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Annual Financial Statements for the year ended December 31, 2023.

# General Information

Directors Aida Kimemia (Chairperson)

Isaac Awuondo Eunice Kariuki Kiprono Kittony Lawrence Kimathi Sitoyo Lopokolyit Jesse Kagoma

Chief Executive Officer Jesse Kagoma

Registered office Europa Towers, 10th Floor

Lantana Road P.O. Box 3454-00100

Nairobi

Principal bankers Stanbic Bank Kenya Limited

Stanbic Bank Centre, Westlands Road

P.O Box 30550-00100

Nairobi

NCBA Bank Kenya Plc

Mara and Ragati Road Upper Hill

P.O Box 44599-00100

Nairobi

Independent auditor Grant Thornton LLP

Certified Public Accountants (Kenya)

5th Floor, Avocado Towers Muthithi Road, Westlands P.O. Box 46985-00100

Nairobi

Company secretary Vivianne Mutua

Certified Public Secretaries (K)

P.O. Box 3464-00100

Nairobl

Subsidiary CDSC Nominees Limited

Kenya

Annual Financial Statements for the year ended December 31, 2023

# Directors' Report

The directors submit their annual report together with the audited financial statements for the year ended Decamber 31, 2023.

#### Principal activities

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

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

#### 2. Business review of financial results and activities

The 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 company recorded a net loss after tax for the year ended December 31, 2023 of KES (43.933,940) compared to net loss after tax of the prior year of KES (107.373,291).

Company revenue decreased by 12.80% from KES 196,452,958 in the prior year to KES 171,308,942 for the year ended December 31, 2023

Company cash flows used in operating activities decreased from KES 33,672,677 in the prior year to KES 1,331,899 for the year ended December 31, 2023.

In the year 2023, CDSC achieved a negative operating profit as a result of the reduction in revenues from the variable income segment. The reduction in equity trading transactions levies is due to the continued foreign institutional investor outflows as they too flight from the emerging and frontier markets on heightened global risks and better returns offered on alternative assets classes locally and in the developed markets including the United States and Europe Area (trade market-driven income) continue to perform poorly and the delays in the implementation of the new initiatives have negatively affected overall CDSC revenues.

## 2024 Outlook

In the quest to ensure the provision of more investment opportunities for clients, the Company has continuously engaged in increasing its product base. The year 2024 will see more income streams from IPOs at the Nairobi Securities Exchange from the private sector and government, implementation of registry services to listed and non-listed companies, implementation of the centralized registry system for Sacops, and approval of the new fee structure for the existing income streams.

The Company undertook a strategic refocus process aimed at adapting strategy implementation to current economic, market, and CDSC conditions. The refocus sought to identify specific high-impact areas that CDSC should focus on based on the lessons, successes, and challenges that Management has encountered in the implementation of the current strategy.

In the short term, Management has been engaging key stakeholders in the Sacco ecosystem for the provision of centralized services, engaging potential issuers of listed and unlisted securities for the provision of registry services, and engaging Unclaimed Financial Assets Authority to unlock the potential of the declared dormant assets.]

In the medium term, the company will pursue the establishment of a Centralized KYC service in line with CDSC's mandate as the Depository, as well as the CMA's 2023 – 2028 strategic plan and the introduction of a Digital Asset Account model that would enable investors to hold multiple assets under one account held at the CDSC. In addition, Management proposes the centralization of investor data across equities and unit trust products into a single digital registry.

The Company continues in its cost reduction measures which have seen consolidation of its operations on one floor (10th floor) at Europa Towers and subjet the 11th floor to reduce the rental expenses, putting a freeze on hiring new staff and efficiently deploying our current staff complement, and reducing other office general maintenance costs among other efforts. The impact of these measures continues to bear fruit with the observed reduction in staff-related costs, rental expenses, and general office maintenance costs. In the current year, operating and administrative costs have been reduced by 28.2% compared to last year and a further reduction is expected in 2024.

Annual Financial Statements for the year ended December 31, 2023

# Directors' Report

Management continues with its high-level engagements with the regulator with the support of the Board to seek approval for the various fees-related proposals that are currently under review by the CMA. Management secured market stakeholders' approval for a revision of the Depository levy from KES 90 to KES 150 with an increase in the cap from KES 1 Million to 5 Million. This was a critical step towards progressing a revision of this levy to parliament for approval. We expect clear implementation timelines for the next steps in Quater 1 of 2024.

The Company is of the view that the uncertainties related to the reduction in equity trading volumes currently do not result in a material impact that may cast significant doubt on the entity's ability to continue as a going concern as management will continuously explore non-trading revenue lines whose implementation continues in 2024.

### 3. Share capital

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

#### Dividends

The board of directors do not recommend the declaration of a dividend for the year ended December 31, 2023 (2022, Nil).

#### 5. Directorate

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

Aida Kimemia (Chairperson)

Isaac Awuondo

Bob Kanna Ashok Shah

Eunice Kanuki

Geoffrey Odundo Kiprano Kittany

Nkoregamba Mwebesa

Lawrence Kimathi

Sitaya Lopakaiyit

Jesse Kagoma

Resigned November 30, 2023

Resigned November 30, 2023

Resigned March 1, 2024

Resigned August 31, 2023

Appointed September 1, 2023

### 6. 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.

#### 7. 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 company'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 company's auditor is aware of that information.

