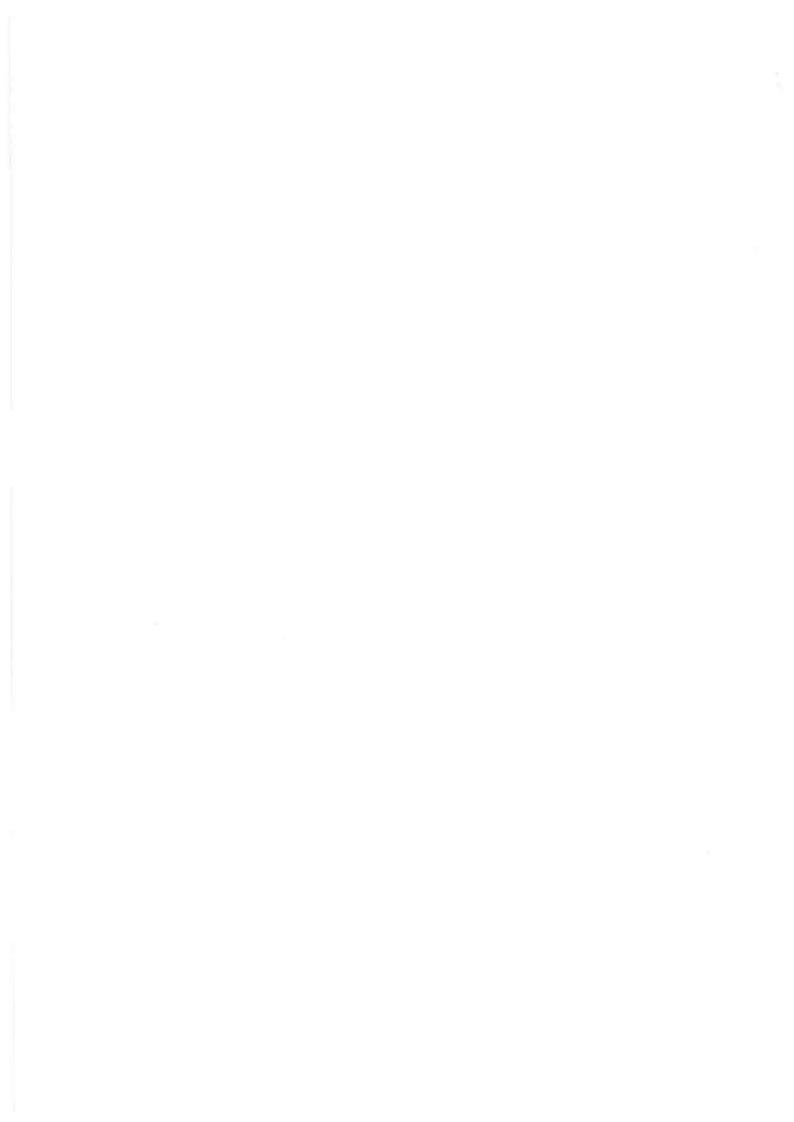


CENTRAL DEPOSITORY AND SETTLEMENT CORPORATION LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



CONTENTS	PAGE
Group information	1
Report of the directors	2 - 3
Statement of directors' responsibilities	4
Report of the independent auditor	5 - 8
Financial statements:	×
Consolidated statement of profit or loss and other comprehensive income	9
Company statement of profit or loss and other comprehensive income	10
Consolidated statement of financial position	11
Company statement of financial position	12
Consolidated statement of changes in equity	13
Company statement of changes in equity	14
Consolidated statement of cash flows	15
Company statement of cash flows	16
Notes	17 - 4 6
The following page does not form an integral part of the financial statements	
Schedule of expenditure - group & company	47



GROUP INFORMATION

BOARD OF DIRECTORS : Charles Ogalo - Chairman

: Isaac Awuondo: Bob Karina: Ashok Shah: Eunice Kariuki: Geoffrey Odundo: Peter Mwangi

: Aida Kimemia - Nesbitt

: Samuel Kimani

CHIEF EXECUTIVE OFFICER : Nkoregamba Mwebesa

REGISTERED OFFICE : Nation Centre, 10th Floor

: Kimathi Street

: P.O. Box 3464, 00100

: NAIROBI

INDEPENDENT AUDITOR : PKF Kenya

: Certified Public Accountants : P.O. Box 14077, 00800

: NAIROBI

COMPANY SECRETARY : Hilda Njeru

© Certified Public Secretary P.O. Box 4939, 00100

: NAIROBI

PRINCIPAL BANKERS : Stanbic Bank Kenya Limited

: NAIROBI

: NCBA Bank Kenya PLC

: NAIROBI

SUBSIDIARIES : CDSC Nominees Limited

: KENYA

: CDSC Registrars Kenya Limited

: KENYA

: CDSC Registrars Rwanda Limited

: RWANDA

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

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

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

DIVIDENDS

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

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 1.

In accordance with the group's Articles of Association, Samuel Kimani, Bob Karina and Eunice Kariuki retire by rotation in accordance with the company's Articles of Association and being eligible, offer themselves for re-election.

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

- 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.

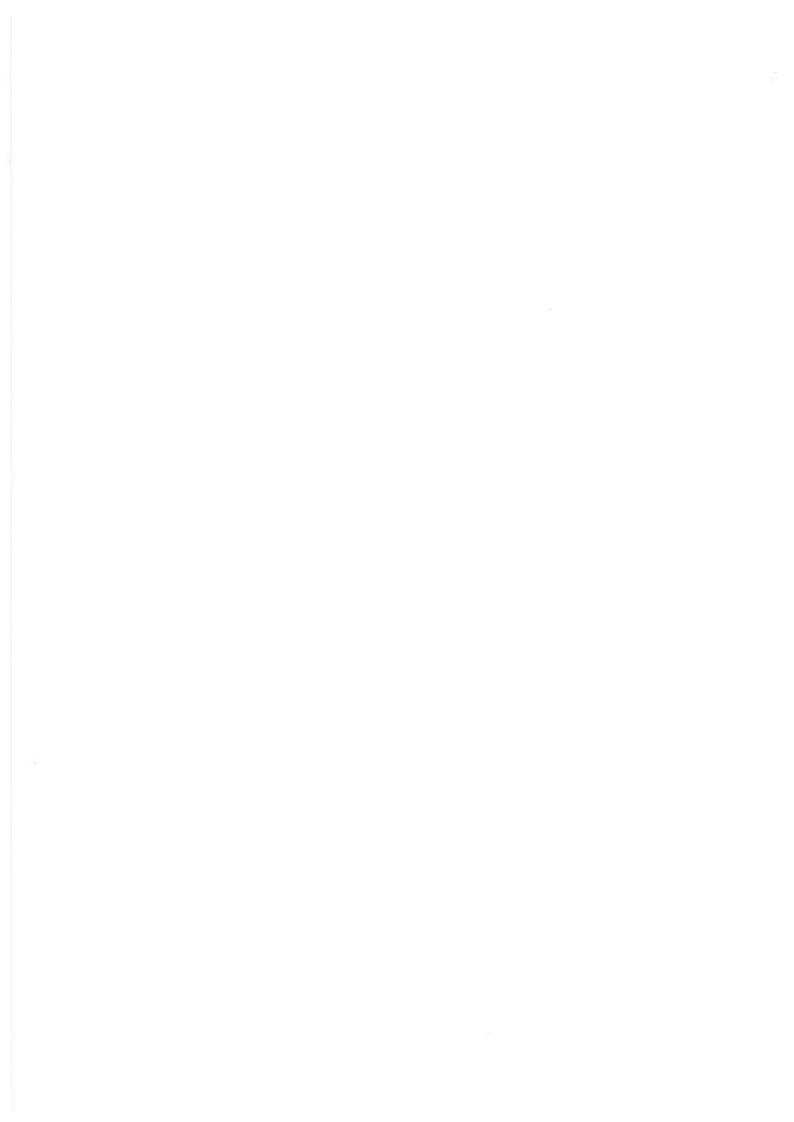
REPORT OF THE DIRECTORS (CONTINUED)

