2023

Annual Report & Financial Statements

CIC ASSET MANAGEMENT LIMITED

OUR PHILOSOPHIES AND VALUES

Our Vision

To be a world-class provider of insurance and other financial services

Our Purpose (Mission)

Enable people achieve financial security

Our Values

Integrity
Be fair and transparent

Dynamism
Be passionate and innovative

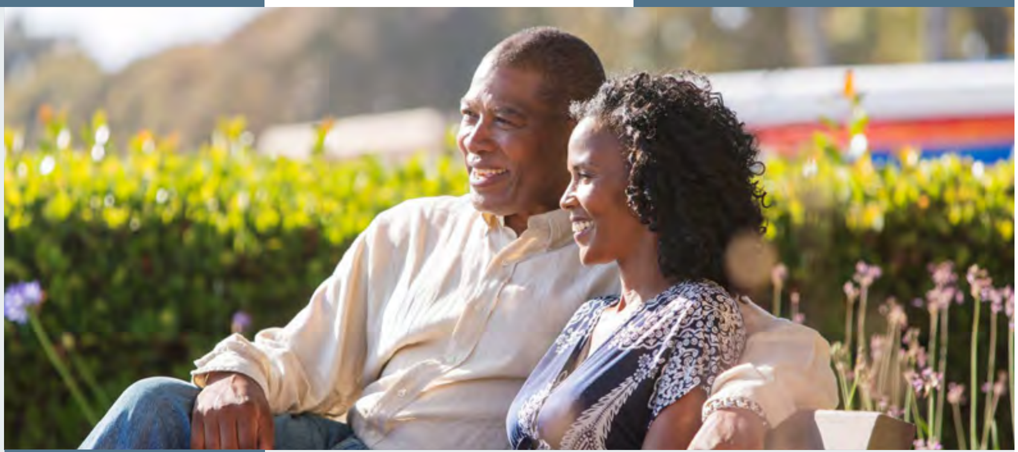
Performance Be efficient and results-driven

Cooperation
Live the cooperative spirit

CIC Tagline/ Slogan

"We keep our word"

We recognize that for our business to grow, we have a role to play in reversing the mistrust partly contributed by our industry players through various malpractices such as mis-selling or failure to honor claims thus undermining growth we desire. We shall honor our promises to all our stakeholders.



Value Proposition

"To offer simple, flexible insurance and financial services built around our customers' needs."

Our approach to business growth shall be research-driven. We shall seek to understand our customers and their needs, and innovatively develop appropriate products that address their needs, wants and desires.

CONTENTS

CORPORATE INFORMATION

DIRECTORS	**Cornelius Ashira:** Chairman **Patrick Nyaga** **Humphrey Gathungu:** Managing Director **James Njiru** **Rosemary Sakaja** **Joseph Kamau** **Jyoti Patel** **Abel Amuyunzu** - Appointed – 5th May 2023
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 **Muthoni Muuo:** Portfolio Manager **Elizabeth Njuguna:** Human Resource Manager **Dennis Maranga:** Portfolio Manager **Esther Nyambura:** Senior Investment Operations Manager **James Njagi:** Head of Business Development
AUDITOR	**PricewaterhouseCoopers LLP** Certified Public Accountants PwC Tower, Westlands Waiyaki Way/Chiromo Road P.O. Box 43963 - 00100 Nairobi GPO - Kenya
PRINCIPAL BANKER	**The Co-operative Bank of Kenya Limited** P.O. Box 67881 - 00100 Nairobi

ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 12TH ANNUAL GENERAL MEETING OF CIC ASSET MANAGEMENT LIMITED WILL BE CONDUCTED VIRTUALLY VIA ELECTRONIC COMMUNICATION ON TUESDAY 28th DAY OF MAY, 2024 AT 10:00 AM TO TRANSACT THE FOLLOWING BUSINESS AS SET OUT BELOW:

AGENDA

Constitution Of The Meeting

1. To read the notice convening the meeting, table the proxies and determine the presence of a quorum.

Ordinary Business:

2. To confirm the Minutes of the 11th Annual General Meeting held on 4th May, 2023.
3. **Annual Report and Financial Statements for the year ended 31 December 2023.**

   To receive, consider, and if thought fit, adopt the Annual Report and Audited Financial Statements for the year ended 31st December 2023 together with the Chairman's, Directors' and Auditors' Reports thereon.
4. **Dividend**

   To approve a first and final dividend pay-out of Kshs 215 million for the financial year ended 31st December 2023, to be paid on or before 18th June, 2024 to the shareholder appearing on the Register of Members.
5. **Re-Appointment and Remuneration of PriceWaterhouseCoopers.**

   To consider, and if thought fit, re-appoint PriceWaterhouseCoopers, Certified Public Accountants, as the auditors of the Company for the year 2024, 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. **Election of Directors.**

   (a). Re-election and appointment of Directors

   I. Mr. Cornelius Ashira being a shareholder representative, retires by rotation in accordance with Article 120 (a), (b) and (c) of the Company's Articles of Association, and being eligible, offers himself for re-election as a Non-Executive Director.