## 8. Terms of appointment of the auditor

Grant Thornton LLP, Certified Public Accountants (K), express their willingness to continue in office in accordance with the company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

## 9. Approval of annual financial statements

The annual financial statements set out on pages 9 to 41, which have been prepared on the going concern basis, were approved by the board of directors on March 22, 2024, and were signed on its behalf by

(Director) Chare P. CKSOM

Annual Financial Statements for the year ended December 31, 2023

# Statement of Directors' Responsibilities

The Kenyan Companies Act, 2015 requires the directors to prepare annual financial statements for each financial year that give a true and fair view of the financial position of the company 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 company maintains proper accounting records that are sufficient to show and explain the transactions of the company and disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and other irregulanties.

The directors accept responsibility for the preparation and presentation of these 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 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 judgeenents that are reasonable in the circumstances.

Having made an assessment of the company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern except those disclosed in note 1.1(a).

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

The annual financial statements set out on pages 9 to 41, which have been prepared on the going concern basis, were approved by the board of directors on March 22, 2024 and were signed on their behalf by:

Aida Kimemia (Director) Isaac Awuondo (Director)



# Independent Auditor's Report

## To the Shareholder of Central Depository and Settlement Corporation Limited

## Report on the Audit of the Annual Financial Statements

#### Opinion

We have audited the annual financial statements of Central Depository and Settlement Corporation Limited (the company) set out on pages 9 to 41, which comprise the statement of financial position as at December 31, 2023, 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 annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Central Depository and Settlement Corporation Limited as at December 31, 2023, 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 for 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 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.

#### **Key Audit Matters**

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

Key audit matter	How our audit addressed the key audit matter
Information technology (IT) systems and controls over financial reporting	
trading system at the NSE, there is a risk that the controls	the following:  a) We assessed and tested the overall design and operational effectiveness of controls over information

## 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 annual financial statements and our auditor's report thereon.

Our opinion on the 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 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 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 for the Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the 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 annual financial statements that are free from material misstatement, whether due to fraud or error.

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

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

#### Auditor's Responsibilities for the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 annual financial statements.

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

- Identify and assess the risks of material misstatement of the 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 company'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 company's ability to continue as a going concern. If we conclude that a material
  uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the
  disclosures, and whether the annual financial statements represent the underlying transactions and events in a
  manner that achieves fair presentation.

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 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.



# Independent Auditor's Report

# 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 3 - 4 is consistent with the 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)

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Nairobi

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# Statement of Profit or Loss and Other Comprehensive Income

Figures in Shillings	Note(s)	2023	2022
Revenue	3	171,308,942	196,452,958
Other income	4	37,240,777	14,386,923
Gain on disposal of assets and subsidiary	5	13,062	7,088,591
Expected credit loss on bank balances	21	170,417	95,907
Expected credit loss on debtors	20	(3,150,090)	2,973,874
Administrative expenses	6	(192,206,848)	(222,981,142)
Voluntary exits expense	8		(61,478,243)
Operating expenses	7	(75,866,979)	(84,255,540)
Operating loss		(62,490,719)	(147,716,872)
Investment income	10	13,819,897	23,201,575
Finance costs	11	(7,898,918)	(6,698,437)
Loss before taxation		(56,569,740)	(131,211,734)
Taxation	12	12,635,800	23,838,443
Loss for the year		(43,933,940)	(107,373,281)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Loss on valuation of investments in debt instruments		(5,783,684)	(5,800,933)
Income tax relating to items that may be reclassified		(870,140)	870,140
Total items that may be reclassified to profit or loss		(6,653,824)	(4,930,793)
Total comprehensive loss for the year		(50,587,764)	(112,304,084)

The accounting policies on pages 13 to 23 and the notes on pages 24 to 41 form an integral part of the annual financial statements.

# Statement of Financial Position as at December 31, 2023

Figures in Shillings	Note(s)	2023	2022
Assets			
Non-Current Assets			
Property and equipment	14	21,531,011	36,781,111
Right-of-use assets	15	39,354,705	50,337,413
Intengible assets	16	83,333,932	103,122,447
Investment in subsidiary	17	20,000	20,000
Investment in government securities-measured through EVOCI	18	95,058,171	100,841,855
Deferred tax	19	66,689,639	53,655,165
		305,987,458	344,757,991
Current Assets			
Trade and other receivables	20	80,173,768	48,922,623
Tax receivable	13	52,265,147	52,295,940
Cash and bank balances	21	19,720,905	45,583,146
		152,159,820	146,801,709
Total Assets		458,147,278	491,559,700
Equity and Liabilities			
Equity			
Share capital	22	175,000,000	175,000,000
Reserves		(11,584,617)	(4,930,793)
Retained income		167,059,590	210,993,530
		330,474,973	381,062,737
Liabilities			
Non-Current Liabilities			
Lease liabilities	23	42,064,574	53,206,929
Current Liabilities			
Trade and other payables	24	74,293,581	48,015,842
Lease liabilities	23	11,314,150	9,274,192
		85,607,731	57,290,034
Total Liabilities		127,672,305	110,496,963
Total Equity and Liabilities		458,147,278	491,559,700

The annual financial statements and the notes on pages 9 to 41, were approved by the board of directors on March 22, 2024 and were signed on its behalf by

Aida Kimemia (Director)

Isaac Awuondo (Director)

The accounting policies on pages 13 to 23 and the notes on pages 24 to 41 form an integral part of the annual financial statements.