TERMS OF APPOINTMENT OF THE AUDITOR

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

NAIROBI

25 March



STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

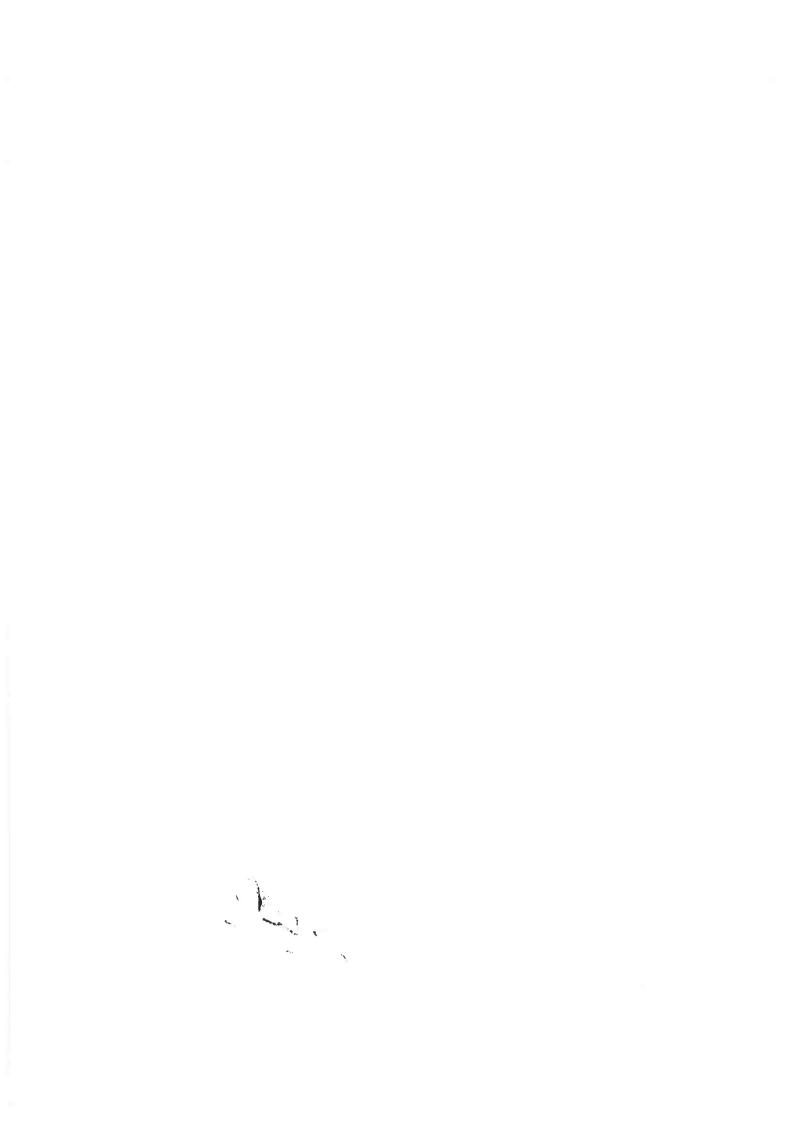
- Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- ii) Selecting and applying appropriate accounting policies; and
- iii) Making accounting estimates and judgements that are reasonable in the circumstances.

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

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

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

Approved by the board of directors on	2020 and signed on its behalf by:
bellaum	adhah Shal
DIRECTOR	DIRECTOR





REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF CENTRAL DEPOSITORY AND SETTLEMENT CORPORATION LIMITED

Opinion

We have audited the accompanying consolidated and company financial statements of Central Depository and Settlement Corporation Limited and its subsidiaries, (collectively referred to as the 'group') set out on pages 9 to 46 which comprise the consolidated and company statement of financial position as at 31 December 2019, the consolidated and company statement of profit or loss and other comprehensive income, the consolidated and company statement of changes in equity, consolidated and company statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Kenya and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters.

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

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

5

Kalamu House • Grevillea Grove • Westlands • P O Box 14077 • 00800 • Nairobi • Kenya Tel +254 20 4270000 • Mobile +254 732 144000 • Email pkinbi@ke.pkfea.com • www.pkfea.com

PKF Kenya, a partnership carrying on business under BN registration no. 309855 was on 10 March 2020 converted to PKF Kenya LLP (LLP-8519PL), a limited liability patnership under Limited Liability Partnership Act, 2011.

Partners: R. Shah, A. Shah, A. Vadher, P. Shah, R. Mirchandani*, D. Kabeberr, C. Oguttu***, A.Chaudhry, K. Shah**, M. Mburugu, G. Saniokh, D. Shah, S. Alibhai, L. Atteer, P. Kuria, N. Shah, J. Shah, E. Njuguna, P. Kahi, A. Chandria, M. Kirmindu, S. Chheda**, M. Bhavsar, C. Mukuru, K. Bharadva (*Indian, **British, ***Ugandan)





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

Key Audit Matters (continued)

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

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

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

Other information

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

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard...

When we read the report to shareholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

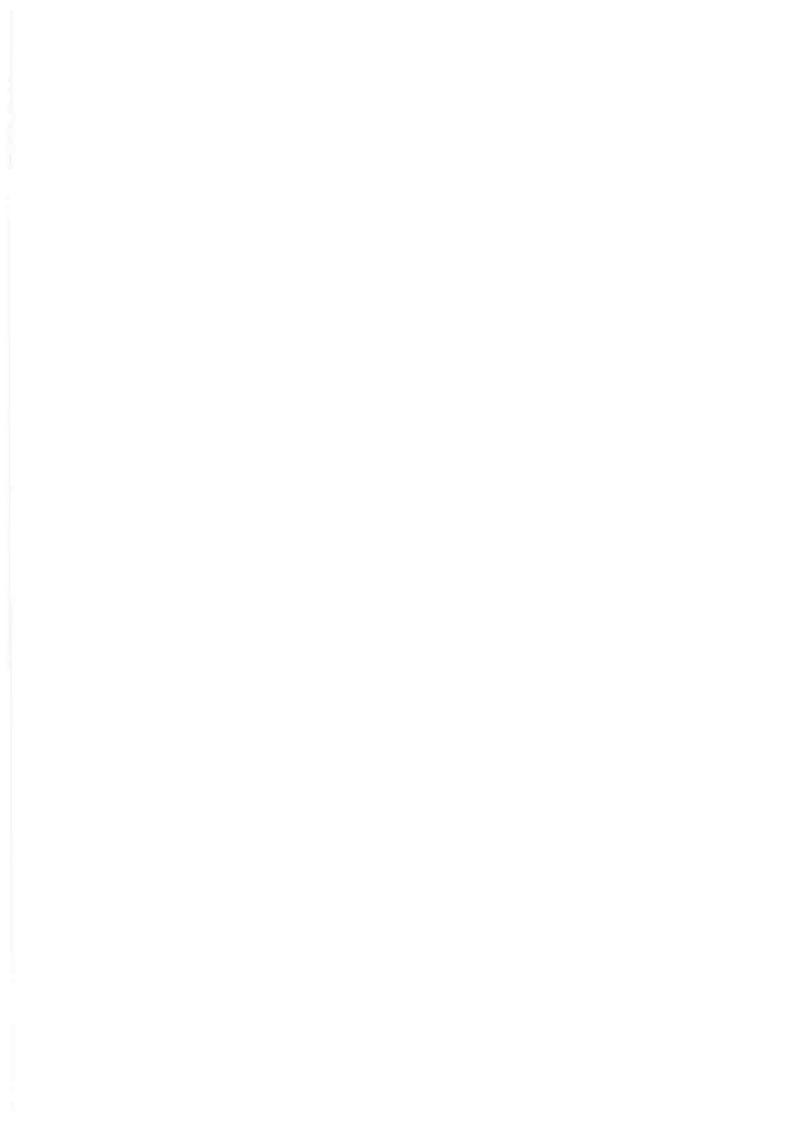
Responsibilities of Directors for the Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA's) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.





REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF CENTRAL DEPOSITORY AND SETTLEMENT CORPORATION LIMITED

Opinion

We have audited the accompanying consolidated and company financial statements of Central Depository and Settlement Corporation Limited and its subsidiaries, (collectively referred to as the 'group') set out on pages 9 to 46 which comprise the consolidated and company statement of financial position as at 31 December 2019, the consolidated and company statement of profit or loss and other comprehensive income, the consolidated and company statement of changes in equity, consolidated and company statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Kenya and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters.

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

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

5

Kalamu House • Grevillea Grove • Westlands • P O Box 14077 - 00800 • Nairobi • Kenya Tel +254 20 4270000 • Mobile +254 732 144000 • Email pkinbi @ke.pkiea.com • www.pkiea.com

PKF Kenya, a partnership carrying on business under BN registration no. 309855 was on 10 March 2020 converted to PKF Kenya LLP (LLP-8519PL), a limited liability patnership under Limited Liability Partnership Act, 2011.

Partners: R. Shah, A. Shah, A. Vadher, P. Shah, R. Mirchandani*, D. Kabeberi, C. Oguttu***, A.Chaudhry, K. Shah**, M. Mburugu, G. Santokh, D. Shah, S. Alibhar, L. Abrey, P. Kuria, N. Shah, J. Shah, E. Njuguna, P. Kahi, A. Chandria, M. Kimundu, S. Chheda**, M. Bhavsar, C. Mukuru, K. Bharadva (*Indian, **British, ***Ugandan)





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

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are
 appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the
 group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cas significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business
 activities within the group to express an opinion on the consolidated financial statements. We are responsible
 for the direction, supervision and performance of the group audit. We remain solely responsible for our audit
 opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.





30-03- 2020

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

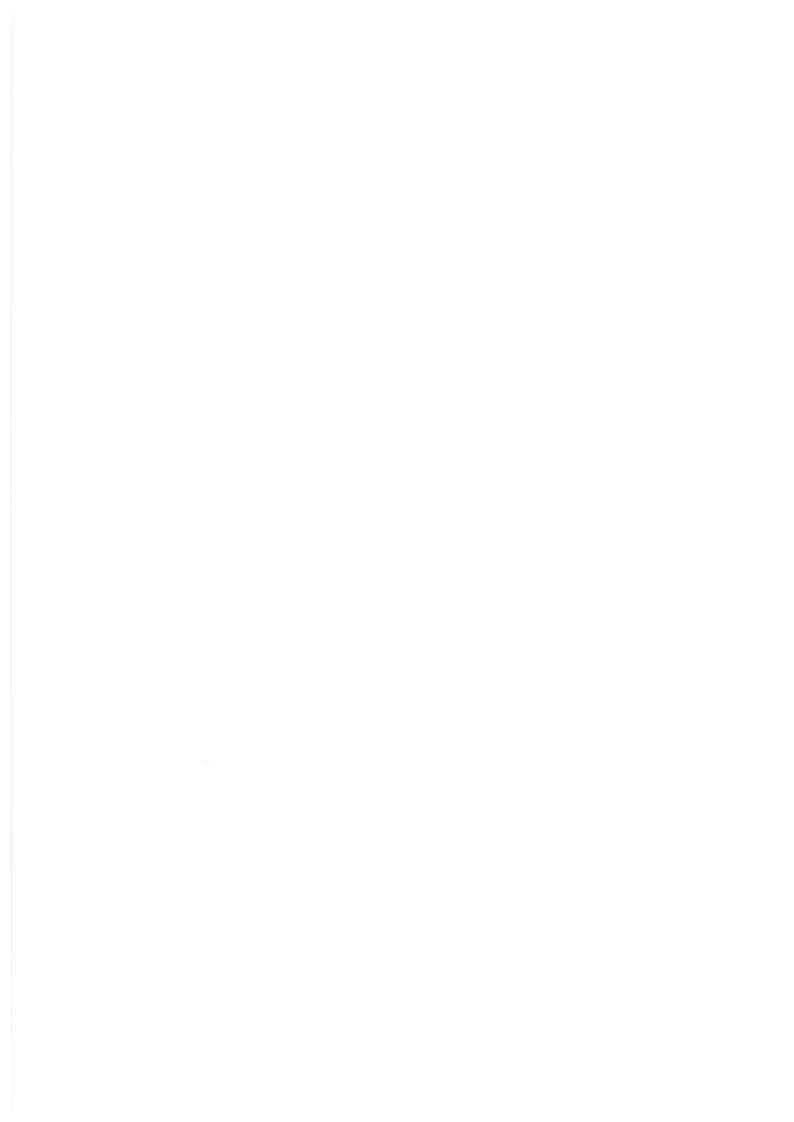
Report on other matters prescribed by the Kenyan Companies Act, 2015

In our opinion the information given in the report of the directors on pages 2 and 3 is consistent with the financial statements.

Certified Public Accountants NAIROBI

CPA Ritesh Haresh Mirchandani, Practising certificate No. 1631 Signing partner responsible for the independent audit

179/20



For the year ended 31 December 2019 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

The notes on pages 17 to 46 form an integral part of these financial statements.

For the year ended 31 December 2019 COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

The notes on pages 17 to 46 form an integral part of these financial statements.

		As at 31 D	ecember
		2019	2018
ALDITAL FAIR OVER	Notes	Shs	Shs
CAPITAL EMPLOYED	7	475 000 000	475 000 000
Share capital Preference shares	7 9	175,000,000 2,307,206	175,000,000 2,307,206
Translation reserve	5	(32,528)	(2,978,546)
Retained earnings		409,480,492	377,474,507
Proposed dividends	8	12,000,000	17,500,000
Equity attributable to owners of the company		598,755,170	569,303,167
Non-controlling interests	S T	8,372,271	11,898,463
Total equity		607,127,441	581,201,630
Non-current liabilities			
Preference shares	9	5,747,055	5,399,404
Lease liabilities	10	10,060,608	•
Trade and other payables	19	2,255,196	
	9.	18,062,859	5,399,404
		625,190,300	586,601,034
REPRESENTED BY			
Non-current assets			
Property and equipment	11	75,172,032	16,110,202
Right-of-use assets	12	17,622,601	-
Intangible assets	13	111,432,311	174,920,212
Deferred tax	14	16,209,583	23,367,833
	,	220,436,527	214,398,247
Current assets			
Assets of disposal group classified as held-for-sale	20	11,189,731	-
Investments	16	56,230,542	52,464,813
Trade and other receivables Cash and cash equivalents	17 18	69,457,050 279,845,013	38,333,857
Tax recoverable	10	46,997,737	309,911,053 22,806,808
Tax Toody Gable			
a di ama		463,720,073	423,516,531
Current liabilities			
Liabilities directly associated with assets classified as held-for-sale	20	1,972,445	_
Lease liabilities	10	14,080,341	-
Trade and other payables	19	42,913,514	51,313,744
		-	
		58,966,300	51,313,744
Net current assets		404,753,773	372,202,787
		625,190,300	586,601,034

The financial statements on pages 9 to 46 were approved and authorised for issue by the Board of Direct@ 2020 and were signed on its behalf by:

DIRECTOR

DIRECTOR

The notes on pages 17 to 46 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

		As at 31 D	ecember
	Notes	2019	2018
CAPITAL EMPLOYED	Notes	Shs	Shs
Share capital	7	175,000,000	175,000,000
Retained earnings		394,245,366	367,502,183
Proposed dividends	8 .	12,000,000	17,500,000
Equity attributable to owners of the company	,	581,245,366	560,002,183
Non-current liabilities			
Lease liabilities	10	10,060,608	
		591,305,974	560,002,183
REPRESENTED BY			
Non-current assets			
Property and equipment	11	74,677,846	15,967,211
Right of use assets	12	17,622,601	-
Intangible assets	13	91,366,411	152,537,137
Deferred tax Investment in subsidiaries	14	16,180,831	28,380,816
Trade and other receivables	15 17	261,043	261,043 9,823,868
riade and other receivables	17		9,020,000
		200,108,732	206,970,075
Current assets			
Investments	16	56,230,542	52,464,813
Trade and other receivables	17	75,199,011	42,154,811
Cash and cash equivalents	18	278,722,846	286,036,793
Tax recoverable	3	36,945,227	17,925,931
	,	447,097,626	398,582,348
Current liabilities			
Lease liabilities	10	14,080,341	-
Trade and other payables	19	41,820,043	45,550,240
	ā	55,900,384	45,550,240
Net current assets	9	391,197,242	353,032,108
		591,305,974	560,002,183

The financial statements on pages 9 to 46 were approved and authorised for issue by the Board of Directors on ______ 2020 and were signed on its behalf by:

WWW DIRECTOR

Callack that DIRECTOR

The notes on pages 17 to 46 form an integral part of these financial statements.

