CENTRAL DEPOSITORY & SETTLEMENT CORPORATION

Invested in Progress

2022
Annual Report & Financial Statements

Central Depository and Settlement Corporation

CDSC is the quality provider of clearing and settlement services in the Kenya Capital Markets. In line with our mission, we facilitate market places that are secure, transparent and efficient ensuring the safe custody and transfer of investor value.

Nature of Business

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

Vision

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

Mission

Facilitate marketplaces that are secure, transparent, and efficient.

Table of Contents

Values

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


CDSC
CENTRAL DEPOSITORY & SETTLEMENT CORPORATION
Invested in Progress
YOU CAN NOW
LEND YOUR SHARES
OR BORROW SHARES
TO EARN MORE RETURNS
FROM THE STOCK MARKET.
CDSC's Securities Lending and Borrowing Platform now enables an investor to temporarily lend or borrow shares for a specific period, at an arranged fee.
The loaned shares are covered with adequate collateral from the borrower.
Contact us on corporate@cdsckenya.com
or visit our website at www.cdsckenya.com to learn more about Securities Lending and Borrowing
SLB
SECURITIES
LENDING &
BORROWING
@cdsckenya

Group Corporate Information

BOARD OF DIRECTORS	:	Aida Kimemia - (Chairperson)
	:	Isaac Awuondo
	:	Bob Karina
	:	Ashok Shah
	:	Eunice Kariuki
	:	Geoffrey Odundo
	:	Kiprono Kittony
	:	Lawrence Kimathi
	:	Sitoyo Lopokoiyit
:	:	Nkoregamba Mwebesa
CHIEF EXECUTIVE OFFICER	:	Nkoregamba Mwebesa
REGISTERED OFFICE	:	Europa Towers, 10th Floor
	:	Lantana Road
	:	P.O. Box 3464, 00100
	:	Nairobi
INDEPENDENT AUDITOR	:	Grant Thornton LLP
		Certified Public Accountants (Kenya)
		5th Floor, Avocado Towers
		Muthithi Road, Westlands
		P.O. Box 46986-00100
		Nairobi
COMPANY SECRETARY	:	Vivianne Mutua
	:	Certified Public Secretaries (K)
	:	P.O. Box 3464-00100
	:	Nairobi
PRINCIPAL BANKERS	:	Stanbic Bank Kenya Limited
	:	Stanbic Bank Centre, Westlands Road
	:	P.O Box 30550-00100
	:	Nairobi
SUBSIDIARY	:	CDSC Nominees Limited
	:	Kenya

CDSC Board Committee Members

NOMINATIONS AND REMUNERATION COMMITTEE

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

FINANCE AND STRATEGY COMMITTEE

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

AUDIT COMMITTEE

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

C. BUSINESS CONDUCT COMMITTEE

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

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

D. TECHNOLOGY COMMITTEE

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

Board Self-Evaluation for the Year 2022

1. INTRODUCTON

The Board Evaluation for the year ended December 31, 2022, was conducted in April 2023. The exercise was conducted internally and facilitated by the Company Secretary.

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

2. SUMMARY OF THE OVERALL BOARD EVALUATION

The overall performance of the Board of CDSC was rated as Good.

2.1 ASSESSMENT OF THE BOARD AS A WHOLE:

How satisfied are you with your fulfillment of your own support responsibilities	Average Rating
Understanding and fulfilling governance and support responsibilities as a member of the Board	Excellent
Public Relations: an ambassador of the organization and its stakeholders	Good
Advises management in areas of expertise: Ability to act as a sounding Board for the CE and other Executive staff upon request	Good
Credibility: Ability to lend reputation to the organization to use in corporate documents	Good
Knowledge about the organization's mission, vision and values	Good
Knowledge of the Board charter, code of conduct and governance policies	Excellent
Attendance and participation in Board meetings and follow through on commitments	Good
Capacity to take an independent viewpoint on all matters	Good
Understanding the nature of the business, the industry it operates in, the customers and the nature of their demands	Good
Provision of requisite information and documents to enable Board members to undertake their responsibilities	Good

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

Key Business Drivers in the2021 – 2025 Strategy Period

TECHNOLOGY

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

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

PEOPLE

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

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

DISTRIBUTION

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

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

Objectives for the 2021 – 2025 Strategy Period

FINANCIAL

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

CUSTOMER

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

EMPLOYEE

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

Chairperson's Statement

> The Board is committed to enhance the Board's gender and diversity balance and to ensure it has the right mix of skills, knowledge, and experience so as to perform its role effectively and ensure delivery on long term and sustainable stakeholder and shareholder value.

Total assets currently stand at

Kes. 491.6 M

2.85%

Active Investors percentage at the end of the year

Dear Shareholders,

It is with great pleasure that I present to you, on behalf of the Board of Directors and the Management of the Central Depository & Settlement Corporation Limited, the Group's Annual Report and Financial Statements for the year ended 31st December 2022.

Global and Local Operating Environment

We started the year on a promising note as the global pandemic waned, however, global economic growth prospects for 2022 were dimmed on account of the Ukraine-Russia conflict, the re-emergence of Covid-19 in China, and the persistent food and energy inflation. Global economic growth in 2023 rests on a careful calibration of monetary and fiscal policy to tame run-away inflation, de-escalation of the Russia-Ukraine war, and resolution of global supply chain challenges. This coupled with the re-opening of China's economy offers a glimmer of hope for global economic recovery.

Turning to the local environment, growth in Kenya's real Growth Domestic Product slowed to 5.5% in 2022 compared to 7.5% in 2021, according to the National Treasury. World Bank Kenya Economic Update, December 2022, notes that the Kenyan economy remains resilient notwithstanding the global and domestic shocks, with GDP projected to grow by 5.2% on average in the financial year 2023/2024.

The domestic capital markets remained undervalued and at lowered risk amidst exogenous shocks in 2022. Annual trading volumes decreased to 3.08Bn shares in 2022; down from 4.05Bn shares posted in the year 2021. Foreign investors who account for a significant contribution to equities turnover shied away from the Kenyan capital markets as they sought higher yields in safer jurisdictions.

Chairperson's Statement

Financial performance

As a result, CDSC's financial performance worsened in 2022 and the Group posted a net loss of Kes.108 million. The net loss position was a result of a 29% percent decline in total revenues in the period, precipitated by the 32% decline in the volume of shares traded on the Exchange. Furthermore, CDSC ceded 50% of bond (fixed income) levy revenues to the NSE in line with the agreement to cede the entire levy by end of the year 2023.

This was exacerbated by a 12% increase in administrative and operating expenses attributed to higher costs to maintain technology infrastructure and the staff voluntary exit costs. It is instructive to note that CDSC trimmed its staff complement by 30% during the year in an effort to reduce its overheads.

CDSC's balance sheet, however, remains resilient to overcome any short and medium-term headwinds. Total assets currently stand at Kes.491.6 million. The Board and Management will continue to manage the current asset base prudently, as we navigate the challenging business environment.

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

Strategic Direction

During the second year of implementation of the strategy, the Group made significant strides in meeting the set goals. The Key 2022 milestones were:

1. The CDS system maintained 100% uptime for all business processes.
2. The organization implemented an enhanced and more efficient organizational structure.
3. Active Investors stood at 2.85% at the end of the year, which is significant growth compared to 1.13% at the start of the current strategic cycle.
4. The organization completed an independent assessment of its compliance with global and local best practice in data privacy for implementation in 2023.
5. Our adoption of digital transformation continued to gain momentum with the discontinuation of physical CDS statements, the roll out of the CDSC Chatbot as well as the adoption of the CDSC APIs by various CDAs.

Management is focused on the following areas of the strategy in this financial year.

1. Revenue diversification through the introduction of new fees currently under consideration by the CMA.
2. Revenue diversification through the offering of CDSC services to new segments such as the commodities ecosystem through partnerships with the organizations such as the Warehouse Receipt System Council.
3. The process to implement a new CDS System to support CDSC's future needs has commenced.
4. Aggressive investor activation and education and growth of new products to enhance Local Investor participation, market liquidity and revenues. AND
5. Partnerships with Fintech Companies to enhance the reach of CDSC services digitally.

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

> **We are confident in our investment decisions anchored on our clearly defined strategic priorities that are expected to drive the next phase of growth of this organization.**

Chairperson's Statement

Board and Governance

The Board continues to adopt the best corporate governance practices to ensure that the short - and long - term objectives of the company are achieved. The Board Charter was reviewed in the first quarter of 2023. The review has enhanced CDSC's governance, leadership, social and compliance responsibilities.

The Board has also prioritized the implementation of an ESG framework in order to operationalize the environmental, social and governance objectives and ensure sustainability of the company.

The Board is committed to enhance the Board's gender and diversity balance and to ensure it has the right mix of skills, knowledge, and experience so as to perform its role effectively and ensure delivery on long term and sustainable stakeholder and shareholder value.

Outlook

We remain cognizant of near-term risks in 2023 such as inflation concerns and pressure on the local currency. We are also mindful of global occurrences like the ongoing conflict between Russia and Ukraine as well as actions by the US Federal Reserve due to their potential impact on the investment decisions taken by our international clients.

The outlook for the Capital Markets is positive as the Government has made it clear that it will support measures to ensure a robust and inclusive market, including a pledge to privatize six to ten state owned corporations in 2023. CDSC has been actively engaged in various forums bringing together stakeholders to complement and catalyze other ongoing reforms toward revitalizing the Kenyan capital markets. The domestic equity markets remain fundamentally sound with attractive opportunities in undervalued securities, that investors should seize amidst the tough operating macro-economic environment.

We are confident in our investment decisions anchored on our clearly defined strategic priorities that are expected to drive the next phase of growth of this organization.

Our success will be defined by the disciplined and consistent execution of the planned initiatives and our deliberate focus on the full automation of our services. We will continue to invest in areas of our competitive strength, support and protect the well-being of our staff, customers, and champion sustainable causes in the communities we operate.

Conclusion

I wish to express my sincere gratitude to the Board of Directors whose availability, insights and consistent engagements have provided the sound stewardship necessary to deliver immense value to all our stakeholders. I wish to acknowledge the dedication of the Management and staff in ensuring continuity of service to our clients and diligently delivering on the set objectives in an exceptionally challenging year.

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

BOARD OF DIRECTORS & SENIOR MANAGEMENT PROFILES

Board Profiles

Aida Kimemia - Chairperson

Aida Kimemia has over 25 years of banking and development finance experience in Africa, Asia and Eastern Europe.

She currently serves as non-executive director on the Boards of three private companies operating in multiple African countries and chairs the investment committee of Tiserin – Adapta, a credit facility which finances and provides climate-smart solutions to small and medium agribusiness companies. Aida previously served as Chair on the Board of Metropolitan Cannon General Insurance Company.

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

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

Mrs. Aida Kimemia is an Independent Director nominated by the Capital Markets Challenge Fund

Ashok Kumar Mepa Shah

Ashok Shah is currently the Group Chief Executive of Apollo Investments Limited. Before taking over this position, he was the CEO of APA Insurance from its inception from the merger of the General Insurance business of Apollo Insurance and Pan Africa Insurance. APA is a leading regional player.

