- assets classified as held for sale	(325,176)	(522,729)	-	-
Cash from operations	85,146,140	166,668,277	85,379,021	171,444,878

19. Related party transactions

The company is controlled by Capital Markets Challenge Fund who own 50% of the company's shares. The rest of the shares are held by Nairobi Stock Exchange, AKS Nominees, Capital Markets Investor Compensation Fund and Uganda Securities Exchange who own 23%, 18%, 7% and 3% respectively.

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	**2021 Shs**	**2020 Shs**	**2021 Shs**	**2020 Shs**
Receivable from related parties can be analysed as follows:				
- Subsidiaries	2,938,521	20,000	3,191,838	10,008,383
- Other related parties	-	-	2,918,521	163,583
Total receivable from related parties (Note 17)	2,938,521	20,000	6,110,359	10,171,966
Payable from related parties can be analysed as follows:				
- Subsidiaries	20,000	20,000	486,285	6,994,071
- Other related parties	1,545,015	3,089,511	1,565,015	3,089,512
Total payable to related parties (Note 16)	1,565,015	3,109,511	2,051,300	10,083,583

ii) Key management compensation	**Group & Company**	
	2021 Shs	**2020 Shs**
Salaries and other short-term employment benefits:		
- Directors	22,741,892	20,185,827
- Employees	47,855,210	74,061,516
	70,597,102	94,247,343

20. Commitments

Contractual commitments for the acquisition of intangible assets

	2021	2020
At the reporting date these commitments were as follows:		
Equipment	348,650	-

21. 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	
	2021 Shs	**2020 Shs**
Effect on (loss)/profit - increase	566,020	1,368,943

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	
	2021 Shs	**2020 Shs**	**2021 Shs**	**2020 Shs**
Effect of (loss)/profit - (decrease)/increase	426,836	(1,141,357)	1,972	728,316

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.

21. Risk management objectives and policies (continued)

Financial risk management (continued)

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

If the company does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the company groups financial assets on the basis of shared credit risk characteristics, such as:

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

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

21. Risk management objectives and policies (continued)

Financial risk management (continued)

(b) Credit risk (continued)

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 2021	**Shs**	**Shs**	**Shs**	**Shs**
Trade receivables	-	-	47,806,167	47,806,167
Other receivables	-	-	10,793,892	10,793,892
Receivable from related parties	-	-	2,938,521	6,110,359
Cash at bank	247,755,851	237,643,143	-	-
Gross carrying amount	247,755,851	237,643,143	61,538,580	64,710,418
Expected credit loss allowance	(1,651,541)	(1,604,721)	(37,459,193)	(32,455,722)
	246,104,310	236,038,422	24,079,387	32,254,696

	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

21. Risk management objectives and policies (continued)

Financial risk management (continued)

(b) Credit risk (continued)

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 2021	11,536,739	626,473	1,617,988	34,024,967	47,806,167
As at 31 December 2020	9,184,679	873,818	1,334,135	36,491,005	47,883,637

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 **Year ended 31 December 2021**	**Cash & cash equivalents**	**Trade receivables**	**Total**
	Shs	**Shs**	**Shs**
At start of year	3,261,493	40,297,380	43,558,873
Changes relating to assets	(1,609,952)	(2,838,187)	(4,448,139)
At end of year	1,651,541	37,459,193	39,110,734
Year ended 31 December 2020			
At start of year	2,655,090	8,721,665	11,376,755
Changes relating to assets	606,403	31,575,715	32,182,118
At end of year	3,261,493	40,297,380	43,558,873

21. Risk management objectives and policies (continued)

Financial risk management (continued)

(b) Credit risk (continued)

	12 month expected credit losses	Lifetime expected Credit losses		
Company	**Cash & cash**	**Related party**	**Trade**	
Year ended 31 December 2021	**equivalents**	**balances**	**receivables**	**Total**
	Shs	**Shs**	**Shs**	**Shs**
At start of year	3,214,673	-	35,293,909	38,508,582
Changes relating to assets	(1,609,952)	-	(2,838,187)	(4,448,139)
At end of year	1,604,721	-	32,455,722	34,060,443
Year ended 31 December 2020				
At start of year	2,608,270	26,140,816	6,593,689	35,342,775
Changes relating to assets	606,403	(26,140,816)	28,700,220	3,165,807
At end of year	3,214,673	-	35,293,909	38,508,582

(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 16 discloses the maturity analysis of trade and other payables.