Central Depository and Settlement Corporation Limited Annual report and consolidated financial statements For the year ended 31 December 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	GES IN E	QUITY			*:				
	Notes	Share capital Shs	Preference shares Shs	Translation reserve Shs	Retained earnings Shs	Proposed dividends Shs	attributable to the owners Shs	Non-controlling interests Shs	Total Shs
Year ended 31 December 2018									
At start of year - as previously stated		175,000,000		(2.481,778)	310,139,286	12,000,000	494,657,508		494,657,508
Transition adjustments: - Changes on initial application of IFRS 9	•	,		,	(2,636,428)	,	(2,636,428)	((2,636,428)
At start of year - as restated		175,000,000		(2,481,778)	307,502,858	12,000,000	492,021,080	1	492,021,080
Issue of preference shares	თ		2,307,206	1	•	ı	2,307,206	,	2,307,206
Accounting for non-controlling interests				1	•	•	•	17,186,760	17,186,760
Accounting for net assets relating to non-controlling interests		•	•		3,148,730	,	3,148,730	(3,148,730)	ı
Total comprehensive income for the year		•		(496,768)	84,322,919	τ	83,826,151	(2,139,568)	81,686,583
Transactions with owners: - Final for 2017 (paid) - Final for 2018 (proposed)		,	,	,	(17,500,000)	(12,000,000)	(12,000,000)	, ,	(12,000,000)
At end of year		175,000,000	2,307,206	(2,978,546)	377,474,507	17,500.000	569,303,167	11,898,463	581,201,630
Year ended 31 December 2019									
At start of year - as previously stated		175,000,000	2,307,206	(2,978,546)	377,474,507	17,500,000	569,303,167	11,898,463	581,201,630
Transition adjustments: - Changes on initial application of IFRS 16		1	,	1	(4,636,005)		(4,636,005)	•	(4,636,005)
At start of year - as restated		175,000,000	2,307,206	(2,978,546)	372,838,502	17,500,000	564,667,162	11,898,463	576,565,625
Accounting for net assets relating to non-controlling interests		ı	ı	•	1,647,127	ı	1,647,127	r	1,647,127
Total comprehensive income for the year		,	,	2,946,018	46,994,863	•	49,940,881	(3,526,192)	46,414,689
Transactions with owners: - Final for 2018 (paid) - Final for 2019 (proposed)	ω ω 	, ,	1 1	7 .	(12,000,000)	(17,500,000) 12,000,000	(17,500,000)		(17,500,000)
At end of year	II	175,000,000	2,307,206	(32,528)	409,480,492	12,000,000	598,755,170	8,372,271	607,127,441
The notes on pages 17 to 46 form an integral part of these financial statements	al part of	these financial	statements.						

The hotes on pages 17 to 46 form an integral part of

Year ended 31 December 2018	Share capital Shs	Retained earnings Shs	Proposed dividends Shs	Total Shs
At start of year	175,000,000	307,758,649	12,000,000	494,758,649
Transition adjustments: - Changes on initial application of IFRS 9		(2,364,608)	<u>-</u>	(2,364,608)
At start of year - as restated	175,000,000	305,394,041	12,000,000	492,394,041
Total comprehensive income for the year	-	79,608,142	-	79,608,142
Transactions with owners: - Final for 2017 (paid) 8 - Final for 2018 (proposed)	-	- (17,500,000)	(12,000,000) 17,500,000	(12,000,000)
At end of year	175,000,000	367,502,183	17,500,000	560,002,183
Year ended 31 December 2019				
At start of year - as previously stated	175,000,000	367,502,183	17,500,000	560,002,183
Transition adjustments: - Changes on initial application of IFRS 16		(4,636,005)		(4,636,005)
At start of year - as restated	175,000,000	362,866,178	17,500,000	555,366,178
Total comprehensive income for the year	-	43,379,188	-	43,379,188
Transactions with owners: - Final for 2018 (paid) 8 - Final for 2019 (proposed) 8	· 	(12,000,000)	(17,500,000) 12,000,000	(17,500,000)
At end of year	175,000,000	394,245,366	12,000,000	581,245,366

The notes on pages 17 to 46 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2019 Shs	2018 Shs
Operating activities	0.4	100 007 057	000 045 044
Cash from operations	21	103,397,857	230,015,941
Interest received Tax paid		(26,316,744) (37,333,171)	(16,013,083) (58,847,669)
tax paid		(37,000,171)	(55,647,009)
Net cash from operating activities		39,747,942	155,155,189_
Investing activities			
Additions to right-of-use assets	10	(12,008,922)	-
Purchase of property and equipment	11	(5,548,064)	(8,235,163)
Purchase of intangible assets	13	(8,121,111)	(52,110,458)
Net cash (used in) investing activities		(25,678,097)	(60,345,621)
Financing activities			
Dividends paid	8	(17,500,000)	(12,000,000)
Proceeds from issue of preference shares	9	-	7,085,440
Proceeds from issue of ordinary shares	9	-	17,186,760
Net cash (used in)/from financing activities		(17,500,000)	12,272,200
Increase in cash and cash equivalents		(3,430,155)	107,081,768
Movement in cash and cash equivalents			
At start of year		293,365,033	186,773,566
Increase		(3,430,155)	107,081,768
Exchange differences on translation of foreign operation	ons	(491,286)	(490,301)
At end of year	18	289,443,592	293,365,033

The notes on pages 17 to 46 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

Operating activities	Notes	2019 Shs	2018 Shs
Cash from operations	21	125,141,364	223,312,270
Interest received		(25,538,038)	(14,985,848)
Tax paid		(38,235,505)	(54,719,258)
Net cash from operating activities		61,367,821	153,607,164
Investing activities			
Additions to right-of-use assets	10	(12,008,922)	-
Purchase of property and equipment	₂ 11	(5,097,136)	(8,129,206)
Purchase of intangible assets	13	(7,931,111)	(27,682,268)
Net cash (used in) investing activities		(25,037,169)	(35,811,474)
Financing activities			
Dividends paid	8	(17,500,000)	(12,000,000)
Net cash (used in) financing activities		(17,500,000)	(12,000,000)
Increase in cash and cash equivalents		18,830,652	105,795,690
Movement in cash and cash equivalents			
At start of year		269,490,773	163,695,083
Increase		18,830,652	105,795,690
At end of year	18	288,321,425	269,490,773

The notes on pages 17 to 46 form an integral part of these financial statements.

