CIC GROUP

2022

CIC ASSET MANAGEMENT LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS

OUR PHILOSOPHIES

CIC GROUP

WHO WE ARE

CIC Insurance Group is a leading Cooperative Insurer in Africa, providing insurance and related financial services in Kenya, Uganda, South Sudan and Malawi. The Group offers a wide range of products.

OUR MISSION STATEMENT

"To enable people achieve financial security."
We are first and foremost a co-operative. This is our identity and heritage which we are unashamedly proud of. Consequently, we shall consider ourselves successful only when all our stakeholders achieve financial security on account of association with us.

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OUR VISION

"To be a world class provider of insurance and other financial services"
Today's consumer has unlimited choices. Advances in technology have made it possible for consumers to enjoy products/services from all over the world. CIC acknowledges that to remain relevant our services must meet global standards

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OUR VALUES

Integrity
- Be fair and transparent

Dynamism
- Be passionate and innovative

Performance
- Be efficient and results driven

Cooperation
- Live the cooperative spirit

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CONTENTS

CIC ASSET MANAGEMENT LIMITED
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS	**Cornelius Ashira:** Chairman **Patrick Nyaga** **James Njiru** **Rosemary Sakaja** **Joseph Kamau Maina** **Rosemary Githaiga:** Deceased - 07.12.2022 **Jyoti Patel** **Humphrey Gathungu:** Managing Director – Appointed - 22.09.2022 **Stanley Mutuku:** Exited - 06.12.2022
COMPANY SECRETARY	**Mary Wanga** Certified Public Secretary (Kenya) P.O. Box 59485 - 00200 Nairobi
REGISTERED OFFICE	**CIC Plaza** Upper Hill, Mara Road P.O. Box 59485-00200 Nairobi
SENIOR MANAGEMENT	**Humphrey Gathungu:** Managing Director **Mary Wanga:** Company Secretary **Nicholas Mwachilumo:** Finance Manager **Susan Robi:** Group Risk and Compliance Manager **Teddy Yanga:** Portfolio Manager **Muthoni Muuo:** Portfolio Manager **Linda Oyaya:** Business Development Manager **Ruth Ngaruiya:** Fund Administrator manager **Catherine Nyambura:** Fund Administrator Manager **Elizabeth Njuguna:** Human Resource Manager **Keziah Ndegwa:** Internal Auditor
AUDITOR	**PricewaterhouseCoopers LLP** Certified Public Accountants PwC Tower, Westlands Waiyaki Way/Chiromo Road P.O. Box 43963 - 00100 Nairobi GPO - Kenya
PRINCIPAL BANKERS	**The Co-operative Bank of Kenya Limited** P.O. Box 67881 - 00100 Nairobi

CIC ASSET MANAGEMENT LIMITED
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 11TH ANNUAL GENERAL MEETING OF CIC ASSET MANAGEMENT LIMITED WILL BE CONDUCTED VIRTUALLY VIA ELECTRONIC COMMUNICATION ON THURSDAY 4TH DAY OF MAY, 2023 AT 10:00 AM TO TRANSACT THE FOLLOWING BUSINESS AS SET OUT BELOW:

AGENDA

Constitution of the Meeting

1. The Company Secretary to read the notice convening the meeting, table the proxies and determine if a quorum is present.

Ordinary Business:

2. To confirm the Minutes of the 10th Annual General Meeting held on 12th May, 2022.

3. To receive, consider and if thought fit, adopt the Company's Annual Report and Audited Financial Statements for the year ended 31st December 2022 together with the Chairman's Report thereon.

4. To approve a first and final dividend pay-out of Kshs 200M for the financial year ended 31st December 2022, to be paid on or before 26th May 2023 to the shareholder appearing on the Register of Members.

5. To consider and if thought fit, reappoint Messrs. PriceWaterhouseCoopers, Certified Public Accountants, as the Auditors of the Company for the year 2023, having expressed their willingness to continue in office in accordance with section 719 (2) of the Companies Act No.17 of 2015, and to authorize the Directors to fix their remuneration for the ensuing year.

6. **Rotation, Election, Appointment and Exit of Directors:**

    a. **Appointment of Director**
    To appoint Mr. Humphrey Gathungu as an Executive Director (Managing Director) of the Company effective 5th December 2022.

    b. **Appointment of Director**
    Mr. Abel Kalevela Amuyunzu appointed by the Board on 7th March 2023 as a Non-Executive Director to fill a casual vacancy in accordance with Article 103 of the Company's Articles of Association, retires and this being the first Annual General Meeting to be held since his appointment and being eligible, offers himself for election subject to regulatory approval.

    c. **Exits in the Board.**
    i. To note the exit of Mr. Stanley Mutuku from the Board of CIC Asset Management Limited as an Executive Director (Managing Director) effective 6th December 2022.
    ii. To acknowledge the demise of Mrs. Rosemary Githaiga a Non-Executive Director on 7th December 2022 and removal of her name from the register of directors.

    d. **Retirement of Director.**
    To note that, no Director is required to retire by rotation in year 2023.

CIC ASSET MANAGEMENT LIMITED
ANNUAL GENERAL MEETING *(continued)*

7. **Remuneration of Directors.**
   To authorize the Board to fix the Directors Remuneration for the year ending 31st December 2023.

8. **Any Other Business.**
   To transact any other business of the company for which due notice has been received by the Company Secretary forty-eight (48) hours prior.

Dated at Nairobi this 14th day of March 2023.

BY Order of the Board

MARY WANGA
COMPANY SECRETARY

NOTE:

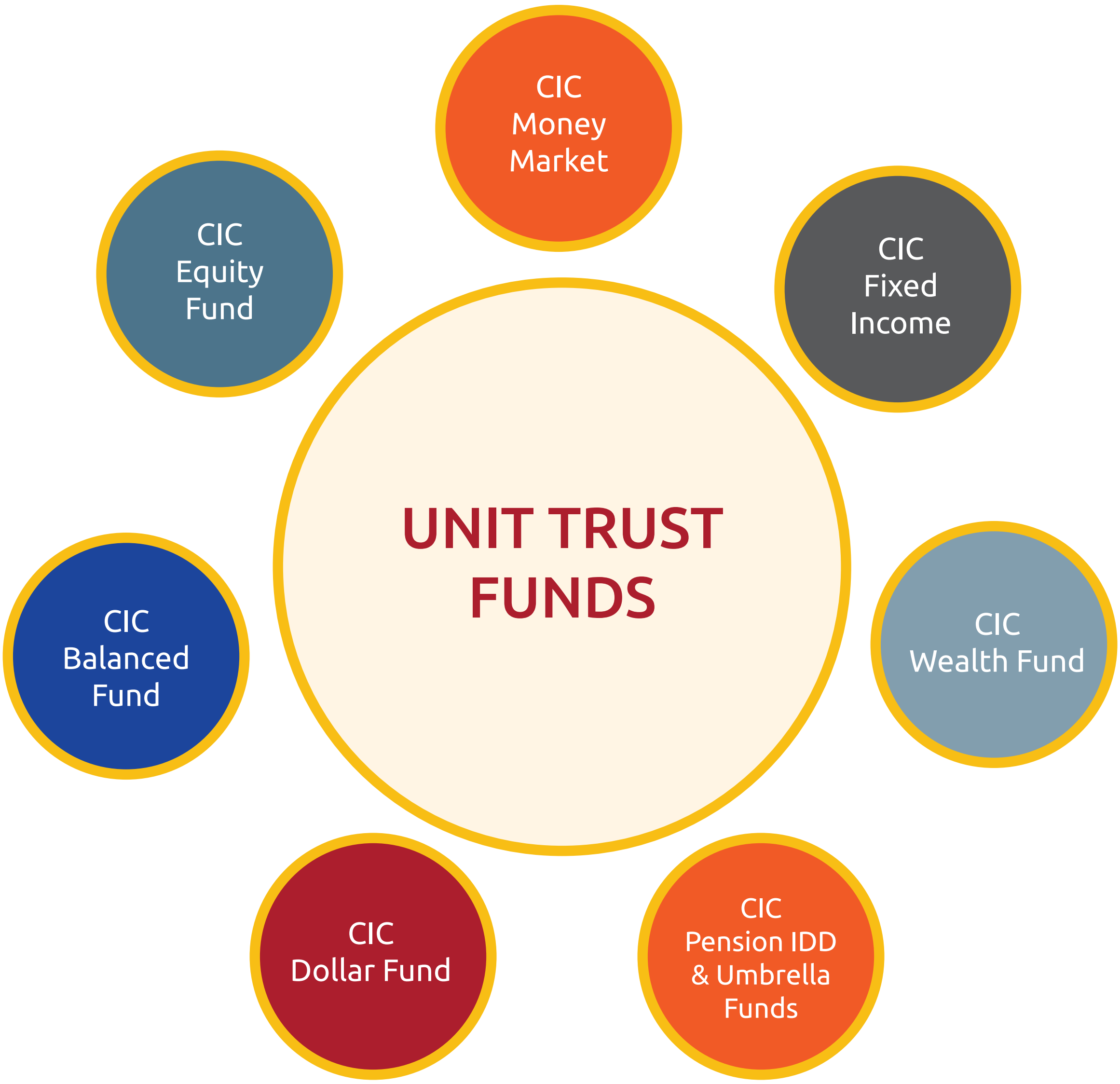
1. In accordance with section 298(1) of the Companies Act, 2015 (Laws of Kenya) every member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his behalf and the proxy need not be a member of the company.

2. A proxy form is provided with this notice. The instrument appointing the proxy must be delivered to the Secretary not less than forty-eight (48) hours before the meeting.

3. In accordance with section 283 (2) of the Companies Act, a copy of the entire Annual Report and Financial Statements of the Company, a copy of this Notice and the Proxy Form may be viewed at our Company's website *www.cic.co.ke*

CIC ASSET MANAGEMENT LIMITED
PRODUCTS

We offer a wide range of long investment products to cater for the different market segments. They include;



CHAIRMAN'S STATEMENT
CIC ASSET MANAGEMENT

"We will remain centred on driving profitable growth through customer focus, and tailor our services to not only ensure excellent customer service and responsiveness but also sustain above market average returns."

It is my pleasure to present the annual report and financial statements of CIC Asset Management, for the year ended 31st December 2022. Generally, the global and domestic economic performance slowed down in 2022 majorly on account of supply chain disruptions as Russia invaded Ukraine resulting to high inflation and interest rate levels. Despite the drawbacks, CIC Asset Management had a successful and rewarding year. We continue to reshape the business to address the fundamental changes taking place in the market.

GLOBAL ENVIRONMENT

Global growth is projected to have slowed down to 3.2% in 2022, according to IMF, World Economic Outlook (October 2022) from an expansion of 6% in 2021. High inflation and interest rate levels continue to weigh on economic activity with global growth projected to slowdown further to 2.9% in 2023 before recovering in 2024.

KENYAN ENVIRONMENT

The economy averaged 5.6% growth by Q3'22 compared to a growth of 9.9% by Q3'21. The slowdown was on the back of geopolitical tensions, unstable macro-economic environment and poor rainfalls experienced during the year. The World Bank projects Kenya's GDP to average 5% in 2023-24 largely boosted by private investments.

Inflation rose above the Central Bank of Kenya, CBK, upper target band of 7.5% averaging 7.6% in 2022 up from an average of 6.11% in 2021. This was largely due to higher oil and food prices, amid global supply chain disruptions and inadequate rainfalls in the food basket areas.

The CBK increased the base lending rate to 8.75 % in December 2022 from 7% in the first half of 2022 mainly aimed at taming the high inflationary pressures.

The equities market registered losses in 2022 with the NASI & NSE-20 losing 23.42% and 11.90% compared to a gain of 9.43% and 1.83% respectively in 2021. Equities performance was occasioned by the global rise in interest rates and an unstable shilling which led to foreign investors exiting the market. We expect the market to continue exhibiting weakness as foreign outflows persist with some global economies anticipated to slip into recession

BUSINESS GROWTH

Our priority still remains growing the business while delivering value to shareholders for their investment. We continue to revamp and introduce new products and are committed to leveraging on technology to effectively serve and add value to our customers.

GOING FORWARD

We are very optimistic that the business will grow despite the challenging macro and micro environment. We have put in place a robust strategy and team to drive future growth.

We will remain centered on driving profitable growth through customer focus, and tailoring our services to not only ensure excellent customer service and responsiveness but also sustain above market average returns to attract more funds.

The company is cognizant of the constant change in customer investment needs and desire for good governance and will endeavour to keep abreast with the new business environment and any risks that could arise.

ACKNOWLEDGEMENT

I wish to thank my colleagues and the board for their support, strategic guidance and dedication to the company. My appreciation also goes to the management and employees for their hard work, commitment and enthusiasm in serving the company. I would also like to thank all our stakeholders including partners, brokers, independent agents and the regulator for their support. We sincerely believe that we would not have achieved these results without you. We look forward to even greater partnership in 2022 and beyond and we promise to keep our word.

Cornelius Ashira
Chairman

BOARD OF DIRECTORS

Cornelius Ashira: Chairman

Cornelius Odhiambo Ashira, aged 58, joined the Board in 2014. Mr. Ashira is the Director representing the shareholder CIC Insurance Group Plc. He is currently a board member of Kumbu Kumbu Sacco and the Chairman of the Credit Committee. Mr. Ashira is also a delegate at KUSCCO Limited. He worked with International Center for Insect Physiology and Ecology between 1988 and 1990 as a laboratory technician. Currently, the Director is working at the Institute of Primate Research, Karen. He is a member of the Institute of Directors of Kenya.

James Njue: Director

Mr. James Njue Njiru aged 56, joined the Board in 2019. Mr. Njue represents the Shareholder CIC Insurance Group Plc. He is the Chairman of Nawiri Sacco Society. He is also a Director of Coop Holdings Co-operative Society and the Cooperative Bank of Kenya Ltd. Mr. Njiru is a member of Board of Management for various schools in the Eastern Region. He holds a diploma in Business Management from the Kenya Institute of Management. He is also a member of the Institute of Directors of Kenya.

Patrick Nyaga: Director

Mr. Patrick Nyaga, aged 55 is the Group Chief Executive Officer. He holds a master of Business Administration from Strathmore Business School and a Bachelor of Commerce Degree in Accounting. He is a Certified Public Accountant (K) and a member of ICPAK. Mr. Nyaga has over 30 years working experience mainly financial services and auditing. He has worked in various senior positions in banking. Prior to joining CIC Group Ltd he was the Group Finance and Strategy Director- at Co-operative Bank of Kenya Limited. He previously worked at Barclays Bank now (ABSA) as the Regional Head of Assurance and at KPMG (EA), with the main focus being audit of financial institutions in Kenya and the region. He is a member of the Institute of Directors of Kenya and has undertaken training in various disciplines among them Corporate Governance courses, Insurance, Banking, and Strategy among others.

Ms. Rosemary Sakaja: Director

Ms. Rosemary Sakaja, aged 69, joined the Board in 2018 as an Independent Director. She holds a Master of Social Science degree in Development Finance from the University of Birmingham, U.K and a Bachelor of Arts Degree from the University of Nairobi. In addition, Ms. Sakaja holds other qualifications in accounts and taxation. She has also undertaken various courses in corporate governance, human resource and pensions management, information technology, international trade and marketing. Ms. Sakaja is a member of the Institute of Directors Kenya and the Women on Boards Network. She has experience spanning over 32 years having held senior positions at various institutions both in the public and private sectors.