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 2021				
Non-interest bearing liabilities:				
- Trade and other payables	0%	39,134,011	-	39,134,011
Interest bearing liabilities:				
- Lease liabilities				
- Operating leases	12.22%	9,797,053	64,244,665	74,041,718
		48,931,064	64,244,665	113,175,729
Year ended 31 December 2020				
Non-interest bearing liabilities:				
- Trade and other payables	0%	8,192,700	17,551,161	25,743,861
Interest bearing liabilities:				
- Lease liabilities				
- Operating leases	13%	13,219,508	2,065,308	15,284,816
		21,412,208	19,616,469	41,028,677

21. Risk management objectives and policies (continued)

Financial risk management (continued)

(c) Liquidity risk (continued)

Company	Interest rate %	Within 1 year Shs	Over 1 year Shs	Total Shs
Year ended 31 December 2021				
Non-interest bearing liabilities:				
- Trade and other payables	0%	39,134,011	-	39,134,011
Interest bearing liabilities:				
- Lease liabilities				
- Operating leases	12.2%	9,797,053	64,244,665	74,041,718
		48,931,064	64,244,665	113,175,729
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	45,937,441
		45,937,441	2,065,308	78,655,374

22. 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.

23. Incorporation

Central Depository and Settlement Corporation Limited and its subsidiary CDSC Nominees Limited, are incorporated in Kenya under the Kenyan Law, 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.

24. Contingent Liabilities

The company is a defendant in various legal actions. In the opinion of the directors and after taking appropriate legal advice, the outcome of such actions will not give rise to any significant loss.

25. Presentation Currency

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

SCHEDULE OF EXPENDITURE

1. ADMINISTRATIVE EXPENSES

	Group		Company	
	2021 Shs	2020 Shs	2021 Shs	2020 Shs
Employment				
Salaries and wages	119,483,761	129,634,888	118,979,162	123,441,845
Staff medical and welfare expenses	9,346,784	10,255,037	9,346,784	9,481,834
Other staff expenses	15,719,840	11,398,027	15,693,182	11,370,936
Total employment costs	144,550,385	151,287,951	144,019,128	144,294,615
Other administration expenses:				
Directors remuneration	22,741,892	11,490,589	22,741,892	11,490,589
Postages and telephones	4,307,871	3,890,983	4,286,099	3,185,648
Entertainment and travelling	417,755	2,487,347	416,808	2,414,807
Board and committee allowances	12,077,727	14,508,389	12,077,727	14,335,229
Printing and stationery	1,239,954	883,725	1,239,682	830,236
Advertising and marketing expenses	7,961,999	1,516,286	7,961,999	1,510,856
Computer expenses	34,762,178	10,294,108	34,762,178	10,294,108
M-Akiba expenses	-	2,877,910	-	2,877,910
Audit fees				
- current year	4,561,289	3,903,401	4,398,000	3,725,100
- underprovision in prior years	479,436	567,720	479,436	567,720
Legal and professional fees	9,392,854	7,062,292	9,371,083	6,927,668
Bank charges and commissions	425,170	446,332	401,965	398,665
Donations	83,554	1,091,175	83,554	1,091,173
Subscriptions and periodicals	1,558,364	1,738,095	1,558,364	1,738,095
Office running expenses	924,475	1,670,933	911,249	1,514,879
Fines and penalties	1,756	3,814	1,435	3,432
Total other administrative expenses	100,936,275	64,433,099	100,691,471	62,906,115
Total administrative expenses	245,486,660	215,721,051	244,710,599	207,200,730

SCHEDULE OF EXPENDITURE (cont'd)

2. OTHER OPERATING EXPENSES

	Group		Company	
	2021 Shs	2020 Shs	2021 Shs	2020 Shs
Establishment:				
Short term lease rent	2,121,403	2,598,988	1,807,888	1,696,341
Service charges	4,764,385	3,946,219	4,764,385	3,946,219
Parking fees	1,890,275	1,917,653	1,890,275	1,917,653
Electricity and water	1,890,188	1,751,335	1,888,283	1,716,032
Repairs and maintenance	8,903,819	3,470,453	8,903,819	3,463,253
Insurance	6,588,949	6,335,541	6,588,949	6,290,645
Licenses	4,199,703	3,908,828	4,195,349	3,867,965
Security expense	1,512,655	1,547,852	1,512,655	1,547,852
Impairment of property and equipment	39,434	-	39,434	-
(Gain) on disposal of subsidiary	-	(27,798,427)	-	(4,159,386)
Depreciation on right of use assets	12,924,138	8,167,837	12,924,138	8,167,837
Depreciation on property and equipment	20,783,402	23,797,195	20,783,402	22,482,217
Amortisation of intangible assets	16,981,816	14,645,847	16,981,816	14,645,847
Total other operating expenses	82,600,168	44,289,321	82,280,393	65,582,475