He was the first recipient of the Lifetime Achievement Award for his contribution to the Insurance Industry. Recently he was one of the finalists of the Ernest and Young Entrepreneur of the Year Award in the Masters Category. Ashok emerged a finalist in the All-Africa Business Leaders Awards – 2015 (AABLA), under the category of Philanthropist of The Year 2015. He is the winner of the 2016 AABLA Entrepreneur of the Year Award- East Africa Chapter. In 2021, Ashok was named 100 top individual for MEANINGFUL BUSINESS.

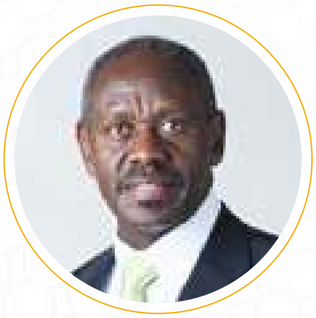
Ashok Shah's education is in Applied Chemistry. Professionally he is a Chartered Insurer with ACII. He is a member of the Chartered Institute of Arbitrators (MCIArb) and an Associate of the Insurance Institute of Kenya (AIIK). He is a past Chairman of Association of Kenya Insurers (AKI). Desai Memorial Foundation and several other social and charitable organizations.

His other directorships include APA Insurance Ltd, APA Life Assurance, Apollo Asset Management, APA Insurance Uganda and Reliance Insurance Company Ltd in Tanzania. Island Life Assurance, Mauritius.

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

Board Profiles

Bob Karina



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

Bob is a Corporate Finance Specialist and an accomplished Stockbroker. He holds an MSc in Corporate Finance from the University of Liverpool, UK, in addition to technical and professional qualifications from the Institute of Systems Science at the National University of Singapore, International Statistical Programs Center sponsored by the United States Bureau of the Census, USA, Hong Kong Polytechnic Industrial Center, Institute of Development Studies at the University of Sussex, UK., East Africa Statistical Training Centre at the University of Dar-es-Salaam, Tanzania and London Institute of Statisticians.

Bob is a Founder Member of the Institute of Certified Investment and Financial Analysts (ICIFA) and was awarded Commendation and admitted as a Fellow of the Institute for exemplary service rendered since inception. Bob serves as the Chairman of the Association of Kenya Stockbrokers Nominees Ltd. He is a Member of the Institute of Directors and a Director of the Central Depository and Settlement Corporation (CDSC).

Bob played a critical role in the establishment of the CDSC, the NSE Automated Trading System (ATS), the Wide Area Network (WAN) and the Broker Back Office system (BBO) at the NSE as the Chairman of the Implementation Committee that spearheaded developments in Kenya's Capital Markets. For over two decades, Bob has acquired vast experience in Investment Banking and is passionate about supporting organizations improve their bottom line, list on the exchange, mergers and acquisitions, raise capital, grow and thrive.

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

Mr. Karina represents the Association of Kenya Stockbrokers on the CDSC Board.

Board Profiles

Eunice Kariuki

Eunice is an Innovation Management and Digitalization Consultant for AfriLabs (Nigeria) for the COP-27 Triple AAA Youth Adapt Challenge. She previously consulted for Global Center on Adaptation(GCA) for the COP-26 Triple AAA Youth Adapt Challenge.

She has over 11 years Board experience having served on Boards of CDSC, CO-Op Serve Financial Solutions Ltd (Formerly CDSC Registrars), Genghis Capital Ltd and also sits on the DamuSasa Start-Up and eMentoring Africa Advisory Board.

Eunice has held senior leadership positions in both blue chip companies and the public sector. She is the immediate former Director of Partnerships, Innovation and Capacity at the ICT Authority, worked for Microsoft as a Public Sector and Education Solutions Manager for Eastern and Southern Africa(ESA), and East Africa Sales and Marketing Manager for Kodak (K) Ltd.

She is a Technology Innovation and Entrepreneurship business advisor and practitioner. She founded and later exited Records & Archives Management Systems (RAMS) Limited after seven(7) years, founded and exited Ramtech Foto Ltd(Kodak Express) after 5 years, and is the founder of Smart Beaver Ltd (Digital Solutions) and Innovation Endeavour Network Africa (IENAfrica) Ltd by Guarantee to promote growth and scaling of start-ups.

She was recognized as one of Top 40 under 40 Women in 2009 in Kenya,: One of the 2017 Top 25 Digital Influencers in Kenya; and Mentorship, Gender Mainstreaming and Inclusion in Africa in 2021 by Accenture.

She is a Fellow of the Chartered Institute of Marketing (CIM), a Member of the Institute of Directors (IOD) and holds certificates in Senior Leadership Development Program (SLDP) and Project Management (PMYK)

Eunice holds an MBA in Strategic Management from Maastricht School of Management, an affiliate of Eastern Southern Management Institute (ESAMI), a Bachelor of Science in Business Studies and a Higher National Diploma in Business Information Technology (BITech).

Eunice is an Independent Director on the CDSC Board representing Public Interest.

Board Profiles

Geoffrey Odundo

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

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

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

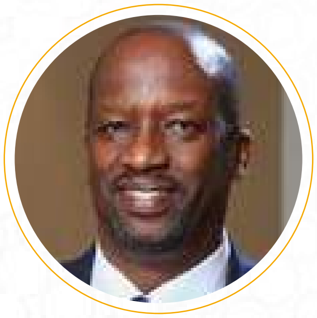
He is a Council Member of the Institute of Certified Financial Analysts (ICIFA), a member of the Working Committee of the World Federation of Exchanges (WFE), and a member of the Central Bank of Kenya - Consolidated Fund for Debt Management (CFDDM) Committee.

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

Mr. Odundo represents NSE on the CDSC Board.

Board Profiles

Kiprono Kittony, EBS



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

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

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

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

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

Mr. Kittony represents NSE on the CDSC Board.

Board Profiles

Isaac Awuondo

Isaac has considerable experience in the financial services industry having worked for more than 33 years in the Kenyan and regional banking industry.

He is currently the Chairman of NCBA Bank Kenya PLC the result of a merger between Commercial Bank of Africa Limited and NIC Group PLC which took effect on 1st October 2019. NCBA Bank is the 3rd largest banking Group in Kenya. He was Group Managing Director of Commercial Bank of Africa Limited ("CBA Group") the largest privately held commercial bank in Kenya with a regional focus and operations in Tanzania, Uganda, Rwanda and Ivory Coast for over 20 years. CBA Group was one of the strongest and ethically managed commercial banks' offering a comprehensive range of banking services, including Mobile and Digitally enabled financial solutions and is recognized as the market leader in the provision of Mobile Lending and Savings solutions, in partnership with Safaricom (Kenya), Vodacom (Tanzania) and MTN (Uganda, Rwanda and Ivory Coast). NCBA Group presently serves in excess of 50 million customers in its five main markets.

Prior to joining CBA Group (more than 23 years ago) Isaac was Chief Financial Officer and Director at Standard Chartered Bank Kenya Ltd operations in Kenya and the East Africa region for over 8 years. Isaac graduated from University of Nairobi in 1980 with a Bachelor of Commerce degree in accounting and finance. He trained in London as a chartered accountant qualifying in 1984. On his return to Kenya he worked with the firm of Githongo and Company as an Audit Manager. In 1986 he was appointed Group Auditor of Nation Printer and Publishers Limited (now the Nation Media Group) and eventually became the Group Financial Controller and Company Secretary.

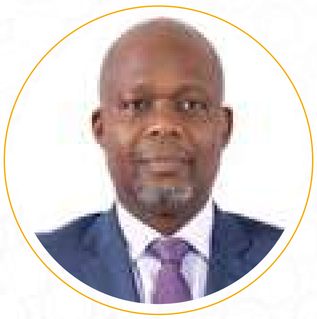
Isaac is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW), the Institute of Certified Public Accounts of Kenya (ICPAK) and Fellow of the Kenya Institute of Management. Isaac sits on the Boards of several public and private organisations, including Bata Shoes Company Kenya Limited, ArtCaffe (as Chairman) and Kenya Airports Authority (as Chairman). Through his involvement in charitable and philanthropic activities, he is Chairman of the Kenya Conservatoire of Music, University of Nairobi Alumni Association and WWF Kenya; former Chairman of The Rhino Trust, a conservation charity involved in preservation of environmental biodiversity; and Trustee of the Zawadi Africa Education Fund, an educational charity which provides scholarship support to disadvantaged girls from Africa (and presently operating in Kenya, Uganda, South Africa and Ghana) to Universities mainly in the US and Canada and more recently the UK and Japan.

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

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

Board Profiles

Lawrence Kimathi



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

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

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

Sitoyo Lopokoiyit

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

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

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

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

Sitoyo is an Independent Director representing Public Interest on the CDSC Board.

Board Profiles

Nkoregamba Mwebesa

Mr. Nkoregamba Mwebesa is the Chief Executive of CDSC.

He joined the CDSC in February 2020.

He has more than 25 years of experience as a strategic and purpose-driven corporate leader in the Financial Services Sector in the East Africa Region. His expertise spans Banking, Wealth and Investment Management, Investment Banking, Capital Markets and Securities Trading. Nkoregamba holds an Executive MBA (2007) from the Maastricht/ESAMI programme and a BA in Economics and Philosophy from the University of Nairobi (1990).

Following his appointment, Nkoregamba led the refresh of the strategic direction for the CDSC.

There were 4 key outcomes and or deliverables of the new strategic direction.

- The first was to refocus the Company on the investors and the issuers as the key customers and users of the CSD's Platforms, Products and Services.
- The second was focusing the Corporation on three key strategic drivers, namely Technology, Distribution and Human Capital.
- The third was a complete review of functional processes to rationalize the cost base to ensure better use of resources and to leverage off the technological investments made over the years.
- Lastly, CDSC needed to implement a new organizational structure to reflect the new approach and focus.

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

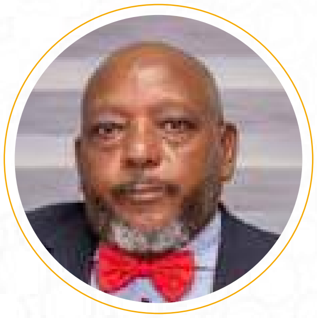
Preceding his tenure at STANLIB, Nkoregamba served as the Chief Executive of SBG Securities Limited (SBGS), a member of the Nairobi, Uganda and Rwandan Securities Exchanges and a wholly owned subsidiary of the Stanbic Holdings Plc. During his term, SBGS routinely ranked as the top broker on the three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

Nkoregamba also served as the Chief Executive Officer of the Nairobi Securities Exchange from 2005 to 2008 and was instrumental in the implementation of the Automated Trading System (ATS) that contributed to the largest trading expansion in the history of the bourse. He also oversaw 12 new equity listings and numerous debt listings during this period. This included the high-profile listings of KENGEN and SAFARICOM.

Nkoregamba is an Executive Director of the CDSC Board.

Executive Committee

Nkoregamba Mwebesa



Mr. Nkoregamba Mwebesa is the Chief Executive of CDSC.

He joined the CDSC in February 2020.

He has more than 25 years of experience as a strategic and purpose-driven corporate leader in the Financial Services Sector in the East Africa Region. His expertise spans Banking, Wealth and Investment Management, Investment Banking, Capital Markets and Securities Trading. Nkoregamba holds an Executive MBA (2007) from the Maastricht/ESAMI programme and a BA in Economics and Philosophy from the University of Nairobi (1990).