# Statement of Changes in Equity

Figures in Shillings	Share capital	Fair value reserve	Retained income	Total equity
Balance as at January 01, 2022	175,000,000	90	318,366,821	493,366,821
Loss for the year Other comprehensive income		(4.930,793)	(107,373,291)	(107,373,291) (4,930,793)
Total comprehensive Loss for the year		(4.930,793)	(107,373,291)	(112,304,084)
Balance as at January 01, 2023	175,000,000	(4,930,793)	210,993,530	381,062,737
Loss for the year Other comprehensive income		(6,653,824)	(43,933,940)	(43,933,940) (6,653,824)
Total comprehensive Loss for the year	-	(6,653,824)	(43,933,940)	(50,587,764)
Balance as at December 31, 2023	175,000,000	(11,584,617)	167,059,590	330,474,973
Note(s)	22			

The accounting policies on pages 13 to 23 and the notes on pages 24 to 41 form an integral part of the annual financial statements.

# Statement of Cash Flows

Figures in Shillings	Note(s)	2023	2022
Cash flows used in operating activities			
Cash used in operations Tax paid	25 13	(93,877) (1,238,021)	(27,373,140) (6,299,537)
Net cash used in operating activities		(1,331,898)	(33,672,677)
Cash flows used in investing activities			
Purchase of property and equipment Proceeds from sale of property and equipment Purchase of intangible assets Proceeds from disposal of subsidiary Investment in government securities Interest income	14 14 16 17 18	(1,663,148) 55,099 - (13,819,897)	(2,914,358) 176,724 (19,633,412) 7,270,023 (106,642,788) (23,201,575)
Net cash used in investing activities		(15,427,946)	(144,945,386)
Cash flows used in financing activities			
Payment on lease liabilities Interest payment on lease liabilities	23 11	(17,001,315) 7,898,918	(18,257,034) 6,696,437
Net cash used in financing activities		(9,102,397)	(11,560,597)
Net movement in cash and cash equivalents for the year Cash and cash equivalents as at 1st January	21	(25,862,241) 45,583,146	(190,178,660) 235,761,806
Total cash and cash equivalents at end of the year	21	19,720,905	45,583,146

The accounting policies on pages 13 to 23 and the notes on pages 24 to 41 form an integral part of the annual financial statements.

Annual Financial Statements for the year ended December 31, 2023

# Significant Accounting Policies

## 1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

## 1.1 Basis of preparation

#### a) Statement of compliance

The annual financial statements have been prepared on the going concern basis in accordance 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 annual financial statements and the Kenyan Companies Act, 2015.

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

The 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 below.

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

## b) Functional currency

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

#### c) Going concern

The company recorded a net loss of KES 43,933,940 for the year ended 31 December 2023 compared to 31 December 2022 a net loss of KES 107,373,293. The company revenue has decreased from KES 196,452,958 in the prior year to KES 171,308,942 for the year ended 31 December 2023. The company also recorded a negative cashflow used in operation of KES 1,331,899 (2022:KES 32,672,677).

As guided by the Board, Management undertook, a strategic refocus process aimed at adapting strategy implementation to current economic, market, and CDSC conditions. In the short term, Management has been engaging key stakeholders in the Sacco ecosystem for the provision of centralized services, engaging potential issuers of listed and unlisted securities for the provision of registry services, and engaging Unclaimed Financial Assets Authority to unlock the potential of the declared dormant assets. To manage the operational expenses, Management has consolidated its operations on one floor (10th floor) at Europa Towers and subjet the 11th floor to reduce the rental expenses, putting a freeze on hiring new staff and efficiently deploying our current staff complement, and reducing other office general maintenance costs among other efforts. In the current year, operating and administrative costs have been reduced by 28.2% compared to last year and a further reduction is expected in 2024.

In this view of the above and as at the date of this report and based on the financial performance, the directors are not aware of any other material uncertainties related to events or conditions that may cast doubt upon the company'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 judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, 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.

### Critical judgements in applying accounting policies

The critical judgements 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

Annual Financial Statements for the year ended December 31, 2023

# Significant Accounting Policies

#### 1.2 Significant judgements and sources of estimation uncertainty (continued)

The company is party to leasing arrangements, both as a lessee and as a lessor. The treatment of leasing transactions in the 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 judgement 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.

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

The measurement of ECL's 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 significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.
- Stage 2 When there is a significant increase in credit risk since initial recognition, these non-impaired financial
  instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount
  equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial
  instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL
  model requires reverting to recognition of 12-month expected credit losses.
- Stage 3 When one or more events that have a detrimental impact on the estimated future cash flows of a financial
  asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance
  equal to litetime 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 company 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 company 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 company's financial assets that are subject to impairment assessment are disclosed in note 27.

## Fair value estimation

Several assets and liabilities of the company are either measured at fair value or disclosure is made of their fair values.

Observable market data is used as inputs to the extent that it is available. Qualified external valuers are consulted for the determination of appropriate valuation techniques and inputs.

Information about the specific techniques and inputs of the various assets and liabilities is disclosed in note 27.

Annual Financial Statements for the year ended December 31, 2023.

# Significant Accounting Policies

## 1.2 Significant judgements and sources of estimation uncertainty (continued)

### Impairment testing

The company 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, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on company replacement 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 equipment is assessed annually based on factors including wear and tear, technological obsolescence 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.

## 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 company,

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

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

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

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

Most extension options in offices and 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 15 and 23, respectively.

# 1.3 Investments in subsidiary

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

## 1.4 Property and equipment

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

Annual Financial Statements for the year ended December 31, 2023

# Significant Accounting Policies

## 1.4 Property and equipment (continued)

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

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 equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company 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 company. 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	
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 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 expected 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.

#### 1.5 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.

Annual Financial Statements for the year ended December 31, 2023.

# Significant Accounting Policies

## 1.5 Intangible assets (continued)

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

#### 1.6 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.

When the company 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.

#### 1.7 Financial instruments

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

Broadly, the classification possibilities, which are adopted by the company 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 27 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

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 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 company are presented below.