3. FINANCE COSTS

	Group		Company	
	2021 Shs	2020	2021 Shs	2020 Shs
Interest on lease liabilities	4,690,158	2,555,531	4,690,158	2,555,531
Net foreign exchange loss	1,347,946	(240,495)	1,340,860	(205,267)
Total finance costs	6,038,104	2,315,036	6,031,018	2,350,264

CENTRAL DEPOSITORY AGENTS (CDA) LIST

1. **ABC CAPITAL LTD**
ABC Bank House, Mezzanine Floor
Westlands
P.O. Box 34137-00100 Nairobi
Tel: 0202246036
Email: headoffice@abccapital.co.ke
Website: www.abccapital.co.ke

2. **ABSA BANK KENYA PLC**
Westend Building, 5th Floor
Waiyaki way
P.O. Box 30120-00100 Nairobi
Tel: 0722 130120
Email: ABKETreasuryOprations@absa.africa
Website: www.absabank.co.ke

3. **ABSA FINANCIAL SERVICES LTD**
Westend Building, 5th Floor, westlands
P.O. Box 30120-00100
Tel: 0722 130120
Email: bfslbbkenya@barclayscorp.com
Website: www.absabank.co.ke

4. **AFRICAN BANKING CORPORATION LTD**
ABC Bank House, Mezzanine Floor
Woodlave Groove, Westlands
P.O. Box 3610-00800 Nairobi
Tel: 0719 015000/2217856/7/8
Email: talktous@abcthebank.com
Website: www.abcthebank.com

5. **AIB-AXYS AFRICA**
The Promenade, 5th Floor
General Mathenge Drive
P.O. Box 43676-00100 Nairobi
Tel: 0711 047000/2220517
Email: invest@aib-axysafrica.com
Website: www.aib-axysafrica.com

6. **APA INSURANCE LTD**
Apollo Centre
07 Ring Road Parklands, Westlands
P.O. Box 30065-00100
Tel: 2862000
Mobile: 0709 912387/ 0734 652272
Email: info@apainsurance.org
Website: www.apainsurance.org

7. **APA LIFE ASSURANCE LTD**
Apollo Centre, 3rd Floor
Ring Road Parklands, Westlands
P.O. Box 30389-00100
Tel: 3641000
Mobile: 0709 912387/ 0733 676556
Email: insurance@apollo.co.ke
Website: www.apollo.co.ke

8. **BANK OF AFRICA KENYA LTD**
Bank of Africa House, Waiyaki Way
P.O. Box 69562-00400 Nairobi
Tel: 0703 058207/ +254 703 058120
Fax: 2214166
Email: info@boakenya.com
Website: www.boakenya.com

9. **CO-OPERATIVE BANK OF KENYA PLC**
Custody Sales and Registrar Services,
KUSCCO Centre
Kilimanjaro Avenue –Upper Hill
P.O. Box 48231-00100 Nairobi
Tel: 0711 049781/ 3276000
Email: custodial@co-opbank.co.ke;
customerservice@co-opbank.
co.ke:shares@co-opbank.co.ke.
Website: www.co-opbank.co.ke

CENTRAL DEPOSITORY AGENTS (CDA) LIST

10. CREDIT BANK PLC
One Africa Place _ Westlands
P.O. Box 30088–00100
Tel: 0709 072000/+254 202283000
Nairobi | Kenya
Email: customerservice@creditbank.co.ke
Website: www.creditbank.co.ke

11. DRY ASSOCIATES LIMITED
Dry Associates House
Brookside Grove, Westlands
P.O. BOX 684–00606
Tel: 0705 799971
Nairobi | Kenya
Website: www.dryassociates.com

12. DYER & BLAIR INVESTMENT BANK
Goodman Tower, 7th Floor Waiyaki Way
P.O. Box 45396-00100 Nairobi
Tel: 0709 930000/227803/4/5
Email: shares@dyerandblair.com
Website: www.dyerandblair.com

13. EFG HERMES KENYA LIMITED
8th Floor, Orbit Place, Westlands Road
P.O. BOX 349-00623, Nairobi | Kenya
Tel: 0735 571530
Email: KenyaOperations@efg-hermes.com
Website: www.efghermes.com

