

CENTRAL DEPOSITORY AND SETTLEMENT CORPORATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

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COMPANY INFORMATION

BOARD OF DIRECTORS

- : Aida Kimemia - Nesbitt (Chairperson)
- : Isaac Awuondo
- : Eunice Kariuki - resigned 18/07/2024)
- : Kiprono Kittony
- : Lawrence Kimathi
- : Sitoyo Lopokoiyit
- : Jesse Kagoma
- : Frank Mwiti - appointed 31/05/2024
- : Alice Kilonzo - appointed 01/01/2025

CHIEF EXECUTIVE OFFICER

- : Jesse Kagoma

REGISTERED OFFICE

- : Europa Towers, 10th Floor
- : Lantana Road
- : P.O. Box 3464, 00100
- : NAIROBI

INDEPENDENT AUDITOR

- : PKF Kenya LLP
- : Certified Public Accountants
- : P.O. Box 14077, 00800
- : NAIROBI

COMPANY SECRETARY

- : Vivianne Mutua
- : Certified Public Secretary
- : P.O. Box 3484, 00100
- : NAIROBI

PRINCIPAL BANKERS

- : Stanbic Bank Kenya Limited
- : NAIROBI
- : NCBA Bank Kenya PLC
- : NAIROBI

SUBSIDIARIES

- : CDSC Nominees Limited
- : KENYA

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements of Central Depository and Settlement Corporation Limited for the year ended 31 December 2024, which present the financial position of the company as at 31 December 2024 and their financial performance and cash flows for the year then ended.

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 and the holding of securities as nominees on behalf of investors.

BUSINESS REVIEW

During the year 2024, the total revenue of the company increased from Shs. 171,308,942 to Shs. 195,029,058. This is due to the trading activities improving compared to the previous year leading to an increase in the transaction and depository levy incomes. The profit before tax increased from a loss of Shs. 56,581,752 to a profit of Shs. 14,919,202.

Key performance indicators	2024	2023
Revenue (Shs)	195,029,058	171,308,942
Profit/(loss) for the year (Shs)	16,028,937	(43,945,952)
Net assets (Shs)	349,409,915	330,474,829

PRINCIPAL RISKS AND UNCERTAINTIES

The overall business environment continues to remain challenging and this has a resultant effect on overall demand of the company's services. The company's strategic focus is to enhance revenue growth whilst maintaining profit margins, the success of which remains dependent on overall market conditions.

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

In addition to the business risk(s) discussed above, the company's activities expose it to a number of financial risks which are described in detail in Note 22 to the financial statements.

DIVIDENDS

The directors do not recommend the declaration of a dividend for the year (2023: Shs. Nil).

DIRECTORS

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

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

- there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and
- the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

TERMS OF APPOINTMENT OF THE AUDITOR

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

BY ORDER OF THE BOARD


COMPANY SECRETARY
NAIROBI
29.3.2025



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the 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 keeps proper accounting records that are sufficient to show and explain the transactions of the company, that disclose, with reasonable accuracy, the financial position of the company and that enable them to prepare financial statements of the company that comply with the IFRS® Accounting Standards and the requirements of the Kenyan Companies Act, 2015. The directors are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

The directors confirm that the financial statements give a true and fair view of the financial position of the company as at 31 December 2024 and of the company's financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Kenyan Companies Act, 2015.

In preparing these financial statements the directors have assessed the company's ability to continue as a going concern as set out in Note 1(a) to the financial statements. The directors are of the opinion that the company will remain a going concern for at least the next twelve months from the date of this statement based on the factors described in Note 1(a).

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

Approved by the board of directors on 24.03.2025 and signed on its behalf by:



DIRECTOR
Champion



DIRECTOR
ISAC

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

Opinion

We have audited the accompanying company financial statements of Central Depository and Settlement Corporation Limited, set out on pages 8 to 39 which comprise the statement of financial position as at 31 December 2024, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the company's financial position as at 31 December 2024 and of its financial performance and cash flows for the year then ended in accordance with IFRS® Accounting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

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

Key Audit Matters

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

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the report of the directors, the statement of directors' responsibilities and the schedule of expenditure but does not include the financial statements and our auditor's report thereon.

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

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

Other information (continued)

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

Responsibilities of directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

Auditor's responsibilities for the audit of the financial statements (continued)

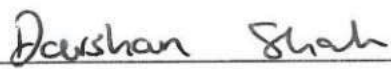
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Darshan Prabhulal Shah, Practising Certificate No. 2051.