### Accounts and other receivables

#### Classification

Trade 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 cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

## Recognition and measurement

Trade and other receivables are recognised when the company 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.

Annual Financial Statements for the year ended December 31, 2023

# Significant Accounting Policies

# 1.7 Financial instruments (continued)

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 trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables 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 27).

#### Impairment

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

The company measures the loss allowance for trade 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 company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade 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 company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty 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 company 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 trade and other receivables note (note 20) and the financial instruments and risk management (note 27).

## 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.

#### 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.

Annual Financial Statements for the year ended December 31, 2023

# Significant Accounting Policies

## 1.8 Tax (continued)

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, effects 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.

#### 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 company 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 company 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 judgemental, the relevant disclosures are provided in the significant judgements and sources of estimation uncertainty section of these accounting policies.

Annual Financial Statements for the year ended December 31, 2023.

# Significant Accounting Policies

### 1.9 Leases (continued)

#### Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company 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).

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

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

#### Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company 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 company under residual value guarantees;
- the exercise price of purchase options, if the company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the company 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 company 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 company 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 faibility is remeasured by discounting the revised lease payments using the initial discount rate.
- 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-ofuse asset, or is recognised in loss or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Annual Financial Statements for the year ended December 31, 2023

# Significant Accounting Policies

### 1.9 Leases (continued)

#### Right-of-use assets

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

- the initial amount of the corresponding lease fiability.
- 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 company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- fess 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 company 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 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 company in which they are declared.

## 1.11 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 company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit of an

The company also operates a defined contribution pension scheme for specific employees. Employer and employee contribute 10% 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.

Annual Financial Statements for the year ended December 31, 2023

# Significant Accounting Policies

## 1.11 Employee benefits (continued)

The company 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 company's contributions are charged to the Statement of Profit or Loss and Other Comprehensive Income in the year they fall due.

#### 1.12 Impairment of assets

The company 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 company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company 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 asset. 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 goodwill is recognised immediately in loss or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

## 1.13 Provisions and contingencies

Provisions are recognised when:

- the company 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.

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 31.

Annual Financial Statements for the year ended December 31, 2023

# Significant Accounting Policies

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

# 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.

# 1.15 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.

Annual Financial Statements for the year ended December 31, 2023

# Notes to the Annual Financial Statements

#### 2. New Standards and Interpretations

## 2.1 Standards and interpretations effective and adopted in the current year

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

#### Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12

The amendment adds an additional requirement for transactions which will not give rise to the recognition of a daterred tax asset or liability on initial recognition. Previously, deferred tax would not be recognised on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or loss. The additional requirement provides that the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences.

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

The company has adopted the amendment for the first time in the 2023 annual financial statements.

The impact of the amendment is not material.

#### Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the annual financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

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

The company has adopted the amendment for the first time in the 2023 annual financial statements.

The impact of the amendment is not material.

#### Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in annual financial statements that are subject to measurement uncertainty."

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

The company has adopted the amendment for the first time in the 2023 annual financial statements.

The impact of the amendment is not material:

## 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 ontity 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.

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.

The company has adopted the amendment for the first time in the 2023 annual financial statements.

Annual Financial Statements for the year ended December 31, 2023.

# Notes to the Annual Financial Statements

## 2. New Standards and Interpretations (continued)

The impact of the amendment is not material.

#### 2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after January 1, 2024 or later periods.

#### Lack of exchangeability - amendments to IAS 21

The amendments apply to currencies which are not exchangeable. The definition of exchangeable is provided as being when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. The amendments require an entity to estimate the spot exchange rate at measurement date when a currency is not exchangeable into another currency. Additional disclosures are also required to enable users of financial statements to understand the impact of the non-exchangeability on financial performance, financial position and cash flow.

The effective date of the amendment is for years beginning on or after January 1, 2025.

The company expects to adopt the amendment for the first time in the 2025 annual financial statements.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

## Supplier finance arrangements - amendments to IAS 7 and IFRS 7

The amendment applies to circumstances where supplier finance arrangements exist. These are arrangements whereby finance providers pay the suppliers of the entity, thus providing the entity with extended payment terms or the suppliers with early payment terms. The entity then pays the finance providers based on their specific terms and conditions. The amendment requires the disclosure of information about supplier finance arrangements that enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows as well as on the entity's exposure to liquidity risk.

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

The company expects to adopt the amendment for the first time in the 2024 annual financial statements.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

#### Non-current liabilities with covenants - amendments to IAS 1

The amendment applies to the classification of liabilities with loan covenants as current or non-current. If an entity has the right to defer settlement of a liability for at least twelve months after the reporting period, but subject to conditions, then the timing of the required conditions impacts whether the entity has a right to defer settlement. If the conditions must be complied with at or before the reporting date, then they affect whether the rights to defer settlement exists at reporting date. However, if the entity is only required to comply with the conditions after the reporting period, then the conditions do not affect whether the right to defer settlement exists at reporting date. If an entity classifies a liability as non-current when the conditions are only required to be met after the reporting period, then additional disclosures are required to enable the users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period.

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

The company expects to adopt the amendment for the first time in the 2024 annual financial statements.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

## Lease liability in a sale and leaseback

The amendment requires that a seller-lessee in a sale and lesseback 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 right of use retained by the seller-lessee.