Following his appointment, Nkoregamba led the refresh of the strategic direction for the CDSC.

There were 4 key outcomes and or deliverables of the new strategic direction.

- The first was to refocus the Company on the investors and the issuers as the key customers and users of the CSD's Platforms, Products and Services.
- The second was focusing the Corporation on three key strategic drivers, namely Technology, Distribution and Human Capital.
- The third was a complete review of functional processes to rationalize the cost base to ensure better use of resources and to leverage off the technological investments made over the years.
- Lastly, CDSC needed to implement a new organizational structure to reflect the new approach and focus.

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

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

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Nkoregamba is an Executive Director of the CDSC Board.

Executive Committee

Jesse Kagoma

Jesse is the General Manager, Business Support Services.

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

Jesse is the Chief Financial Officer of the business with over 19 years of experience in financial reporting, business turnarounds & growth strategies, valuations & capital raising, restructuring, merger & acquisitions processes, budgetary controls & financial planning, investment & treasury management, tax planning & audits among others.

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

Executive Committee

Mumo Mutisya

Mumo heads the Strategy, Commercial and Technology Division at CDSC.

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

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

Mumo holds a Master of Business Administration from the University of Suffolk (UK) and a Bachelor of Science Degree in Computer Engineering from Kenyatta University (2009). Mumo also holds various professional certifications including; Corporate Finance (Columbia Business School), Executive Leadership (Babson College), Project management (PRINCE2), Service delivery and Customer service certification (ITIL), ICT Governance and Strategy (CISA and COBIT 5), IT infrastructure management (CCNP, MCITP, and VCP) and he is a member of ISACA (Local and international chapters).

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

Executive Committee

Vivianne Mutua

Vivianne heads the Legal & Regulatory Affairs Division at CDSC.

She Joined CDSC in December 2022.

Vivianne provides oversight and leadership on legal matters to CDSC, ensuring compliance with legal and regulatory requirements. She spearheads policy formulation and is charged with coordinating and championing legal and governance strategies for the Company.

She is a seasoned legal practitioner with a combined 15 years of experience in leadership and governance, conflict resolution, executive management, process improvement, litigation, legal research, legal risk management, policy development and compliance in different capacities.

Vivianne holds a Master of Public Policy and Management from Strathmore University and a Bachelor of Laws Degree (LL.B),. She has a Post Graduate Diploma in Law from the Kenya School of Law and is an Advocate of the High Court of Kenya. She is also a Certified Public Secretary, CPS (K).

She holds several certifications in Corporate Governance, Data protection, Enterprise Risk Management, Legal Compliance, Leadership Strategy and Management, Environmental Social Governance and Mediation.

Vivianne also serves as the CDSC Group Company Secretary.

Francis Kibathi

Francis heads the Risk Management and Compliance functions at CDSC.

Francis holds a Bachelor of Commerce Degree (Finance) from Kenyatta University. He is a Certified Public Accountant, a Certified Information Systems Auditor, a member of the Association of Certified Fraud Examiners and the CFA Institute.

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

Executive Committee

Mary Mukawe

Mary heads the Client & Intermediary Services Division at CDSC which is charged with the safe custody of securities in CDS and management of the daily electronic clearing, delivery, and settlement processes.

She holds a Master of Business Administration (Strategic Management) from the University of Nairobi and a Bachelor of Commerce Degree from Kenyatta University.

She has a professional qualification in Associateship (Advanced Diploma) in Banking & Financial Services (AKIB) from the Kenya Institute of Bankers and has over 10 years of operations experience at CDSC.

Edna Mutei

Edna oversees Internal Audit at CDSC.

She has over 11 years of experience having worked in several organizations which include Hotpoint Appliance Limited, Avenue Healthcare and Gertrude's Children's Hospital.

Ednah holds a Bachelor of Commerce Degree in Finance from the KCA University, is a Certified Information System Auditor (CISA) and a Certified Public Accountant (CPAK). She is a member of the Institute of Internal Auditors (IIA) and the Institute of Certified Public Accountants of Kenya (ICPAK).

She is currently pursuing a Master's in Business Administration for Project Management at Kenyatta University.

FINANCIAL STATEMENTS & ACCOUNTS

Report of the Directors

The Directors submit their report together with the audited consolidated and separate annual financial statements for the year ended December 31, 2022.

Principal activities

Central Depository Settlement Corporation Limited and Subsidiary is an investment entity incorporated in Kenya with interests in the industry. The company does not trade, and all of its activities are undertaken through its principal subsidiaries, associates and joint arrangements. The group operates in Kenya.

There have been no material changes to the nature of the group's business from the prior year.

Business review of financial results and activities

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015. The accounting policies have been applied consistently compared to the prior year.

The group recorded a net loss after tax for the year ended December 31, 2022 of KES 108,082,873. This represented an increase of 1,141.00% from the net loss after tax of the prior year of KES 8,216,823.

Group revenue decreased by 29.01% from KES 278,464,205 in the prior year to KES 196,745,120 for the year ended December 31, 2022

Group cash flows from operating activities decreased by 160.36% from KES 49,188,403 in the prior year to KES 36,933,984 for the year ended December 31, 2022.

The above movement for the financial results for the year ended December 31, 2022 have been attributed due to the following: In the year 2022, CDSC achieved a negative operating profit as a result of the reduction in revenues from the variable income segment. The transaction levies (trade market-driven income) continue to perform poorly and the delays in the implementation of the new initiatives have negatively affected overall CDSC revenues.

CDSC's proportion of revenue derived from securities market trading decreased by 10% to 68% in year 2022 compared to 78% in year 2021.

CDSC Rwanda subsidiary operated for two months and was disposed off in March 2023.

	2022(%)	2021(%)
Trade driven income segment	68	78
Non-trade driven income segment	32	22
	100	**100**

Report of the Directors

Business review of financial results and activities (Continued)

2023 Outlook

Management has taken cost-reduction measures to ensure the financial sustainability of the Corporation. The 2023 forecast is a turnaround year with a target to better than breakeven position in the most likely case scenario. The following expenditure proposals will hold for the year 2023;

- Despite the high inflation in the country, the 2023 salary inflation adjustment will be reviewed in June 2023, there was no salary inflation adjustment in 2022.
- No new hires for the year unless it's a staff replacement post-restructuring.
- The staff welfare budget for team building was scrapped from the 2023 budget.
- Release of Victor House and replacement with offsite document storage facility.
- Stoppage of client's statements and postponement of acquisition of ERM license.
- The majority of the signed costs contracts (both auto-renewals and new ones) will not be reviewed in 2023.
- CDSC to spend more on digital marketing as opposed to expensive traditional media to promote market products.

With the current capital market uncertainties due to low market activities, Management looked at a revenue turnaround strategy that will focus on non-stock market-driven initiatives in an attempt to reduce over-reliance on transaction levies as follows ;

a) New revenue initiatives

- Warehouse Receipt System Council is in discussion with CDSC to help in the implementation of the registry system either by providing the system through leasing, consultancy in addition to hosting within the CDSC environment.
- CDSC is in the process of developing an online IPO solution that will help during the expected IPO's in2023.
- The crowd-funding solution will allow MSMEs to meet fund providers through a platform that will be hostedat CDSC.
- Digital asset account and Sacco registry solutions are still under review.
- Financiers that have been pledging shares to borrowers will be charged an annual subscription.
- The entitlement fee is in the process of approval at CMA and is expected to be fully implemented in 2023.

b) Existing revenue

- The expected IPO's will reactivate the market and are expected to contribute an additional 23% of the revenue.
- With the new IPO's expected in 2023, the trades from the existing securities are predicted to reduce by 5% in the most likely scenario.

Share capital

There have been no changes to the authorised or issued share capital during the year under review.

Report of the Directors (Continued)

Dividends
The Board of Directors do not recommend the declaration of a dividend for the year ended December 31, 2022 (2021: Nil).

Directorate
The Directors in office at the date of this report are as follows:

Aida Kimemia (Chairperson)
Isaac Awuondo
Bob Karina
Ashok Shah
Eunice Kariuki
Geoffrey Odundo
Kiprono Kittony
Lawrence Kimathi
Sitoyo Lopokoiyit
Nkoregamba Mwebesa

There have been no changes to the directorate for the year under review.

Events after the reporting period
The Directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

Statement of disclosure to the company's auditor
With respect to each person who is a Director on the day that this report is approved:
- there is, so far as the person is aware, no relevant audit information of which the group's auditor is unaware; and
- the person has taken all the steps that he/she ought to have taken as a Director to be aware of any relevant audit information and to establish that the group's auditor is aware of that information.

Terms of appointment of the auditor
Grant Thornton LLP have been appointed and continue 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.

Approval of annual financial statements
The consolidated and separate annual financial statements set out on pages 35 to 82, which have been prepared on the going concern basis, were approved by the Board of Directors on March 10, 2023, and were signed on its behalf by:

Aida Kimemia
Chairperson

Statement of Directors' Responsibilities

The Kenyan Companies Act, 2015 requires the Directors to prepare consolidated and separate annual financial statements for each financial year that give a true and fair view of the financial position of the group as at the end of the financial year and of its profit or loss for that year. It also requires the Directors to ensure that the group maintains proper accounting records that are sufficient to show and explain the transactions of the group and disclose, with reasonable accuracy, the financial position of the group. The Directors are also responsible for safeguarding the assets of the group, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors accept responsibility for the preparation and presentation of these consolidated and separate annual financial statements in accordance with the 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 controls as they determine necessary to enable the presentation of consolidated and separate annual financial statements that are free of material misstatement, whether due to fraud or error;
- selecting suitable accounting policies and applying them consistently; and
- making accounting estimates and judgments that are reasonable in the circumstances.

Having made an assessment of the group'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 group's ability to continue as a going concern.

The Directors acknowledge that the independent audit of the consolidated and separate annual financial statements does not relieve them of their responsibilities.

The consolidated and separate annual financial statements set out on pages 35 to 82, which have been prepared on the going concern basis, were approved by the Board of Directors on March 10, 2023 and were signed on their behalf by:

Aida Kimemia
Director

Bob Karina
Director

Independent Auditor's Report

To the Shareholders of Central Depository Settlement Corporation Limited and Subsidiary

Report on the Audit of the Consolidated And Separate Annual Financial Statements

Opinion
We have audited the consolidated and separate annual financial statements of Central Depository Settlement Corporation Limited and Subsidiary (the company) set out on pages 37 to 82, which comprise the statement of financial position as at December 31, 2022, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated and separate annual financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the financial position of Central Depository Settlement Corporation Limited and Subsidiary as at December 31, 2022, and its 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.

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

Other Matter
The consolidated and separate annual financial statements of Central Depository Settlement Corporation Limited and Subsidiary for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 29 March 2022.

Other Information
The Directors are responsible for the other information. The other information comprises the information included in the Directors' Report as required by the Kenyan Companies Act, 2015, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate annual financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate annual financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate annual 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 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.

Independent Auditor's Report

Responsibilities of the Directors and those charged with governance on the Annual Financial Statements
The Directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate annual financial statements, the Directors are responsible for assessing the group'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 group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the group's financial reporting process.