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

 26 March 2025

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2024 Shs	2023 Shs
Revenue	2	195,029,058	171,308,942
Other operating income	3	41,829,714	37,253,839
Net impairment (loss) on financial and contract assets	22(b)	(1,143,415)	(2,991,541)
Administrative expenses		(167,852,260)	(196,527,583)
Other operating expenses		<u>(60,293,033)</u>	<u>(71,546,388)</u>
Operating profit/(loss)	4	7,570,064	(62,502,731)
Finance income - interest income	6	13,886,373	13,819,897
Finance (costs)	6	<u>(6,537,235)</u>	<u>(7,898,918)</u>
Net finance income		7,349,138	5,920,979
Profit/(loss) before tax		14,919,202	(56,581,752)
Tax	7	<u>1,109,735</u>	<u>12,635,800</u>
Profit/(loss) for the year		<u><u>16,028,937</u></u>	<u><u>(43,945,952)</u></u>
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
- Change in fair value of other financial assets designated as at fair value through other comprehensive income		2,906,149	(5,771,816)
- Income tax		<u>-</u>	<u>(870,140)</u>
Other comprehensive income for the year, net of tax		<u>2,906,149</u>	<u>(6,641,956)</u>
Total comprehensive income for the year		<u><u>18,935,086</u></u>	<u><u>(50,587,908)</u></u>

The notes on pages 12 to 39 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	2024	2023
		Shs	Shs
CAPITAL EMPLOYED			
Share capital	8	175,000,000	175,000,000
Retained earnings		183,076,515	167,047,578
Reserves		(8,666,600)	(11,572,749)
Shareholders' funds		349,409,915	330,474,829
Non-current liabilities			
Lease liabilities	10	28,175,704	42,064,574
		377,585,619	372,539,403
REPRESENTED BY			
Non-current assets			
Property and equipment	11	19,719,166	21,531,011
Right of use assets	12	28,371,997	39,354,705
Intangible assets	13	66,533,334	83,333,931
Deferred tax	14	67,994,057	66,689,495
Investment in subsidiaries	15	20,000	20,000
Other financial assets	16	101,357,351	98,058,120
		283,995,905	308,987,262
Current assets			
Trade and other receivables	17	44,529,690	77,173,820
Cash and cash equivalents	18	53,285,412	19,720,905
Tax recoverable		54,293,064	52,265,147
		152,108,166	149,159,872
Current liabilities			
Lease liabilities	10	13,888,870	11,314,150
Trade and other payables	19	44,629,582	74,293,581
		58,518,452	85,607,731
Net current assets		93,589,714	63,552,141
		377,585,619	372,539,403

The financial statements on pages 8 to 39 were approved and authorised for issue by the Board of

Directors on 24.03. 2025 and were signed on its behalf by:



DIRECTOR



DIRECTOR

The notes on pages 12 to 39 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

STATEMENT OF CHANGES IN EQUITY

	Share capital Shs	Retained earnings Shs	Fair value reserve Shs	Total Shs
Year ended 31 December 2023				
At start of year	175,000,000	210,993,530	(4,930,793)	381,062,737
(Loss) for the year	-	(43,945,952)	-	(43,945,952)
Other comprehensive income				
Change in fair value of other financial assets				
- designated as at fair value through other comprehensive income	-	-	(6,641,956)	(6,641,956)
At end of year	<u>175,000,000</u>	<u>167,047,578</u>	<u>(11,572,749)</u>	<u>330,474,829</u>
Year ended 31 December 2024				
At start of year	175,000,000	167,047,578	(11,572,749)	330,474,829
Profit for the year	-	16,028,937	-	16,028,937
Other comprehensive income				
Change in fair value of other financial assets				
- designated as at fair value through other comprehensive income	-	-	2,906,149	2,906,149
At end of year	<u>175,000,000</u>	<u>183,076,515</u>	<u>(8,666,600)</u>	<u>349,409,915</u>

The notes on pages 12 to 39 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

COMPANY STATEMENT OF CASH FLOWS

	Notes	2024 Shs	2023 Shs
Operating activities			
Cash from/(used in) operations	20	40,119,524	(27,733,671)
Interest paid on lease liabilities		6,537,235	7,898,918
Tax paid		(2,222,744)	(1,238,021)
Net cash generated from/(used in) operating activities		<u>44,434,015</u>	<u>(21,072,774)</u>
Investing activities			
Cash paid for purchase of property and equipment	11	(2,589,441)	(1,663,148)
Cash paid for purchase of intangible assets	13	(2,855,673)	-
Proceeds from disposal of property and equipment		82,361	55,099
Interest received		13,493,291	13,819,897
Net cash (used in) investing activities		<u>8,130,538</u>	<u>12,211,848</u>
Financing activities			
Payments of principal portion of lease liabilities	10	(17,851,385)	(17,001,315)
Net cash (used in) financing activities		<u>(17,851,385)</u>	<u>(17,001,315)</u>
Increase/(decrease) in cash and cash equivalents		<u>34,713,168</u>	<u>(25,862,241)</u>
Movement in cash and cash equivalents			
At start of year		19,720,905	45,583,146
Effect of exchange rate changes		(1,148,661)	-
Increase/(decrease)		<u>34,713,168</u>	<u>(25,862,241)</u>
At end of year	18	<u>53,285,412</u>	<u>19,720,905</u>

The notes on pages 12 to 39 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

NOTES

1. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policy information considered material in the preparation of these financial statements is set out below. The accounting policy information has been consistently applied to all the years presented, unless otherwise stated.

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

a) Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with IFRS Accounting Standards. The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Transfer between levels of the fair value hierarchy are recognised by the directors at the end of the reporting period during which the change occurred.