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

# Notes to the Annual Financial Statements

# 2. New Standards and Interpretations (continued)

The company expects to adopt the amendment for the first time in the 2024 annual financial statements.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

# Notes to the Annual Financial Statements

Figures in Shillings		2023	2022
3. Revenue			
Revenue from contracts with customers			
Transaction levy		105,506,913	150,382,577
Depository levy		16,356,750	15,698,740
Bond levy		6,445,106	14,809,056
Private transfer less and other levies		43,000,173	15,562,585
		171,308,942	196,452,958
Timing of revenue recognition			
At a point in time		renwaliste.	0257750cmd
Transaction levy		105,506,913	150,382,577
Depository levy Bond levy		18,356,750	15,698,740
Private transfer fees and other levies		5,445,106 43,000,173	14,809,056 15,562,585
THE STATE OF THE PARTY OF THE P		171,308,942	196,452,958
		111,000,042	150,452,550
4. Other income			
Rental income		3,646,432	
Bad debts recovered		518,629	1,228,572
Management and entitlement fees		33,075,716	13,160,351
		37,240,777	14,386,923
5. Profit on disposal of assets and subsidiary			
Property and equipment	114	13,062	(40,389)
Investments in subsidiaries	17	10000	7,128,980
		13,062	7,088,591
6. Administrative expenses			
Staff costs (Note 9)		109,967,281	129,120,482
Director's remuneration		10,254,938	30,972,516
Telephones and postages		511,194	1,036,684
Entertainment and travelling		2,131,155	233,993
			171,470
Board and committee allowances		25 KH227 (	
Board and committee allowances Printing and stationery		616,765	727,416
Board and committee allowances Printing and stationery Advertising and marketing expenses		4,290,285	727,416 4,036,178
Board and committee allowances Printing and stationery Advertising and marketing expenses Computer expenses		4,290,285 57,052,180	727,416 4,036,178 46,996,616
Board and committee allowances Printing and stationery Advertising and marketing expenses Computer expenses Auditor's remuneration		4,290,285 57,052,180 2,987,080	727,416 4,036,178 45,996,516 2,738,460
Board and committee allowances Printing and stationery Advertising and marketing expenses Computer expenses Auditor's remuneration Legal and professional fees		4,290,285 57,052,180 2,987,080 1,647,828	727,416 4,036,178 45,995,516 2,738,460 4,091,327
Board and committee allowances Printing and stationery Advertising and marketing expenses Computer expenses Auditor's remuneration Legal and professional fees Bank charges		4,290,285 57,052,180 2,987,080 1,647,828 453,795	727,416 4,036,178 46,996,816 2,738,460 4,091,327 326,592
Board and committee allowances Printing and stationery Advertising and marketing expenses Computer expenses Auditor's remuneration Legal and professional fees Bank charges Subscriptions and periodicals		4,290,285 57,052,180 2,987,080 1,647,828 453,795 872,063	727,416 4,036,178 45,996,516 2,738,460 4,091,327 326,592 1,741,490
Board and committee allowances Printing and stationery Advertising and marketing expenses Computer expenses Auditor's remuneration Legal and professional fees Bank charges Subscriptions and periodicals Office running expenses Fines and penalties		4,290,285 57,052,180 2,987,080 1,647,828 453,795	727,416 4,036,178 46,996,616 2,738,460 4,091,327 326,592

# Notes to the Annual Financial Statements

2023	2022
2.435.342	2,164,966
	4,932,166
	1,975,238
	5,514,254
The Control of the Co	5.837.079
	4,834,118
	1,200,117
	14,683,940
	22,822,245
	18,271,718
3,349,006	1,019,699
75,866,979	84,255,540
3,349,006	1,019,699
	61,478,243
103 107 362	134,824,283
	9,731,497
17/10/2020/2011/11	15,537,218
	160,092,998
120,222,219	160,092,936
	1074
32	43
	10,013,696
13.236,950	13,187,879
13,819,897	23,201,575
7,898,918	6,696,437
	2,435,342 5,286,546 2,624,463 3,473,236 6,380,036 3,545,135 1,130,779 10,982,708 16,871,211 19,788,515 3,349,006 75,856,979 3,349,006 103,107,362 7,162,201 9,952,556 120,222,219 32

# Notes to the Annual Financial Statements

Figures in Shillings	2023	2022
12. Taxation		
Major components of the tax income		
Current		
Local income tax - current year	1,268,814	3,004,109
Deforred		
Deferred tax - current year	(13,904,614)	(26,842,552
	(12,635,800)	(23,838,443)
Reconciliation of the tax expense		
Reconciliation between accounting loss and tex expense		
Accounting loss	(56,569,740)	(131,211,734
Tax at the applicable tax rate of 30% (2022, 30%)	(16,970.922)	(36,359,410
Tax effect of adjustments on taxable income		
Expenses not deductible for tax purposes Income not subject to tax	1,982,388	3,949,732
Over provision of prior year deferred tax	(4,116,737) 6,451,471	(6,095,058) 14,666,293
	(12,653,800)	(23,838,443)
13. Tax paid		
Batance at beginning of the year	52,295,940	49,000,512
Current tax for the year recognised in profit or loss Balance at end of the year	(1,268,814) (52,265,147)	(3,004,109)
	(1,238,021)	(6,299,537
14. Property and equipment	· · · · · · · · · · · · · · · · · · ·	

		2023			2022	
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture, fittings and equipment	4,071,006	(3,875,279)	195,727	4,071,005	(3,616,068)	454,938
Motor vehicles	130,900	(130,900)		130,900	(130,900)	
Office equipment	8.354,474	(7,460,318)	904,156	8,338,954	(6,934,986)	1,403,968
Computer, fax and copiers	116,069,260	(115,663,649)	405,611	116,203,780	(102,786,478)	13,417,302
Leasehold improvements	25,437,268	(5,411,751)	20,025,517	24,799,640	(3,294,737)	21,504,903
Total	155,072,908	(133,541,897)	21,531,011	153,544,280	(116,763,169)	36,781,111