Joseph Kamau: Director

Mr. Joseph Maina Kamau, aged 58, joined the Board in June 2021. Mr. Maina represents the shareholder. He is the Chairman of Ndumberi Dairy farmers Sacco and also the Chairman of K-Unity Sacco. He attended Devonshire College of Accountancy and served as an accountant Manager for Westwood Insurance Brokers Limited for seven years. He is also a member of the Institute of Directors of Kenya and attended governance trainings from both Centre for Corporate Governance and Leadership Group.

Jyoti Patel: Director

Ms. Jyoti Ishwarbhai Patel, aged 52, joined CIC Asset Management Limited Board as an Independent Non-Executive Director in July 2021. She has considerable working experience in executive management teams specializing in accountancy, auditing, finance and risk management. Ms. Jyoti is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and a fellow member of Association of Chartered Certified Accountants (FCCA). She is trained in Corporate Governance by International Finance Corporation (IFC) and trained in Enterprise Risk Governance by Enterprise Risk Management Academy (ERMA). She holds an MBA from Warwick Business School, University of Warwick, UK.

Mr. Humphrey Gathungu: Managing Director

Mr. Humphrey Gathungu aged 46, is the Managing Director of CIC Asset Management Limited. He holds a Master's Degree (MBA) in Global Business Management, USIU and a Bachelor of Science in International Business from the same University. Mr. Humphrey is a CFA Charter holder, a Certified Public Accountant (K) and a member of ICIFA. Mr. Humphrey has over twenty-four years' experience in the Financial Services sector, thirteen of which have been in leadership roles. He has vast experience in Asset Management, Private Equity and Corporate Finance. Prior to joining CIC Group, he was the Chief Executive Officer Jubilee Financial Services. Earlier on, he worked as the Chief Investment Officer at Stanlib Africa. He has also undergone Corporate Governance training from Centre for Corporate Governance.

Mary Wanga: Company Secretary

Ms. Mary Wanga aged 55, is the Company Secretary and an Advocate of the High Court of Kenya with over 26 years' experience in various capacities and industries as a practicing and corporate lawyer ranging from legal, insurance, finance and Micro, Small and Medium Enterprises (MSMEs). She joined CIC Group Plc in 2008.

Ms. Wanga is a Certified Public Secretary CPS (K) and holds a Bachelor of Law Degree (LLB), Bachelor of Social Legislation and Post Graduate Diploma from the Kenya School of Law and Diploma in Insurance (AIIK) from the College of Insurance. She is a member of the Institute of Directors-Kenya, an Associate Member of Insurance Institute of Kenya (IIK), Law Society of Kenya, The Chartered Institute of Arbitrators (Kenya branch) (ACIArb) and Institute of Certified Secretaries-ICS(K).

MANAGING DIRECTOR'S STATEMENT
CIC ASSET MANAGEMENT

Dear Shareholders

The 2022 results are an improvement from the previous financial year. We continue to focus on delivering value for our shareholders, providing superior products and services to our customers, and positively impacting the communities in the areas where we live and work.
Financial Performance

The company's assets under management achieved an accelerated growth of 34% to Ksh 127 billion up from Ksh 95 billion in 2021. This growth enabled the company to maintain its market leadership position in the unit trust business where we have a market share of 38.5% as at 31st December 2022. Revenue from contracts with customers grew by 22.7% to Ksh 1,031 million from Ksh 841 million in 2021. The company reported a profit before tax of Ksh 644 million compared to a profit before tax of Ksh 523 million in 2021.

Economic Overview

The economy is expected to have averaged a 5.6% growth in 2022 compared to a growth of 7.5% in 2021. The slowdown was on the back of geopolitical tensions, unstable macro-economic environment and poor rainfalls experienced during the year. The World Bank projects Kenya's GDP to average 5% in 2023-24 largely boosted by private investments.

The yield curve inched up as both short term and long term rates rose in 2022. This was driven by higher levels of inflation compared to the previous year and as central banks raised base rates to tame inflation. Borrowing pressure from the government as well remained high as they sought to cover their fiscal deficit. The Central Bank Rate (CBR) was raised to 8.75% in 2022 as the need to tame inflation intensified across the globe. We expect a rise in yields across the curve as inflation levels continue to rise and as the government seeks to plug the budget deficit.

The equities market registered losses in 2022 with the NASI & NSE-20 losing 23.42% and 11.90% compared to a gain of 9.43% and 1.83% respectively in 2021. Equities performance was occasioned by the global rise in interest rates, increased risk perception in frontier and emerging markets as well as an unstable shilling which led to foreign investors exiting the market thus dampening prices. We expect the market to continue exhibiting weakness as foreign outflows persist with some global economies anticipated to slip into a recession

Future Outlook

We will continue to direct more emphasis on growing the new lines of business whilst consolidating our core business line – unit trust scheme, as well as pensions business so that we can provide our customers and the market with alternatives

CIC Asset Management remains a strong business, with the requisite financial strength, good client relationships and top of class talent as we continue to execute our strategic plan. We will increase our efforts in optimising the utilisation of our assets to increase productivity and grow value for our shareholders and all our stakeholders.

Appreciation

I would like to express my gratitude to all our stakeholders, especially our esteemed clients and business partners, for their continued support. I look forward to working closely with them to help them achieve and exceed their financial security and investment objectives.

I remain grateful to the Board, management, staff and our wealth advisors for their continued support, hard work, dedication and commitment to the business.

I look forward to better years ahead.

Humphrey Gathungu
Managing Director

BOARD OF MANAGEMENT

Humphrey Gathungu: Managing Director

Mr. Humphrey Gathungu aged 46, is the Managing Director of CIC Asset Management Limited. He holds a Master's Degree (MBA) in Global Business Management, USIU and a Bachelor of Science in International Business from the same University. Mr. Humphrey is a CFA Charter holder, a Certified Public Accountant (K) and a member of ICIFA. Mr. Humphrey has over twenty-four years' experience in the Financial Services sector, thirteen of which have been in leadership roles. He has vast experience in Asset Management, Private Equity and Corporate Finance. Prior to joining CIC Group, he was the Chief Executive Officer Jubilee Financial Services. Earlier on, he worked as the Chief Investment Officer at Stanlib Africa. He has also undergone Corporate Governance training from Centre for Corporate Governance.

Mary Wanga: Company Secretary

Ms. Mary Wanga aged 55, is the Company Secretary and an Advocate of the High Court of Kenya with over 26 years' experience in various capacities and industries as a practicing and corporate lawyer ranging from legal, insurance, finance and Micro, Small and Medium Enterprises (MSMEs). She joined CIC Group Plc in 2008.
Ms. Wanga is a Certified Public Secretary CPS (K) and holds a Bachelor of Law Degree (LLB), Bachelor of Social Legislation and Post Graduate Diploma from the Kenya School of Law and Diploma in Insurance (AIIK) from the College of Insurance. She is a member of the Institute of Directors-Kenya, an Associate Member of Insurance Institute of Kenya (IIK), Law Society of Kenya, The Chartered Institute of Arbitrators (Kenya branch) (ACIArb) and Institute of Certified Secretaries-ICS(K).

Nicholas Mwachilumo: Finance Manager

Mr. Nicholas Mwachilumo is the Finance Manager. He holds a Bachelor of Science degree in Mathematics and Chemistry. Professionally, Nicholas is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya. He has over 20 years work experience in the profession, having worked 10 years in the hospitality industry and 12 years in the financial services sector. He has worked in CIC for the last 8 years.

Susan Robi: General Manager Risk and Compliance

Ms. Susan Robi aged 44, is the General Manager Risk and Compliance. She is an Advocate of the High Court of Kenya holding a Bachelor of Laws ("LLB") Degree from the Makerere University and a Masters in Law and Finance from Goethe University (Institute of law and Finance) in Frankfurt Germany. Professionally Ms. Robi holds a Post Graduate Diploma from the Kenya School of Law and has over 10 years of experience in various capacities and industries ranging from both Local and International Law Practice, Insurance, Finance, Pensions and Risk Management. Ms. Robi joined CIC in 2011.

Elizabeth Njuguna: Human Resource Manager

Mrs. Elizabeth Njuguna is the Human Resource Business Partner, CIC Asset Management Subsidiary, Regions & Shared Services. She holds a Bachelor of Administration Degree majoring in Human Resource Management, an MBA (Specializing in HRM) from Moi University, a Post Graduate Diploma in Human Resource Management from the Institute of Human Resource Management (K) and a Diploma in Counselling Psychology from Kenya Institute of Professional Counselling. She has over 15 years of work experience in various sectors including Manufacturing and Information Technology. She is a member of good standing with the Institute of Human Resource Management (IHRM). She joined CIC in July, 2012.

Linda Oyaya: Business Development Manager

Ms. Linda Oyaya is the Business Development Manager - Pensions. She holds a Bachelor of Science Degree in Actuarial Science from JKUAT. She is a member of Chartered Institute of Securities and Investments and has 13 years pension industry experience having been involved in several key responsibilities covering pension funds management, fund administration, research and analysis, client relationship and client acquisition. She joined CIC in July 2015.

Ruth Ngaruiya: Fund Administrator manager

Ms. Ngaruiya is the Fund Administrator manager, CIC Asset Management. She holds a master's degree (MBA) in Strategic Management, Daystar University and a Bachelor of Commerce Degree, Catholic University of Eastern and Central Africa. Ms. Ngaruiya is a member of the Chartered Institute of Securities and Investments and has over 10 years' experience in the financial services industry. She has worked within CIC in different capacities at managerial and strategic levels with a key interest in operational excellence.

Catherine Nyambura: Fund Administrator Manager

Ms. Catherine Nyambura is the Fund Administrator Manager at CIC Asset Management Limited. She holds a Master's Degree (MBA) in Finance, a Bachelor's Degree (BSc) in Actuarial Science and is an Associate Member of the Chartered Institute of Securities and Investments (CISI). Catherine has a wealth of experience in the Finance & Investment field with over 10 years work experience in various positions held in Cash, Bond & Equity settlements as well as Client Relationship Management. Catherine has worked in CIC for the last 7 years and performs various roles in management, operations, strategy & leadership.

BOARD OF MANAGEMENT

Keziah Ndegwa: Internal Auditor

Mrs. Kezia Ndegwa (CPA, ACSI) aged 36, is the Internal Auditor CIC Asset Management Limited. She holds a Bachelor of Commerce accounting major. Professionally, Kezia is a Certified Public Accountant of Kenya (CPA-K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK), she is also a member of Institute of Internal auditors-IIA .Further, she is an associate member of Chartered Institute for securities and Investment (CISI). She has over 13 years' work experience in finance and audit.

Teddy Yanga: Portfolio Manager

Teddy Yanga is a Portfolio Manager, CIC Asset Management Limited. He holds and a Master of Science in Finance and a Bachelor of commerce in Finance both from the University of Nairobi. Professionally, He is a Certified Public Accountant (K), a CFA level II candidate, a member of the Institute of Certified Public Accountants (ICPAK) and an associate member of the Institute of Certified Investment and Financial Analysts (ICIFA). He joined CIC group in 2016 and has over 11 years' experience gained in commercial banking, investment banking and asset management.

Muthoni Muuo: Portfolio Manager

Muthoni joined CICAM in 2022 as a portfolio manager. She holds a Bachelor of Commerce degree in Finance from University of Nairobi and is pursuing a Master of Commerce degree in Strategic Management from Strathmore University. Responsibilities under her mandate include client reporting and training, relationship management, investment proposals preparation, research review, asset allocation, security selection, portfolio construction and rebalancing, wealth management, unit trust investment, pension fund investment, new product development and industry stakeholder management. She is a member of Chartered Institute of Securities and Investments as well as Institute of Certified Investment and Financial Analysts.

REPORT OF THE INDEPENDENT GOVERNANCE AUDITOR
TO THE SHAREHOLDERS OF CIC ASSET MANAGEMENT LIMITED

INTRODUCTION

We performed a Governance Audit on CIC Asset Management Limited covering the year ended 31st December 2022 which comprised assessment of Governance Practices, Structures and Systems put in place by the Board.

BOARD RESPONSIBILITY

The Board is responsible for putting in place overnance structures and systems that support the practice of good governance in the organisation. The responsibility includes planning, designing and maintaining governance structures through policy formulation necessary for efficient and effective management of the organisation. The Board is responsible for ensuring its proper constitution and composition; ethical leadership and corporate citizenship; accountability, risk management and internal control; transparency and disclosure; members' rights and obligations; members' relationship; compliance with laws and regulations; and sustainability and performance management.

GOVERNANCE AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the existence and effectiveness of governance instruments, policies, structures, systems and practices in the organisation within the legal and regulatory framework and in accordance with best governance practices as envisaged under proper Board constitution and composition; ethical leadership and corporate citizenship; accountability, risk management and internal control; transparency and disclosure; members' rights and obligations; members' relationship; compliance with laws and regulations; and sustainability and performance management, based on our audits.

We conducted our audits in accordance with ICPSK Governance Audit Standards and Guidelines which conform to global standards. These standards require that we plan and perform the governance audit to obtain reasonable assurance on the adequacy and effectiveness of the organisations policies, systems, practices and processes. We believe that our governance audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the Board has put in place effective, appropriate and adequate governance structures in the organisation which are in compliance with the legal and regulatory framework and in line with good governance practices in the interest of stakeholders.

CS. Jacqueline Oyuyo Githinji, ICPSK GA. No 00030
For Umsizi LLP
7th March, 2023

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

1. Introduction

CIC Asset Management Limited was incorporated on 12th February 2007 under Certificate No. C.135138 under Chapter 486 Laws of Kenya (now repealed by The Companies Act No.17 of 2015) but operationalized in 2011 to specialize in Investment Management.

Being a subsidiary of CIC Insurance Group Plc, the Board of CIC Asset Management Limited is keen to see that the ethos of corporate governance as spelt out in various legislations governing the operations of the company are observed. Good corporate governance has been critical in the sustainability of the company and in positively impacting the relationship between the Company and its stakeholders, hence transforming the Company into a top tier and leading fund manager in Unit Trusts in Kenya with a market share of 42% in year 2022 and most profitable fund manager in Kenya since December 2020.

The company continues to adhere to its obligations as a fund manager duly registered and licensed as such in 2009 in compliance with the Capital Markets Authority Chapter 485A. In 2011 the company was registered and licensed as a Collective Investment Scheme(CIS) by the Capital Markets Authority (CMA). In 2013, CIC Asset Management Limited was licensed as a pension provider under the Retirement Benefits Act (RBA).
This statement sets out the key components of CIC Asset Management Limited's corporate governance framework, which provides guidance to the Board, management and employees and defines the roles, responsibilities and conduct expected of them.