NOTES

SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

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

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

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

Going concern

Based on the financial performance and position of the group and its risk management policies, the directors are of the opinion that the group is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

i) New and amended Standards adopted by the group

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

International Financial Reporting Standard 16 (IFRS 16): Leases

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

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

Leases of property, plant and equipment including hire purchase contracts where the group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease Property, plant and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

i) New and amended standards adopted by the group (continued)

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

 Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

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

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

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

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

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

Other standards and amendments

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

- Amendments to IAS 12 'Income Taxes' effective for annual periods beginning on or after 1 January 2019 clarifying on the recognition of income tax consequences of dividends.
- Amendments to IAS 19 'Employee Benefits' effective for annual periods beginning on or after 1
 January 2019 clarifying the effects of a retirement benefit plan amendment, curtailment or settlement.
- Amendments to IAS 23 'Borrowing Costs' effective for annual periods beginning on or after 1 January
- 2019 clarifying that specific borrowings remaining unpaid at the time the related asset is ready for its intended use or sale will comprise general borrowings.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' effective for annual periods beginning on or after 1 January 2019 clarifying that IFRS 9 is only applicable to investments to which the equity method is not applied.
- Amendments to IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' effective for annual periods beginning on or after 1 January 2019 in relation to remeasurement of previously held interests on a joint operation on obtaining control.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

i) New and amended standards adopted by the group (continued)

Other standards and amendments (continued)

- Amendments to IFRS 9 'Financial Instruments' effective for annual periods beginning on or after 1 January 2019 clarifying that the existence of prepayment features with negative compensation will not in itself cause the instrument to fail the amostised cost classification.
- Amendments to IFRS 11 'Joint Arrangements' effective for annual periods beginning on or after 1 January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not remeasure its previously held interests.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (issued June 2017) effective for annual periods beginning on or after 1 January 2019 clarifies the accounting for uncertainties in income taxes.

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

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

- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its
 Associate or Joint Venture' (issued in September 2014) applicable from a date yet to be determined,
 address a current conflict between the two standards and clarify that a gain or loss should be
 recognized fully when the transaction involves a business, and partially if it involves assets that do not
 constitute a business.
- IFRS 17 'Insurance Contracts' (issued in May 2017) effective for annual periods beginning on or after 1 January 2021 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Group does not issue insurance contracts.
- Amendments to IFRS 3 'Definition of a Business' (issued in October 2018) applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.
- Amendments to IAS 1 and IAS 8 'Definition of Material' (issued in October 2018) applicable to annual
 periods beginning on or after 1 January 2020, clarify the definition of material and how it should be
 applied by including in the definition guidance that previously featured elsewhere in IFRS.

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

b) Critical accounting estimates and judgement

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Critical accounting estimates and judgement (continued)

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

- Measurement of expected credit losses (ECL):

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

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

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Critical accounting estimates and judgement (continued)

- Measurement of Expected Credit Losses (ECL) (continued):

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

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

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

- Useful lives of property and equipment and intangible assets

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

- Accounting for leases under IFRS 16

Management has made various judgements and estimates under IFR\$ 16 as detailed below:

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

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which
 does not have recent third party financing; and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

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

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

- If there are significant penalties to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).
- Otherwise, the group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Revenue recognition

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

i) Transaction, depository and bond levy income

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

ii) Other income

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

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

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

- Impairment of trade and other receivables

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

- Impairment of balances held with banks under receivership

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

e) Consolidation

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Consolidation (continued)

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition and up to the effective date of disposal as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

f) Translation of foreign currencies

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

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

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

g) Property and equipment

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Property and equipment (continued)

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

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

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

h) Intangible assets - Computer software

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

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

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

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

Capital work in progress is not amortised.

i) Financial instruments

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

· Financial assets

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

- Amortised cost;

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial instruments (continued)

- Financial assets (continued)

Derecognition/write off

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

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

Impairment

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

- Cash and cash equivalents
- Trade receivables and related party balances

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

- the credit risk has increased significantly since initial recognition; or
- there is observable evidence of impairment (a credit-impaired financial asset).

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

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

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

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

- Financial liabilities

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

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Company's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the group does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

- Offsetting financial instruments

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Taxation

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

Current tax

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

Deferred tax

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

k) Accounting for leases

The group as a lessee:

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

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

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

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1) Impairment of non-financial assets and intangible assets

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

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

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

m) Dividends

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

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

n) Employee entitlements

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

o) Retirement benefit obligations

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

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

p) Cash and cash equivalents

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

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

q) Share capital

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Translation reserve

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

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

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

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

t) Comparatives

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

	TES (CONTINUED)	Gro	ир	Comp	pany
1,	Revenue	2019 Shs	2018 Shs	2019 Shs	2018 Shs
	Recognised at a point in time:				
	- Transaction levy	244,642,854	281,151,919	244,642,854	281,151,919
	- Depository levy	17,127,146	20,089,460	17,127,146	20,089,460
	- Registry fees	8,419,537	12,770,225	-	-
	- Bond levy	26,067,264	22,411,480	26,067,264	22,411,480
	- Others	39,075,311	18,852,624	34,865,048	18,852,624
_		335,332,112	355,275,708	322,702,312	342,505,483
2.	Other operating income				
	Interest income				
	- financial assets at amortised cost	26,316,744	16,013,083	25,538,038	14,985,848
	Other income	21,932,141	6,391,355	21,932,141	6,387,355
^	0 11 11	48,248,885	22,404,438	47,470,179	21,373,203
3.	Operating profit				
	The following items have been charged in arriving at operating profit:				
	Depreciation on property and equipment (Note 11)	10,979,270	6,374,399	10,879,537	6,332,295
	Depreciation on right-of-use assets (Note 12)	8,1 67,83 7	-	8,167,837	-
	Amortisation of intangible assets (Note 13)	7,115,976	3,869,845	4,608,801	1,824,730
	Impairment loss on investments	28,839	28,471	28,839	28,471
	Impairment loss on cash and bank balances	(50,363)	350,318	(39,981)	350,063
	Impairment loss on trade and other receivables	1,217,566	1,154,646	302,326	1,007,093
	Impairment loss on related party balances Auditors' remuneration	-	-	9,893,868	16,246,948
	- current year	3,327,891	2,729,222	2,980,000	2,500,000
	underprovision in prior years	486,029	74,820	480,034	74,820
	Short term lease rent	2,122,045	14,345,327	1,800,053	13,297,400
	Staff costs (Note 4)	168,116,439	150,540,153	155,120,497	140,271,727
	Repairs and maintenance	4,436,988	3,868,130	4,148,807	3,406,830
4.	Staff costs				
	Salaries and wages	137,356,084	125,769,874	125,727,809	116,521,047
	Other staff costs Pension costs:	20,950,621	14,767,353	19,756,921	13,781,416
	- National Social Security Fund	304,640	194,520	170,640	189,720
	- Defined contribution pension scheme	9,505,094	9,808,405	9,465,127	9,779,544
		168,116,439	150,540,153	155,120,497	140,271,727
	The average number of persons employed during	Gro	оир	Com	pany
	the year:	2019	2018	2019	2018
	Management and administration	55	54	42	44
5.	Finance costs				
	Interest on lease liabilities	3,736,569		3,736,569	_
	Interest expense on preference shares	347,651	621,170	-	
	Net foreign exchange loss	340,609	393,116	197,401	207,394
		4,424,829	1,014,286	3,933,970	207,394

NOTES (CONTINUED)						
NOTES (CONTINUED)	Gre	оир	Company			
6. Tax	2019 Shs	2018 Shs	2019 Shs	2018 Shs		
Current tax Underprovision in current tax - prior year Underprovision in deferred tax - prior year (Note 14) Deferred tax charge/(credit) (Note 14)	19,245,282 - - - 9,142,606	38,097,618 9,515,304 (9,515,304) 3,106,794	19,216,209 - - 14,186,844	37,956,447 9,515,304 (9,515,304) (1,945,481)		
	28,387,888	41,204,412	33,403,053	36,010,966		
The tax on the group's profit before tax differs from the theoretical amount that would arise using the basic rate as follows:						
Profit before tax	71,856,559	123,387,763	76,782,241	115,619,108		
Tax calculated at a tax rate of 30% (2018: 30%)	21,556,968	37,016,329	23,034,672	34,685,732		
Tax effect of: - expenses not deductible for tax purposes - underprovision in prior year deferred tax - income not subject to tax - impact of IFRS 9 provisions - effect of deferred tax asset not recognised - effect of translation reserve movement	7,211,150 (184,952) (223,388) - 28,004 106	3,715,409 (308,136) (790,928) 1,571,808 (70)	10,553,333 (184,952) - - - -	2,034,616		
Tax charge	28,387,888	41,204,412	33,403,053	36,010,966		
Effective rate of tax	40%	33%	44%	31%		