# Reconciliation of property and equipment - 2023

	Balance as at 1st January	Additions	Disposals	Depreciation	Balance at 31 December
Furniture, fittings and equipment	454,938			(259,211)	195,727
Office equipment	1,403,968	25,520		(525, 332)	904,156
Computer, fax and copiers	13,417,302		(42,037)	(12,969,654)	405,611
Leasehold improvements	21,504,903	1,637,628	N. S. C.	(3,117,014)	20,025,517
	36,781,111	1,663,148	(42,037)	(16,871,211)	21,531,011

Annual Financial Statements for the year ended December 31, 2023

# Notes to the Annual Financial Statements

Figures in Shillings		2023	2022

## 14. Property and equipment (continued)

## Reconciliation of property and equipment - 2022

Furniture, fittings and equipment Office equipment Computer, fax and copiers Leasehold improvements	Balance as at 1st January 730,488 1,085,657 31,756,058 23,333,908	1,445,195 249,051 1,220,112	Disposals (217,113)	Depreciation (275,550) (909,771) (18,587,807) (3,049,117)	1,403,968 13,417,302
	56,906,111	2,914,358	(217,113)	(22,822,245)	
Fully depreciated assets still use Computer, fax and copiers Office equipment Motor vehicles Furniture, fittings and equipment				47,256,905 5,116,664 130,900 1,932,593	47 256,905 4 291,633 130,900 1,932,593
				54,437,062	53,612,031
15. Right-of-use assets					
Net carrying amounts of right-of-use assets					
Office space				39,354,705	50.337.413

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

## 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.

Depreciation on right-of-use assets	10,982,708	14,683,940
Other disclosures		
Interest expense on lease liabilities (Note 23)	7,898,918	5,696,437

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

# 16. Intangible assets

	2023			2022	
Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
4,924,615	(4,924,615)	- L	4,924,515	(4,924,615)	
211,532,978	(128, 199, 048)	83,333,932	211,532,978	(108,410,531)	103,122,447
216,457,593	(133,123,661)	83,333,932	216,457,593	(113,335,146)	103,122,447
	Valuation 4,924,615 211,532,978	Cost / Accumulated Valuation amortisation 4,924,615 (4,924,615) 211,532,978 (128,199,048)	Cost / Accumulated Carrying value amortisation 4,924,615 (4,924,615) - 211,532,978 (128,199,048) 83,333,932	Cost / Accumulated Carrying value Cost / Valuation amortisation Valuation 4,924,615 (4,924,615) - 4,924,615 211,532,978 (128,199,048) 83,333,932 211,532,978	Cost / Valuation         Accumulated amortisation         Carrying value Valuation         Cost / Valuation         Accumulated amortisation           4,924,615         (4,924,615)         -         4,924,615         (4,924,615)           211,532,978         (128,199,048)         83,333,932         211,532,978         (108,410,531)

# Notes to the Annual Financial Statements

Figures in Shillings			2023	2022
16. Intangible assets (continued)				
Reconciliation of intangible assets - 2023				
		Opening	Amortisation	Total
Computer software		balance 103,122,447	(19,788,515)	83,333,932
Reconciliation of intangible assets - 2022				
	Opening balance	Additions	Amortisation	Total
Computer software	101,760,753	19,633,412	(18,271,718)	103,122,447
Fully armotised intangible assets still in use CDSC website and project Computer software			44.698,734 21,477,640	44,698,734 18,947,120
		_	56,176,374	63,645,854
17. Investment in subsidiary				
Name of company	% hold 202	ing holding	Carrying amount 2023	Carrying amount 2022
CDSC Nominees Limited	100.0	00 % 100.00 %	20,000	20,000

The principal activities of the subsidiary 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.

The results for the subsitiary, CDSC Nominees Limited have not been consolidated in this financial statements since the entity was considered to be dormant.

# 18. Investment in government securities-Measured through FVOCI

Government of Kenya infrastructure bonds			95,058,171	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	Total
Government of Kenya Infrastructure bonds	100,841,855	1455000	(5,783,684)	95,058,171

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

Annual Financial Statements for the year ended December 31, 2023.

# Notes to the Annual Financial Statements

Figures in Shillings	2023	2022
19. Deferred tax		
Deferred tax asset	66,689.639	53,855,185
Reconciliation of deferred tax asset		
At beginning of year Property, equipment and intangible assets Impairment provision Right to use of assets Lease liabilities Gratuity provision Other provision/remeasurement Tax losses Over provision of deferred tax in prior year Fair value adjustment	53,655,165 2,351,096 741,874 3,294,812 (2,730,719) (1,800,461) (4,598,660) 23,098,142 (6,451,470) (870,140)	25,942,473 1,677,739 (1,288,845) 4,405,182 (3,468,179) 597,632 (14,533,635) 39,452,858
	66,689,639	53,655,165
20. Trade and other receivables		
Financial instruments: Accounts receivables Receivable from related parties (Note 26) Expected credit loss	18,094,376 85,815 (8,432,851)	17,669,354 600 (3,801,390)
Net accounts and other receivables Prepayments Other receivables	11.747,340 48,532,629 19,893,799	13,868,564 21,057,461 13,996,598
Total accounts and other receivables	80,173,768	48,922,623

## Exposure to credit risk

Accounts receivables inherently expose the company to credit risk, being the risk that the company 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 company 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 company's exposure is limited because the debt is widely held. There is also no algorificant concentration of credit risk.

The average credit period on Accounts receivables is 90 days (2022: 90 days). No interest is charged on outstanding accounts receivables.