The financial performance of the company is set out in the report of the directors and in the statement of profit or loss and other comprehensive income. The financial position of the company is set out in the Disclosures in respect of risk management and capital management are set out in notes 22 and 23, respectively.

Going concern

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

NOTES (CONTINUED)

1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

a) Basis of preparation (continued)

New standards, amendments and interpretations adopted by the company

The company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1 'Classification of Liabilities as Current or Non-current' and 'Non-current Liabilities with Covenants'

The amendments to IAS 1 'Classification of Liabilities as Current or Non-current' and 'Non-current Liabilities with Covenants' (issued in January 2020 and October 2022) clarify the criterion in IAS 1 for classifying a liability as non-current, the requirement for an entity to have the right to defer settlement for at least 12 months after the reporting date. In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

Amendments to IAS 7 and IFRS 7 'Supplier Finance Arrangements' (issued in May 2023)

The amendments to IAS 7 and IFRS 7 'Supplier Finance Arrangements' (issued in May 2023), clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

Amendment to IFRS 16 'Lease Liability in a Sale and Leaseback' (issued in September 2022)

The amendment requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments had no impact on the company financial statements.

New standards, amendments and interpretations issued but not effective

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

- Amendments to IAS 21 'Lack of Exchangeability' (issued in August 2023), effective for annual periods beginning on or after 1 January 2025, with early adoption permitted, specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of an entity's financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.
- Amendments to IFRS 9 and IFRS 7 'Classification and Measurement of Financial Instruments' (issued May 2024), effective for annual periods beginning on or after 1 January 2026, clarify that a financial liability is derecognised on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. They also introduce an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.

NOTES (CONTINUED)

1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

a) Basis of preparation (continued)

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

The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features and the treatment of non-recourse assets and contractually linked instruments.

They also require additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income.

- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (issued in September 2014), applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.
- IFRS 18 'Presentation and Disclosure in Financial Statements' (issued in April 2024), replaces IAS 1 'Presentation of Financial Statements'. IFRS 18 introduces new categories and subtotals the statement of profit or loss. It also requires disclosure of newly defined management-defined performance measures (MPM) and includes new requirements for the location, aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

Narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest.

IAS 33 Earnings per Share has been amended to include additional requirements that permit entities to disclose additional amounts per share, only if the numerator used in the calculation meets specified criteria.

Some requirements previously included within IAS 1 have been moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which has been renamed IAS 8 Basis of Preparation of Financial Statements. IAS 34 Interim Financial Reporting has also been amended to require disclosure of MPMS.

IFRS 18, and the amendments to the other accounting standards, is effective for reporting periods beginning on or after 1 January 2027 and will apply retrospectively. Early adoption is permitted and must be disclosed.

The company is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

- IFRS 19 'Subsidiaries without Public Accountability: Disclosures' (issued in May 2024), effective for annual periods beginning on or after 1 January 2027, with early adoption permitted, allows subsidiaries without public accountability of a parent that prepares consolidated financial statements, available for public use, which comply with IFRS Accounting Standards (eligible entities) to elect to apply IFRS 19's reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS Accounting Standards. An entity applying IFRS 19 is required to disclose that fact as part of its general IFRS Accounting Standards compliance statement.

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

NOTES (CONTINUED)

1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

b) Significant accounting judgements, estimates and assumptions

The preparation of the company financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Revisions to estimates are recognised prospectively.

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

- Measurement of expected credit losses (ECL):

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

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

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

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

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

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

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

NOTES (CONTINUED)

1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

Assessment of significant increase in credit risk: The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments 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 assets unless there is persuasive evidence available to rebut these presumptions.

Provision for expected credit losses of trade receivables and contract assets

The company uses a provision matrix to calculate ECLs for trade receivables and contract assets.

The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by geography, product type, customer type, rating and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the company's historical observed default rates. The company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The carrying amounts of the company's financial assets that are subject to impairment assessment are disclosed in notes 17 and 18.

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

Management reviews the useful lives, depreciation methods and residual values of the items of property and equipment, intangible assets and right-of-use assets on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values. The carrying amounts of property and equipment, right-of-use assets and intangible assets are disclosed in notes 11, 12 and 13, respectively.

- Accounting for leases under IFRS 16

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

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

NOTES (CONTINUED)

1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

- Accounting for leases under IFRS 16 (continued)

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

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

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

Most extension options in offices and vehicles leases have not been included in the lease liability, because the company 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 company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

The carrying amounts of lease liabilities and right-of-use assets are disclosed in notes 10 and 12, respectively.

- Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The carrying amounts of property and equipment, right-of-use assets and intangible assets are disclosed in notes 11, 12 and 13, respectively.

- Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See note 16 for further disclosures.

NOTES (CONTINUED)

1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

- Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

c) Revenue recognition

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

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

- i) Rental income from operating leases is recognized on a straight-line basis over the period of the lease.
- ii) Interest income is recognised on a time proportion basis using the effective interest method. Once a financial asset is identified as credit-impaired, the effective interest rate is applied to the amortised cost (net of impairment losses) in subsequent reporting periods.

d) Investment in subsidiaries

The financial statements comprise the financial statements of the company. Subsidiaries are all entities (including special purpose entities) over which the company has the power to govern the financial and operating policies. Control is achieved when the company has power over the investee, is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

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

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

In the company's financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any.