Since inception, the Company has institutionalized a good governance culture as the foundation upon which the business operations of the Company are anchored. This culture has been critical in the stability of the Company and in positively impacting the relationship

2. Overview of Governance Statement Regulations and Compliance

The governance and internal control systems, which comprise the Memorandum and Articles of Association, Board Charter, Committees Terms of References, policies, organizational structure, and any subsequent amendments demonstrate that the Company has adopted the broad concepts and principles underpinning good corporate governance thereby achieving the objectives of The Capital Markets Act Chapter 485A; Capital Markets (Corporate Governance) (Market Intermediaries) Regulations, 2011 and The Capital Markets (Collective Investment Schemes) Regulations, 2001, The Capital Markets (Conduct of Business) (Market Intermediaries) Regulations, 2011, The Companies Act No.17 of 2015, Companies (General)(Amendment) No.2 Regulations, 2015, The CMA Stewardship Code for Institutional Investors, 2017. In addition, the company abides by the tenets of the Constitution of Kenya 2010, and all other laws as a law abiding corporate citizen.

The company continues to embrace best practice and emerging trends in corporate governance in addition to robust and effective decision making through processes, practices and policies. The Board of CIC Asset Management Ltd is cognizant that good corporate governance is one of the cornerstone of any good business.

3. Statement of Commitment to Good Corporate Governance

The Board continues to adhere to its obligations to good corporate governance and appreciates that good governance, achieved through an ethical culture, competitive performance, effective control and legitimacy, can create sustainable value and enhance long-term sustainability. We believe that good corporate governance is critical, not only at the corporate level but also at the national level. The Board acknowledges the relationship between good governance, on the one hand and risk management practices for the achievement of the Company's strategic objectives and performance, on the other.

The Board is committed to good corporate governance and appreciates that good governance, achieved through an ethical culture, competitive performance, effective control and legitimacy, can create sustainable value and enhance long-term sustainability.

In promoting the success of the Company, the Board of Directors have due regard to the long-term consequences of their decisions, the legitimate interests of employees, the need to foster effective business relationships with suppliers, customers and various stakeholders, the impact of the Company's operations on the community and the environment, and the desire to maintain a reputation for high standards of business conduct. The Board promotes and supports high standards of corporate governance and is committed to the demonstrable pursuit of

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

3. Statement of Commitment to Good Corporate Governance *(continued)*

excellence in sound corporate governance practices, policies and procedures as evidenced in its internal policies and procedures. With regard to the year under review, the Board believes that the principles of the governance framework are embedded in the corporate culture, internal controls, policies and procedures governing corporate conduct within the Company. The Board is committed to continuous improvement to strengthen the principles and spirit envisioned in the guidelines in its operations, to the extent that the same are applicable and appropriate.

Our Key Stakeholders and Partners

Stakeholders are considered to be any group who can affect, or be affected by the company, its decision and its reputation.

The Board of Directors with the support of Management proactively manages the relationship with all stakeholders by embracing all stakeholder-inclusive approach. Engaging with stakeholders is a key to understanding their expectations as well as driving continual improvement. We require our stakeholders to adhere to the highest level of integrity and business ethics in their dealings with us. The Board has put in place an effective stakeholder engagement policy which is reviewed from time to time and biannually reviews the policy tracking report.

Table 1

Internal Environment			
Shareholder (Owner)	Board of Directors	Managers	Employees
Contribute capital, undertake risks associated with the launch of financial investments activities and fund manager's operations.	Represent shareholders interest, ensure growth and long term sustainability, provide organization and strategic oversight.	Represent shareholders interest, ensure growth and long term sustainability, provide organization and strategic oversight.	Perform the assigned tasks, participate in defined processes, contribute knowledge and qualifications.
External Environment			
Customers Unit Holders (Private and Institutional Clients)	Regulators CMA and RBA	Industry Forums (CMA, FMA, NSE, RBA, CEO's Forums, AAWC, ICIFA, REITs.)	National & County Government Agencies (FRC, UFAA, KRA, NHIF, NSSF, etc)
Buyers of quality unit trust and pension innovative products and service offering. ii. Competitive NSE shares or correctly priced units.	To ensure compliance with regulatory legislative framework and provide input into the legislative development process. Licensing & Approvals. Continuous learning through interaction with the industry and cross-sectorial organizations.	Participation in consultative industry and sector forums to influence and or promote common agendas. Participate in Government & Industry Educational and Training forums.	Continuous participation in, and be a partner to the transformation of the Kenyan economy by remaining compliant with the policy, legal and regulatory framework.
External Environment			
Intermediaries Independent Financial Advisors	Strategic Alliances and Partnerships (CISI, CFA, ICIFA, Banks & MFI's)	Service Providers & Consulting Companies i.e External Auditors, Banks	Market Competitors
Contribute knowledge and skills. Acquire new customers.	Close continuous engagement with various partners through MOUs and SLAs.	Our service providers and suppliers are essential participants in the value chain and contribute to the value we give to the shareholder. i.e Outsourcing companies-Consulting companies.	Industry and Benchmark Reports.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

3. Statement of Commitment to Good Corporate Governance *(continued)*

External Environment	
Media	Community and Public at Large
Proactively engage media on dissemination of important company information: To communicate with relevant stakeholders and the broader public with a view to having a positive influence on behaviour that will lead to desired business results.	Navigators of social and environmental changes that improve living standards through: Partnering with CIC Foundation to sponsor corporate social responsibility (CSR) programs in the communities i.e social and environmental projects: tree planting Ushirika Day. Golf tournaments.

4. Governance Structure

Through the governance framework, the Board sets out the strategic direction of the company while entrusting the day-to-day running of the organization to the executive management led by the Managing Director, with his performance against set objectives and policies closely monitored. The Board has implemented an internal governance structure with defined roles and responsibilities. The Company's shareholder appoints the Board of Directors, who in turn oversees the governance of the Company by offering effective strategic oversight administration in its stewardship task of the company to greater prosperity while ensuring accountability and disclosure, in line with the CMA (Corporate Governance) (Market Intermediaries) Regulations, 2011.

The Chairman provides overall direction and guidance to the Board. The Board Charter, which has been approved by the Board, provides for a clear definition of the roles and responsibilities of the Chairman, Directors as well as the Managing Director and Company Secretary.

5. The Board Charter

The Board Charter is critical to the company's governance framework, and offers guidance on matters including but not limited to the following:

The separation of the roles, functions, responsibilities and powers of the Board and its individual members;

Powers delegated to the Board Committees;

Matters reserved for final decision-making and approval by the Board;

Policies and practices of the Board on matters of corporate governance, directors' declarations of conflict of interest, conduct of board and board committee meetings;

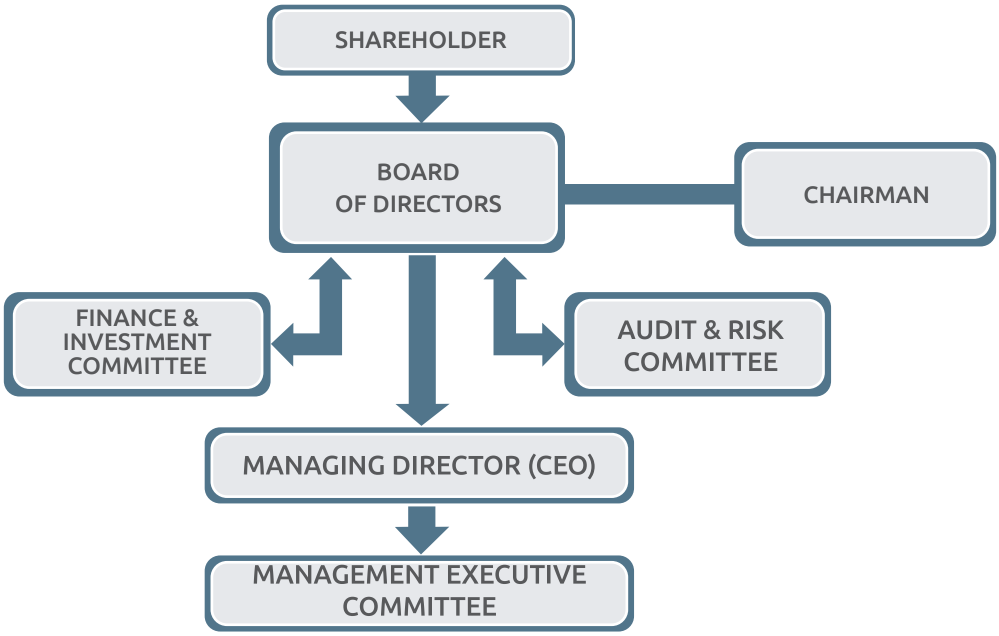
Nomination, appointment, induction, ongoing training and performance evaluation of the board and its committees.

The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

5. The Board Charter *(continued)*

Table 2
The Diagram below provides an Overview of the Company's Corporate Structure



The Board Charter is not a substitute or a replacement of nay laws and regulations that govern the running of the company. The Board Charter is from time to time whenever necessitated due to amendments in legislation and to align with the dynamic best practice and in any event not more than two (2) years since the last review in March, 2021.

6. Board Composition, Size and Appointments

The constitution of the market intermediary's Board of Directors is stipulated by the Company's Articles of Association that sets out a minimum of five (5) and a maximum of nine (9) directors including the Managing Director and the Group Chief Executive Officer. It comprises eight (8) directors constituted as follows:

i. Four (4) non-executive directors
ii. Two (2) executive directors
iii. Two (2) independent and non-executive directors.

The Directors are subject to retirement by rotation and must seek re-election by shareholder in the annual general meeting in accordance with the Articles of Association. Between annual general meetings, the board may appoint directors to serve until the next AGM. Any such appointment must be ratified by the shareholder at the next AGM following their appointment.

The composition of the Board in the financial year under review was targeted towards ensuring fair representation of the major shareholder structure, as well as, optimization of the appropriate skill, experience, diversity and geographical mix to facilitate effective execution of its mandate.

A third of the board members are independent directors who shall not hold office for more than two terms of three years each. The Managing Director is an ex-official member of the Board with no right to vote at the Board Meetings. For the financial period under review, the Board composition complied with this statutory requirement.

The Board composition is driven by the following principles:
i. The Company's shareholding structure;
ii. The board must comprise of a majority of independent non-executive directors
iii. Maintenance of the requisite independence on the board;
iv. The sufficiency of the size of the Board as is necessary to attain the objectives of the company;
v. Effective succession planning to ensure smooth transition on the board;
vi. Board diversity to ensure the desired mixed of skills, knowledge experience and expertise and to enable board to discharge its duties effectively.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

7. The Board's Function and Responsibilities

The primary role of the Board remains provision of effective leadership to the Company towards:

- Sustainable long-term success through the exercise of objective and informed judgement in determining the strategy of the Company.
- Having the right team in place to execute the strategy through effective succession planning.
- Setting up appropriate governance structures for the management of the business operations.
- Monitoring business performance and maintaining an effective framework of controls to mitigate risks facing the business.
- Ensuring ethical behavior and compliance with the laws and regulations.
- The Board is solely responsible for its agenda. It is, however, the responsibility of the Chairman and the Company Secretary, working closely with the Managing Director, to come up with the annual Board work plan and the agenda for the Board meetings.

8. The Board's Function and Responsibilities

The responsibilities of the Board are outlined in the Board Charter. The Board of Directors is collectively responsible for the governance of the Company, Company's vision, strategic direction and its values. This includes setting goals and strategies necessary to operate the Company and monitoring implementation by Management. The Board has delegated certain responsibilities to its Committees that operate within the mandate as entrusted by the Board of Directors.

The Board's responsibilities as set out in the Board Charter, include inter alia:

i. Providing effective and ethical leadership in the best interest of the Company;

ii. Providing oversight over performance against targets and objectives

iii. Approving the strategic and financial plans to be implemented by management approval of the strategy, business plans and annual budgets and of any subsequent material changes in strategic direction or material deviations from business plans.

iv. Informing and setting the strategic direction of the company and ensuring that strategy, risk, performance and sustainability considerations are effectively integrated and appropriately balanced;

v. Determining and setting the tone of the Company values including principles of ethical business practice and the requirements to be a responsible corporate citizen;

vi. Bringing independent, informed and effective judgment to bear on material decisions of the Company;

vii. Satisfying itself that the Company is governed effectively in accordance with corporate governance best practices.

viii. Ensuring that effective audit, risk management and compliance systems are in place and continuously monitored to minimize the possibility of the company operating beyond acceptable risk parameters as determined by the Board;

ix. Monitoring and ensuring implementation of Board's strategies, decisions, values and policies with a structured approach to governance, integrated reporting and risk management;

x. Governing the disclosure control process of the Company including ensuring the integrity, accuracy, timely and appropriateness of the Company's disclosure reports;

xi. Ensuring that disputes are resolved as effectively, efficiently and expeditiously as possible; and

xii. Providing oversight over reporting to shareholders on the direction, governance and performance of the Company as well as other processes that require reporting and disclosure

9. The Board of Directors Duty of Trust

Each member of the Board of Directors owes a duty of due diligence, care and trust to the Company and adherence to responsibilities as defined in the Board Charter. This also includes the principles of clear information, transparency, good faith, care, trust, and efficiency, needed to achieve the Company's interest and that of the stakeholders.

10. Director Independence

The Board has put in place policies and procedures to ensure independence of its members and annually determines the status of independence of board members. The Board recognizes that independent board members bring independent and objective judgement to the Board and this mitigates risks arising from conflict of interest or undue influence from interested parties.

In determining the independence or otherwise of a director, the Board, not only relies on the codified principles but also has an objective regard to the relationship between a director and the Company or between a director and third parties that may compromise the director's independence.

11. Separation of Roles and Responsibilities

The Board Charter stipulates a clear separation of the role and responsibilities of Chairman and that of the Managing Director. Care is taken to ensure that no single director has unfettered powers in the decision-making process.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Duties of the Chairman of the Board

"Corporate Governance and chairmanship are inextricably linked, because corporate governance is concerned with the system by which companies are directed and controlled, which is clearly **the responsibility of their boards of directors. Equally clearly, it is the chairmen who are responsible for the working of boards.** Thus, the way in which corporate governance principles are put into practice is primarily a matter for board chairmen". *Sir Adrian Cadbury.*

The Chairman is an independent non-executive Director and is responsible for the proper functioning of the Board. His primary role is to direct the Board's business and act as its facilitator and guide, ensuring the Board is effective in its task of setting and implementing the Company's direction and strategy. The Chairmanship of the Board and the Managing Director are separate functions held by different individuals.

The roles of the chair are as follows;

- The Chairman creates the conditions for overall board and individual director effectiveness.
- Leads the Board, sets each meeting agenda and ensures the Board receives accurate, timely and clear information in order to monitor, challenge, guide and take sound decisions.
- Regularly meets with the Managing Director to stay informed.
- Ensures effective communication with shareholder and other stakeholders.
- Promotes high standards of corporate governance.
- Promotes and safeguards the interests and reputation of the Company.

13. Duties of the Managing Director

The Managing Director is responsible for the day-to-day leadership of the Company's business affairs and ensures the execution of strategy as set out by the Board. His responsibilities include inter alia:

i. Driving the implementation of the strategy and business as approved by the Board.
ii. Managing all matters affecting the operations and performance of the company within the authority delegated to him by the Board.
iii. Providing timely and accurate information about the company and material developments to the Board.
iv. Communicating to internal and external stakeholders on matters affecting the Company.
v. Leading and motivating the Senior Management team by ensuring they set annual performance objectives that stretch their capabilities and monitoring the delivery of the same.
vi. Maintaining and ensuring the effectiveness of the system of governance adopted across the company.