Credit losses allowance 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.

Annual Financial Statements for the year ended December 31, 2023

# Notes to the Annual Financial Statements

Figures in Shillings	2022	2022
Figures in Sallings	ZG23	2022
A 20 A 20 A 30 A 30 A 30 A 30 A 30 A 30	4-11-2	

#### 20. Trade and other receivables (continued)

The company 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 data.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The company's historical credit loss experience does not show significantly different loss patterns for different customer segments. 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:

	2023	2023	2022	2022
	Gross carrying amount	Expected credit loss	Gross carrying amounts	Expected credit loss
Expected credit loss rate:				
Not past due: 3.53% (2022: 6.57%) 31 - 50 days past due: 5.06% (2022: 2.05%) 61 - 90 days past due: 17.60% (2022: 3.11%) Over 90 days past due: 73.70% (2022: 88.27%)	5,636,364 367,053 1,062,501 11,028,458	(233,832) (325,392) (1,132,360) (4,741,267)	5,926,312 1,654,728 2,384,903 7,703,411	(249,613) (77,985) (118,276) (3,355,518)
Total	18,094,376	(6,432,851)	17,669,354	(3,801,390)
Analaysis of expected credit loss				
Opening balance in accordance with IFRS 9 Finance Recognition and Measurement	iai Instruments:		(3,801,390)	(32,455,722)
Amounts recovered Provision raised on new trade receivables Provisions reversed on forfeited receivable from CDSC	registrars		518,629 (3,150,090)	2,973,674 25,680,658
Balance as at 31 December (2022: 31st December)			(6,432,851)	(3,801,390)

### Exposure to currency risk

Refer to note 27 for details of currency risk management for accounts receivables.

## Fair value of accounts and other receivables

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

## 21. Cash and bank balances

Cash and bank balances consist of

Cash in hand Bank balances Expected credit loss allowance	70,000 19,774,598 (123,693)	70,000 45,795,388 (282,242)
	19,720,905	45,583,146
Cash and bank balances Movement in expected credit loss during the year	19.844,598 (123,693)	45,865,388 (282,242)
	19,720,905	45,583,146

Annual Financial Statements for the year ended December 31, 2023

# Notes to the Annual Financial Statements

Figures in Shillings	2023	2022
21. Cash and bank balances (continued) Analysis of expected credit loss At start of the year Recoveries Movement in expected credit loss during the year	2023 (282,242) 158,549	2022 (1,604,721) 1,226,572 95,907
At the end of year	(123,693)	(282,242)

## Exposure to currency risk

Refer to note 27 Financial instruments and financial risk management for details of currency risk management for cash and bank balances.

## 22. Share capital

Authorised 1,750,000 Ordinary shares of KES 100/= each	200,000,000	200,000,000
Issued 1,750,000 Ordinary shares of KES 100/= each	175,000,000	175,000,000
23. Lease liabilities		
The movement in lease liability is as follows At 1 January Opening balance adjustment Interest on lease liability Lease payments	62,481.121 7,898,918 (17,001.315)	74,041.718 (2,361,947) 9,058,384 (18,257,034)
At end of year	53,378,724	52,481,121
Non-current liabilities Current liabilities	42,064,574 11,314,150	53,206,929 9,274,192
	53,378,724	62,481,121

The average lease term was 2-5 years and the average incremental borrowing rate was 13% (2022: 13%)

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

## 24. Trade and other payables

	74,293,581	48,015,842
Financial instruments: Accounts payables Accounts and provisions Due to related parties (Note 26)	56,769,928 10,723,436 6,800,217	3,998,265 36,845,273 7,171,304

## Exposure to currency risk

Refer to note 27 Financial instruments and financial risk management for details of currency risk management for accounts payables.

## Exposure to liquidity risk

Refer to note 27 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Annual Financial Statements for the year ended December 31, 2023

# Notes to the Annual Financial Statements

Figures in Shillings	2023	2022
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## 24. Trade and other payables (continued)

## Exposure to interest rate risk

Refer to note 27 Financial instruments and financial risk management for details of interest rate risk management for trade and other payables.

## Fair value of accounts and other payables

The fair value of trade and other payables approximates their carrying amounts:

## 25. Cash used in operations

Loss before taxation	(56,589,740)	(131,211,734)
Adjustments for: Gain on disposals Depreciation and impairment on property and equipment Depreciation on right of use assets Amortisation of intangible assets Net movement in expected credit loss allowance Interest income	(13,062) 16,871,211 10,982,708 19,788,515 3,150,090 13,819,897	(7.058,591) 22,822,245 14,683,940 18,271,718 (2,973,674) 23,201,575
Changes in working capital: Trade and other receivables Trade and other payables	(34.401.235) 26,277,739	26,039,546 6,881,835
	(93,877)	(27,373,140)
26. Related parties		
Related party balances		
Balances due from related parties CDSC Guarantee Fund	85,815	600
Balances due to related parties CDSC Nominees Limited CDSC Gurantee Fund Nairobi Securities Exchange Pic	20,000 16,582 6,763,635	20,000 50,000 7,109,304
AN FERRIT OF A TERM TREATMENT OF MERINGEN AND	6,800,217	7,179,304
Compensation to directors and other key management Directors remuneration	10,254,938	30,972,516