NOTES (CONTINUED)

1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

e) Translation of foreign currencies

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

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

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

f) Property and equipment

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

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

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

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

The assets residual values, useful lives and methods of depreciation are reviewed at the end of each reporting period and adjusted prospectively if appropriate.

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining profit before tax.

g) Intangible assets - Computer software

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

NOTES (CONTINUED)

1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

g) Intangible assets - Computer software (continued)

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

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

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

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

h) Impairment of non-financial assets and intangible assets

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

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

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

i) Financial instruments

Financial instruments are recognised when, and only when, the company becomes party to the contractual provisions of the instrument.

- Financial assets

All financial assets are recognised initially using the trade date accounting which is the date the company commits itself to the purchase or sale.

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

i) Amortised cost

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

NOTES (CONTINUED)

1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

i) Financial instruments (continued)

- Financial assets (continued)

ii) Fair Value Through Other Comprehensive Income (FVTOCI)

Financial assets that are held for collection of contractual cash flows where these cash flows comprise SPPI and also for liquidating the assets depending on liquidity needs and that are not designated at FVTPL, are classified and measured at value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for recognition of impairment gain or losses, interest revenue and foreign exchange gains and losses. Gains and losses previously recognised in OCI are reclassified from equity to profit or loss on disposal of such instruments.

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

Derecognition/write off

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

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

Impairment

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

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

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

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

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

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

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

NOTES (CONTINUED)

1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

i) Financial instruments (continued)

- Financial assets (continued)

Presentation

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

- Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The company's financial liabilities include trade and other payables.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The company may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

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

Presentation

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

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

NOTES (CONTINUED)

1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

j) Cash and cash equivalents

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

k) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in the other comprehensive income or in equity. In this case, the tax is also recognised in other comprehensive income or equity.

Current tax

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

Deferred tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the carry forward of unused tax credits and tax credits and unused tax losses can be utilised.

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

The company offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

Value Added tax (VAT)

Expenses and assets are recognised net of the amount of VAT except:

- when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- receivables and payables are stated with the amount of VAT included

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

NOTES (CONTINUED)

1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

l) Accounting for leases

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The company as a lessee:

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

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

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

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

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

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

The company as lessor

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments received under operating leases are recognised as income in profit or loss on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

m) Employee entitlements

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

NOTES (CONTINUED)

1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

n) Retirement benefit obligations

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

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

o) Share capital

Ordinary shares are classified as equity.

p) Comparatives

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

NOTES (CONTINUED)

	2024 Shs	2023 Shs
2. Revenue		
Recognised at a point in time:		
- Transaction levy	169,763,762	141,877,825
- Depository levy	18,842,230	16,356,750
- Bond levy	-	6,445,106
- Private transfer fees and other levies	6,423,066	6,629,261
	<u>195,029,058</u>	<u>171,308,942</u>
3. Other operating income		
Rental income	5,571,813	3,646,432
Bad debts recovered	-	518,629
Writeback of penalties and interest	630,048	-
Management and entitlement fees	35,545,492	33,075,716
Profit on disposal of property and equipment	82,361	13,062
	<u>41,829,714</u>	<u>37,253,839</u>
4. Operating profit/(loss)		
The following items have been charged/(credited) in arriving at operating profit/(loss):		
Depreciation on property and equipment (Note 11)	4,401,286	16,871,211
Depreciation on right-of-use assets (Note 12)	10,982,708	10,982,708
Amortisation of intangible assets (Note 13)	19,656,270	19,788,515
Auditors' remuneration		
- current year	2,227,200	2,963,800
- underprovision in prior years	23,200	23,280
Directors remuneration	7,935,672	10,254,938
Short term lease rent	4,812,297	2,435,342
Net foreign exchange (gains)/losses	(7,801,771)	3,349,006
Staff costs (Note 5)	99,967,455	109,967,282
	<u>99,967,455</u>	<u>109,967,282</u>
5. Staff costs		
Salaries, wages and other staff costs	90,992,156	100,606,750
Post-employment benefits:		
- defined contribution scheme	8,214,053	8,998,332
- National Social Security Fund	761,246	362,200
	<u>99,967,455</u>	<u>109,967,282</u>
The average number of persons employed during the year:		
	2024 Numbers	2023 Numbers
Management and administration	<u>28</u>	<u>32</u>

NOTES (CONTINUED)