14. SPIRE BANK
Mwalimu Towers, Mezzanine
Hill Lane, Upper Hill
P.O. Box 52467-00200 Nairobi
Tel: 0703047777/0204981000
Email: letstalk@spirebank.co.ke
Website: www.spirebank.co.ke

15. EQUITY BANK GROUP PLC
Equity Centre, Ground Floor
Hospital Road, Upper Hill
P.O. Box 75104-00200 Nairobi
Tel: 2262000/2736620/2262479
Mobile: 0763 063000 / 0732 112000
Email: info@equitybank.co.ke
Website: www.equitybankgroup.com

16. EQUITY INVESTMENT BANK LTD
Ground Floor, Equity Centre
Hospital Road, Upperhill
P.O. Box 75104-00200 Nairobi
Tel: 2262000
Mobile 0711026000/ 0732112030
Email: info@equityinvestment.co.ke
Website: www.equitybank.co.ke

17. FAIDA INVESTMENT BANK LTD
Crawford Business Park, Statehouse Road
P.O. Box 45236-00100 Nairobi
Tel: 243811/2/3
Mobile: 0724 721014/ 0733 243811
Email: info@fib.co.ke
Website: www.fib.co.ke

18. FRANCIS DRUMMOND & CO. LTD
Hughes Building, 2nd Floor
Kenyatta Avenue
P.O. Box 45465-00100 Nairobi
Mobile: 0724 256815
Email: info@drummond.com
Website: www.drummond.com

CENTRAL DEPOSITORY AGENTS (CDA) LIST

19. GENGHIS CAPITAL LTD
1st Floor Purshottam Place,
Westlands Road
P.O. Box 607-00612 Nairobi
Tel: 0709 185000/1/2
Email: customerservice@genghis-capital.com
Website: www.genghis-capital.com

20. HFC LIMITED
Rehani House
Banda Street
P.O. Box 30088-00100
Nairobi | Kenya
Email: customer.service@hfgroup.co.ke
Website: www.hfgroup.co.ke

21. I&M BANK PLC
1Park Avenue, 1st Parklands
P.O. Box 30238-00100 Nairobi
Tel: 0732100000/ 3221217
Email: customercare@i&mbank.co.ke
Website: www.imbank.com

22. KCB CAPITAL
Kencom House, 2nd Floor
P.O. Box 48400-00100
Tel: 0709 812762
Email: investmentbanking@kcb.co.ke
Website: www.kcbgroup.com

23. KCB BANK KENYA LTD
Kencom House,
Moi Avenue, 5th Floor
P.O. Box 30664-00100 Nairobi
Tel: 0709812(920)(762)(734)(733)
Email: custody@kcbgroup.com
Website: www.kcbgroup.com

24. KESTREL CAPITAL (EAST AFRICA) LTD
Orbit Place, Westlands Road
P.O. Box 40005-00100 Nairobi
Tel: 0722 205897/2210719
Email: info@kestrelcapital.com
Website: www.kestrelcapital.com

25. KINGDOM SECURITIES
Co-operative Bank House, 5th Floor
Haile Selassie Avenue
P.O. Box 48231-00100 Nairobi
Tel: 0711 049039/ 3276676
Email: info@kingdomsecurities.co.ke
Website: www.kingdomsecurities.co.ke

26. NATIONAL BANK OF KENYA PLC
Kencom House, Moi Avenue
Mezzanine
P.O. Box 72866-00200 Nairobi
Tel: 0711038000/ 2226471
Email: info@nationalbank.co.ke
Website: www.nationalbank.co.ke

27. NCBA BANK GROUP PLC
NCBA House, Masaba Road, Upperhill
P.O. Box 44559-00100 Nairobi
Tel: 2888000/ 2888444
Mobile: 0711 056444
Email: contact@ncbagroup.com
Website: www.ncbagroup.com

CENTRAL DEPOSITORY AGENTS (CDA) LIST

28. NCBA INVESTMENT BANK LTD
NCBA Annex, 3rd Floor
Mara Ragita Road, Upper Hill
P.O. Box 44599-00100 Nairobi
Tel: 2884000
Mobile: 0711056444
Email: contact@ncbagroup.com
Website: www.ncbagroup.com

29. PRIME BANK LIMITED
Prime Bank Office
Riverside Drive
P.O. Box 43825-00100 Nairobi
Tel: 0722 205491/4203116/4203148
Fax: 4451247/4203204
Email: custodial@primebank.co.ke
Website: www.primebank.co.ke