Auditor's Responsibilities on the Audit of the Annual Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated and separate annual 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 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 consolidated and separate annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate annual 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 the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group'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 consolidated and separate annual 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.

Independent Auditor's Report

- Evaluate the overall presentation, structure and content of the consolidated and separate annual financial statements, including the disclosures, and whether the consolidated and separate annual 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 and separate annual 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 and separate annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

As required by the Kenyan Companies Act, 2015, we report to you based on our audit, in our opinion the information given in the report of the Directors on page 29 - 31 is consistent with the consolidated and separate annual financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Alfred Siele, Practicing Certificate No. 1690.

For and on behalf of Grant Thornton LLP
Certified Public Accountants (Kenya) Nairobi

24th March 2023

C/1222/052/0323/AUD

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
Figures in Shillings	**Note(s)**	**2022**	**2021**	**2022**	**2021**
Revenue	3	196,745,120	278,464,205	196,452,958	276,737,214
Other income	4	14,386,923	12,017,382	14,386,923	12,017,382
Gain on disposal of assets and subsidiary	5	7,088,591	-	7,088,591	-
Movement on expected credit loss on bank balance	22	95,907	1,268,836	95,907	1,268,836
Expected credit loss on accounts receivable	20	2,973,674	4,448,139	2,973,674	4,448,139
Administrative expenses	6	(223,217,273)	(245,473,436)	(222,981,142)	(244,710,599)
Voluntary exits expense	8	(61,478,243)	-	(61,478,243)	-
Operating expenses	7	(84,316,590)	(83,954,253)	(84,255,540)	(83,621,253)
Operating loss		**(147,721,891)**	**(33,229,127)**	**(147,716,872)**	**(33,860,281)**
Investment income	10	23,201,575	26,242,788	23,201,575	26,242,788
Finance costs	11	(6,897,087)	(4,697,242)	(6,696,437)	(4,690,158)
Loss before taxation		**(131,417,403)**	**(11,683,581)**	**(131,211,734)**	**(12,307,651)**
Taxation	12	23,334,530	3,466,758	23,838,443	3,655,495
Loss for the year		**(108,082,873)**	**(8,216,823)**	**(107,373,291)**	**(8,652,156)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Net change in value of financial assets at FVOCI		(5,800,933)	-	(5,800,933)	-
Deferred tax on fair value of financial assets at FVOCI		870,140	-	870,140	-
Total		**(4,930,793)**	**-**	**(4,930,793)**	**-**
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		159,150	268,313	-	-
Other comprehensive income for the year net of taxation		**(4,771,643)**	**268,313**	**4,930,793)**	**-**
Total comprehensive loss for the year		**(112,854,516)**	**(7,948,510)**	**(112,304,084)**	**(8,652,156)**

The accounting policies on pages 39 to 56 and the notes on pages 57 to 82 form an integral part of the consolidated and separate annual financial statements.

Statement of Financial Position

		Group		Company	
Figures in Shillings	**Note(s)**	**2022**	**2021**	**2022**	**2021**
Assets					
Non-Current Assets					
Property and equipment	14	36,781,111	56,906,111	36,781,111	56,906,111
Right-of-use assets	15	50,337,413	65,021,353	50,337,413	65,021,353
Intangible assets	16	103,122,447	101,760,753	103,122,447	101,760,753
Investments in subsidiary	17	-	-	20,000	161,043
Investment in government bonds	18	100,841,855	-	100,841,855	-
Deferred tax	19	53,655,165	25,886,955	53,655,165	25,942,473
		344,737,991	249,575,172	344,757,991	249,791,733
Current Assets					
Accounts and other receivables	20	48,942,623	68,816,658	48,922,623	71,988,497
Current tax receivable	13	52,295,940	49,000,512	52,295,940	49,000,512
Assets classified as held for disposal	21	-	12,048,714	-	-
Cash and cash equivalents	22	45,583,146	235,761,806	45,583,146	235,761,806
		146,821,709	**365,627,690**	**146,801,709**	**356,750,815**
Total Assets		**491,559,700**	**615,202,862**	**491,559,700**	**606,542,548**
Equity and Liabilities					
Equity					
Share capital	23	175,000,000	175,000,000	175,000,000	175,000,000
Reserves		(4,930,793)	(14,554)	(4,930,793)	-
Retained income		210,993,529	325,544,450	210,993,530	318,366,819
		381,062,736	500,529,896	381,062,737	493,366,819
Liabilities					
Non-Current Liabilities					
Lease liabilities	24	53,206,929	64,244,665	53,206,929	64,244,665
Current Liabilities					
Accounts and other payables	25	48,015,843	38,647,724	48,015,842	39,134,011
Lease liabilities	24	9,274,192	9,797,053	9,274,192	9,797,053
Liabilities directly associated with assets classified as held-for-sale	21	-	1,983,524	-	-
		57,290,035	**50,428,301**	**57,290,034**	**48,931,064**
Total Liabilities		**110,496,964**	**114,672,966**	**110,496,963**	**113,175,729**
Total Equity and Liabilities		**491,559,700**	**615,202,862**	**491,559,700**	**606,542,548**

The consolidated and separate annual financial statements and the notes on pages 39 to 82, were approved by the Board of Directors on March 10, 2023 and were signed on its behalf by:

Aida Kimemia
(Director)

Bob Karina
(Director)

The accounting policies on pages 39 to 56 and the notes on pages 57 to 82 form an integral part of the consolidated and separate annual financial statements.

Statement of Changes in Equity

Figures in Shillings	Share capital	Foreign currency translation reserve	Reserve for valuation of investments	Retained income	Total equity
Group					
Balance at January 1, 2021	**175,000,000**	**(282,867)**	**-**	**333,761,273**	**508,478,406**
Loss for the year	-	-	-	(8,216,823)	(8,216,823)
Other comprehensive income	-	268,313	-	-	268,313
Total comprehensive Loss for the year	**-**	**268,313**	**-**	**(8,216,823)**	**(7,948,510)**
Balance at January 1, 2022	**175,000,000**	**(14,554)**	**-**	**325,544,447**	**500,529,893**
Loss for the year	-	-	-	(108,082,873)	(108,082,873)
Other comprehensive income	-	159,150	(4,930,793)	-	(4,771,643)
Total comprehensive Loss for the year	**-**	**144,596**	**(4,930,793)**	**(108,082,873)**	**(112,869,070)**
Elimination of investment in subsidiary	-	(130,042)	-	(6,468,045)	(6,598,087)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**(130,042)**	**-**	**(6,468,045)**	**(6,598,087)**
Balance at December 31, 2022	**175,000,000**	**-**	**(4,930,793)**	**210,993,529**	**381,062,736**
Note(s)	23				
Company					
Balance at January 1, 2021	**175,000,000**	**-**	**-**	**327,018,975**	**502,018,975**
Loss for the year	-	-	-	(8,652,156)	(8,652,156)
Total comprehensive Loss for the year	**-**	**-**	**-**	**(8,652,156)**	**(8,652,156)**
Balance at January 1, 2022	**175,000,000**	**-**	**-**	**318,366,821**	**493,366,821**
Loss for the year	-	-	-	(107,373,291)	(107,373,291)
Other comprehensive income	-	-	(4,930,793)	-	(4,930,793)
Total comprehensive Loss for the year	**-**	**-**	**(4,930,793)**	**(107,373,291)**	**(112,304,084)**
Balance at December 31, 2022	**175,000,000**	**-**	**(4,930,793)**	**210,993,530**	**381,062,737**
Note(s)	23				

The accounting policies on pages 39 to 56 and the notes on pages 57 to 82 form an integral part of the consolidated and separate annual financial statements.

Statement of Cash Flows

		Group		Company	
Figures in Shillings	**Note(s)**	**2022**	**2021**	**2022**	**2021**
Cash flows (used in) generated from operating activities					
Cash (used in)/generated from operations	26	(19,123,019)	80,455,983	(26,477,637)	85,379,023
Tax paid	13	(6,803,450)	(31,267,580)	(6,299,537)	(31,077,667)
Net cash (used in) generated from operating activities		**(25,926,469)**	**49,188,403**	**(32,777,174)**	**54,301,356**
Cash flows used in investing activities					
Purchase of property and equipment	14	(2,914,358)	(24,002,060)	(2,914,358)	(24,002,060)
Sale of property and equipment	14	176,724	-	176,724	-
Purchase of intangible assets	16	(19,633,412)	(19,331,742)	(19,633,412)	(19,333,675)
Proceeds from disposal of subsidiary	17	-	-	7,270,023	-
Investment in government securities	18	(100,841,855)	-	(100,841,855)	-
Interest Income	10	(23,201,575)	(26,242,788)	(23,201,575)	(26,242,788)
Net cash used in investing activities		**(146,414,476)**	**(69,576,590)**	**(139,144,453)**	**(69,578,523)**
Cash flows used in financing activities					
Payment on lease liabilities	24	(18,257,035)	(8,529,350)	(18,257,033)	(13,219,508)
Dividends paid		-	(117,500,000)	-	(117,500,000)
Net cash used in financing activities		**(18,257,035)**	**(126,029,350)**	**(18,257,033)**	**(130,719,508)**
Net movement in cash and cash equivalents for the year		**(190,597,980)**	**146,417,537**	**(190,178,660)**	**(145,996,675)**
Cash and cash equivalents at 1st January	22	235,761,806	381,758,481	235,761,806	381,758,481
Effect of translation of foreign entities		419,320	420,862	-	-
Cash and cash equivalents at 31st December	**22**	**45,583,146**	**235,761,806**	**45,583,146**	**235,761,806**

The accounting policies on pages 39 to 56 and the notes on pages 57 to 82 form an integral part of the consolidated and separate annual financial statements.

Notes

1. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated and separate annual financial state ments are set out below.

1.1 Basis of preparation

a) Statement of compliance

The consolidated and separate annual financial statements have been prepared on the going concern basis in accord ance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these con solidated and separate annual financial statements and the Kenyan Companies Act, 2015.

For Kenyan Companies Act, 2015 reporting purposes, the balance sheet is represented in these consolidated and separate annual financial statements by the Statement of Financial Position and the loss and loss account by the State ment of Profit or Loss and Other Comprehensive Income.

The consolidated and separate annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out be low.

These accounting policies are consistent with the previous period unless otherwise stated

b) Functional currency

They are presented in Kenyan Shillings, which is the group and company's functional currency and rounded off to the nearest Shilling.

c) Going Concern

As at the date of this report and based on the financial performance, the Directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the group's ability to continue as a going concern in the foreseeable future and therefore the financial statements have been prepared on a going concern basis.

1.2 Significant judgments and sources of estimation uncertainty

The preparation of consolidated and separate annual financial statements in conformity with IFRS requires management, from time to time, to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Notes (Continued)

1. Significant Accounting Policies (Continued)

1.2 Significant judgments and sources of estimation uncertainty (continued)

Critical judgements in applying accounting policies

The critical judgments made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Lease classification

The group is party to leasing arrangements, both as a lessee and as a lessor. The treatment of leasing transactions in the consolidated and separate annual financial statements is mainly determined by whether the lease is considered to be an operating lease or a finance lease. In making this assessment, management considers the substance of the lease, as well as the legal form, and makes a judgment about whether substantially all of the risks and rewards of ownership are transferred.