The Managing Director's performance is reviewed regularly against objectives and measures set by the Board in annual performance appraisals. The Managing Director's performance appraisal was evaluated during the reporting period on this basis.

14. Board Tenure of Office

In accordance with the company's articles of association, one third of the directors are eligible to retire by rotation at every Annual General Meeting and if eligible, may offer themselves for re-election by shareholders. Directors who have been in office longest, as calculated from the last re-election or appointment date are required to stand for re-election . The company has complied with this provision as set out in the table below. The tenure of office of an Independent Director is capped at two terms of three years each.

Table 2

Director	Date of Appointment to the Board	Date Last Re-Appointed
Cornelius Ashira		11.05.2021
James Njue	21.05.2019	12.05.2022
Rosemary Githaiga	16.07.2019	-
Rosemary Sakaja	01.06.2018	11.05.2021
Joseph Maina	03.08.2020	-
Jyoti Patel	23.07.2021	-
Patrick Nyaga	03.08.2020	-
Stanley Mutuku**	11.05.2016	Retired 06.12.22
Humphrey Gathungu*	22.09.2022	-

Note:
*Mr. Humphrey Gathungu by virtue of the office, is Ipso facto an Executive Director of the Company.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

15. Director Appointment and Due Diligence

Board members receive formal letters of appointment setting out the main terms and conditions relative to their appointment. In addition, the company also takes out appropriate director professional indemnity insurance for each director to enable them to discharge their roles efficiently and effectively.

Prior to appointment of independent Directors, the Nomination Committee defines the functions and core competencies for each vacant directorship role. It also develops suitable selection criteria for potential candidates, screens and interviews them.

All Directors have undergone the fit and proper due diligence assessment conducted by the regulator to access the fitness and propriety as Board Members including senior management and key persons in control functions and approvals granted. All Directors are in good standing and have a current certificate of good conduct from the Criminal Investigation Directorate and Credit Reference Bureau.

All Directors have completed annual declaration forms stating that the information provided during the fit and proper assessment has not undergone any significant change.

16. Director Induction and Training

Newly appointed Directors receive appropriate formal induction and training, specifically tailored to the company's business and operation needs. The induction is aimed at enabling the new directors to fully take up their roles and execute their responsibilities. The Board has put in place Board Induction Policy for new Directors and ensures that all directors regularly update their skills and knowledge at regular intervals.

17. Capacity Building the Board

All Directors are expected to continuously upskill in order to operate effectively. In relation to the governance guidelines on twelve (12) hours' annual board training, the Board has undertaken various trainings facilitated by management and industry professionals' bodies.

During the year under review, the board underwent a comprehensive training by various specialists ranging from Corporate Governance, Board maturity assessment, Environmental, Social, and Governance (ESG) training and Emerging Industry Trends, Digitaization, Cyber Security Threats.

Finance and Investment Committee members underwent a specialized training on he finance for none- finance managers programme.

18. Conflict of Interest

All Directors of the Company must avoid any situation which might give rise to a conflict between their personal interest and that of the Company. The Directors are each responsible to notify the Chairman and the Company Secretary of any actual or potential conflict of interest situations as soon as they arise.

The Board has formal procedures for managing conflicts of interest in accordance with the Companies Act 2015 and the CMA Code. Directors are required to declare a conflict of interest or a material personal interest in any matter concerning the Company immediately for the Board to review. Declaration of conflicts of interest is also a standard agenda item which is addressed at the onset of each Board and Committee meeting. Any Director with a material personal interest in any matter being considered during the Board or committee meeting will not vote on the matter or be present when the matter is being discussed and considered.

We confirm that there were no business transactions with directors or their related parties in the year ended 2022.

19. Code of Ethics and Conduct

The company's Code of Ethics and Conduct continues to be in place and is geared towards inculcating a culture of professionalism and integrity, in line with our Vision and Mission Statements.

The Board has implemented a Code of Ethics and Conduct which binds Directors and Employees and is subscribed to by all members of the Company. Initiatives to ensure its application include training, monitoring, mechanisms for whistle blowing, taking disciplinary action, etc. The Code has been integrated into the Company's operations through the development of various policies and reporting mechanisms. Company directors and employees are expected to act with honesty, integrity and fairness in all their dealings with one another and with stakeholders. When joining the company, every employee is provided with a copy of the Code and must commit to abide by its requirements as part of the employment contract with the Company.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

20. Board Meetings

The Board meetings are aligned as per the approved Board Calendar. On the minimum, the Board meets quarterly for scheduled meetings to, amongst other things, agree on the company's objectives and strategies, review performance against agreed targets, consider and approve the annual and interim financial statements and on other occasions to deal with specific matters that require attention between scheduled meetings.

The Board in fulfilling

its mandate, is guided by the Company's Strategic Plan 2022-2025, Board Charter and approved Annual Board Work Plan.

The attendance at the meetings is as detailed under table below.

21. Board and Committee Meetings Held During the Year

A summary of attendance record of Board and Committee meetings is shown below while a record of attendance is kept with the Company Secretary and also noted in the minutes of the meeting.

Table 3

Directors	Board Meeting		Audit and Risk Committee Meeting		Finance and Investment Committee Meeting		AGM
	(a)	(b)	(a)	(b)	(a)	(b)	
Cornelius Ashira – Chairman	5	5	*	*	4	4	✓
James Njue	5	5	*	*	4	4	✓
Rosemary Githaiga	5	5	5	5	*	*	✓
Rosemary Sakaja**	5	5	5	2	4	3	✓
Joseph Maina	5	5	5	5	*	*	✓
Jyoti Patel	5	5	5	5	*	*	✓
Dr Rachael Monyoncho**	*	*	5	2	*	*	-
Julius Nyaga**	*	*	*	*	4	4	-
Judith Oluoch**	*	*	*	*	4	1	-
Patrick Nyaga	5	5	5	5	4	4	✓
Stanley Mutuku	5	4	5	5	4	4	✓

Notes:
(a). Number of meetings convened during year when the director was a member.
(b). Number of Meetings attended by the Director during the year.
(c). * Not a Member.
(d). ** Committee members drawn from other sister companies.
(e). ** Following a reorganization in the year, Rosemary Sakaja was appointed Member of Finance and Investment Committee on 31.05. 2022 and ceased to be a Member of Audit and Risk Committee.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

22. Secretary to the Board

Providing a central source of guidance and advice to the Board, and the company, on matters of statutory and regulatory compliance and good governance.

Providing the board and the directors individually with guidance on how their responsibilities should be discharged in the best interest of the company including disclosure of corporate governance matters as required by law.

Facilitating the induction training of new directors and assisting with the directors' professional development as required.

Maintains all minutes of Board meetings and the reports submitted and presented to the Board. In consultation with the CEO and the Chairman, ensuring effective flow of information within the board and its committees and between senior management. This includes timely compilation and distribution of board papers and minutes, as well as communication of resolutions from board meetings. Keeping formal records of board discussions and following up on timely execution of agreed actions.

23. The Board

The Board is collectively responsible for the Company's vision, strategic direction, its values, and governance. The primary role of the Board remains provision of effective leadership to the Company towards:

- Sustainable long-term success through the exercise of objective and informed judgement in determining the strategy of the Company
- Having the right team in place to execute the strategy through effective succession planning
- Setting up appropriate governance structures for the management of the business operations Monitoring business performance and maintaining an effective framework of controls to mitigate risks facing the business
- Ensuring ethical behavior and compliance with the laws and regulations
- The Board is solely responsible for its agenda. It is, however, the responsibility of the Chairman and the Company Secretary, working closely with the Managing Director, to come up with the annual Board work plan and the agenda for the Board meetings.

24. Board Committees

The Board has established two permanent standing committees to assist in the discharge of its duties and responsibilities in an effective manner with approved specific and defined Terms of Reference (TORs). The ultimate responsibility resides at all times with the Board and as such, it does not abdicate this responsibility to the committees. The Board receives a report from the Chairman of each committee on significant areas of discussion and key decisions at the subsequent Board meeting. A decision of a committee shall not bind a market intermediary unless the decision has been presented to the Board for consideration and ratification

As a general principle there is full disclosure, transparency and reporting of these committees to the board. The Committees meet at least quarterly or at such other times as the respective chairman of the committees may require as guided by exigencies of the matter.

The Board periodically reviews the terms of reference for each of the committees to ensure they are in line with the current legislation and best practice. The committees are provided with all necessary resources to enable them to undertake their duties effectively.

Each committee comprises a majority of non-executive directors and independent non-executive director who play an important role.

The main functions performed by the respective committees are briefly stated hereinafter in this section.

25. Audit and Risk Committee

The committee's major task is to provide a structured, systematic oversight of the institution's governance, risk management, and internal control practices.
The Responsibilities and roles of the Audit and Risk Committee under four categories;

i. **Risk Management and Internal Controls**

- Review the effectiveness of the internal controls of the market intermediary and other matters affecting the financial performance and financial reporting, including information technology security and control;
- Review regular internal audit reports by internal auditor and risk and compliance manager for management and management's response to such reports;
- Institute and oversee special investigations, when necessary.

ii. **Financial Reporting and Disclosure Matters**

- Review the published audited financial statements and recommend the approval to the Board of Directors;
- Review and discuss with Management and external auditor any significant events or transactions affecting the company financial reporting;
- Consider findings from the external and internal auditors on material weaknesses in accounting and financial control systems.

iii. **External Auditor oversight responsibilities**

- Review the independence, objectivity and effectiveness of the external auditor including their quality control

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

25 Audit and Risk Committee *(continued)*

- procedure and steps taken to respond to changes in regulatory and other requirements;
- Review the scope and extent of both audit and non audit services provided to the company by the external auditor and any associated fees and terms of engagement, including the assessment of the non impairment of the auditor's judgement and independence;
- Ensure that the external auditor submits a formal written statement delineating all relationships between themselves and the company;
- Review and discuss with Management and auditors the preliminary results, interim information and annual financial statements

iv. Internal Audit Oversight Responsibilities

- Oversee the activity and credentials of the Company's internal audit department, including review of the internal audit charter.
- Consider the appointment, replacement or dismissal of the internal auditor and make recommendations to the Board;
- Approve the annual audit plan ensuring its consistency with the Company business plan;

Receive reports on the status of significant findings, recommendations and Management responses.

The Committee is chaired by an independent non-executive director. The Group Chief Executive Officer, Managing Director, Chief Internal Auditor, Risk and Compliance Manager, Finance Manager, Chief Finance Officer, and External Auditors are standing invitees to committee. The Internal Auditor is the secretary to this committee.

During the period under review the Members of the Committee were:

Audit and Risk Committee Members
1. Jyoti Patel - Chairperson
2. Rosemary Githaiga
3. Joseph Maina

26. Finance and Investment Committee

The Committee supervises the financial and investment business of the Company, and in doing so, has laid down an overall investment policy statement and operational framework for the investment operations of the company. The policy focuses on a prudential asset liability management supported by robust internal control systems. The other duties include receiving and considering the company's annual budget and revision of the same.

The Committee assists the Board in fulfilling its responsibilities with respect to oversight of the Company's financial management and resources. The Committee evaluates specific financial strategic initiatives as requested by the Board. Members of the committee are conversant with requirements on investments as provided by the CMA regulations on investment of funds.

During the period under review the Members of the Committee were:

Finance and Investment Committee
1. James Njue - Chairman
2. Cornelius Ashira
2. Rosemary Sakaja
3. Julius Nyaga

Apart from the Board Committees, the Company also has the Executive Management Committee (ExCom) that is responsible for overseeing critical functions that are necessary for the attainment of the market intermediaries' strategic objectives. The internal control functions consist of Internal Audit and Risk & Compliance. These functions play an integral part in the overall governance structure.

27. Board Evaluation

The Board understands the importance of board performance and effectiveness in achieving the overall objectives and goals of the company.

The Board therefore annually reviews collective performance of the Board and that of the Board Committees, peer to peer evaluation,, the Chairman, the Managing Director and the Company Secretary.

A detailed online evaluation tool in the form of a questionnaire examines the balance of skills, experience and diversity, of directors, the operation of the Board in practice, including governance issues, and the content of the Board meetings. Feedback from the process is used to identify opportunities to improve the performance of the Board and the Directors and explain why a re-appointment may or may not be appropriate while providing a forum through which directors can consider ways in which the board contributes to the overall goals and strategy of the organization.

The evaluation was aimed at enabling the Board and the committees gauge their performance and identify areas of improvement.

An extensive board evaluation was undertaken for the year 2022 by an independent consultant – The Leadership Group Ltd. The recommendations therein are in te process of being implemented in the year 2023.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

27. Board Evaluation *(continued)*

The assessments performed, demonstrated that the Board and it's Committees have a high effective rate in achieving business objectives, oversight and leadership role in a robust support system.

Board Maturity Self-Assessment revealed that a large majority at 83% of Board Members believe that the Board behavior reflects highest maturity level- type 4. evaluation for 2022 is underway and the outcome will be presented to the board in the first quarter meetings. Great progress has been made to address areas of concern highlighted in the 2021 board evaluation.

28. Board Remuneration

The Governance and Nomination Committee of the Board is responsible for setting and administering the non-executive Directors remuneration policy.

The remuneration policy of the Company is an integral part of the governance and incentive structure overseen by the Board.

It is the Company's policy to fairly remunerate Directors for the role and responsibilities that they undertake for the Company. The remuneration is determined by the holding company based on parameters such as performance targets, company's profitability, and return on equity as well as reference to market average rate. The Board of Directors however, are not eligible for pension scheme and do not participate in any of the company remuneration and compensation scheme.

Details of the fees for the Directors paid in the financial year under review are set out in the financial statements, part of the annual report.

29. Risk Management Framework

Risk Management function supports the Board in formulating the risk appetite, strategies, policies, and limits. It provides review, oversight and support functions throughout the Company on risk related items. The risk management framework is designed to assess, control, and monitor risks from all sources, with the aim of increasing short and long-term value to the stakeholders. The risk management framework involves determining, evaluating, and managing the risks faced by the Company as below:

a. **Operational Risk**

When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company does not expect to eliminate all operational risks, but by implementing a rigorous control framework and by monitoring and responding to potential risks, the Company seeks to manage its operational risk.

The Company has policies, systems and procedures manuals designed to achieve effective segregation of duties, access controls, authorization and reconciliation procedures, staff training and assessment processes. These procedures are backed up by the risk management framework and internal audit framework.

b. **Investment Risk**

The Company manages investment risk by quantifying the risks associated with each investment and only investing in accordance with the Company's investment policy strategy and risk profile. Any proposed investment that is outside established limits must be approved by the Finance & Investment Committee and presented to the board.

The Company seeks to limit investment risk by maintaining a diversified portfolio of investments and by continuously monitoring developments in international and local equity and bond markets. In addition, the Company actively monitors the key macro and micro economic factors that might have a significant impact on its investments.

30. Internal Control Functions.

Internal control is a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance:

- That information is reliable, accurate and timely
- That compliance with applicable laws, regulations, contracts, policies and procedures is adequate
- Reliability of financial reporting

The board is collectively responsible for establishment and management of appropriate systems of internal control and for reviewing their effectiveness. The system of internal control in place has defined procedures with operations and financial controls to ensure that assets are safeguarded, transactions authorized and recorded properly, and that material errors and irregularities are either prevented or detected within a reasonable period of time.