	2024 Shs	2023 Shs
6. Finance income and costs		
Finance income		
Interest income		
- Interest income on current accounts	649,423	582,947
- Interest income on government bonds	13,236,950	13,236,950
	<u>13,886,373</u>	<u>13,819,897</u>
Finance (costs)		
Interest on lease liabilities	(6,537,235)	(7,898,918)
Net finance income	<u>7,349,138</u>	<u>5,920,979</u>
7. Tax		
Current tax	194,827	1,268,814
Deferred tax charge (Note 14)	(1,304,562)	(13,904,614)
	<u>(1,109,735)</u>	<u>(12,635,800)</u>
The tax on the company's profit/(loss) before tax differs from the theoretical amount that would arise using the basic rate as follows:		
Profit/(loss) before tax	14,919,202	(56,581,752)
Tax calculated at a tax rate of 30% (2023: 30%)	4,475,761	(16,974,526)
Tax effect of:		
- expenses not deductible for tax purposes	3,475,900	1,982,388
- (Over)/under provision in prior years on deferred tax	(5,090,311)	6,473,075
- income not subject to tax	(3,971,085)	(4,116,737)
Tax charge	<u>(1,109,735)</u>	<u>(12,635,800)</u>
8. Share capital		
Authorised share capital:		
2,000,000 (2023: 2,000,000) ordinary shares of Shs. 100 each	<u>200,000,000</u>	<u>200,000,000</u>
Issued and fully paid:		
1,750,000 (2023: 1,750,000) ordinary shares of Shs. 100 each	<u>175,000,000</u>	<u>175,000,000</u>

9. Fair value reserve

Gains or losses on financial assets measured at fair value through other comprehensive income are recognised, net of deferred income tax, directly in the fair value reserve. On disposal of debt instruments, the cumulative gain or loss is reclassified to profit or loss. On disposal of equity instruments, the cumulative gain or loss is transferred directly to retained earnings. The reserve is not distributable.

NOTES (CONTINUED)

	2024 Shs	2023 Shs
10. Lease liabilities		
Non-current	28,175,704	42,064,574
Current	13,888,870	11,314,150
	<u>42,064,574</u>	<u>53,378,724</u>

Reconciliation of lease liabilities arising from financing activities:

At start of year	53,378,724	62,481,121
Interest charged to profit or loss	6,537,235	7,898,918
Cash flows:		
- Payments under leases	(17,851,385)	(17,001,315)
At end of year	<u>42,064,574</u>	<u>53,378,724</u>

Lease liabilities are unsecured.

The leases expiring within one year are subject to review at various dates during the next financial year.

The exposure of the company's leases to interest rate changes and the contractual repricing dates at the reporting date are as follows:

	2024 Shs	2023 Shs
Within 1 year	13,888,870	11,314,150
Between 1 - 5 years	28,175,704	42,064,574
	<u>42,064,574</u>	<u>53,378,724</u>

Weighted average effective interest rates at the reporting date was:

	2024	2023
Lease liabilities	<u>13.5%</u>	<u>13.5%</u>

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

Maturity based on the repayment structure of lease liabilities is as follows:

	2024 Shs	2023 Shs
Gross lease liabilities - minimum lease payments		
Not later than 1 year	18,743,954	17,851,385
Above 1 year	31,489,837	50,233,791
Total gross lease liabilities	50,233,791	68,085,176
Future interest expense on leases liabilities	(8,169,217)	(14,706,452)
Present value of lease liabilities	<u>42,064,574</u>	<u>53,378,724</u>

NOTES (CONTINUED)

11. Property and equipment

Year ended 31 December 2024

	Leasehold improvements Shs	Motor vehicles Shs	Office equipment Shs	Furniture, fittings and equipment Shs	Computers, faxes and copiers Shs	Total Shs
Cost						
At start of year	26,437,268	130,900	8,364,474	4,071,006	116,069,260	155,072,908
Additions	2,456,441	-	80,000	53,000	-	2,589,441
Disposal	-	-	-	-	(125,400)	(125,400)
At end of year	28,893,709	130,900	8,444,474	4,124,006	115,943,860	157,536,949
Accumulated depreciation						
At start of year	6,411,751	130,900	7,460,318	3,875,279	115,663,649	133,541,897
Charge for the year	3,588,258	-	379,646	154,459	278,923	4,401,286
Disposal	-	-	-	-	(125,400)	(125,400)
At end of year	10,000,009	130,900	7,839,964	4,029,738	115,817,172	137,817,783
Net carrying amount	18,893,700	-	604,510	94,268	126,688	19,719,166

Year ended 31 December 2023

Cost						
At start of year	24,799,640	130,900	8,338,954	4,071,006	116,203,780	153,544,280
Additions	1,637,628	-	25,520	-	-	1,663,148
Disposal	-	-	-	-	(134,520)	(134,520)
At end of year	26,437,268	130,900	8,364,474	4,071,006	116,069,260	155,072,908
Accumulated depreciation						
At start of year	3,294,737	130,900	6,934,986	3,616,068	102,786,478	116,763,169
Charge for the year	3,117,014	-	525,332	259,211	12,969,654	16,871,211
Disposal	-	-	-	-	(92,483)	(92,483)
At end of year	6,411,751	130,900	7,460,318	3,875,279	115,663,649	133,541,897
Net carrying amount	20,025,517	-	904,156	195,727	405,611	21,531,011

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

The gross carrying amount of fully depreciated property and equipment amounted to Shs. 59,401,793.