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

	Group & Company			
7. Share capital	2019 Shs	2018 Shs		
Authorised share capital: 2,000,000 (2018: 2,000,000) ordinary shares of Shs. 100 each		200,000,000		
Issued and fully paid: 1,750,000 (2018: 1,750,000) ordinary shares of Shs. 100 each	175,000,000	175,000,000		

8. Dividends

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

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

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

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

9. Preference shares

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

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

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

9. Preference shares (continued)

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

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

Group & Company

10.	Lease liabilities	2019	npany 2018
		Shs	Shs
	Non-current Current	10,060,608 14,080,341	-
		24,140,949	-
	Reconciliation of lease liabilities arising from financing activities:		
	At start of year Transition adjustment (Note (a)) Interest charged to profit or loss Cash flows: - Payments under leases	32,413,302 3,736,569 (12,008,922)	•
	At end of year	24,140,949	-
	Lease liabilities are unsecured.		·
	The leases expiring within one year are subject to review at various dates di	uring the next finan	cial vear
	The exposure of the company's leases to interest rate changes and the con reporting date are as follows:	-	•
		Group & Co 2019 Shs	mpany 2018 Shs
	6 months or less 6 - 12 months 1 - 5 years	4,845,226 5,215,382 14,080,341	- - -
		24,140,949	_
	Weighted average effective interest rates at the reporting date was:		
		Group & Co 2019	mpany 20 19
	Lease liabilities	13%	-
	The carrying amounts of the group's lease liabilities are denominated in Ker	nya Shillings	
	Maturity based on the repayment structure of lease liabilities is as follows:	Group & Co 2019	2018
	Gross lease liabilities - minimum lease payments	Clis	3113
	Not later than 1 year Later than 1 year and not later than 5 years	10,060,608 14,080,341	-
	Total gross lease	24,140,949	1-
	Future interest expense on leases liabilities	3,058,540	-
	Present value of lease liabilities	27,199,489	

11. Property and equipment

Year ended 31 December 2019

real elided 51 becellit	Teal effect 51 December 2019					
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	6,657,233	4,472,704	51,885,815	75,814,668
Additions	-	-	2,966,168	-	2,581,896	5,548,064
Reclassification from						,
intangible assets (Note	_	_	•		64,493,036	64,493,036
,					- 1,1.00,000	9.1,100,000
At end of year	12,668,017	130,900	9,623,401	4,472,704	118,960,747	145,855,768
Depreciation						
At start of year	12,668,017	89,993	4,128,409	3,186,679	39,631,367	EO 704 400
Charge for the year	12,000,017	32,725	1,703,000	392,623		59,704,466
Charge for the year		32,120	1,703,000	392,023	8,850,922	10,979,270
At end of year	12,668,017	122,718	5,831,410	3,579,302	48,482,289	70,683,736
Net book value		8,182	3,791,991	893,402	70,478,458	75,172,032
Year ended 31 Decemb	per 2018					
Cost						
At start of year	12,668,017	130,900	6,309,187	4,326,065	44,219,506	67,653,675
Additions	12,000,011	100,000	348,046	143,139	7,743,979	8,235,163
Impairment	_	_	540,040	145,158	(79,900)	(79,900)
Translation difference	_	_	-	3,500	2,230	5,730
Translation america				3,500	2,230	3,730
At end of year	12,668,017	130,900	6,657,233	4,472,704	51,885,815	75,814,668
Depreclation						
At start of year	12,668,017	57,268	2,675,006	2,719,723	35 394 634	52 404 620
Charge for the year	12,000,017	32,725	1,453,403	463,859	35,284,624	53,404,638
Impairment	-	32,720	1,405,403	403,009	4,424,411	6,374,399
Translation difference	-	-	-	3,097	(79,898)	(79,898)
Translation difference				3,081	2,230	5,327
At end of year	12,668,017	89,993	4,128,409	3,186,679	39,631,367	59,704,466
Net book value		40,907	2,528,823	1,286,025	12,254,448	16,110,202

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

Year ended 31 December 2019

Company	Leasehold improvements Shs	Motor vehicles Shs	Office equipment Shs	Furniture, fittings and equipment Shs	Computers, faxes and copiers Shs	Total Shs
Cost	01.5	0113	Olia	Olis	3113	\$115
At start of year Additions Reclassification from	12,668,017	130,900	6,482,357 2,819,240	4,700,010	51,519,670 2,277,896	75,500,954 5,097,136
intangible assets (Note	-				64,493,036	64,493,036
At end of year	12,668,017	130,900	9,301,597	4,700,010	118,290,602	145,091,126
Depreciation						
At start of year	12,668,017	89,993	4,081,914	3,308,497	39,385,322	59,533,743
Charge for the year		32,725	1,684,719	392,623	8,769,470	10,879,537
At end of year	12,668,017	122,718	5,766,633	3,701,120	48,154,792	70,413,280
Net book value	-	8,182	3,534,964	998,890	70,135,810	74,677,846

At end of year

11. Property and equipment (continued)

Year ended 31 December 2018

	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 Additions Impairment	12,668,017	130,900 - -	6,227,290 255,067	4,569,850 130,160	43,855,591 7,743,979 (79,900)	67,451,648 8,129,206 (79,900)
At end of year	12,668,017	130,900	6,482,357	4,700,010	51,519,670	75,500,954
Depreciation						
At start of year	12,668,017	_	2,663,063	2,852,190	35,040,810	53,281,348
Charge for the year		32,725	1,418,851	456,307	4,424,412	6,332,295
Impairment		-			(79,900)	(79,900)
At end of year	12,668,017	89,993	4,081,914	3,308,497	39,385,322	59,533,743
Net book value	<u>-</u>	-	2,400,443	1,391,513	12,134,348	15,967,211
All the additions ma	All the additions made during the year were made through cash payments.					
12. Right-of use asset	s				2019	2018
Group and compar	ny				Shs	Shs
	•					
Office space				Ĭ	17,622,601	-
At start of year					-	-
Effect of change in a		(Note (a))			25,790,438	-
Depreciation charge	for the year			7	(8,167,837)	

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

17,622,601

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

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

	Grou	Р	Compar	ту
	2019 Shs	2018 Shs	2019 Shs	2018 Shs
Additions, as above	25,790,438	-	25,790,438	-
Less: amounts financed through lease liabilities	(25,790,438)	-	(25,790,438)	-
		-		•

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

13. Intangible assets

Year ended 31 December 2019			
Group	Computer software Shs	Work in progress Shs	Total Shs
Cost At start of year Additions Transfers Reclassification to property and equipment (Note 11)	88,712,075 2,720,551 153,020,207 (64,493,036)	147,619,647 5,400,560 (153,020,207)	236,331,722 8,121,111 - (64,493,036)
At end of year	179,959,797		179,959,797
Amortisation At start of year Charge for the year	61,411,510 7,115,976	-	61,411,510 7,115,976
At end of year	68,527,486		68,527,486
Net book value	111,432,311	-	111,432,311
Year ended 31 December 2018			
Group			
Cost At start of year Additions	60,050,649 28,661,426	124,170,615 23,449,032	184,221,264 52,110,458
At end of year	88,712,075	147,619,647	236,331,722
Amortisation At start of year Charge for the year	57,541,665 3,869,845	-	57,541,665 3,869,845
At end of year	61,411,510	-	61,411,510
Net book value	27,300,565	147,619,647	174,920,212