The Board's Audit and Risk Committee is charged with the mandate of monitoring and evaluating the efficacy of the internal control functions. The internal control functions comprise of the following as listed below:

31. Risk & Compliance Function

The Company's Risk & Compliance function is responsible for risk management and exposure monitoring for the Company. In liaison with the different business areas, the function performs a qualitative and quantitative assessment of exposures against the defined tolerances and reports to the Audit & Risk Committee of the Board.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

31. Risk & Compliance Function *(continued)*

The function is responsible for reviewing risk and compliance issues to ensure all material risks inherent in the activities of the Company are identified and managed in accordance with the risk appetite

Additionally, stress and scenario testing is used in setting strategy and in business planning to quantify the implications of possible events and future changes in economic conditions that could have unfavorable effects on the business plan and financial standing of the Company. This analysis is used to support the development of management and mitigation strategies.

The function also monitors the Company's compliance with applicable laws, industry regulations, codes and its own ethical standards and internal policies in doing business. The function facilitates the management of compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

The monitoring of regulatory requirements includes due diligence procedures and the reporting to relevant agencies with an aim to combat money laundering and the financing of terrorism. In addition, the function undertakes screening checks against applicable sanctions watch lists.

32. Internal Audit Function

This function performs an independent review of the internal control and governance systems within the Company. It reports on the existence, effectiveness and/or weaknesses of such systems covering risk management, the system for maintaining and safeguarding assets and the accuracy of the financial statements of the Company. It also reviews the effectiveness of the risk & compliance function as an internal control tool of Management by providing assurance to the Board of the existence of sound internal control systems in the Company commensurate with size and nature of its business.

33. AML /CFT Compliance

The Company remains committed to strictly upholding and complying with all rules and standards as well as any other provisions which, apply to the company with regard to Anti-Money LauThe Company remains committed to strictly upholding and complying with all rules and standards as well as any other provisions which, apply to the company with regard to Anti-Money Laundering (AML) and Combating the Financing of terrorism (CFT). The company through its AML policy, KYC and has implemented a robust AML and CFT compliance programme aligned to international best practice.

Our anti-money laundering (AML) and know-your-client (KYC) processes and controls aim at preventing misuse of our products and services to commit financial crime. We continually seek to enhance the efficacy of our internal control environment and improve our infrastructure to new regulatory requirements and to close any identified gaps.

34. External Auditor

The shareholders at the Annual General Meeting of the Company held on 12th May 2022 approved the re-appointment of PriceWaterhouseCoopers as the external auditors for the year 2022, on the recommendation of the Board of Directors.

35. Board Access to Information

Directors have unrestricted access to management and company information, as well as the resources required to carry out their duties and responsibilities. The directors are authorized to get independent advice on matters within their scope. The board has ensured transparency and accountability in its financial reporting and general oversight of the business.

The areas of expertise of the current Board of Directors are business management, fund management, investments, banking and finance, economics, marketing, project, risk management, human resources, governance and legal and ethics issues

36. Succession

Careful management of the board's succession planning is vital for the effective functioning of the board and therefore a succession plan has been put in place to guide the Board. Taking into account the company's strategy and future needs, as Directors retire, candidates with requisite attributes, skills and experience are identified to ensure that the board's competence and balance is maintained and enhanced. The Board has therefore put in place a succession policy to guide the process.

37. Board Diversity and Balance

The Board appreciates diversity, recognizes its role in bringing different perspectives into Board debates and offers better anticipation of the risks that are inherent in the business and the opportunities that the business pursues. The market intermediary board has the appropriate mix of skills, knowledge and experience to perform its role effectively.

38. Sustainability

The market intermediary recognizes that their business impacts the environment around them creating an innate sense of accountability to the society at large. Sustainability takes into account a strong concern for the future

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

39. Disclosure

The Company is fully committed to timely and relevant regulatory disclosures requirements and financial reporting and has complied with the requirements set forth in this regard.

The Board of Directors, ensures that all the disclosures that the Company makes are accurate and the financial reports of the Company conform to applicable accounting standards and guidelines. Open lines of communication are maintained to ensure transparency and optimal disclosure, and stakeholders are encouraged to make their views known to the Company. The Managing Director is the designated spokesperson for the Company to ensure appropriate communication channels are maintained.

During 2022, the Company was not subject to any material regulatory penalties for non-compliances with regulatory provisions.

40. Whistle Blowing

The Company does not tolerate fraud, corrupt conduct, bribery, unethical behaviour, legal or regulatory non-compliance or questionable accounting by employees, Directors, customers and contractors. The Company is committed to a culture that encourages all people to speak up about issues or conduct that concerns them. The Company's whistle-blower policy provides a platform for employees, suppliers, dealers, clients to raise concerns regarding any suspected wrongdoing and the policy details how such concerns are addressed. The confidential and anonymous communications channels are supported and monitored independently and the contacts are on our website. The whistleblowing policy is provided in our company's website.

41. Governance Audit

In line with modern good corporate governance practices and regulatory requirements, the Board appointed Umsinzi LLP to conduct the Company's governance audit for the year ended 2021- 2022, who issued an unqualified report. The audit confirmed that the Board has put in place a sound governance framework, which is in compliance with the legal and regulatory framework and in line with global best governance practices for the interest of all stakeholders.

42. Legal and Compliance Audit

An internal legal and compliance audit was carried out covering the year under review by TripleOKLaw LLP with the objective of ascertaining the level of adherence to applicable laws, regulations and standards. The findings from the audit confirmed that the Company was generally in compliance with applicable laws and regulations. Implementation of the recommendations from the external legal and compliance audit conducted in are ongoing.

43. ESG and Board of Directors Responsibilities.

Global trends in assessment of corporate performance indicate a shift in focus from a one-dimensional view focusing on just financial performance to a more wholistic view on both financial and non-financial performance. The modern investors in the capital markets and other stakeholders are more discerning and increasingly looking for more comprehensive information from companies – and not just around financial performance, but also on governance and societal issue in Environmental, Social and Governance ("ESG") matters. The COVID-19 pandemic, global environmental and social crises, the transition to renewables and the renewed focus on human rights has intensified the need and drive for ESG integration by corporates. of stakeholders. To this end, an ESG Committee at group level has been instituted to look into the operationalization and implementation of the ESG related objectives.

44. Going Concern

The Board confirms that the financial statements are prepared on a going concern basis and is satisfied that the Company has adequate resources to continue in business for the foreseeable future. In making this assessment, the Directors consider a wide range of information relating to present and anticipated future conditions, including future projections of profitability, cash flows, capital and other resources.

45. Share-holding Structure

The authorized share capital of the CIC Asset Management is currently Kenya Shillings one billion (Kshs 1,000,000,000). The issued share capital of the company is currently Kshs. 311,000,000 divided into 15,550,000 shares of Kshs. 20 each.

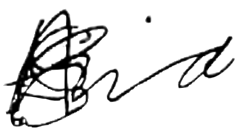
The shareholders of the Company are as follows:

SHAREHOLDER	NO OF SHARES	%
CIC Insurance Group PLC	15,550,000	100%

46. Looking Forward

The Board continues to support good governance and believes that the application of sound corporate governance principles based on ethical leadership ensures the business success and its sustainability.

Signed By Chairman on Behalf of CIC Asset Management Limited



7 March, 2023

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors submit their report together with the audited financial statements of CIC Asset Management Limited ("the company") for the year ended 31 December 2022.

1. INCORPORATION

The company is domiciled in Kenya where it is incorporated as a private company limited by shares under the Companies Act, 2015. The address of the registered office is set out on page 2.

2. DIRECTORATE

The directors who held office during the year and to the date of this report are set out on page 2.

3. PRINCIPAL ACTIVITIES

The principal activities of the company are fund management and advisory services in respect of all kinds of funds and/or assets entrusted with the company.

4. COMPANY RESULTS

The table below shows some of the key performance indicators of the Company:

	2022 KShs '000	2021 KShs '000
Revenue from contracts with customers	1,129,791	916,185
Growth of assets under management	33%	17%
Profit before income tax	644,422	523,446
Net current assets	422,663	432,585
Net assets	1,299,530	1,026,047

5. DIVIDEND

The directors recommend the approval of a first and final dividend of Ksh 200 million (2021 – Ksh.170 million).

6. BUSINESS REVIEW

ECONOMIC AND BUSINESS ENVIRONMENT

In Q3 2022, GDP growth was 4.7% as services sector continued to perform strongly; particularly trade (+9.1%), accommodation & food services (+22.9%) and professional, administrative & support services (+8.7%). Agriculture, a key growth sector, continued to underperform (-0.6%) as unfavourable weather conditions and higher input costs weighed in on low production. We expect full year GDP growth to average 5.5%, lower than the 7.5% recorded in 2021. We attribute the slowdown to a deteriorated business environment due to uncertainty preceding the elections and elevated inflationary pressures driven by high global fuel prices and pre-existing supply chain constraints worsened by the Russia-Ukraine conflict. The World Bank projects Kenya's GDP growth to average 5% in 2023-24 largely boosted by private investments and a reduction of economic risks; we are less optimistic as we believe global growth is 'partially recessed'.

REPORT OF THE DIRECTORS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

6. BUSINESS REVIEW *(continued)*

Inflation overshot CBK's upper target band to average 7.6% in 2022 from 6.1% recorded in 2021; largely driven by supply side factors that exerted upward pressure on food and energy prices. The uptick in the cost of living reduced the purchasing power of households and subsequently lower savings and investments to the economy. We expect inflation will remain elevated i.e >7.5% in H1'23. Domestic price pressures will ease as agricultural output improves and thus the inflation highs of 2022 will ebb slowly into being transitory in H2'23.

The Shilling lost substantial value against the USD in 2022 (-9.04%) to exchange at Ksh 123.37 on 31 Dec; having lost a further 2% in Q4'22. Imported inflation and Federal Reserve rate hikes resulted in increased demand for hard currency that led to wider forex spreads in 2022. This resulted in a freefall of the currency and towards the end of year we saw a partial correction of this misalignment due to improvement in positive export performance and import compression. While currency backlogs are slowly being cleared, we expect the shilling to be weaker in 2023 due to a rise in US rates and a need to service our contractual debt obligations.

The Monetary Policy Committee (MPC) cumulatively raised the central bank rate by 1.75% in 2022 to close at 8.75%. The CBK's rate hikes intentions were largely to taper inflation and to manage the KES depreciation against the major currencies. Resultantly, both short term and long-term rates rose in 2022 driven by higher inflation, governments borrowing appetite and investors seeking enhanced yields. Despite the CBK's comfort with current inflation dynamics, we expect interest rates to edge upwards in Q1'23 and remain sticky for the remainder of the year.

Despite improved corporate performance in 2022, prices of listed stocks had muted movement due to prevailing tough macro conditions and the un-abating foreign investor sell offs. Rate hikes in the advanced markets and global inflation pressures did not help the cause for an underperforming equities market; the NASI and NSE-20 lost 23.7% and 12.4% respectively. Significant local investor support helped hold the market from slipping further. We expect the market to continue exhibiting weakness as foreign outflows persist with some global economies anticipated to slip into recession. Lower valuations however provide opportune entry points into select stocks.

OVERALL PERFORMANCE

Despite the fairly tough economic times that the country faced in 2022, the company registered an increase in management fees by 23% (2021: increase of 35%) and in profit before tax by 23% (2021: increase of 45%) from the prior year. This is mainly attributed to increase in assets under management by 33% from prior year.

GOING FORWARD

The future looks bright for the company. The directors are optimistic that the other lines of business especially pensions will grow as exponentially as the unit trust business. Management is confident that through its disciplined asset management philosophy and robust investment strategy, the delivery of predictable and consistent competitive returns throughout the year is achievable.

CLIMATE CHANGE

The Company has reviewed its exposure to climate-related and other emerging business risks but has not identified any risks that could impact the financial performance or position of the Company at 31 December 2022.

REPORT OF THE DIRECTORS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

7. STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

The directors confirm that with respect to each director at the time of approval of this report:

(a). there was, as far as each director is aware, no relevant audit information of which the Company's auditor is unaware; and

(b). each director had taken all steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

8. TERMS OF APPOINTMENT OF THE AUDITOR

PricewaterhouseCoopers LLP continue in office in accordance with the Company's Articles of Association and Section 719(2) of the Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. The responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

By order of the board

Company Secretary

7 March 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2022

The Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the Company keeps proper accounting records that: (a) show and explain the transactions of the Company; (b) disclose, with reasonable accuracy, the financial position of the Company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

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

(i).. Designing, implementing, and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
(ii). Selecting suitable accounting policies and then apply them consistently; and
(iii). Making judgements and accounting estimates that are reasonable in the circumstances

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

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

Approved by the Board of Directors on 7 March 2023 and signed on its behalf by:

....
Director-Humphrey Gathungu

....
Director-Cornelius Ashira

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CIC ASSET MANAGEMENT LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of CIC Asset Management Limited (the Company) set out on pages 36 to 74 which comprise the statement of financial position at 31 December 2022 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a significant accounting policies and other explanatory information. In our opinion, the financial statements give a true and fair view of the financial position of CIC Asset Management Limited at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with 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 judgment, were of most significance in our audit of the financial statements of the current period.

We have determined that there were no key audit matters to communicate in our report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

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Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu B Ngunjiri R Njoroge S O Norbert's B Okundi K Saiti

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CIC ASSET MANAGEMENT LIMITED *(continued)*

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the 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.

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 ISAs 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 ISAs, we exercise professional judgement and maintain professional scepticism 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 management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CIC ASSET MANAGEMENT LIMITED *(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.

We communicate with the directors 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.

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

Report on other matters prescribed by the Companies Act, 2015

In our opinion the information given in the report of the directors on pages 29 to 31 is consistent with the financial statements.