30. RENAISSANCE CAPITAL (KE) LTD
Pramukh Tower 10th Floor
Westlands Road, Chiromo
P.O. Box 40560-00100 Nairobi
Tel: 0203682000/36821100
Email: info@rencap.com
Website: www.rencap.com

31. SBG SECURITIES LTD
Stanbic Centre, 2nd Floor,
Chiromo, Westlands
P.O. Box 47198-00100 Nairobi
Tel: 0704 441441/3638080
Email: sbgs@stanbic.com
Website: www.sbgsecurities.co.ke

32. SBM BANK (KENYA) LTD
Riverside Mews
Riverside Drive
P.O. Box 34886-00100
Mobile: 0730175000/ 0773758196
Tel: 020 2248842
Email: customerservice@sbmbank.co.ke
Website: www.sbmbank.co.ke

33. SECURITIES AFRICA KENYA LIMITED
NSE Building, 55, Westlands
P.O. Box 19018-00100
Tel: 0714 646406
Email: info@securitiesafrica.com
Website: www.securitiesafrica.com

34. STANBIC HOLDINGS PLC
Stanbic Centre
2nd Floor, Chiromo Road, Westlands
P.O. Box 72833-00200 Nairobi
Tel: 0711 088173 /3268000
Fax: 3752905 /7
Email: customercare@stanbic.com
Website: www.stanbicbank.co.ke

35. STANDARD CHARTERED BANK (KENYA) PLC
Standard Building Chiromo
48, Westlands Road
P.O. Box 40984-00100 Nairobi
Tel: 0703 093900/1543/3748023
Fax: 3748023
Email: ky.securities-services@sc.com
Website: www.standardcharted.com

36. STANDARD INVESTMENT BANK LTD
JKUAT Tower, 16th Floor
Kenyatta Avenue
P.O. Box 13714-00800 Nairobi
Tel: 0777 333000
Email: info@sib.co.ke
Website: www.sib.co.ke

CENTRAL DEPOSITORY AGENTS (CDA) LIST

37. STERLING CAPITAL LTD
Delta Corner Annex, 5th floor
Ring Road, Westlands
P.O. Box 45080-00100 Nairobi
Tel: 2213914/2244077
Mobile: 0723153219/0734219146
Email: info@sterlingib.com
Website: www.sterlingib.com

38. SUNTRA INVESTMENTS LTD
Nation Centre, 7th Floor
Kimathi Street
P.O. Box 74016-00200 Nairobi
Tel: 2870000/2211846/2223330
Mobile: 0724-257024, 0733 222216
Email: info@suntra.co.ke
Website: www.suntra.co.ke

39. ACCESS BANK
The Address 11th Floor
Muthangari Drive Westland
P.O. Box 69963-00400 Nairobi
Tel: 0720081772, 252188/90/91
Fax: 252225
Email: contactcenter@accessbankplc.com
Website: www.kenya.accessbankplc.com

40. UAP OLD MUTUAL SECURITIES LTD
UAP Old Mutual Tower, 3rd Floor
Upperhill
P.O. Box 50338–00200 Nairobi
Tel: 2241379/2241408
Mobile: 0702 909091/2, 0731 001206/39
Email: omsclientservice@oldmutualkenya.com
Website: www.uapoldmutual.com

41. THE NATIONAL TREASURY
Treasury Building, 2nd Floor
Harambee Avenue
P.O. Box 300007-00100 Nairobi
Tel: 2252299, 0720 081772
Email: investmentsecretary@treasury.go.ke
Website: www.treasury.go.ke
(Only serves the Government of Kenya)

42. UNCLAIMED FINANCIAL ASSETS AUTHORITY
Unclaimed Financial Assets Authority
Pacis Centre, 2nd Floor
Slip Road, Off Waiyaki Way
P.O. Box 28235–00200, City Square, Nairobi
Tel: +254 020 4023000, +254 706 866984
Email address: info@ufaa.go.ke
Website: www.ufaa.go.ke

CENTRAL DEPOSITORY &
SETTLEMENT CORPORATION
Invested in Progress

Europa Towers, 10th Floor, Lantana Road
P. O. Box 3464 - 00100 GPO NAIROBI
Tel: +254 (20) 2912000 / +254 (20) 2229407/08
Cell: +254 (0)724 256130 / +254 (0) 0733 222
Email: helpdesk@cdsckenya.com
Website: www.cdsckenya.com

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