Key sources of estimation uncertainty

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 accounts 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 signifi cantly 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 finan cial instrument improves such that there is no longer a significant increase in credit risk since initial recogni tion, the ECL model requires reverting to recognition of 12-month expected credit losses.

Notes (Continued)

1. Significant Accounting Policies (Continued)

1.2 Significant judgments and sources of estimation uncertainty (continued)

- **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 that are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The group uses these guidelines in determining the staging of its financial assets unless there is persuasive evidence available to rebut these presumptions.

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

The carrying amounts of the group's financial assets that are subject to impairment assessment are disclosed in note 19.

Impairment testing

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Useful lives of property and equipment

Management assess the appropriateness of the useful lives of property and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on group replace ment policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The useful life of the equipment is assessed annually based on factors including wear and tear and usage requirements.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available.

Notes (Continued)

1. Significant Accounting Policies (Continued)

1.2 Significant judgments and sources of estimation uncertainty (continued)

Accounting for leases under IFRS 16

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

Incremental borrowing rate: To determine the incremental borrowing rate, the group:
- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financ ing 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 re cent 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 extend ed (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 reasona bly certain to extend (or not terminate).
- Otherwise, the group considers other factors including historical lease durations and the costs and busi ness disruption required to replace the leased asset.

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

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

The carrying amounts of right-of-use of assets and lease liabilities are disclosed in notes 14 and 12, respectively.

1.3 Consolidation

Basis of consolidation

The consolidated and separate annual financial statements incorporate the consolidated and separate annual finan cial statements of the group and all subsidiaries. Subsidiaries are entities (including structured entities) which are con trolled by the group.

The group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

Notes (Continued)

1. Significant Accounting Policies (Continued)

1.3 Consolidation (continued)

The results of subsidiaries are included in the consolidated and separate annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the consolidated and separate annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All inter-group transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impair ment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Statement of Changes in Equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the group.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is meas ured to fair value with the adjustment to fair value recognised in loss or loss as part of the gain or loss on disposal of the controlling interest. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to loss or loss.

1.4 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment losses.

1.5 Property and equipment

Property and equipment are tangible assets which the group holds for its own use and are expected to be used for more than one year.

An item of property and equipment is recognised as an asset when it is probable that future economic benefits assoated with the item will flow to the group, and the cost of the item can be measured reliably.

Notes (Continued)

1. Significant Accounting Policies (Continued)

1.5 Property and equipment (continued)

Property and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property and equiment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the group and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property and equipment have been assessed as follows:

Item	Depreciation method	Rate per annum (%)
Furniture fittings and equipment	Straight line	12.5
Motor vehicles	Straight line	25
Office equipment	Straight line	25
Computer, taxes and copiers	Straight line	25
Leasehold improvements	Straight line	12.5

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expect ed from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

Notes (Continued)

1. Significant Accounting Policies (Continued)

1.6 Intangible assets

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

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

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. The amortisation period and the amortisation method for intangible assets are reviewed every period-end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

1.7 Financial instruments

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the group ,as applicable, are as follows:

Financial assets which are debt instruments:
- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows)

Financial liabilities:
- Amortised cost

Note 28 Financial instruments and risk management presents the financial instruments held by the group based on their specific classifications.

Notes (Continued)

1. Significant Accounting Policies (Continued)

1.7 Financial instruments (continued)

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the group are presented below:

Accounts and other receivables

Classification

Accounts and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 20).

They have been classified in this manner because their contractual terms give rise, on specified dates to cashflows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on accounts and other receivables.

Recognition and measurement

Accounts and other receivables are recognised when the group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Accounts and other receivables denominated in foreign currencies

When accounts and other receivables are denominated in a foreign currency, the carrying amount of the receivbles are determined in the foreign currency. The carrying amount is then translated to the Shillings equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in loss or loss (note 5).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management (note 28).

Impairment

The group recognises a loss allowance for expected credit losses on accounts and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

Notes (Continued)

1. Significant Accounting Policies (Continued)

1.7 Financial instruments (continued)

The group measures the loss allowance for accounts and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on accounts and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all accounts and other receivables in totality. Details of the provision matrix is presented in note 20.

Write off policy

The group writes off a receivable when there is information indicating that the counterparty is in severe financial diffi culty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in loss or loss.

Credit risk

Details of credit risk are included in the accounts and other receivables note (note 20) and the financial instruments and risk management (note 28).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Accounts and other payables

Classification

Accounts and other payables (note 25), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Notes (Continued)

1. Significant Accounting Policies (Continued)

1.7 Financial instruments (continued)

Recognition and measurement

They are recognised when the group becomes a party to the contractual provisions, and are measured, at initia recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts esti mated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If accounts and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in loss or loss in finance costs (note 11).

Accounts and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to note 28 for details of risk exposure and management thereof.

Accounts and other payables denominated in foreign currencies

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management (note 28).

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Derecognition

Financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Notes (Continued)

1. Significant Accounting Policies (Continued)

1.7 Financial instruments (continued)

The group derecognises financial liabilities when, and only when, the group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Reclassification

Financial assets

The group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

1.8 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting loss nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable loss will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting loss nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Notes (Continued)

1. Significant Accounting Policies (Continued)

1.8 Tax (Continued)

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in loss or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.9 Leases

The group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

Notes (Continued)

1. Significant Accounting Policies (Continued)

1.9 Leases (Continued)

However as an exception to the preceding paragraph, the group has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the group is a lessee are presented in note 15 Leases (group as lessee).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commence ment date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the group under residual value guarantees;
- the exercise price of purchase options, if the group is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 15).

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 11).

The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:
- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;

Notes (Continued)

1. Significant Accounting Policies (Continued)

1.9 Leases (Continued)

- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of- use asset, or is recognised in loss or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the group incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in loss or loss unless it is included in the carrying amount of another asset.

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

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

Notes (Continued)

1. Significant Accounting Policies (Continued)

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 sale.

1.11 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity.

Dividends are recognised as a liability in the group in which they are declared.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of loss sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

The group also operates a defined contribution pension scheme for specific employees. Employer and employee contribute10% of the basic salary. The assets of this scheme are held in a separate trustee administered fund which is funded by payments from both the employees and the company.

The group and its employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the group's contributions are charged to the Statement of Profit or Loss and Other Comprehensive Income in the year they fall due.

Notes (Continued)

1. Significant Accounting Policies (Continued)

1.13 Impairment of assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual as set. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in loss or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than good will is recognised immediately in loss or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.14 Provisions and contingencies

Provisions are recognised when:
- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Notes (Continued)

1. Significant Accounting Policies (Continued)

1.14 Provisions and contingencies (Continued)

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

1.15 Revenue

Revenue is recognised from contracts with customers under the scope of IFRS 15 as it transfers services to customers at an amount that reflects the consideration to which the group expects to be entitled to in exchange for those services. The five step approach is applied to revenue recognition under IFRS 15. Revenue is recognised when a performance obligation is satisfied by offering a promised asset to the customer or performing the promised service. Control includes the ability to prevent others from directing the use of and obtaining the benefits from the asset. If we do not satisfy our performance obligation over time, it satisfies it at a point in time and revenue will be recognised when control is passed or service performed at that point in time.

Revenue is recognised using the 5 step model as defined below:
- identify the contract with the customers – this would be a matter of law but collection needs to be probable, has to have commercial substance, rights to services and payment obligations can be identified and that both parties are committed to their obligations;
- identify the performance obligations – where there are multiple performance obligations, an assessment is required whether these can be separately enjoyed and if so need to recognised as such;
- determine the transaction price – a risk of revenue reversal as well as a significant finance component need to be factored in.
- allocate the transaction price – the transaction price needs to be allocated to the performance obligations. This must be done using stand alone selling prices to the extent that they are available. In the absence of these, an expected cost plus margin or market assessment approach is to be used;
- recognise revenue when the entity satisfies a performance obligation. Indicators of this are a present obligation to pay, physical possession, legal title, risk and rewards and acceptance. If these criteria are met over time then allocation can be done using an objective allocation method based on inputs or outputs.

The group recognises revenue from services upon performance of the transactions and recognition in the Central Depository System. The group 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 group 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.

Notes (Continued)

1. Significant Accounting Policies (Continued)

1.15 Revenue (Continued)

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.

Other income

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

1.16 Translation of foreign currencies

Foreign currency transactions

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

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

Notes (Continued)

2. New Standards and Interpretations (Continued)

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1

A subsidiary that uses the cumulative translation differences exemption, may elect in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

The effective date of the group is for years beginning on or after January 1, 2022.

The group has adopted the amendment for the first time in the 2022 consolidated and separate annual financial statements. The impact of the amendment is not material.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in deter mining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the group is for years beginning on or after January 1, 2022.

The group has adopted the amendment for the first time in the 2022 consolidated and separate annual financial statements. The impact of the amendment is not material.

Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equip ment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amend ment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts in now specifically required.

The effective date of the group is for years beginning on or after January 1, 2022.

The group has adopted the amendment for the first time in the 2022 consolidated and separate annual financial statements.

The impact of the amendment is not material.

Notes (Continued)

2. New Standards and Interpretations (Continued)

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after January 1, 2023 or later periods:

Lease liability in a sale and leaseback

The amendment requires that a seller-lessee in a sale and leaseback transaction, shall determine 'lease payments'or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the ight of use retained by the seller-lessee.

The effective date of the amendment is for years beginning on or after January 1, 2024.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate annual financial statements.

Initial application of IFRS 17 and IFRS 9 - Comparative information

A narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time. The amendment regards financial assets for which comparative information is presented on initial application of IFRS 17 and IFRS 9, but where this information has not been restated for IFRS 9. Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of IFRS 9.

The effective date of the amendment is for years beginning on or after January 1, 2023.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate annual financial statements.

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

Notes (Continued)

2. New Standards and Interpretations (Continued)

2.2 Standards and interpretations not yet effective (Continued)

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after January 1, 2023.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate annual financial statements.

IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after January 1, 2023.

It is unlikely that the standard will have a material impact on the group's consolidated and separate annual financial statements.