Richard Njoroge

FCPA Richard Njoroge, Practising certificate Number 1244
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

21 March 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 KShs '000	2021 KShs '000
		For the year ended 31 December	
INCOME			
Revenue from contracts with customers	3(a)	1,129,791	916,185
Interest income	3(b)(i)	73,746	62,286
Other investment income	3(b)(ii)	1,181	16,937
Other income	3(b)(iii)	331	-
Total income		1,205,049	995,408
Operating and other expenses	4	(563,018)	(461,595)
Expected credit losses	4(b)	2,391	(10,367)
Profit before income tax		644,422	523,446
Income tax expense	6(a)	(194,349)	(153,748)
Profit for the year		450,073	369,698
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Fair value loss on financial assets at fair value through other comprehensive income, net of tax	13	(6,590)	(22,900)
Total comprehensive income for the year		443,483	346,798

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

		At 31 December	
		2022	2021
ASSETS	Notes	KShs '000	KShs '000
Non-current assets			
Property and equipment	7	9,380	10,324
Intangible assets	8	141	328
Right of use assets	9(a)	10,094	13,282
Equity instruments at fair value through profit or loss	10	7,080	8,269
Investment in collective investment scheme at fair value through profit or loss	11	156,258	228,582
Financial assets at amortised cost-corporate bonds	12	20,036	12,922
Financial assets at fair value through other comprehensive income-Government securities	13	651,835	306,096
Deferred tax asset	15	24,922	24,680
		879,746	604,483
Current assets			
Accounts receivable	16	140,911	123,992
Amounts due from related companies	17	42,649	33,464
Other receivables	14	135	47
Deposits with financial institutions	18	338,247	356,591
Cash and bank balances	24(b)	14,002	1,264
		535,944	515,358
TOTAL ASSETS		1,415,690	1,119,841
EQUITY AND LIABILITIES			
Equity			
Share capital	20	311,000	311,000
Fair value reserve	21	(32,626)	(26,036)
Retained earnings	22	1,021,156	741,083
Total equity		1,299,530	1,026,047
Non-current liability			
Lease liability	9(b)	8,229	11,021
Current liabilities			
Current income tax	6(b)	44,569	50,956
Lease liability	9(b)	3,674	3,674
Other payables	23	59,688	28,143
Total liabilities		116,160	93,794
TOTAL EQUITY AND LIABILITIES		1,415,690	1,119,841

The financial statements on pages 36 to 74 were approved by the board of directors on 7 March 2023 and were signed on its behalf by:

Humphrey Gathungu
Director

Cornelius Ashira
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share Capital KShs '000 Note 20	Fair value reserve KShs '000 Note 21	Retained earnings KShs '000 Note 22	Total KShs '000
At 1 January 2022	311,000	(26,036)	741,083	1,026,047
Profit for the year	-	-	450,073	450,073
Other comprehensive income for the year	-	(6,590)	-	(6,590)
Transactions with owners				
Dividend paid	-	-	(170,000)	(170,000)
At 31 December 2022	311,000	(32,626)	1,021,156	1,299,530
At 1 January 2021	311,000	(3,136)	546,384	854,248
Profit for the year	-	-	369,699	369,699
Other comprehensive income for the year	-	(22,900)	-	(22,900)
Transactions with owners				
Dividend paid	-	-	(175,000)	(175,000)
At 31 December 2021	311,000	(26,036)	741,083	1,026,047

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 KShs '000	2021 KShs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	24(a)	578,415	415,153
Tax paid	6(b)	(198,154)	(143,238)
Repayment of the interest portion of the lease liability	9(a)	(1,883)	(2,245)
Net cash generated from operating activities		378,378	269,670
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income received	3(b)(ii)	540	392
Interest received	3(b)(i)	73,746	62,286
Purchase of property & equipment	7	(1,266)	(1,084)
Proceeds from disposal of property & equipment	7	134	-
Repayment of intercompany loan	17	-	174,330
Proceed from disposal of equity instruments at fair value through profit or loss	10	-	1,900
Purchase of units in collective investment scheme	11	(40,113)	(25)
Proceeds from disposal of units in collective investment scheme	11	114,267	-
Purchase of treasury bond	13	(355,000)	(311,000)
Purchase of corporate bonds	12	(3,500)	(17,100)
Proceeds from maturity of corporate bonds	12	-	11,024
Proceeds from maturity of commercial paper	19	-	9,507
Net cash from investing activities		(211,192)	(69,770)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(170,000)	(175,000)
Repayment of principal portion of lease liability	9	(2,792)	(2,429)
Net cash from financing activities		(172,792)	(177,429)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(5,606)	22,471
CASH AND CASH EQUIVALENTS AT 1 JANUARY		357,855	335,384
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	24(b)	352,249	357,855

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

(i) Statement of compliance with International Financial Reporting Standards (IFRS)

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRIC) Interpretations applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). These financial statements have also been prepared in compliance with the Companies Act, 2015.

The financial statements comprise the statement of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows, significant accounting policies and notes to the financial statements. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit or loss. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the profit or loss as required or permitted by IFRS. Transactions with the owners of the Company in their capacity as owners are recognised in the statement of changes in equity.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

Government securities at fair value through other comprehensive income, equity instruments at fair value through profit or loss and investment in collective investment schemes at fair value through profit or loss.

(iii) Functional and presentation currency

The financial statements are presented in Kenya Shillings (Kshs) which is also the Functional Currency.

(b) New and amended standards and interpretations

The table below provides a summary of (i) new standards and amendments that are effective for the first time for periods commencing or or after 1 January 2022 i.e years ending 31 December 2022,and (ii)forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2023.

i. New standards and amendments – applicable 1 January 2022

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New and amended standards and interpretations *(continued)*

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2022:

Title	Key requirements	Effective Date *
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020 and these amendments include minor changes to: (a). IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. (b). IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. Henceforth, the proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.	1 January 2022
COVID-19-related Rent Concessions – Amendments to IFRS 16	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions. * The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022. If a lessee already applied the original practical expedient, it is required to continue to apply it consistently, to all lease contracts with similar characteristics and in similar circumstances, using the subsequent amendment. If a lessee did not apply the original practical expedient to eligible lease concessions, it is prohibited from applying the expedient in the 2021 amendment. However, if a lessee has not yet established an accounting policy on applying (or not) the practical expedient to eligible lease concessions, it can still decide to do so.	1 June 2020/1 April 2021*

The above standard did not have a significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New and amended standards and interpretations *(continued)*

b. New and amended standards in issue but not yet effective in the year ended 31 December 2022

Title	Key requirements	Effective Date *
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting	1 January 2023 (deferred from 1 January 2022)
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: • right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.	1 January 2023

* applicable to reporting periods commencing on or after the given date.

The Company has not early adopted any of these standards and none of them are expected to have a significant impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Revenue recognition

Revenue from contracts with customers:

a) Fund management fees

The Company recognizes revenue only when it satisfies a performance obligation by transferring control of the service to its customers. The performance obligation is satisfied over time as the customer simultaneously consumes the benefits provided by the company.

The Company provides fund management services. The agreement for fund management services specifies the performance obligation as to carry out the management and administration of the fund, be responsible for investing and re-investing the assets. Accordingly, the company allocates the transaction price based on the value of the asset portfolio managed.

b) Administration fees

Administration fee is recognized at a point in time when customers place units with the fund. The fee is charged to unit holders as a percentage of the initial amount invested as stated in the fund services agreement.

c) Other income

Other income which comprises withdrawal frequency fees, transfer fees, certificate issue charge, postal and statement printing costs are recognised at a point in time based on the delivery of the service.

d) Interest and other investment income

Interest income is recognised in profit or loss as it accrues and is calculated by using the effective interest rate method. Investment income also includes dividend income which is recognised when the right to receive the payment is established.

Unrealised / realised gains and losses on valuation of financial assets at the reporting date or sale of financial assets are recognised in profit or loss. Gain and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost of the investment and are recorded on occurrence of the sale transaction.

(d) Taxation

Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Kenyan Income Tax Act. Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Current income tax assets or liabilities are based on the amount of tax expected to be paid to or recovered from the taxation authorities in the future. Tax is recognised in profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current income tax is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date. The prevailing tax rate and the amount expected to be paid are highlighted in note 6 to these financial statements.

The net amount of current income tax recoverable from, or payable to, the taxation authority is presented as a separate line item in the statement of financial position.

Deferred Income tax

Deferred income tax is determined using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(d) Taxation *(continued)*

reporting date, using tax rates and laws enacted or substantively enacted at the reporting date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax is provided on temporary differences except those arising on the initial recognition of goodwill, the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences 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 reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The accounting of deferred tax movements is driven by the accounting treatment of the underlying transaction that lead to the temporary differences. Deferred tax relating to items recorded in profit or loss is recognised in profit or loss, while deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss in other comprehensive income or equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax (VAT)

Revenues, expenses, assets and liabilities 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, or
- receivables and payables that are measured with the amount of VAT included.

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

(e) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the company operates), which is Kenya Shillings. Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the end of each reporting period and on the date of settlement which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

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 recognition. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

(g) Provisions

Provisions for liabilities are recognised when there is a present obligation (legal or constructive) resulting from a past event, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation. Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in the profit or loss.

(h) Dividends

Dividends on ordinary shares are charged directly to equity in the period in which they are declared and approved. Dividends for the year that are approved after the reporting date are not recognised as a liability at the reporting date.

(i) Events after the reporting period

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after the reporting date are disclosed, but do not result in an adjustment to the financial statements themselves.

(j) Share capital and share premium

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received over and above the par value of the shares issued are classified as 'share premium' in equity.
Incremental costs attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax, if applicable.

(k) Expenses

Expenses are recognised in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably and is

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(k) Expenses *(continued)*

independent from transactions with equity participants. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment).

i). When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined, expenses are recognised in profit or loss on the basis of systematic and rational allocation procedures. This is often necessary in recognising the expense associated with the using up of assets such as property and equipment. In such cases, the expense is referred to as depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.

ii). An expense is recognised immediately in profit or loss when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

(l) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

Company acting 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. The incremental borrowing rate is the internal cost of debt determined as the risk free borrowing rate adjusted for country premium.

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

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

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

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Company at the end of the lease term, the estimated useful life would not exceed the lease term.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(l) Leases *(continued)*

Leases where the Company assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease payment is allocated between the liability and finance cost using the interest rate implicit in the lease. The finance cost is charged to the profit and loss account in the year in which it is incurred. Property and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset.

The changes in leases which do not fall under the scope of Covid-19 related concessions are treated as lease modifications. Right of use assets are re-measured and gains or losses thereof recognised in the statement of profit or loss.

(m) Employee benefits

Defined contributions provident fund

The Company operates a defined contribution post-employment provident fund for eligible employees. The fund is funded by contributions from the employees and the Company. The assets of the fund are held and administered independently of the Company's assets by a different pension administrator.

Statutory pension scheme

The Company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions to this scheme are determined by local statute. The Company's contributions to the defined contribution schemes are charged to profit or loss as they fall due.

Leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the reporting date.

(n) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on the straight-line basis to allocate the cost of each asset to its residual value over its estimated useful life as follows:

Computers	4 years
Furniture and equipment	8 years

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Property and equipment are reviewed for impairment whenever there are any indications of impairment identified. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The impairment loss is recognised in profit or loss for the year. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Refer to note 1(f) for detailed discussion on impairment of non-financial assets. An item of furniture and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Gains and losses on derecognition of property and equipment are determined by reference to their carrying amounts and are recognised in profit or loss in the year the asset is derecognised.

(o) Intangible assets

Intangible assets, comprising of software license costs and computer software which are acquired separately are measured on initial recognition at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the Company are recognised as intangible assets. Amortisation is calculated using straight-line method over its estimated useful life of four years.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(o) Intangible assets *(continued)*

Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, even when idle.

Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Softwares under implementation are recognised as work in progress at historical costs less any accumulated impairment loss. The cost of such softwares includes professional fees and costs directly attributable to the software. The softwares are not amortised until they are ready for the intended use.

Intangible assets have finite lives and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised

(p) Fair value measurement

The company measures certain financial instruments such as equity investments at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2-Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3-Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(p) Fair value measurement *(continued)*

the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(q) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets

For a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost
- Financial assets at fair value through OCI
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include, cash and cash equivalents, accounts receivable, amounts from related parties, deposits with financial institutions, commercial papers, corporate bonds and staff loans.

Financial assets at fair value through OCI

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(q) Financial instruments *(continued)*

collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
- Financial assets at FVOCI are carried at fair value with the net changes in fair value recognised in other comprehensive income.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Financial assets at fair value through profit or loss comprise equity instruments and investment in collective investment scheme i.e. CIC Unit Trust Scheme.

Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:
- The rights to receive cash flows from the asset have expired or:
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

De-recognition due to substantial modification of terms and conditions

The company derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognised as de recognition gain or loss. When assessing whether or not to derecognise an instrument, amongst others, the Company considers the following factors: introduction of an equity feature, change in counterparty and if the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result into cash flows that are substantially different, the modification does not result in de recognition. Based on the change in cash

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(q) Financial instruments *(continued)*

flows discounted at the original EIR, the Company records a modification gain or loss.

Overview of Expected Credit Loss (ECL) principles

The Company has been recording the allowance for expected credit losses for all financial assets at amortised cost and at fair value through OCI. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss (LTECL)) unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The Company groups its financial assets into Stage 1, Stage 2, Stage 3 and Purchased or originated credit impaired (POCI) as described below.

Stage 1: When financial assets are purchased or originated, the Company recognises an allowance based on 12mECLs. Stage one also includes staff loans where credit risk has improved, and the loan has been reclassified from stage 2. For financial assets, interest income is calculated on the gross carrying amount.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for LTECLs. Stage 2 financial assets includes staff loans where the credit risk has improved, and the loan has been reclassified from stage 3. The calculation of interest income is on the gross carrying amount of the financial asset.

Stage 3: For financial assets, which are credit impaired, the Company records an allowance for the LTECLs. The interest income is calculated on the amortised cost of the financial asset.

The calculation of ECLs

The Company calculates ECLs as follows:

ECL= PD*EAD*LGD

PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The Company does not have financial guarantees, loan commitments, letters of credit and financial assets which are purchased or originated credit impaired (POCI).

The maximum period for which the credit losses are determined is the contractual life of a financial asset at amortised cost unless the Company has the legal right to call it earlier.

Write offs

Financial assets are written off either partially or in entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount Any subsequent recoveries are credited to credit loss expense. There were no write offs during the year.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost. All financial liabilities are recognised initially at fair value and, in

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(q) Financial instruments *(continued)*

the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Intercompany loans and other payables

After initial recognition, related party loans and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. This category generally applies to other payables and amount due to related parties.

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 the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position only when there is a current and legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses will not be offset in the profit or loss unless required or permitted by any accounting standard or interpretation. During the year, there was no offsetting of financial assets and liabilities.

(r) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and bank balances and short-term deposits with an original maturity of three months or less in the statement of financial position. Cash and cash equivalents are measured at fair value at initial recognition and subsequently measured at amortised cost. Interest income on cash and cash equivalents is recognised through the effective interest method.

(s) Fiduciary assets

The company provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity, unless recognition criteria are met, are not reported in the financial statements, as they are not assets of the company.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the assets and liabilities of the Company. Management applies judgement in determining the best estimate of future experience. Judgements are based on historical experience and management's best estimate expectations of future events, taking into account changes experienced historically. Estimates and assumptions are regularly updated to reflect actual experience. Actual experience in future financial years can be materially different from the current assumptions and judgements and could require adjustments to the carrying values of the affected assets and liabilities.

The key areas of judgment in applying the entity's accounting policies are dealt with below:

(a) Impairment of financial assets

The measurement of impairment losses under IFRS across relevant financial assets requires judgement, in particular the estimation of probability of default. At 31 December 2022, If the probabilities of default were increased or decreased by 1%, the impact on reported profit or loss before tax would not be material.

(b) IFRS 16 Leases

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay'. The Company estimates the IBR using observable inputs (such as market interest rates).

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

3 (a) REVENUE FROM CONTRACTS WITH CUSTOMERS

	2022 KShs '000	2021 KShs '000
Fund management fees	1,031,448	840,704
Administration fee	98,343	75,481
	1,129,791	916,185
NET FUND MANAGEMENT FEES		
Total fund management fees in 3(a)	1,129,791	916,185
Fund management expenses		
Commission expenses (note4)	(320,791)	(256,215)
Net fund management fees	809,000	659,970

Management fee relates to charges for managing the fund on behalf of third parties and is expressed as a percentage of the average month-end value of the total assets.