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

Company

Year ended 31 December 2019	Computer software Shs	Work in progress Shs	Total Shs
Cost			
At start of year	63,744,453	147,619,647	211,364,100
Additions	2,530,551	5,400,560	7,931,111
Transfers	153,020,207	(153,020,207)	-
Reclassification to property and equipment (Note 11)	(64,493,036)		(64,493,036)
At end of year	154,802,175	-	154,802,175
Amortisation			
At start of year	58,826,963	_	58,826,963
Charge for the year	4,608,801	-	4,608,801
At end of year	63,435,764		63,435,764
Net book value	91,366,411		91,366,411

NOTES (CC	NTINUED)
-----------	----------

13. Intangible assets (continued)	Computer software	Work in	7-7-1	
Year ended 31 December 2018	Shs	progress Shs	Total Shs	
Cost At start of year Additions	59,511,217 4,233,236	124,170,615 23,449,032	183,681,832 27,682,268	
At end of year	63,744,453	147,619,647	211,364,100	
Amortisation At start of year Charge for the year	57,002,233 1,824,730	-	57,002,233 1,824,730	
At end of year	58,826,963	-	58,826,963	
Net book value	4,917,490	147,619,647	152,537,137	

14. Deferred tax

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

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

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

Group Deferred tax (assets)	At start of year Shs	(Credit)/charge to profit or loss Shs	IFRS 16 Transition adjustment Shs	Translation difference Shs	At end of year Shs
Property and equipment	(3,563,626)	9,416,581			5,852,955
Leave pay provision	(336,084)	(36,466)	-	÷	(372,550)
Impairment provision	(18,481,929)	(1,058,212)	-	-	(19,540,141)
Right of use assets	-	(2.450.351)	7,737,131	_	5,286,780
Lease liabilities	-	2,481,706	(9,723,991)	-	(7,242,285)
Gratuity provision	(1,307,265)	1,307,265	-	-	-
Other provisions	(31,255)	-	-	2,503	(28,752)
Tax losses	(3,051,017)	(2,827,110)	-	-	(5,878,127)
Deferred tax asset not recognised	3,403,342	2,309,193			5,712,536
Deferred tax (asset)	(23,367,833)	9,142,606	(1,986,859)	2,503	(16,209,583)

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

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

15. Investment in subsidiaries			Company			
Shares at cost	Country of incorporation	•		2018 Shs		
CDSC Registrars Kenya Limited CDSC Registrars Rwanda Limited CDSC Nominees Limited	Kenya Rwanda Kenya	70% 100% 100%	100,000 141,043 20,000	100,000 141,043 20,000		
			261,043	261,043		

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

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

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

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

Central Depository and Settlement Corporation Limited Annual report and consolidated financial statements For the year ended 31 December 2019 NOTES (CONTINUED)

17. Trade and other receivables (continued)

Gross amount al Group Shs	Trade receivables Other receivables Prepayments Receivable from related parties 7,807,307 17,401,437 16,632,355	Company Trade receivables Other receivables Prepayments Receivable from related parties 77,302,279 37,675,046 17,346,542 16,632,355 Receivable from related parties (107,933,516
2019 ECL allowance Shs	(7,845,229)	(7,845,229) (6,593,689) - (16,246,948) (22,840,637)
Carrying amount Shs	34,962,078 17,401,437 16,632,355 461,180	89,457,050 31,081,357 17,346,542 16,632,355 20,032,625 85,092,879
Gross amount Shs	23,209,543 5,354,227 16,242,193 181,683	16,840,124 5,283,667 16,242,193 36,151,006 74,516,990
2018 ECL alfowance Shs	(6,653,790)	(6,653,790) (6,291,363)
Carrying amount Shs	16,555,753 5,354,227 16,242,193 181,683	38,333,857 10,548,761 5,283,667 16,242,193 19,904,058 51,978,679

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. The group and company's credit risk arises primarily from trade receivables and related party balances. Trade receivables relate primarily to

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.

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

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

Carrenoles.	Grou	.ip	Comp	oany
	2019 Shs	2018 Shs	2019 Shs	2018 Shs
Kenya Shillings United States Dollars Rwandese Franc	270,444,707 63,505 9,336,801	293,040,118 354,325 16,516,610	278,659,341 63,505	285,797,011 239,782
	279,845,013	309,911,053	278,722,846	286,036,793

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

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

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

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

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

18. Cash and cash equivalents (continued)

	Expected credit losses for the year	have been accour	nted as follows:			
	•				2019 Shs	2018 Shs
	At start of the year 2017 ECL allowance credited to pro Additional ECL provision for the year				(2.274,828)	(1,924,510 (350,318
	At end of year				(2,234,847)	(2,274,828
			Gro	ın	Com	namu
			2019	2018	2019	2018
19.	Trade and other payables		Shş	Shs	Shs	Shs
	Non-current					
	Payable to related parties (Note 22))	2,255,196			
	Current					
	Trade payables		10,466,884	16,954,625	10,253,875	13,260,600
	Other payables		25,226,628	31,127,036	19,106,615	21,573,601
	Payable to related parties (Note 22))	7,220,002	3,232,083	12,459,553	10,716,039
		•	.,		12,400,000	10,710,038
			42,913,514	51,313,744	41,820,043	45,550,240
	Total trade and other payables		45,168,710	51,313,744	41,820,043	45,550,240
	The maturity analysis of trade and o	other payables is	as follows:			
	Group	0 to 1	2 to 3	4 to 12	Over 1	
		month	months	months	year	Total
	Year ended 31 December 2019	Shs	Shs	Shs	Shs	Shs
	Trade payables	7,340,910	2,695,214	430,760	_	10,466,884
	Other payables	14,532,589	7,456,825	3,237,214	-	25,226,628
	Payable to related parties			7,220,002	2,255,196	9,475,198
		21,873,499	10,152,039	10,887,976	2,255,196	45,168,710
	Year ended 31 December 2018					
	Trade payables	13,828,651	2,695,214	400.760		40.054.655
	Other payables	20,432,997	2,695,214 7,456,825	430,760 3,237,214	-	16,954,625
	Payable to related parties	20,432,991	1,400,020	3,232,083	•	31,127,036
	. 4,000 to rolated parties			0,202,003		3,232,083
	:	34,261,648	10,152,039	6,900,057		51,313,744

19. Trade and other payables (continued)

Company	0 to 1	2 to 3	4 to 12	
Year ended 31 December 2019	month Shs	months Shs	months Shs	Total Shs
Trade payables	991,438	9,262,437	-	10,253,875
Other payables	11,006,237	7,104,930	995,448	19,106,615
Payable to related parties	3,937,807		8,521,746	12,459,553
	15,935,482	16,367,367	9,517,194	41,820,043
Year ended 31 December 2018				520
Trade payables	10,135,795	2,695,214	429,591	13,260,600
Other payables	7,613,155	7,589,101	6,371,346	21,573,602
Payable to related parties			10,716,038	10,716,038
	17,748,950	10,284,315	17,516,975	45,550,240

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

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

	Group		Company	
	2019	2018	201 9	2018
	Shs	Shs	Shs	Shs
Kenya Shillings	45,168,710	33,410,373	41,820,043	45,550,240
Rwandese Francs		2,947,286		-
	45,168,710	36,357,659	41,820,043	45,550,240

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

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

ASSETS

Liabilities

Trade and other receivables	1,126,669
Cash and cash equivalents	9,336,782
Other current assets	726,280

11,189,731

Trade and other payables

1,972,445

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

NOTEO	(CONTINUED)	
MOLES	(CONTINUED)	

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

22. Related party transactions

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

The following transactions were carried out with related parties:

i) Outstanding balances arising from		Gro	ир	Company	
	sale and purchase of services	2019 Shs	2018 Shs	2019 Shs	2018 Shs
	Receivable from related parties can be analysed as follows:				
	- Subsidiaries - Other related parties	356,933 104,247	181,683	26,281,458 104,247	35,925,450 295,556
	Total receivable from related parties (Note 17)	461,180	181,683	26,385,705	36,221,006
	Payable from related parties can be analysed as follows:				
	- Subsidiaries - Other related parties	160,440 9,314,758	3,232,083	7,480,356 4,979,197	7,483,956 3,232,083
	Total payable to related parties (Note 19)	9,475,198	3,232,083	12,459,553	10,716,039
ii)	Key management compensation			Group & (2019 Shs	Company 2018 Shs
	Salaries and other short-term employment benefits:			Olis	0110
	DirectorsEmployees			15,337,528 74,892,445	11,936,905 77,504,405
			=	90,229,973	89,441,310

23. Commitments

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

24. Risk management objectives and policies

Financial risk management

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

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

Risk management is carried out by the management under policies approved by the board of directors. Management identifies, evaluates and hedges financial risks in close co-operation with various departmental heads.