Notes (Continued)

Figures in Shillings	Note	Group 2022	Group 2021	Company 2022	Company 2021
3. Revenue					
Revenue from contracts with customers					
Transaction levy		150,382,577	219,638,432	150,382,577	219,638,432
Depository levy		15,698,740	18,366,083	15,698,740	18,366,083
Bond levy		14,809,056	25,646,892	14,809,056	25,646,892
Private transfer fees and other levies		15,854,747	14,812,798	15,562,585	13,085,807
		196,745,120	**278,464,205**	**196,452,958**	**276,737,214**
Timing of revenue recognition					
At a point in time					
Transaction levy		150,382,577	219,638,432	150,382,577	219,638,432
Depository levya		15,698,740	18,366,083	15,698,740	18,366,083
Bond levy		14,809,056	25,646,892	14,809,056	25,646,892
Private transfer fees and other levies		15,854,747	14,812,798	15,562,585	13,085,807
		196,745,120	**278,464,205**	**196,452,958**	**276,737,214**
4. Other income					
Management and entitlement fees		13,160,351	12,017,382	13,160,351	12,017,382
Recoveries of expected credit loss		1,226,572	-	1,226,572	-
		14,386,923	**12,017,382**	**14,386,923**	**12,017,382**
5. Gain on disposal of assets and subsidiary					
Loss on disposal of equipment	14	(40,389)	-	(40,389)	-
Gain on disposal of investment in subsidiary	30	7,128,980	-	7,128,980	-
		7,088,591	**-**	**7,088,591**	**-**
6. Administrative expenses					
Staff costs (Note 11)		129,210,081	144,550,385	129,120,482	144,019,128
Director's remuneration		30,972,516	34,329,149	30,972,516	34,329,149
Telephones and postages		1,036,684	4,286,099	1,036,684	4,286,099
Entertainment and travelling		235,021	417,755	233,993	416,808
Board and committee allowances		171,470	490,470	171,470	490,470
Printing and stationery		727,416	1,239,954	727,416	1,239,682
Advertising and marketing expenses		4,036,178	7,961,999	4,036,178	7,961,999
Computer expenses		46,996,616	34,762,178	46,996,616	34,762,178
Auditors remuneration		2,738,460	4,877,436	2,738,460	4,877,436
Legal and professional fees		4,209,440	9,556,144	4,091,327	9,371,083
Bank charges		349,563	425,172	326,592	401,965
Donations		-	83,554	-	83,554
Subscriptions and periodicals		1,741,490	1,558,364	1,741,490	1,558,364
Office running expenses		792,338	933,021	787,918	911,249
Fines and penalties		-	1,756	-	1,435
		223,217,273	**245,473,436**	**222,981,142**	**244,710,599**

Notes (Continued)

Figures in Shillings	Group 2022	Group 2021	Company 2022	Company 2021
7. Operating expenses				
Short term lease rent	2,218,005	2,121,403	2,164,966	1,807,888
Service charge and parking fees	4,932,166	6,654,660	4,932,166	6,654,660
Electricity and water	1,975,238	1,888,283	1,975,238	1,888,283
Repairs and maintenance	6,517,845	8,918,950	6,514,254	8,903,819
Insurance	5,837,079	6,588,949	5,837,079	6,588,949
Licences	4,838,538	4,199,703	4,834,118	4,195,349
Security	1,200,117	1,512,655	1,200,117	1,512,655
Depreciation on right of use assets (Note: 15)	14,683,940	12,924,138	14,683,940	12,924,138
Depreciation on property and equipment (Note 14)	22,822,245	20,822,836	22,822,245	20,822,836
Amortisation of intangible assets (Note: 16)	18,271,718	16,981,816	18,271,718	16,981,816
Realised exchange loss	1,019,699	1,340,860	1,019,699	1,340,860
	84,316,590	**83,954,253**	**84,255,540**	**83,621,253**
8. Voluntary exits expense				
Voluntary exits payment	61,478,243	-	61,478,243	-
9. Staff costs				
Salaries and wages	103,936,856	119,483,761	103,851,767	118,979,162
Staff medical and welfare expenses	9,736,007	9,368,442	9,731,497	9,341,784
Other staff expenses	15,537,218	15,698,182	15,537,218	15,698,182
	129,210,081	**144,550,385**	**129,120,482**	**144,019,128**
Staff employed during the year				
Management and administration	43	59	43	59
10. Investment income				
Interest income				
Interest on fixed deposits and current account	10,013,696	26,242,788	10,013,696	26,242,788
Interest on government bonds	13,187,879	-	13,187,879	-
Total interest income	**23,201,575**	**26,242,788**	**23,201,575**	**26,242,788**
11. Finance costs				
Net foreign exchange gain	200,650	7,084	-	-
Interest on lease liabilities	6,696,437	4,690,158	6,696,437	4,690,158
Total finance costs	**6,897,087**	**4,697,242**	**6,696,437**	**4,690,158**

Notes (Continued)

	Group		Company	
Figures in Shillings	**2022**	**2021**	**2022**	**2021**
12.Taxation				
Major components of the tax (income) expense				
Current				
Local income tax - current year	**3,508,022**	**8,062,749**	**3,004,109**	**7,872,836**
Deferred				
Deferred tax - current year	(26,842,552)	(11,529,507)	(26,842,552)	(11,528,331)
	(23,334,530)	**(3,466,758)**	**(23,838,443)**	**(3,655,495)**
Reconciliation of the tax expense				
Accounting (loss)	(131,417,403)	(11,683,581)	(131,211,734)	(12,307,651)
Tax at the applicable tax rate of 30% (2021:30%)	(35,855,497)	(3,505,074)	(36,359,410	(3,692,295)
Tax effect of adjustments on taxable income				
Expenses not deductible for tax purposes	3,949,732	38,316	3,949,732	36,800
Income not subject to tax	(6,095,058)	-	(6,095,058)	-
Prior year adjustment	14,666,293	-	14,666,293	-
	(23,334,530)	**(3,466,758)**	**(23,838,443)**	**(3,655,495)**
13.Tax paid				
Balance at beginning of the year	49,000,512	25,795,681	49,000,512	25,795,681
Current tax for the year recognised in profit or loss	(3,508,022)	(8,062,749)	(3,004,109)	(7,872,836)
Balance at end of the year	(52,295,940)	(49,000,512)	(52,295,940)	(49,000,512)
	(6,803,450)	**(31,267,580)**	**(6,299,537)**	**(31,077,667)**

Notes (Continued)

14. Property and equipment

Group & Company	2022 Cost	2022 Accumulated depreciation	2022 Carrying value	2021 Cost	2021 Accumulated depreciation	2021 Carrying Value
Furniture, fittings and equipment	4,071,006	(3,616,068)	454,938	4,071,006	(3,340,518)	730,488
Motor vehicles	130,900	(130,900)	-	130,900	(130,900)	-
Office equipment	8,338,954	(6,934,986)	1,403,968	9,184,468	(8,098,811)	1,085,657
Computer, fax and copiers	116,203,780	(102,786,478)	13,417,302	118,618,665	(86,862,607)	31,756,058
Leasehold improvements	24,799,640	(3,294,737)	21,504,903	23,579,528	(245,620)	23,333,908
Total	**153,544,280**	**(116,763,169)**	**36,781,111**	**155,584,567**	**(98,678,456)**	**56,906,111**

Reconciliation of property and equipment - Group & Company - 2022

Group & Company	2022 Balance at 1st January	2021 Additions	Disposals	2022 Depreciation	2021 Balance at 1st December
Furniture, fittings and equipment	730,488	-	-	(275,550)	454,938
Office equipment	1,085,657	1,445,195	(217,113)	(909,771)	1,403,968
Computer, fax and copiers	31,756,058	249,051	-	(18,587,807)	13,417,302
Leasehold improvements	23,333,908	1,220,112	-	(3,049,117)	21,504,903
	56,906,111	**2,914,358**	**(217,113)**	**22,822,245)**	**36,781,111**

Reconciliation of property and equipment - Group & Company - 2021

Group & Company	2022 Balance at 1st January	2021 Additions	2022 Depreciation	2021 Balance at 31 December
Furniture, fittings and equipment	1,075,403	-	(344,915)	730,488
Office equipment	1,918,840	-	(833,183)	1,085,657
Computer, fax and copiers	50,693,210	422,532	(19,359,684)	31,756,058
Leasehold improvements	-	23,579,528	(245,620)	23,333,908
	53,687,453	**24,002,060**	**(20,783,402)**	**56,906,111**

Fully depreciated assets still in use				
Computer, tax and copiers	47,256,905	42,186,488	47,256,905	42,186,488
Office equipment	4,291,633	6,127,647	4,291,633	6,127,647
Motorvehicles	130,900	130,900	130,900	130,900
Furniture, fittings and equipment	1,932,593	1,311,682	1,932,593	1,311,682
	53,612,031	**49,756,717**	**53,612,031**	**49,756,717**

Notes (Continued)

	Group		Company	
Figures in Shillings	2022	2021	2022	2021

15. Right-of-use assets

Net carrying amounts of right-of-use assets

Office space	50,337,413	65,021,353	50,337,413	65,021,353

The group leases offices and storage spaces. The leased offices and storage spaces are typically for periods of between 2 and 6 years, with an option to renew. None of the leases contains any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

Additions to right-of-use assets

Office space	-	68,490,727	-	68,490,727

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 7), as well as depreciation which has been capitalised to the cost of other assets

Office space	14,683,940	12,924,138	14,683,940	12,924,138

Other disclosures

Interest expense on lease liabilities	6,696,437	4,690,158	6,696,437	4,690,158

The group leases offices and storage spaces. The leased offices and storage spaces are typically for periods of between 2 and 6 years, with an option to renew. None of the leases contains any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

Notes (Continued)

16. Intangible assets

Group	2022 Cost	2022 Accumulated amortisation	2022 Carrying value	2021 Cost	2021 Accumulated amortisation	2021 Carrying Value
Website	4,924,615	(4,924,615)	-	4,924,615	(4,924,615)	-
Computer software	211,532,978	(108,410,531)	103,122,447	191,899,566	(90,138,813)	101,760,753
Total	**216,457,593**	**(113,335,146)**	**103,122,447**	**196,824,181**	**(95,063,428)**	**101,760,753**

Company	2022 Cost	2022 Accumulated amortisation	2022 Carrying value	2021 Cost	2021 Accumulated amortisation	2021 Carrying Value
Website	4,924,615	(4,924,615)	-	4,924,615	(4,924,615)	-
Computer software	211,532,978	(108,410,531)	103,122,447	191,899,566	(90,138,813)	101,760,753
Total	**216,457,593**	**(113,335,146)**	**103,122,447**	**196,824,181**	**(95,063,428)**	**101,760,753**

Reconciliation of intangible assets - Group - 2022

	Balance at 1st January	Additions	Amortisation	Balance at 31 December
Computer software	**101,760,763**	**19,633,412**	**(18,271,718)**	**103,122, 447**

Reconciliation of intangible assets - Group - 2021

	Balance at 1st January	Additions	Amortisation	Balance at 31 December
Computer software	**99,410,827**	**19,331,742**	**(16,981,816)**	**101,760,753**

Reconciliation of intangible assets - Company - 2022

	Balance at 1st January	Additions	Amortisation	Balance at 31 December
Computer software	**101,760,753**	**19,633,412**	**(18,271,718)**	**103,122,447**

Reconciliation of intangible assets - Company - 2021

	Balance at 1st January	Additions	Amortisation	Balance at 31 December
Computer software	**99,408,894**	**19,333,675**	**(16,981,816)**	**101,760,753**

Fully armotised intangible assets still in use

CDSC website and project	44,698,734	44,698,734	44,698,734	44,698,734
Furniture, fittings and equipment	18,947,120	14,713,883	18,947,120	14,713,883
	63,645,854	**59,412,617**	**63,645,854**	**59,412,617**

Notes (Continued)

	Group		Company	
Figures in Shillings	2022	2021	2022	2021

17.Interest in subsidiaries

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

Company

Shares at Cost	Country of incorporation	% holding 2022	% holding 2021	Carrying amount 2022	Carrying amount 2021
CDSC Registrars Rwanda Limited	Rwanda	- %	100.00 %	-	141,043
CDSC Nominees Limited	Kenya	100.00 %	100.00 %	20,000	20,000
				20,000	**161,043**

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

CDSC Registrars Rwanda Limited was disposed on 28 February 2022.