12. Right-of-use assets

	2024 Shs	2023 Shs
Office space	28,371,997	39,354,705
At start of year	39,354,705	50,337,413
Depreciation charge for the year	(10,982,708)	(10,982,708)
At end of year	28,371,997	39,354,705

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

NOTES (CONTINUED)

12. Right-of-use assets (continued)

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.

13. Intangible assets

	2024 Shs	2023 Shs
Cost		
At start of year	216,457,592	216,457,592
Additions	2,855,673	-
At end of year	<u>219,313,265</u>	<u>216,457,592</u>
Amortisation		
At start of year	133,123,661	113,335,146
Charge for the year	19,656,270	19,788,515
At end of year	<u>152,779,931</u>	<u>133,123,661</u>
Net book value	<u>66,533,334</u>	<u>83,333,931</u>

Intangible assets with a cost of Shs. 92,728,937 have been fully amortised.

14. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2023: 30%). The movement on the deferred tax account is as follows:

	2024 Shs	2023 Shs
At start of year	(66,689,495)	(52,784,881)
(Credit) to profit or loss (Note 7)	<u>(1,304,562)</u>	<u>(13,904,614)</u>
At end of year	<u>(67,994,057)</u>	<u>(66,689,495)</u>

Deferred tax assets/(liabilities) in the statement of financial position, and the deferred tax charge/(credit) to profit or loss and to other comprehensive income are attributable to the following items:

Year ended 31 December 2024	At start of year Shs	(Credit)/charge to profit or loss Shs	At end of year Shs
Deferred tax liabilities/(assets)			
Property, equipment and intangible assets	12,848,011	(467,149)	12,380,862
Leave pay provision	(543,819)	-	(543,819)
Bad debt provision	(1,966,963)	(343,025)	(2,309,988)
Right-of-use assets	11,806,412	(3,294,813)	8,511,599
Lease liabilities	(16,013,617)	3,394,245	(12,619,372)
Unrealised exchange differences	-	378,890	378,890
Tax losses	<u>(72,819,519)</u>	<u>(972,710)</u>	<u>(73,792,229)</u>
Deferred tax (asset)	<u>(66,689,495)</u>	<u>(1,304,562)</u>	<u>(67,994,057)</u>

NOTES (CONTINUED)

14. Deferred tax (continued)

Year ended 31 December 2023	At start of year Shs	Charge/(credit) to profit or loss Shs	At end of year Shs
Deferred tax liabilities/(assets)			
Property, equipment and intangible assets	2,294,021	10,553,990	12,848,011
Leave pay provision	(440,286)	(103,533)	(543,819)
Bad debt provision	(1,225,090)	(741,874)	(1,966,963)
Right-of-use assets	15,101,224	(3,294,812)	11,806,412
Lease liabilities	(18,744,336)	2,730,719	(16,013,617)
Gratuity provision	(1,800,461)	1,800,461	-
Fair value adjustment	1,751,424	(1,751,424)	-
Tax losses	(49,721,377)	(23,098,142)	(72,819,519)
Deferred tax (asset)	(52,784,881)	(13,904,614)	(66,689,495)

15. Investment in subsidiaries

Shares at cost	Country of incorporation	Holding	2024 Shs	2023 Shs
CDSC Nominees Limited	Kenya	100%	20,000	20,000

The principle activity of the subsidiary is to provide share registrar services to various companies listed on the various Securities Exchange, 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 of the subsidiary have not been consolidated in this financial statements since the entity was considered to be dormant.

16. Other financial assets

Fair value through other comprehensive income

Investment in government securities	2024 Shs	2023 Shs
At start of year	98,058,120	100,841,855
Fair value gain/(loss)	2,906,149	(5,771,816)
Interest	393,082	2,988,081
At end of year	101,357,351	98,058,120

Treasury bonds amounting to Shs. 65,000,000 were placed under lien.

17. Trade and other receivables

Trade receivables	17,433,364	18,094,376
Other receivables	6,403,648	8,584,701
Receivable from related parties (Note 21)	9,193,049	8,394,964
Less: expected credit losses (Note 22(b))	(7,335,617)	(6,432,851)
Net trade and other receivables	25,694,444	28,641,190
Prepayments	18,835,246	48,532,630
	44,529,690	77,173,820

NOTES (CONTINUED)

17. Trade and other receivables (continued)

	2024		2023			
	Gross amount Shs	ECL allowance Shs	Carrying amount Shs	Gross amount Shs	ECL allowance Shs	Carrying amount Shs
Trade receivables	17,433,364	(7,335,617)	10,097,747	18,094,376	(6,432,851)	11,661,525
Other receivables	6,403,648	-	6,403,648	8,584,701	-	8,584,701
Prepayments	18,835,246	-	18,835,246	48,532,630	-	48,532,630
Receivable from related parties	9,193,049	-	9,193,049	8,394,964	-	8,394,964
	51,865,307	(7,335,617)	44,529,690	83,606,671	(6,432,851)	77,173,820

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

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

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

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

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

	2024 Shs	2023 Shs
At start of year	6,432,851	3,801,390
Additional provision for the year	<u>902,766</u>	<u>2,631,461</u>
At end of year	<u>7,335,617</u>	<u>6,432,851</u>

NOTES (CONTINUED)

	2024 Shs	2023 Shs
18. Cash and cash equivalents		
Cash at bank and in hand	53,649,754	19,844,598
Expected credit losses	<u>(364,342)</u>	<u>(123,693)</u>
	<u>53,285,412</u>	<u>19,720,905</u>

For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the above.