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

# Notes to the Annual Financial Statements

Figures in Shillings				2023	2022
27. Financial instruments and risk management					
Categories of financial instruments					
Categories of financial assets					
2023					
	Note(s)	Fair value fhrough other comprehen- sive income - debt	Amortised cost	Total	Fair value
Debt instruments at fair value through other	18	instruments 95,058,171	74	95,058,171	95,058,171
comprehensive income Trade and other receivables Cash and cash equivalents	20 21		80,173,768 19,720,905	80,173,768 19,720,905	80,173,768 19,720,905
		95,058,171	99,894,673	194,952,844	194,952,844
2022					
	Note(s)	through other comprehen- sive income - debt	Amortised cost	Total	Fair value
Debt instruments at fair value through other comprehensive income	18	instruments 100,841,855	54	100,641.855	100,841,855
Trade and other receivables Cash and cash equivalents	20 21		48,922,623 45,583,146	48,922,623 45,583,146	48,922,623 45,583,146
		100,841,855		195,347,624	195,347,624
Categories of financial liabilities					
2023					
	Nota(s)	Amortised cost	Leases	Total	Fair value
Accounts and other payables Lease liabilities	24 23	74,293,583	53,378,724	74,293,583 53,378,724	74,293,583 62,481,121
		74,293,583	53,378,724	127,672,307	136,774,704
2022					
	Note(s)	Amortised cost	Leases	Total	Fair value
Accounts and other payables Lease liabilities	24 23	48,015,844		48,015,844 62,481,121	48,015,844 62,481,121
		48,015,844	62,481,121	110,496,965	110,496,965

Annual Financial Statements for the year ended December 31, 2023

# Notes to the Annual Financial Statements

Figures in Shillings	2023	2022
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#### 27. Financial instruments and risk management (continued)

## Capital risk management

The company'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 company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The company 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, company 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 company 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 company's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the company's risk management policies. The committee reports quarterly to the board of directors on its activities.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate 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 company's activities.

#### Credit risk

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

The company is exposed to credit risk on trade 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.

In assessing whether the credit risk on a financial asset has increased significantly, the company compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the company considers reasonable and supportable information that is indicative of significant, increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

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

Annual Financial Statements for the year ended December 31, 2023.

# Notes to the Annual Financial Statements

Figures in Shillings	2023	2022

### 27. Financial instruments and risk management (continued)

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

- 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 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, 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 expected 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.

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

		2023			2022		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Debt instruments at fair value through other comprehensive income	18	95,058,171		95,058,171	100,841,855	*:	100,841,855
Accounts and other receivables Cash and cash equivalents	20 21	86,606,619 19,844,598	(6,432,851) (123,693)	80,173,768 19,720,905		(3,801,390) (282,242)	48,922,523 45,583,146
		201,509,388	(6,556,544)	194,952,844	199,431,256	(4,083,632)	195,347,624

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

## Liquidity risk

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

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

Annual Financial Statements for the year ended December 31, 2023

# Notes to the Annual Financial Statements

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Figures in Shillings	2023	2022

## 27. Financial instruments and risk management (continued)

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.

#### 2023

		Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities Lease liabilities	23	ia.	42,064,574	42,064,574	42,064,574
Current liabilities Trade and other payables Lease liabilities	24 23	74,293,581 11.314,150	13 14	74,293,581 11,314,150	74,293,581 11,314,150
		85,607,731	42,064,574	127,672,305	127,672,305
2022					
		Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities Lease liabilities	23	Ę	53,205,929	53,205,929	53,206,929
Current liabilities Trade and other payables Lease liabilities	24 23	48,015,843 3,274,192	: :	48,015,843 9,274,192	48,015,843 9,274,192
		57,290,035	53,206,929	110,496,964	110,496,964

# Foreign currency risk

The company 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 company deals primarily are US Dollars and 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:

Current assets:
-----------------

Cash and cash equivalents

21 3,900,226

35,342

Annual Financial Statements for the year ended December 31, 2023

# Notes to the Annual Financial Statements

Figures in Shillings		2023	2022
27. Financial instruments and risk management (continued)			
Current liabilities: Accounts and other payables	24	37,293,725	1,800,586
Net US Dollar exposure		41,193,951	1,835,928
Exchange rates			
Shillings per unit of foreign currency: US Dollar		156.480	123.374
are arenar		130.430	120:314

## Foreign currency sensitivity analysis

The following information presents the sensitivity of the company 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.

#### Company

At December 31, 2023, if the US Dollar exchange rate had been 10,000% (2022: 10,000%) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been estimated at KES - (2022: KES 183,592) higher and KES - (2022: KES (182,592)) 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 company 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 company is not exposed to commodity price risk.

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

#### 28. Changes in liabilities arising from financing activities

### Reconciliation of liabilities arising from financing activities - 2023

Balance at 1st January 62,481,121	TE-ANNERS	Balance at 31 December 53,378,724
62,481,121	(9,102,397)	53,378,724
62,481,121	(9,102,397)	53,378,724
	January 62,481,121 62,481,121	January 62,481,121 (9,102,397) 62,481,121 (9,102,397)

Annual Financial Statements for the year ended December 31, 2023

# Notes to the Annual Financial Statements

## 28. Changes in liabilities arising from financing activities (continued)

Reconciliation of liabilities arising from financing activities - 2022

Lease liabilities	Balance at 1st January 74,041,718	Cash flows (11,560,597)	December 62,481,121
	74,041,718	(11,560,597	62,481,121
Total liabilities from financing activities	74,041,718	(11,580,597)	62,481,121

## 29. Comparative figures

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

## 30. Commitments

Already contracted for but not provided for Property and equipment - 348,650 - 14,532,630

There were no other commitments during the year ended December 31, 2023.

#### 31. Contingencies

There were no confingencies during the year ended December 31, 2023.

## 32. Events after the reporting period

The directors are not aware of any other material event which occurred after the reporting date and up to the date of director's report.