18.Investment in government securities

Government of Kenya infrastructure bonds	**100,841,855**	**-**	**100,841,855**	**-**

Investment in government securities measured at fair value through other comprehensive income	Balance at 1st January	Purchased during the year	Valuation adjustment	Balance at 31 December
Government of Kenya Infrastructure	**-**	**106,642,788**	**(5,800,933)**	**100,841,855**

The fair values of government securities calssified as' Fair value through other comprehensive income"are financial assets recognised under Level 1 based on information set out in the accounting policy.

Fair value information

Refer to note Fair value information for details of valuation policies and processes.

Notes (Continued)

	Group		Company	
Figures in Shillings	2022	2021	2022	2021
19. Deferred Tax				
Deferred tax asset	**53,655,165**	**25,886,955**	**53,655,165**	**25,942,473**
Reconciliation of deferred tax asset				
At beginning of year	25,886,955	14,470,562	25,942,473	14,414,142
Property, equipment and intangible assets	1,677,739	545,753	1,677,739	545,753
Leave pay provision	-	440,286	-	440,286
Impairment provision	(1,288,845)	(1,707,774)	(1,288,845)	(30,782,363)
Right to use of assets	4,405,182	(16,669,977)	4,405,182	(2,136,342)
Lease liabilities	(3,468,179)	17,988,413	(3,468,179)	17,988,413
Gratuity provision	597,632	670,085	597,632	670,085
Tax losses	39,452,658	10,268,864	39,452,658	10,268,864
Other provisions	(14,533,635)	(118,256)	(14,533,635)	14,533,635
Translation difference	55,518	(1,001)	-	-
Fair value adjustment	870,140	-	870,140	-
	53,655,165	**25,886,955**	**53,655,165**	**25,942,473**
20. Accounts and other receivables				
Financial instruments:				
Accounts receivables	17,669,354	20,766,190	17,669,354	20,766,190
Other accounts receivable	-	26,011,815	-	26,011,815
Receivable from related parties (Note 27)	20,600	20,000	600	3,191,839
Expected credit loss	(3,801,390)	(32,455,722)	(3,801,390)	(32,455,722)
Net accounts and other receivables	13,888,564	14,342,283	13,868,564	17,514,122
Prepayments	21,057,461	39,733,801	21,057,461	39,733,801
Other receivables	13,996,598	14,740,574	13,996,598	14,740,574
Total accounts and other receivables	**48,942,623**	**68,816,658**	**48,922,623**	**71,988,497**

Notes (Continued)

20. Accounts and other receivables (Continued)

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

Exposure to credit risk

Accounts receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the group only deals with reputable customers with consistent payment histories. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period. Accounts receivables relate primarily to contracted payments due for Nairobi Securities Exchange transactions from the Central Depository Agents. The directors are of the opinion that the group's exposure is limited because the debt is widely held. There is also no significant concentration of credit risk.

The average credit period on Accounts receivables is 90 days (2021: 90 days). No interest is charged on outstanding accounts receivables.

The expected credit loss is recognised for all accounts receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, accounts receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Accounts receivables which have been written off are not subject to enforcement activities.

The group measures the loss allowance for accounts receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on accounts receivables is determined as the expected credit losses on accounts receivables. These expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.The group's historical credit loss experience does not show significantly different loss patterns for different customer segments.

Notes (Continued)

Significant Accounting Policies

20. Accounts and other receivables (Continued)

The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

Figures in Shillings	2022	2022	2021	2021
Group & Company	**Gross carrying amount**	**Expected credit loss**	**Gross carrying amount**	**Expected credit loss**
Expected credit loss rate:				
Not past due: 4.21% (2021: 6.97%)	5,926,312	(249,613)	13,700,000	(481,949)
31 - 60 days past due: 4.89% (2021: 8.87%)	1,654,728	(77,985)	626,473	(5,874)
61 - 90 days past due: 4.96% (2021: 9.08%)	2,384,903	(118,276)	1,617,987	(146,897)
Over 90 days past due: 45.95% (2021: 55.41%)	33,384,585	(29,036,174)	34,024,967	(31,821,002)
Total	**43,350,528**	**(29,482,048)**	**49,969,427**	**(32,455,722)**
Analysis of expected credit loss				
Balance as at 1st January	(32,455,722)	(35,293,909)	(32,455,722)	(35,293,909)
Net movement in expected credit loss during the year	2,973,674	2,838,187	2,973,674	2,838,187
Balance as at 31st December	**(29,482,048)**	**(32,455,722)**	**(29,482,048)**	**(32,455,722)**

Exposure to currency risk

Refer to note for details of currency risk management for accounts receivables.

Fair value of accounts and other receivables

The fair value of accounts and other receivables approximates their carrying amounts.

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

Figures in Shillings	2022	2022	2021	2021
Assets				
Accounts and other receivables	-	1,531,430	-	-
Cash and cash equivalents	-	10,112,707	-	-
Other current assets	-	404,576	-	-
	-	**12,048,713**	**-**	**-**
Liabilities				
Accounts and other payables	-	1,983,524	-	-

Notes (Continued)

	Group		Company	
Figures in Shillings	2022	2021	2022	2021
22. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash in hand	70,000	70,000	70,000	70,000
Bank balances	45,795,388	39,567,218	45,795,388	39,567,218
Fixed deposits	-	197,729,309	-	197,729,309
Expected credit loss	(282,242)	(1,604,721)	(282,242)	(1,604,721)
	45,583,146	**235,761,806**	**45,583,146**	**235,761,806**
Cash and cash equivalents	45,865,388	237,366,527	45,865,388	237,366,527
Movement in expected credit loss	(282,242)	(1,604,721)	(282,242)	(1,604,721)
	45,583,146	**235,761,806**	**45,583,146**	**235,761,806**
Analysis of expected credit loss				
At start of the year	(1,604,721)	(3,214,673)	(1,604,721)	(3,214,673)
Recoveries	1,226,572	-	1,226,572	-
Expected credit loss charge for the year	95,907	1,609,952	95,907	1,609,952
At the end of year	**(282,242)**	**(1,604,721)**	**(282,242)**	**(1,604,721)**

Exposure to currency risk

Refer to note 28 Financial instruments and financial risk management for details of currency risk management for cash and cash equivalents.

23. Share capital				
Authorised				
2,000,000 Ordinary shares of KES 100/=each	200,000,000	200,000,000	200,000,000	200,000,000
Issued				
1,750,000 Ordinary shares of KES 100/=	175,000,000	175,000,000	175,000,000	175,000,000

Notes (Continued)

	Group		Company	
Figures in Shillings	2022	2021	2022	2021
24. Lease liabilities				
Reconcilliation of lease liabilities from finacing activities:				
As at start of year	74,041,718	14,080,341	74,041,718	14,080,341
Finance cost	6,696,437	4,609,158	6,696,437	4,609,158
Additions	-	68,571,727	-	68,571,727
	80,738,155	87,261,226	80,738,155	87,261,226
Lease payments during the year	(18,257,034)	(13,219,508)	(18,257,034)	(13,219,508)
At end of year	**62,481,121**	**74,041,718**	**62,481,121**	**74,041,718**
Present value of minimum lease payments due				
- within one year	17,001,314	18,257,034	17,001,314	18,257,034
- in second to fifth year inclusive	66,638,410	66,638,410	66,638,410	86,086,491
- Future interest expense on lease liability	(21,158,603)	(29,301,807)	(21,158,603)	(29,301,807)
	62,481,121	**55,593,637**	**62,481,121**	**75,041,718**
Non-current liabilities	53,206,929	64,244,665	53,206,929	64,244,665
Current liabilities	9,274,192	9,797,053	9,274,192	9,797,053
	62,481,121	**74,041,718**	**62,481,121**	**74,041,718**

The average lease term was 2- 6 years and the average incremental borrowing rate was 13% (2021: 13%)

None of the leases contains any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

Notes (Continued)

Figures in Shillings	Group 2022	Group 2021	Company 2022	Company 2021
25. Accounts and other payables				
Financial instruments:				
Accounts payables	3,998,266	7,833,550	3,998,265	7,833,552
Accruals and provisions	36,846,273	17,658,498	36,846,273	17,658,498
Due to related parties (Note 27)	7,171,304	13,155,676	7,171,304	13,641,961
	48,015,843	**38,647,724**	**48,015,842**	**39,134,011**

Exposure to currency risk

Refer to note 28 Financial instruments and financial risk management for details of currency risk management for accounts payables.

Exposure to liquidity risk

Refer to note 28 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Exposure to interest rate risk

Refer to note 28 Financial instruments and financial risk management for details of interest rate risk management for accounts and other payables.

Fair value of accounts and other payables

The fair value of accounts and other payables approximates their carrying amounts.

Figures in Shillings	Group 2022	Group 2021	Company 2022	Company 2021
26. Cash generated from/(used in) operations				
Loss before taxation	131,417,403)	(11,683,581)	(131,211,734)	(12,307,651)
Adjustments for:				
Gain on disposals	(7,088,591)	-	(7,088,591)	-
Depreciation on property and equipment	22,822,245	20,822,836	22,822,245	20,822,836
Depreciation on right of use assets	14,683,940	12,924,138	14,683,940	12,924,138
Amortisation of intangible assets	18,271,718	16,981,816	18,271,718	16,981,816
Net movement in expected credit loss	(2,973,674)	(4,448,139)	(2,973,674)	(4,448,139)
Interest income	23,201,575	26,242,788	23,201,575	26,242,788
Finance costs	6,897,087	4,697,242	6,696,437	4,690,158

Notes (Continued)

	Group		Company	
Figures in Shillings	**2022**	**2021**	**2022**	**2021**
26. Cash generated from/(used in) operations (Continued)				
Changes in working capital:				
Accounts and other receivables	22,847,709	(20,819,809)	26,039,545	(9,391,541)
Net change in value of financial assets at FVOCI	(5,800,933)	-	(5,800,933)	-
Accounts and other payables	9,368,118	12,290,153	8,881,835	6,416,079
Assets and liabilities held for sale	10,065,190	-	-	-
Restricted bank balances	-	23,448,539	-	23,448,539
	(19,123,019)	**80,455,983**	**(26,477,637)**	**85,379,023**

The fair value of accounts and other payables approximates their carrying amounts.

	Group		Company	
Figures in Shillings	**2022**	**2021**	**2022**	**2021**
27. Related parties				
Related party balances				
Balances due from related parties				
CDSC Nominees Limited	600	20,000	600	2,400
CDSC Rwanda Limited	-	-	-	3,189,439
	600	**20,000**	**600**	**3,191,839**
Balances due to related parties				
CDSC Nominees Limited	20,000	20,000	20,000	20,000
CDSC Rwanda Limited	-	-	-	486,285
CDSC Gurantee Fund Limited	50,000	503,625	50,000	503,625
National Stock Securities Exchange Limited	7,109,304	12,632,051	7,109,304	12,632,051
	7,179,304	**13,155,676**	**7,179,304**	**13,641,961**
Key management compensation				
Directors remuneration	21,755,570	22,741,892	21,755,570	22,741,892

Central Depository Settlement Corporation Limited and Subsidiary is the fund administrator for Central Depository Settlement Corporation Guarantee Fund Limited. The group is controlled by Capital Markets Challenge fund who own 50% of the group's shares. The rest of the shares are held by Nairobi Stock Exchange, AKS Nominees, Capital Markets Investor Compensation Fund and Uganda Securities Exchange who own 22.5%, 18%, 7% and 2.5% respectively.