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

Kenya Shillings	53,623,870	15,941,372
United States Dollars	<u>25,884</u>	<u>3,903,226</u>
	<u>53,649,754</u>	<u>19,844,598</u>

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

At start of year	(123,693)	(282,242)
Additional provision for the year	<u>(240,649)</u>	<u>158,549</u>
At end of year	<u>(364,342)</u>	<u>(123,693)</u>

19. Trade and other payables

Trade payables	21,234,534	56,769,928
Other payables	23,189,733	10,723,436
Payable to related parties (Note 21)	<u>205,315</u>	<u>6,800,217</u>
	<u>44,629,582</u>	<u>74,293,581</u>

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

	0 to 1 month Shs	2 to 3 months Shs	4 to 12 months Shs	Total Shs
Year ended 31 December 2024				
Trade payables	18,795,619	387,680	2,051,235	21,234,534
Other payables	21,377,003	-	1,812,730	23,189,733
Payable to related parties	<u>185,315</u>	<u>-</u>	<u>20,000</u>	<u>205,315</u>
	<u>40,357,937</u>	<u>387,680</u>	<u>3,883,965</u>	<u>44,629,582</u>
Year ended 31 December 2023				
Trade payables	54,213,761	301,964	2,254,204	56,769,928
Other payables	7,868,972	-	2,854,464	10,723,436
Payable to related parties	<u>6,780,217</u>	<u>-</u>	<u>20,000</u>	<u>6,800,217</u>
	<u>68,862,949</u>	<u>301,964</u>	<u>5,128,668</u>	<u>74,293,581</u>

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

NOTES (CONTINUED)

19. Trade and other payables (continued)

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

	2024 Shs	2023 Shs
Kenya Shillings	41,866,877	73,688,270
United States Dollars	2,515,101	339,584
Euro	247,604	265,727
	<u>44,629,582</u>	<u>74,293,581</u>

20. Cash from operations

Reconciliation of profit/(loss) before tax to cash from operations:

Profit before tax	14,919,202	(56,581,752)
Adjustments for:		
Depreciation on property and equipment (Note 11)	4,401,286	16,871,211
Depreciation on right of use assets (Note 12)	10,982,708	10,982,708
Amortisation of intangible assets (Note 13)	19,656,270	19,788,515
(Profit) on disposal of property and equipment	(82,361)	(13,062)
Interest income (Note 6)	(13,886,373)	(13,819,897)
Unrealised foreign exchange (gains)/losses	(1,262,968)	-
Provision for estimated credit losses	902,766	3,150,090
Changes in working capital		
- trade and other receivables	31,741,364	(34,389,223)
- trade and other payables	(27,252,370)	26,277,739
Cash from/(used in) from operations	<u>40,119,524</u>	<u>(27,733,671)</u>

21. Related party transactions and balances

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

The following transactions were carried out with related parties:

	2024 Shs	2023 Shs
i) Key management compensation		
Short term employee benefits	<u>7,935,672</u>	<u>10,254,938</u>
ii) Outstanding balances arising from sale of services		
Receivable from related parties can be analysed as follows:		
- Other related parties	<u>9,193,049</u>	<u>8,394,964</u>

NOTES (CONTINUED)

21. Related party transactions and balances (continued)

ii) Outstanding balances arising from sale of services

Payable to related parties can be analysed as follows:

- Subsidiaries	20,000	20,000
- Other related parties	185,315	6,780,217
Total payable to related parties (Note 19)	<u>205,315</u>	<u>6,800,217</u>

22. Risk management objectives and policies

Financial risk management

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

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

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

(a) Market risk

- Foreign exchange risk

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

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

	2024 Shs	2023 Shs
Effect of (loss)/profit - (decrease)/increase	<u>(273,682)</u>	<u>329,792</u>

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

- Interest rate risk

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

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

	2024 Shs	2023 Shs
Effect on profit - increase	<u>394,024</u>	<u>225,401</u>

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

NOTES (CONTINUED)

22. Risk management objectives and policies (continued)

Financial risk management (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

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

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

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

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

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

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

NOTES (CONTINUED)

22. Risk management objectives and policies (continued)

Financial risk management (continued)

(b) Credit risk (continued)

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

Basis for measurement of loss allowance

	2024		2023	
	12 month expected credit losses Shs	Lifetime expected credit losses Shs	12 month expected credit losses Shs	Lifetime expected credit losses Shs
Other financial assets	-	101,357,351	-	98,058,120
Trade receivables	-	17,433,364	-	18,094,376
Other receivables	-	6,403,648	-	8,584,701
Receivable from related parties	-	9,193,049	-	8,394,964
Cash at bank	53,649,754	-	19,844,598	-
Gross carrying amount	53,649,754	134,387,412	19,844,598	133,132,161
Expected credit loss allowance	(364,342)	(7,335,617)	(123,693)	(6,432,851)
	<u>53,285,412</u>	<u>127,051,795</u>	<u>19,720,905</u>	<u>126,699,310</u>