Administration fee relates to one off fee charged on the unit holder and is a percentage of the initial amount invested.

Commission expenses relate to expenses that are paid to agents for bringing business to the Company.

(b) INVESTMENT INCOME

		2022 KShs '000	2021 KShs '000
(i)	Interest income calculated using effective interest rate method		
	Interest on fixed deposit	31,645	29,849
	Interest on corporate bonds	2,058	807
	Interest on treasury bonds	40,043	31,360
	Interest on commercial paper	-	242
	Interest on staff loans	-	28
		73,746	62,286
(ii)	Other investment income		
	Dividend income	540	392
	Fair value (loss)/gain on equity instruments at fair value through profit or loss (note 10)	(1,189)	873
	Fair value gain on collective investment scheme at fair value through profit or loss (note 11)	1,830	15,672
		1,181	16,937
	Analysed as follows: Financial assets		
	At amortised cost	33,703	30,926
	At fair value through other comprehensive income	40,043	31,360
	At fair value through profit or loss	1,181	16,937
		74,927	79,223
(iii)	Other income		
	Sundry income	331	--

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

4. OPERATING AND OTHER EXPENSES

	2022 KShs '000	2021 KShs '000
Commissions expenses	320,791	256,215
Bank charges	319	273
Auditor's remuneration	1,175	1,000
Directors' emoluments (Note 17)	14,513	12,618
Depreciation on property and equipment (note 7)	2,076	8,791
Amortisation charge on intangible assets (note 8)	187	188
Staff costs (note 4(a))	171,740	139,181
Business advertising	4,786	2,514
Legal fees	180	155
Professional fees	12,296	1,676
Group personal accident insurance	1,829	805
Telephone	2,570	2,082
Amortisation of right of use asset (note 9) (a)	3,188	3,188
Interest on lease liabilities (note 9) (b)	1,883	2,245
Office rent	1,485	1,485
Entertainment	225	212
Equipment repairs	14	38
Motor vehicle expenses	587	1,239
Sales promotion	299	7,625
Leased line internet services	1,325	1,460
Stationery	2,428	521
Software licenses	3,944	5,849
Travelling and accommodation	996	751
Medical expenses	6,856	5,515
Staff welfare	1,190	826
Seminars	803	1,069
Miscellaneous*	5,333	4,074
	563,018	461,595

*Miscellaneous expenses relate to subscriptions, and other general office expenses.

(a) STAFF COSTS

	2022 KShs '000	2021 KShs '000
Salaries and wages	132,723	124,389
Gratuity	4,055	7,274
Defined contribution plan contributions	5,480	5,708
Provision for staff leave	-	1,473
Final dues	4,174	-
Fringe benefit tax	158	102
Education benefit	236	235
Bonus provision	24,914	-
	171,740	139,181

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

4. OPERATING AND OTHER EXPENSES

(b) EXPECTED CREDIT LOSSES –IFRS 9

	2022 KShs '000	2021 KShs '000
Government securities at FVOCI	(153)	153
Financial assets at amortised cost-corporate bonds (note 12)	(3,246)	11,126
Commercial papers (note 19)	-	(47)
Deposits with financial institutions (note 18)	89	(884)
Related parties (note 17)	47	149
Intercompany loan (note 17)	-	(118)
Other receivables (note 14)	(178)	15
Accounts receivables (note 16)	1,046	(30)
Cash and cash equivalents	4	3
	(2,391)	10,367

5 PROFIT BEFORE INCOME TAX

	2022 KShs '000	2021 KShs '000
The following items have been charged in arriving at profit before tax:		
Auditor's remuneration (note 4)	1,175	1,000
Depreciation on property and equipment (note 7)	2,076	8,791
Amortisation of intangible assets (note 8)	187	188
Amortisation of right of use asset (note 9)	3,188	3,188
Interest on lease liabilities (note 9)	1,883	2,245
Staff costs (note 4(a))	171,740	139,181
	180,249	154,593

6 INCOME TAX EXPENSE

	2022 KShs '000	2021 KShs '000
(a) Current tax charge	191,767	156,597
Deferred tax credit (note 15)	2,582	(2,849)
	194,349	153,748
(b) Statement of financial position current income tax		
At 1 January	50,956	37,596
Tax charge	191,767	156,597
Tax paid	(198,154)	(143,237)
At 31 December	44,569	50,956

(c) Reconciliation of taxation charge to the expected tax based on accounting profit

	2022 KShs '000	2021 KShs '000
Profit before income tax	644,422	523,446
Tax at the applicable rate of 30% (2021:30%)	193,327	157,034
Tax effect of expenses not deductible for tax purposes*	2,305	2,286
Tax effect of income not taxable **	(1,283)	(5,572)
	194,349	153,748

The effective income tax rate is 30% (2021: 29%)
*These expenses are fringe benefit tax, excess pension contributions, fair value loss on financial assets and club subscriptions.

** Income not taxable largely relates to interest income from infrastructure bonds, dividend income and unrealised fair value gains.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

7. PROPERTY & EQUIPMENT

2022	Computers and Equipment KShs '000	Furniture fittings & Equipment KShs '000	Total KShs '000
COST			
At 1 January	2,316	67,243	69,559
Additions	1,220	46	1,266
Disposal	(134)	-	(134)
At 31 December	3,402	67,289	70,691
ACCUMULATED DEPRECIATION			
At 1 January	1,291	57,944	59,235
Charge for the year	567	1,509	2,076
At 31 December	1,858	59,453	61,311
CARRYING AMOUNT			
AT 31 December	1,545	7,835	9,380
2021			
COST			
At 1 January	1,734	66,742	68,476
Additions	582	501	1,083
At 31 December	2,316	67,243	69,559
ACCUMULATED DEPRECIATION			
At 1 January	960	49,484	50,444
Charge for the year	331	8,460	8,791
At 31 December	1,291	57,944	59,235
CARRYING AMOUNT AT 31 December	1,025	9,299	10,324

There are no property and equipment pledged as security for liabilities. Additionally, there are no contractual commitments for the acquisition of property and equipment.

8. INTANGIBLE ASSETS

	2022 KShs '000	2021 KShs '000
COST		
At 1 January and 31 December	5,709	5,709
AMORTISATION		
At 1 January	5,381	5,193
Charge for the year	187	188
At 31 December	5,568	5,381
CARRYING AMOUNT		
At 31 December	141	328

Intangible assets relate to computer software which is used by the company in its operations.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

9. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Company's lease is an office space which runs for 6 years Set out below are the carrying amounts of the right-of-use assets of the company recognised and the movements during the year

(a) Right of use asset	2022 KShs '000	2021 KShs '000
At 1 January	13,282	16,470
Amortisation	(3,188)	(3,188)
As at 31 December	10,094	13,282

Set out below are the carrying amounts of lease liabilities (included under other liabilities) and the movements during the period:

(b) Lease liability	2022 KShs '000	2021 KShs '000
Current	3,674	3,674
Non-current	8,229	11,021
	11,903	14,695
As at 1 January	14,695	17,124
Accretion of interest	1,883	2,245
Payments	(4,675)	(4,674)
As at 31 December	11,903	14,695
Amounts recognised in profit or loss		
Leases under IFRS 16		
Interest on lease liabilities (Note 4)	1,883	2,245
Amortisation expense (Note 4)	3,188	3,188
Amounts recognised in statement of cash flows		
Repayment of principal portion of the lease liability	2,792	2,429
Repayment of the interest portion of the lease liability	1,883	2,245
Total cash outflow for leases	4,675	4,674

The table below analyses the Company's lease liabilities into the relevant maturity groupings based on the remaining period as at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Due on demand KShs '000	Due within 3 months KShs '000	Due between 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Due after 5 years KShs '000	Total KShs '000
2022						
Lease liabilities	-	1,169	3,506	10,129	-	14,804
2021						
Lease liabilitie	-	1,169	3,506	14,803	-	19,478

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2022

10. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 KShs '000	2021 KShs '000
At 1 January	8,269	9,296
Disposals	-	(1,900)
Fair value (loss)/gain (note 3(b)(ii)	(1,189)	873
At 31 December	7,080	8,269

Equity instruments relate to investment in quoted securities that are traded on the Nairobi Securities Exchange (NSE).

11. INVESTMENT IN COLLECTIVE INVESTMENT SCHEME AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 KShs '000	2021 KShs '000
At 1 January	228,582	212,885
Additions	40,113	25
Disposals	(114,267)	-
Fair value gain (note 3(b)(ii)	1,830	15,672
At 31 December	156,258	228,582

Investments in collective investment scheme relate to CIC Unit Trust Scheme, that invest in various funds including money market fund, equity fund, fixed income fund and balanced fund.

12. FINANCIAL ASSETS AT AMORTISED COST-CORPORATE BONDS

	2022 KShs '000	2021 KShs '000
Gross	29,727	33,209
Expected credit loss	(9,691)	(20,287)
At 31 December	20,036	12,922
Movement of the cost of corporate bonds in the year:		
At 1 January	33,209	27,133
Purchases	3,500	17,100
Maturity	-	(11, 024)
Write off	(7,350)	-
Accrued interest	367	-
Gross	29,726	33,209
Maturity analysis		
Maturing within 1 year	-	-
Maturing between 1 – 2 years (undiscounted)	23,793	15,345

Corporate bonds are carried at amortized cost. The weighted average effective interest rate was 12.5%. (2021: 13%). An analysis of changes in the gross carrying amount and corresponding ECL allowances in corporate bonds has been disclosed in note 26.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI-GOVERNMENT BONDS

	2022 KShs '000	2021 KShs '000
At 1 January	306,096	27,964
Purchase of government bonds	355,000	311,000
Fair value loss	(9,414)	(32,715)
Expected credit loss allowance	153	(153)
	651,835	306,096

14. OTHER RECEIVABLES

	2022 KShs '000	2021 KShs '000
Gross		
Expected credit loss allowance	135	225
At 31 December	-	(178)
All other receivables will be settles within the year.	135	47

Staff loans are carried at amortized cost. An analysis of changes in the gross carrying amount and corresponding ECL allowances in staff loans has been disclosed in note 26. The outstanding loan receivables from staff are not collaterised. (2021: Not collaterised)

Movement in other receivables is shown below:	2022 KShs '000	2021 KShs '000
At 1 January	47	730
Additions	135	180
Loan repayments	(47)	(848)
Expected credit loss for the year	-	(15)
At 31 December	135	47

15. DEFERRED TAXATION

Deferred tax is calculated in full, on all temporary differences using the liability method at the applicable tax rate of 30%. The deferred tax asset is attributable to the following items:

	At 1 January Kshs '000	Recognised in profit or loss Kshs '000	Recognised in OCI Kshs '000	At 31 December Kshs '000
2022				
Accelerated capital allowances				
Expected credit losses allowances				
Gratuity	(5,939)	194	-	(5,745)
Fair value gains on securities at FVOCI	(6,681)	3,348	-	(3,333)
Accrued leave	(1,021)	(1,065)	-	(2,086)
	(9,814)	-	(2,824)	(12,638)
Deferred tax asset	(1,225)	105	-	(1,120)
	(24,680)	2,582	(2,824)	(24,922)
2021				
Accelerated capital allowances				
Expected credit losses allowances				
Gratuity	(4,082)	(1,857)	-	(5,939)
Fair value gains on securities at FVOCI	(3,835)	(2,846)	-	(6,681)
Accrued leave	(3,318)	2,296	-	(1,022)
	-	-	(9,815)	(9,814)
Deferred tax asset	(782)	(442)	-	(1,225)
	(12,017)	(2,849)	(9,815)	(24,680)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

16. ACCOUNTS RECEIVABLE

	2022 KShs '000	2021 KShs '000
Administration fees receivable	140,166	120,043
Prepayments	2,859	443
Withholding tax debtors	-	4,574
Allowance for expected credit losses	(2,114)	(1,068)
	140,911	123,992

Accounts receivable are non-interest bearing and due within 30 days from the date of transaction.

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

17. RELATED PARTY BALANCES AND TRANSACTIONS

The company is a wholly owned subsidiary of CIC Insurance Group PLC and is incorporated in Kenya. The ultimate parent entity is Co-operative Insurance Society Limited. CIC Asset Management Limited, CIC Life Assurance Limited and CIC General Insurance Limited are related through common shareholding. The other related parties include directors and staff members who borrow money from the company (note 14) as well as CIC Collective Investment Scheme for which the company is the fund manager.

Transactions with related parties relate to management fees charged by the company to other subsidiaries for managing their assets, receipts from and payments to other related parties in reimbursement of shared expenses. The amounts due from related parties are non- interest bearing and the balances are not secured and are payable on demand.

The following are balances with the related parties as at 31 December.

	2022 KShs '000	2021 KShs '000
Due from:		
CIC Life Assurance Limited	6,488	5,375
CIC Insurance Group PLC	36,260	25,110
CIC General Insurance Limited	115	3,146
Allowance for expected credit losses	(214)	(167)
	42,649	33,464

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

	2022 KShs '000	2021 KShs '000
Receipts from related parties:		
CIC Insurance Group PLC	16,437	18,348
CIC General Insurance Limited	351,023	365,289
CIC Life Assurance Limited	20,831	27,879
	388,291	411,516
Payments to related parties:		
CIC Insurance Group PLC	27,588	26,529
CIC General Insurance Limited	354,284	368,773
CIC Life Assurance Limited	10,817	28,615
	392,689	423,917

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

17. RELATED PARTY BALANCES AND TRANSACTIONS *(continued)*

	2022 KShs '000	2021 KShs '000
Directors' emoluments-fees	3,106	2,751
Retainer	6,221	5,562
Sitting allowances	1,923	2,025
Travel and subsistence	394	360
Insurance	514	428
Honoraria	691	236
Retreats and training	500	468
Christmas token	162	165
Exit package	1,002	623
	14,513	12,618
Key management compensation		
Salaries and other short-term employment benefits		
Basic salary	32,620	26,512
Gratuity	5,810	3,614
Staff leave allowance	418	385
National Social Security Fund contribution	2	2
	38,850	30,513

18. DEPOSITS WITH FINANCIAL INSTITUTIONS

	2022	2021
The Co-operative Bank of Kenya Limited	33,089	43,744
Credit Bank Limited	-	5,058
Development Bank of Kenya Limited	37,398	34,013
Family Bank of Kenya Limited	17,021	16,015
Kingdom Bank Limited	64,444	137,418
KCB Bank Kenya Limited	43,710	42,658
NCBA Bank Kenya Limited	44,621	20,218
Middle East Bank Kenya Limited	-	20,817
Equity Bank Kenya Limited	47,790	37,064
National Bank of Kenya	50,677	-
Allowance for expected credit losses	(503)	(414)
	338,247	356,591
Maturity analysis:		
Maturing within 3 months	338,750	357,005

The carrying amounts disclosed above reasonably approximate fair value at the reporting date. The weighted average effective interest rate was 9.4%. (2021: 9.35%)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

19. COMMERCIAL PAPER

	2022 KShs '000	2021 KShs '000
Balance at 1 January	-	9,459
Maturity	-	(9,507)
Allowance for expected credit losses for the year	-	48
	-	-
Maturity analysis:		
Maturing within 1 year	-	-

20. SHARE CAPITAL

	2022 KShs '000	2021 KShs '000
Authorised:		
50,000,000 (2021 - 50,000,000) ordinary shares of KShs 20 each	1,000,000	1,000,000
Issued and fully paid:		
15,550,000 (2021 - 15,550,000) ordinary shares of KShs 20 each	311,000	311,000

21. FAIR VALUE RESERVE

The fair value reserve represents fair value losses arising from debt instruments at fair value at amortised cost.