Notes (Continued)

28. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Group - 2022

	Note(s)	Fair value through other comprehensive income -debt instruments	Amortised cost	Total	Fair value
Debt instruments at fair value through other comprehensive income	18	100,841,855	-	100,841,855	100,841,855
Accounts and other receivables	20	-	48,942,623	48,942,623	48,942,623
Cash and cash equivalents	22	-	45,865,388	45,865,388	45,865,388
		100,841,855	**94,808,011**	**195,649,866**	**195,649,866**

Group - 2021

	Note(s)	Amortised cost	Total	Fair value
Accounts and other receivables	20	68,816,658	68,816,658	68,816,658
Cash and cash equivalents	22	237,366,527	237,366,527	237,366,527
		306,183,185	**306,183,185**	**306,183,185**

Company - 2022

	Note(s)	Fair value through other comprehensive income -debt instruments	Amortised cost	Total	Fair value
Debt instruments at fair value through other comprehensive income	18	100,841,855	-	100,841,855	100,841,855
Accounts and other receivables	20	-	48,922,623	48,922,623	48,922,623
Cash and cash equivalents	22	-	45,865,388	45,865,388	45,865,388
		100,841,855	**94,788,011**	**195,629,866**	**195,629,866**

Company - 2021

	Note(s)	Amortised cost	Total	Fair value
Accounts and other receivables	20	71,988,497	71,988,497	71,988,497
Cash and cash equivalents	22	237,366,527	237,366,527	237,366,526
		309,355,024	**309,355,024**	**309,355,023**

Notes (Continued)

Significant Accounting Policies

Categories of financial liabilities

Group - 2022

	Note(s)	Amortised cost	Leases	Total	Fair value
Accounts and other payables	25	48,015,843	-	48,015,843	48,015,843
Lease liabilities	24	-	62,481,121	62,481,121	62,481,121
		48,015,843	**62,481,121**	**110,496,964**	**110,496,964**

Group - 2021

	Note(s)	Amortised cost	Leases	Total	Fair value
Accounts and other payables	25	38,647,725	-	38,647,725	38,647,725
Lease liabilities	24	-	74,041,718	74,041,718	74,041,718
		38,647,725	**74,041,718**	**112,689,443**	**112,689,443**

Company - 2022

	Note(s)	Amortised cost	Leases	Total	Fair value
Accounts and other payables	25	48,015,843	-	48,015,843	48,015,843
Lease liabilities	24	-	62,481,121	62,481,121	62,481,121
		48,015,843	**62,481,121**	**110,496,964**	**110,496,964**

Company - 2022

	Note(s)	Amortised cost	Leases	Total	Fair value
Accounts and other payables	25	39,134,010	-	39,134,010	39,134,010
Lease liabilities	24	-	74,041,718	74,041,718	74,041,718
		39,134,010	**74,041,718**	**113,175,728**	**113,175,728**

Notes (Continued)

28. Financial instruments and risk management (Continued)

Capital risk management

The managements's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the group's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The management manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, management may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

Financial risk management

Overview

The group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management frame work. The Board has established the risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports quarterly to the Board of Directors on its activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set apprpriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual **obligations.**

The group is exposed to credit risk on accounts and other receivables and cash and cash equivalents.

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

In order to calculate credit loss allowances, management determine whether the credit loss allowances should be calculated on a 12 month or on a expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Notes (Continued)

28. Financial instruments and risk management (Continued)

The managements's objective when managing capital (which includes share capital, borrowings, working capital and cash and In assessing whether the credit risk on a financial asset has increased significantly, the group compares the risk of default oc curring 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 group considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

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

If the group 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 group groups financial assets on the basis of shared credit risk

- 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.

Where necessary, the assessment for a significant increase in credit risk is made on a collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is "past due" information. It is typical that more forward-looking information is generally more readily available on a collective basis. Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics.

For accounts receivables which do not contain a significant financing component, the loss allowance is determined as the expected credit losses of the instruments. For all other accounts receivables's, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of expect ed credit losses. Management have chosen as an accounting policy, to make use of expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for accounts receivables, contract assets or lease receivables.

Notes (Continued)

28. Financial instruments and risk management (Continued)

The maximum exposure to credit risk is presented in the table below:

Group		2022 Gross carrying amount	2022 Expected credit loss	2022 Amortised cost / fair value	2021 Gross carrying amount	2021 Expected credit loss	2021 Amortised cost / fair Value
Debt instruments at fair value through other comprehensive income	18	100,841,855	-	100,841,855	-	-	-
Accounts and other receivables	20	52,744,013	(3,801,390)	48,942,623	101,272,380	(32,455,722)	68,816,658
Cash and cash equivalents	22	45,865,388	-	45,865,388	237,366,527	-	237,366,527
		199,451,256	**(3,801,390)**	**195,649,866**	**338,638,907**	**(32,455,722)**	**306,183,185**

Group & Company		2022 Gross carrying amount	2022 Expected credit loss	2022 Amortised cost / fair value	2021 Gross carrying amount	2021 Expected credit loss	2021 Amortised cost / fair Value
Debt instruments at fair value through other comprehensive income	18	100,841,855	-	100,841,855	-	-	-
Accounts and other receivables	20	52,744,013	(3,801,390)	48,942,623	104,444,219	(32,455,722)	71,988,497
Cash and cash equivalents	22	45,865,388	(976,615)	44,888,773	237,366,527	(1,604,721)	235,761,806
		199,431,256	**(4,778,005)**	**194,653,251**	**341,810,746**	**(34,060,443)**	**307,750,303**

Refer to the notes specific to the exposures in the table above, for additional information concerning credit risk.

Liquidity risk

The group is exposed to liquidity risk, which is the risk that the group will encounter difficulties in meeting its obligations as they become due.

The group manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financ ing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Commit ted borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

Notes (Continued)

28. Financial instruments and risk management (Continued)

Group - 2022

	Note(s)	Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Lease liabilities	24	-	53,206,929	53,206,929	53,206,929
Current liabilities					
Accounts and other payables	25	48,015,843	-	48,015,843	48,015,843
Lease liabilities	24	9,274,192	-	9,274,192	9,274,192
		57,290,035	**53,206,929**	**110,496,964**	**110,496,964**

Group - 2021

	Note(s)	Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Lease liabilities	24	-	64,244,665	64,244,665	64,244,665
Current liabilities					
Accounts and other payables	24	38,647,725	-	38,647,725	38,647,725
Lease liabilities	24	9,797,053	-	9,797,053	9,797,053
		48,444,778	**64,244,665**	**112,689,443**	**112,689,443**

Company - 2022

	Note(s)	Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Lease liabilities	24	-	53,206,929	53,206,929	53,206,929
Current liabilities					
Accounts and other payables	25	48,015,843	-	48,015,843	48,015,843
Lease liabilities	24	9,274,192	-	9,274,192	9,274,192
		57,290,035	**53,206,929**	**110,496,964**	**110,496,964**

Notes (Continued)

28. Financial instruments and risk management (Continued)

Company - 2021

	Note(s)	Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Lease liabilities	24	-	64,244,665	64,244,665	64,244,665
Current liabilities					
Accounts and other payables	25	39,134,010	-	39,134,010	39,134,010
Lease liabilities	24	9,797,053	-	9,797,053	9,797,053
		48,931,063	**64,244,665**	**113,175,728**	**113,175,728**

Foreign currency risk

The group is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currencies in which the group deals primarily are US Dollars, Euros.

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

Exposure in Shillings

The net carrying amounts, in Shillings, of the various exposures, are denominated in the following currencies. The amounts have been presented in Shillings by converting the foreign currency amounts at the closing rate at the reporting date:
US Dollar exposure:

	Note(s)	Less than 1 year	2 to 5 years	Total	Carrying amount
Current assets:					
Cash and cash equivalents	22	35,342	28,177	35,342	28,177
Current liabilities:					
Accounts and other payables	25	1,800,586	173,075	1,800,586	173,075
Net US Dollar exposure		**1,835,928**	**201,252**	**1,835,928**	**201,252**

Exchange rates

Shillings per unit of foreign currency:				
US Dollar	123.374	113.141	123.3741	13.141

Notes (Continued)

28. Financial instruments and risk management (Continued)

Foreign currency sensitivity analysis

The following information presents the sensitivity of the group to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group & company

At December 31, 2022, if the US Dollar exchange rate had been 10.000% (2021: 10.000%) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been estimated to be KES 183,592 (2021: KES 20,125) higher and KES (182,592) (2021: KES 20,125) lower.

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

Price risk

The group is exposed to price risk because of its investments in equity instruments which are measured at fair value. The exposure to price risk on equity investments is managed through a diversified portfolio, and through the use of option contracts on relevant indexes, where necessary.

The group is not exposed to commodity price risk.

There have been no significant changes in the price risk management policies and processes since the prior reporting period.

29. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - Group & Company - 2022

	Balance at 1st January	Cash flows	Balance at 31 December
Lease liabilities	74,041,718	(11,560,597	62,481,121
	74,041,718	**(11,560,597)**	**62,481,121**
Total liabilities from financing activities	**74,041,718**	**(11,560,597)**	**62,481,121**

Notes (Continued)

29. Changes in liabilities arising from financing activities (Continued)

Reconciliation of liabilities arising from financing activities - Group & Company - 2021

	Balance at 1st January	Cash flows	Balance at 31 December
Lease liabilities	14,080,341	59,961,377	74,041,718
	14,080,341	**59,961,377**	**74,041,718**
Total liabilities from financing activities	**14,080,341**	**59,961,377**	**74,041,718**

30. Disposal of subsidiary

Effect of disposal on the financial position of the group:

Cash and cash equivalents	5,904,845	-	-	-
Trade receivables	2,091,620	-	-	-
Tax recoverable	2,001,012	-	-	-
Trade and other payables	(3,220,241)	-	-	-
Deferred tax	(55,518)	-	-	-
Equity	(6,721,718)	-	-	-
	-	**-**	**-**	**-**

The group gain on disposal of subsidiary was calculated as shown below:

Asset value as at Feb	9,997,477	-	-	-
Liabilities as at Feb	(3,275,760)	-	-	-
Total equity	(6,721,717)	-	-	-
Fair value consideration received	(7,128,980)	-	-	-
Group gain on disposal of subsidiary	**(7,128,980)**	**-**	**-**	**-**

31. Commitments

At the reporting date the commitments were as follows:

Equipment	348,650	-	-	348,650
Intangible assets	14,532,630	-	14,532,630	-

There were no other commitments during the year ended December 31, 2022.

32. Contingencies

There were no contingencies during the year ended December 31, 2022.

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   Website: www.apainsurance.org

8. **APOLLO LIFE ASSURANCE LTD**
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9. **BANK OF AFRICA KENYA LTD**
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11. CREDIT BANK PLC CUSTODY
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15. EFG HERMES KENYA LIMITED
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16. SPIRE BANK
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17. EQUITY BANK GROUP PLC
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20. FRANCIS DRUMMOND & CO. LTD
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21. GENGHIS CAPITAL LTD
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23. I&M BANK LIMITED
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CDSC

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