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

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

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

	Not past due Shs	30 to 90 days past Shs	90 to 180 days past Shs	Over 180 days past Shs	Total Shs
As at 31 December 2024	<u>8,268,569</u>	<u>2,219,315</u>	<u>504,966</u>	<u>6,440,514</u>	<u>17,433,364</u>
As at 31 December 2023	<u>5,757,383</u>	<u>3,909,183</u>	<u>90,948</u>	<u>8,336,861</u>	<u>18,094,376</u>

NOTES (CONTINUED)

22. Risk management objectives and policies (continued)

Financial risk management (continued)

(b) Credit risk (continued)

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

	12 month expected credit Cash and cash equivalents Shs	Lifetime expected credit losses Related party balances Shs	Trade receivables Shs	Total Shs
Year ended 31 December 2024				
At start of year	123,693	-	6,432,851	6,556,544
Changes relating to assets	240,649	-	902,766	1,143,415
At end of year	<u>364,342</u>	<u>-</u>	<u>7,335,617</u>	<u>7,699,959</u>
Year ended 31 December 2023				
At start of year	282,242	-	3,801,390	4,083,632
Changes relating to assets	(158,549)	-	2,631,461	2,472,912
At end of year	<u>123,693</u>	<u>-</u>	<u>6,432,851</u>	<u>6,556,544</u>

(c) Liquidity risk

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

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

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

	Interest rate %	Within 1 year Shs	Over 1 year Shs	Total Shs
Year ended 31 December 2024				
<i>Non-interest bearing liabilities:</i>				
- Trade and other payables	0%	44,629,582	-	44,629,582
<i>Interest bearing liabilities:</i>				
- Lease liabilities				
- Operating leases	13.5%	13,888,870	28,175,704	42,064,574
		<u>58,518,452</u>	<u>28,175,704</u>	<u>86,694,156</u>

NOTES (CONTINUED)

22. Risk management objectives and policies (continued)

Financial risk management (continued)

(c) Liquidity risk (continued)	Interest rate %	Within 1 year Shs	Over 1 year Shs	Total Shs
Year ended 31 December 2023				
<i>Non-interest bearing liabilities:</i>				
- Trade and other payables	0%	74,293,581	-	74,293,581
<i>Interest bearing liabilities:</i>				
- Lease liabilities				
- Operating leases	13.5%	11,314,150	42,064,574	53,378,724
- Trade and other payables		85,607,731	42,064,574	127,672,305

23. Capital management

The company's objectives when managing capital are:

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

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

24. Incorporation

Central Depository and Settlement Corporation Limited is incorporated in Kenya under the Kenyan Companies Act, 2015 as private limited liability companies and are domiciled in Kenya.

25. Contingent liabilities

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

26. Presentation currency

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

SCHEDULE OF EXPENDITURE

	2024 Shs	2023 Shs
1 ADMINISTRATIVE EXPENSES		
Employment:		
Salaries and wages	82,706,926	91,448,775
Staff medical and welfare expenses	8,719,770	8,792,476
Other staff expenses	8,540,759	9,726,031
Total employment costs	99,967,455	109,967,282
Other administration expenses:		
Directors remuneration	7,935,672	10,254,938
Postages and telephones	499,105	511,194
Entertainment and travelling	844,911	2,131,155
Printing and stationery	604,421	616,765
Advertising and marketing expenses	373,043	4,290,285
Computer expenses	57,949,775	57,052,179
Audit fees		
- current year	2,227,200	2,963,800
- underprovision in prior years	23,200	23,280
Legal and professional fees	1,068,966	1,647,828
Bank charges and commissions	324,063	453,940
Other receivables written off	1,304,267	-
Subscriptions and periodicals	786,184	872,063
Office running expenses	1,745,769	2,243,868
Fines and penalties	-	150,000
Net foreign exchange		
- realised (gains)/losses	(6,538,803)	1,086,738
- unrealised (gains)/losses	(1,262,968)	2,262,268
Total other administrative expenses	67,884,805	86,560,301
Total administrative expenses	167,852,260	196,527,583
2. OTHER OPERATING EXPENSES		
Establishment:		
Short term lease rent	4,812,297	2,435,342
Service charge and parking	3,006,326	5,286,546
Electricity and water	2,933,765	2,867,878
Repairs and maintenance	3,493,503	2,258,236
Insurance	6,746,727	6,380,038
Licenses	3,394,652	3,545,135
Security expense	865,499	1,130,779
Depreciation on right of use assets	10,982,708	10,982,708
Depreciation on property and equipment	4,401,286	16,871,211
Amortisation of intangible assets	19,656,270	19,788,515
Total other operating expenses	60,293,033	71,546,388
3. FINANCE COSTS		
Interest on lease liabilities	6,537,235	7,898,918