(a) Market risk

Interest rate risk

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

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

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

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

- Foreign exchange risk

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

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

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

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

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

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

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

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

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

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

Basis for measurement of loss allowance	Lifetime expected credit losses			
As at 31 December 2019	Group Shs	Company Shs		
Trade receivables Other receivables Receivable from related parties Cash at bank Investments	42,807,307 17,401,437 461,180 279,845,013 52,866,599	37,675,046 17,346,542 26,385,705 278,722,846 52,866,599		
Gross carrying amount	393,381,536	412,996,738		
Expected credit loss allowance	(11,387,137)	(35,342,775)		
	381,994,399	377,653,963		

24. Risk management objectives and policies (continued)

Financial risk management (continued)

	Lifetime exp	me expected credit	
(b) Credit risk (continued)	Group	Company	
	Shs	Shs	
As at 31 December 2018			
Trade receivables	23,209,543	16,840,124	
Other receivables	5,354,227	5,283,667	
Receivables from related parties	181,683	26,327,138	
Cash at bank	309,911,053	286,036,793	
Investments	52,866,599	52,866,599	
Gross carrying amount	391,523,106	387,354,321	
Expected credit loss allowance	(10,180,713)	(25, 157, 723)	
	381,342,393	362,196,598	

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

- a) financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;
- b) financial assets that are credit impaired at the reporting date; and
- c) trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices.

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

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

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

Basis for measurement of loss allowance		
Group		Cash ar cash
·	Invoctments	a mush cala

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

24. Risk management objectives and policies (continued)

Financial risk management (continued)

(b) Credit risk (continued)

	Lifetime expected credit losses				
Company	Investments	Cash and cash equivalents	Related party balances	Trade receivables	Total
Year ended 31 December 2019	Shs	Shs	Shs	Shs	Shs
At start of year Changes relating to assets	401,786 28,839	2,217,626 (39,981)	16,246,948 9,893,868	6,291,363 302,326	25,157,723 10,185,052
At end of year	430,625	2,177,645	26,140,816	6,593,689	35,342,775
Year ended 31 December 2018	- 12				
At start of year Changes relating to assets	373,315 28,471	1,867,564 350,062	16,246,948	5,284,270 1,007,093	7,525,149 17,632,574
At end of year	401,786	2,217,626	16,246,948	6,291,363	25,157,723

(c) Liquidity risk

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

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

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

Group	Interest rate	Between 1 to 3 months	Between 4 to 12 months	Total
Year ended 31 December 2019	%	Shs	Shs	Shs
Non-interest bearing liabilities: - Trade and other payables Interest bearing liabilities: - Lease liabilities	0%	32,025,538	10,887,976	42,913,514
- Operating leases	13%	2,361,284	7,699,324	10,060,608
		34,386,822	18,587,300	52,974,122
Year ended 31 December 2018 Non-interest bearing liabilities: - Trade and other payables	0%	44,413,688	6,900,057	51,313,744
Company				
Year ended 31 December 2019 Non-interest bearing liabilities: - Trade and other payables Interest bearing liabilities: - Lease liabilities	0%	32,302,849	9,517,193	41,820,042
- Operating leases	13%	2,361,284	7,699,324	10,060,608
		34,664,133	17,216,517	51,880,650
Year ended 31 December 2018 Non-interest bearing liabilities: - Trade and other payables	0%	28,033,265	17,516,975	45,550,24C

25. Capital management

The group's objectives when managing capital are:

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

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

26. Incorporation

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

27. Presentation currency

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

SCHEDULE OF EXPENDITURE				
	Gro	up	Comp	рапу
	2019	2018	2019	2018
1 ADMINISTRATIVE EXPENSES	Shs	Shs	Shs	Shs
Employment:				
Salaries and wages	137,660,724	125,964,394	125,898,449	116,710,767
Staff medical and welfare expenses	12,005,417	10,787,609	10,905,485	9,919,899
Other staff expenses	18,450,297	13,788,150	18,316,563	13,641,061
Total employment costs	168,116,439	150,540,153	155,120,497	140,271,727
Other administration expenses:				
Postages and telephones	5,799,129	5,711,510	3,731,400	3,842,587
Entertainment and travelling	3,779,786	4,942,454	3,261,007	4,623,471
Board and committee expenses	20,146,315	15,514,916	19,192,368	14,971,787
Printing and stationery	1,355,484	1,508,731	1,204,604	1,166,753
Advertising and marketing expenses	2,980,830	3,567,233	2,407,819	2,905,202
Computer expenses	14,786,807	12,960,524	14,512,807	12,960,524
M- Akiba expenses	3,965,040	4,942,155		
Audit fees	3,903,040	4,942,100	3,965,040	4,942,155
- current year	3,327,891	2,729,222	2 000 000	2 500 000
- underprovision in prior years	486,029	74,820	2,980,000	2,500,000
Legal and professional fees	8,652,249		480,034	74,820
Bank charges and commissions	586,378	4,616,194	8,123,209	3,988,697
Donations		495,559	463,370	414,223
Subscriptions and periodicals	226,294	511,012	226,293	511,012
Office running expenses	1,711,493	2,181,247	1,711,493	2,181,247
	2,359,258	2,229,086	2,150,127	2,008,393
Impairment loss on investments	28,839	28,471	28,839	28,471
Impairment loss on cash and bank balances	(50,363)	350,318	(39,981)	350,063
Impairment loss on trade and other receivables	1,217,566	1,154,646	302,326	1,007,093
Impairment loss on related party balances	•	•	9,893,868	16,246,948
Fines and penalties	4,494,730	3,160,668	1,000,000	833,500
Total other administrative expenses	75,853,754	66,678,765	75,594,623	75,556,945
Total administrative expenses	243,970,193	217,218,918	230,715,120	215,828,672
2. OTHER OPERATING EXPENSES				*
Establishment:				
Short term lease rent	2,122,045	14,345,327	1,800,053	13,297,400
Service charges	4,919,543	4,176,759	3,855,114	4,176,759
Parking fees	1,991,585	1,838,645	1,986,155	1,838,645
Electricity and water	2,432,630	2,563,001	2,343,381	2,503,023
Repairs and maintenance	4,436,988	3,868,130	4,148,807	3,406,830
Insurance	5,961,366	6,151,052	5,826,663	6,151,052
Licenses	12,049,848	5,982,913	11,972,484	5,803,670
Security expense	1,240,624	981,376	1,240,624	981,376
Depreciation on right of use assets	8,167,837	501,070	8,167,837	901,370
Depreciation on property and equipment	10,979,270	6,374,399		
Amortisation of intangible assets	7,115,976	3,869,845	10,879,537 4,608,801	6,332,295
Total other operating expenses	61,417,712			1,824,730
3. FINANCE COSTS	01,417,712	50,151,447	56,829,456	46,315,780
Interest on lease liabilities	3,736,569	-	3,736,569	-
Interest expense on preference shares	347,651	621,170	-	-
Net foreign exchange loss	340,609	393,116	197,401	207,394
	4,424,829	1,014,286	3,933,970	207,394

, ¥