22. RETAINED EARNINGS

The retained earnings represent the amount available for dividend distribution to the shareholders of the company.

23. TRADE AND OTHER PAYABLES

	2022 KShs '000	2021 KShs '000
Leave pay liability	3,730	4,080
Commission payable	500	12
VAT payable	17,625	15,607
Gratuity payable	6,955	3,404
Bonus	25,265	-
Sundry payables	5,613	5,040
	59,688	28,143

The sundry payables are carried at amortised cost and mainly relate to audit fees payable and software license fees payable which will be settled in the subsequent month. The leave liability has been accrued as per the company policy on leave accrual at the end of the financial year. The gratuity is payable to the senior management staff at the end of their contract period.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

24. CASH GENERATED FROM OPERATING ACTIVITIES

		Notes	2022 KShs '000	2021 KShs '000
(a)	Reconciliation of profit before taxation to cash generated from operations:			
	Profit before income tax		644,422	523,446
	Adjustments for:			
	Depreciation on property & equipment	7	2,076	8,791
	Expected credit losses on government securities and corporate bonds		(3,400)	10,248
	Amortisation charge on intangible assets	8	187	188
	Interest receivable	3(b)(i)	(73,746)	(62,286)
	Acrrued interest on corporate bond	12	(367)	-
	Dividend income	3(b)(ii)	(540)	(392)
	Interest on lease liability	9	1,883	2,245
	Amortisation of right of use asset	9	3,188	3,188
	Fair value (gain)/loss on equity instruments at fair value through profit or loss	10	1,189	(873)
	Fair value gain on investment in collective investment scheme at fair value through profit or loss	11	(1,830)	(15,672)
			573,062	468,883
	Cash flows generated from operating activities			
	Working capital changes:			
	Accounts receivable and other receivables		(17,007)	(37,500)
	Other payables		31,545	(4,689)
	Related party balances		(9,185)	(11,541)
	Cash generated from operating activities		578,415	415,153
(b)	For purposes of cash flows, cash and cash equivalents comprise:			
	Bank balances		14,002	1,264
	Deposits with financial institutions maturing within 3 months	18	338,247	356,591
			352,249	357,855

25. DIVIDENDS

	2022 KShs '000	2021 KShs '000
Dividends paid during the year	170,000	175,000
Proposed for approval at the annual general meeting (not recognised as a liability)	200,000	170,000

Dividend on ordinary shares
Dividend per share is arrived at by dividing the total dividends by the weighted average number of shares in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

26. FINANCIAL RISK MANAGEMENT

The company's activities are exposed to a variety of financial risks. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company has exposure to the following financial risks from its use of financial instruments:

(a) Credit risk
(b) Liquidity risk
(c) Market risks

(a) Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily accounts receivables) and from its financing activities, including deposits with financial institutions and other financial instruments.

The Company's internal rating process

The Company's investment team prepares internal ratings for financial instruments in which counterparties are rated using internal grades. These are used to determine whether an instrument has had a significant increase in credit risk and to estimate the ECL's. The ratings are determined incorporating both qualitative and quantitative information from external parties ratings supplemented with information specific to the counterparty and other external information that could affect the counterparty's behavior. The company reassesses the internal credit rating of the financial instruments at every reporting period and considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due as well as other forward-looking information. This would result in change in the internal credit rating. When there has been a significant increase in credit risk since origination the allowance would be based on the life time ECL. For the accounts receivables, credit risk is managed subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due.

The Company's internal credit rating grades is as follows

Internal rating grade	Internal rating description
0	High grade
1	High grade
2	Standard grade
3	Sub-standard grade
4	Past due but not impaired
5	Individually impaired

For staff loans, the credit rating is based on whether or not the staff is still in employment. The loan is given a 'high grade' rating if the staff is still in employment, and a 'past due but not impaired' rating in instances where the staff is no-longer employed with the company and has defaulted for over one month

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

26. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Significant increase in credit risk, default and cure

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or portfolio of instruments is subject to 12mECL or LTECL, (that is accounts receivable, amount due from related parties, staff loans, deposits with financial institutions and Government securities at FVOCI, commercial papers, corporate bonds, intercompany loan and cash & bank balances), the Company assesses whether there has been a significant increase in credit risk since initial recognition.

In addition, the Company also considers a variety of instances that may indicate unlikeness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. The Company considers a financial asset in default when contractual payments are 30 days past due. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognises a lifetime ECL. Such events include:

- Internal rating of the counterparty indicating default or near default for all asset classes
- The counterparty having past due liabilities to public creditors or employees for all asset classes except staff loans
- The counterparty filing for bankruptcy application for all asset classes
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts of financial difficulties for all asset classes except for staff loans.

In rare cases when an instrument identified as defaulted, it is the Company's policy to consider the financial instrument as "cured" and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

Gross and loss allowances for assets at fair value through OCI and at amortised cost

Government securities measured at FVOCI

	2022 KShs '000	2021 KShs '000
Gross receivable (fair value through OCI)	651,835	306,249
Less: Loss Allowance	-	(153)
Net carrying amount	651,835	306,096

Debt instruments at amortized cost

Corporate bonds

	2022 KShs '000	2021 KShs '000
Corporate bonds	29,727	33,209
Less: Loss Allowance	(9,691)	(20,287)
Net carrying amount	20,036	12,922

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

26. FINANCIAL RISK MANAGEMENT *(continued)*

Deposits with financial institutions	2022 KShs '000	2021 KShs '000
Gross	338,750	357,005
Less: Loss Allowance	(503)	(414)
Net carrying amount	338,247	356,591

Other receivables

Gross	135	225
Less: Loss Allowance	-	(178)
Net carrying amount	135	47

Amounts due from related parties

Gross	42,863	33,631
Less: Loss Allowance	(214)	(167)
Net carrying amount	42,649	33,464

Cash and bank balances

Gross	14,009	1,267
Less: Loss Allowance	(7)	(3)
Net carrying amount	14,002	1,264

Accounts receivable

The outstanding customer receivables as at 31 December 2022 amounted to Kshs 140,911,000 (2021: Kshs. 123,992,000) (Note 16). The company had 10 customers in 2022 (2021: 9).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

26. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

The amount that best represents the company's maximum exposure on accounts receivable to credit risk as at the end of each reporting period is as follows:

31-Dec-22	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Total
Expected credit loss rate	1.5%	6%	30%	100%	
Gross carrying amount	143,025	-	-	-	143,025
Expected credit loss	(2,114)	-	-	-	(2,114)
Net carrying amount	140,911	-	-	-	140,911

31-Dec-21	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Total
Expected credit loss rate	0.16%	6%	30%	100%	
Gross carrying amount	124,190	-	-	870	125,060
Expected credit loss	(198)	-	-	(870)	(1,068)
Net carrying amount	123,992	-	-	-	123,992

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

26. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk (continued)

Reconciliation of loss allowance accounts	At 31 December 2021 KShs '000	Write off of ECL KShs '000	(Increase)/ decrease in loss allowance in the year KShs '000	At 31 December 2022 KShs '000
Government securities at FVOCI (note 13)	(153)	-	153	-
Corporate bonds (note 12)	(20,287)	7,350	3,246	(9,691)
Other receivables (note 14)	(178)	-	178	-
Deposits with financial institutions (note 18)	(415)	-	(89)	(503)
Due from related parties (note 17)	(167)	-	(47)	(214)
Cash and cash equivalents	(3)	-	(4)	(7)
Accounts receivables (note 16)	(1,068)	-	(1,046)	(2,114)
	(22,271)	7,350	2,391	(12,529)

	At 31 December 2020 KShs '000	Write off of ECL KShs '000	(Increase)/ decrease in loss allowance in the year KShs '000	At 31 December 2021 KShs '000
Government securities at FVOCI (note 13)	-	-	(153)	(153)
Corporate bonds (note 12)	(9161)	-	(11,126)	(20,287)
Commercial papers (note 19)	(48)	-	48	-
Other receivables (note 14)	(163)	-	(15)	(178)
Deposits with financial institutions (note 18)	(1,299)	-	884	(415)
Intercompany Loan	(117,804)		117,804	-
Due from related parties (note 17)	(18)	-	(149)	(167)
Cash and cash equivalents	-	-	(3)	(3)
Accounts receivables (note 16)	(1098)	-	30	(1068)
	(11,904)	-	(10,367)	(22,271)

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term liquidity management requirements. The company manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below summarises the maturity profile of the undiscounted cash flows of the company's financial assets and liabilities as at 31 December.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

26. FINANCIAL RISK MANAGEMENT *(continued)*

31 December 2022	6 months or on demand KShs '000	Between 6 months and 1 year KShs '000	More than 1 year KShs '000	Total KShs '000
Financial Assets				
Accounts receivable	140,911	-	-	140,911
Corporate bonds	-	-	35,901	35,901
Other receivables	135	-	-	135
Government securities	-	-	1,884,869	1,884,869
Due from related companies	42,649	-	-	42,649
Deposits with financial institutions	338,247	-	-	338,247
Cash and bank balances	14,002	-	-	14,002
	535,944	-	1,920,770	2,456,714
Financial Liabilities				
Other payable	59,688	-	-	59,688
Lease liability	2,337	2,337	10,129	14,803
Net liquidity headroom	473,919	(2,337)	1,910,641	2,382,223
31 December 2021				
Financial Assets				
Accounts receivable	123,992	-	-	123,992
Corporate bonds	-	-	22,504	22,504
Staff loans	47	-	-	47
Government securities	-	-	780,283	780,283
Due from related companies	33,464	-	-	33,464
Deposits with financial institutions	357,005	-	-	357,005
Cash and bank balances	1,267	-	-	1,267
	515,775	-	802,787	1,318,562
Financial Liabilities				
Other payable	28,142	-	-	28,142
Lease liability	1,948	1,948	15,583	19,479
Net liquidity headroom	485,685	(1,948)	787,204	1,270,941

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

26. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk (continued)

Carrying amounts of financial assets and liabilities

The table below summarises the carrying amounts of the company's financial assets and liabilities.

Category of financial asset/liability	2022 KShs '000	2021 KShs '000
Financial assets		
Financial assets at fair value through profit or loss	163,338	236,851
Financial assets at fair value through OCI	651,835	306,096
Financial assets at amortised cost	358,283	369,513
	1,173,456	912,460
Financial liabilities at amortised cost*	59,688	28,142

*Included in financial liabilities at amortised cost are other payables, excluding taxes and leave provision, and amounts due to related parties.

(c) Market risk

(i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

The company's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of 5% in all yield curves of financial assets and financial liabilities. These particular exposures illustrate the company's overall exposure to interest rate sensitivities included in the company's Asset and Liability Management (ALM) framework and its impact in the company's profit or loss.

The Company is not exposed to interest rate risk as all financial assets are at fixed interest rates.

(ii) Price risk

The company is exposed to equity securities price risk as a result of its holdings in equity investments, classified as financial assets at fair value through profit or loss. Exposure to equity shares in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Investments held are listed and traded on the Nairobi Securities Exchange.

The company has a defined investment policy which sets limits on the company's exposure to equities both in aggregate terms and by industry. This policy of diversification is used to manage the company's price risk arising from its investments in equity securities.

Investment management meetings are held monthly. At these meetings, senior managers meet to discuss investment return and concentration of the equity investments.

If equity market indices had increased/ decreased by 5%, with all other variables held constant, and all the company's equity investments moving according to the historical correlation with the index, the profit for the year would not change materially (2021: immaterial).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

26. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk

(iii) Foreign exchange risk

The company's operations are predominantly in Kenya where the currency has been relatively stable against the major convertible currencies. As at 31 December 2022 and at 31 December 2021, the company did not hold any foreign currency financial instruments hence it was not susceptible to foreign currency risk.

27. FAIR VALUE MEASUREMENT

The company specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- **Level 1** – Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi Securities Exchange.
- **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- **Level 3** – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The company considers relevant and observable market prices in its valuations where possible.

Assets and liabilities by fair value hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total KShs '000
At 31 December 2022				
Equity investments at fair value through profit or loss (note 10)	7,080	-	-	7,080
Investments in collective investment scheme at fair value through profit or loss (note 11)	-	156,258	-	156,258
Financial securities as fair value through OCI-Government securities	651,835	-	-	651,835
	658,915	156,258	-	815,173
At 31 December 2021				
Equity investments at fair value through profit or loss (note 11)	8,269	-	-	8,269
Investments in collective investment scheme at fair value through profit or loss (note 11)	-	228,582	-	228,582
Financial securities as fair value through OCI-Government securities	306,096	-	-	306,096
	314,365	228,582	-	542,947

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

27. FAIR VALUE MEASUREMENT *(continued)*

There were no transactions between different levels during the year.

Valuation techniques used in determining fair value of financial assets

Instrument	Level	Valuation basis	Inputs
Investments in collective investment scheme	2	Net Asset Value	Current unit price of underlying unitised assets

28. CAPITAL MANAGEMENT

The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimization of the debt and equity balance.

In addition, the Kenyan Capital Markets Authority which regulates the company prescribes a minimum paid up share capital of KShs 10,000,000. The working capital shall not fall below 20% of the minimum required share capital or three times minimum monthly operating costs, whichever is higher. Working capital is the difference between current assets and current liabilities.

The company met the minimum capital requirement as detailed below:

	2022 KShs '000	2021 KShs '000
Minimum capital requirement	10,000	10,000
Capital held at 31 December:		
Share capital	311,000	311,000
Retained earnings	1,024,035	741,083
	1,335,035	1,052,083
Working capital:		
Net working capital	430,892	420,300
20% of the minimum share capital	2,000	2,000
3 times average monthly operating expenses	141,000	115,000

The capital structure of the company consists of issued and paid up share capital and retained earnings. The net working capital is above (i) 20% of the minimum share capital as well as (ii) three times minimum monthly operating costs. The company's overall strategy remains unchanged from 2021.

Gearing ratio

The company had no external borrowings as at 31 December 2022 and 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

29. CONTINGENT LIABILITY

Tax Assessment

The Kenya Revenue Authority carried out an audit of the company covering value added tax (VAT) for the period from 2011 to 2014, and raised an assessment on the company of KShs 34.5 million. In 2015, the company appealed against the assessment to the Kenya Revenue Authority tax tribunal. In 2016, the company paid the principal tax assessment of KShs 24 million and applied for waiver for the interest and penalties of KShs 10.5 million. Directors are of the opinion that that the waiver will be granted based on payment of the principal tax by the company and hence no provision has been made for any tax liability that may arise from this assessment in these financial statements.

30. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting date that would require adjustments to, or disclosure in, the financial statements.

31. INCORPORATION

The company is a limited liability company domiciled and registered in Kenya under the Companies Act, 2015.

32. CURRENCY

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

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NOTEPAD

NOTEPAD

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