   II. Mr. Joseph Kamau retires by rotation having completed one term of three-years, and being eligible, offers himself for re-election as a Non-Executive Director.

   III. To confirm the appointment of Ms. Wangui Maranga Okello as an Independent Non-Executive Director with effect from 8th May 2024.

   IV. To confirm the appointment of Ms. Alice Kilonzo Zulu as an Independent Non-Executive Director with effect from 21st May 2024.

   (b). Retirement of Directors in the Board.

   I. To note the retirement of Ms. Rosemary Sakaja, having served her full tenure (Two terms of Three Years each) as an Independent Non-Executive Director, and having attained age 70 as at 3.6.23 in line with the Company's Articles of Association 105 (2) and CIC Insurance Group's Corporate Governance Framework.

   II. To note the retirement of Ms. Jyoti Patel having served her full tenure (Two terms of Three Years each) as Independent Non-Executive Director, in line with the Company's Articles of Association and CIC Insurance Group's Corporate Governance Framework.

   III. To note the retirement of Mr. James Njue from the Board as a Non-Executive Director, in line with CIC Insurance Group's Corporate Governance Framework.

ANNUAL GENERAL MEETING *(continued)*

7. **Remuneration of Directors.**

   To authorize the Board to fix the Directors Remuneration for the year ending 31st December 2024.

8. **Any Other Business.**

   To transact any other business of the Annual General Meeting for which due notice has been received by the Company Secretary forty-eight (48) hours prior.

Dated at Nairobi this 5th day of March 2024.
BY Order of the Board

MARY WANGA
COMPANY SECRETARY

NOTES:

I. 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.

II. 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.

III. A proxy form must be signed by the appointing shareholder, or their attorney duly authorized in writing. If the appointer is a body corporate, proxy appointment should be given under its common seal or under the hand of a duly authorized officer or attorney of such body corporate.

IV. 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.ke.cicinsurancegroup.com

PRODUCTS

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

MESSAGE FROM OUR LEADERSHIP

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 2023.

In 2023, we faced a challenging external landscape marked by heightened inflation, high interest rates, significant currency fluctuations, and escalating geopolitical tensions. Nevertheless, our business exhibited resilience, delivering strong returns to our customers. We persist in reshaping the business to adapt to the fundamental shifts occurring in the market.

GLOBAL ENVIRONMENT

Global growth remained stable year-on-year, maintaining at 3.2% in 2023, as reported by the IMF in the World Economic Outlook (April 2024), with projections indicating a continued steadiness at 3.2% in 2024. Notably, persistent inflation, elevated interest rates, and historically weak growth prospects continue to exert pressure on economic activity. However, there are positive indicators with the recent acceleration of disinflation, enhancements in supply chains, and decisive monetary policy measures, which could potentially stimulate economic activity.

KENYAN ENVIRONMENT

The country has rebounded from the multiple global shocks witnessed recently, from the COVID 19 pandemic, supply chain constraints, rapid inflation and subsequent geopolitical crisis over the past few years. Despite the challenges, the economy has posted strong growth estimated at 5.6% in 2023 up from 4.8% in 2022, largely driven by a recovery in agriculture. We believe that the economy continues to signal strong growth prospects resulting in significant investor interest, thereby acting as a spring in our step in continually revamping our products.

In these uncertain times we will endeavour to provide solutions for our customers at every possible opportunity. We shall assess current and future risks whilst openly discussing and taking prompt actions at all levels. While the economy remains resilient, pockets of weakness are still expected owing to the weaker global economy coupled with stickier than expected inflation in the US. These exceptions however present opportunities to learn from experience and implement change or lessons into the operational systems for better outcomes.

We have continued to consistently integrate sustainable practices throughout our business operations and strategy. As part of our commitment to sustainability, the Board established an ESG governance framework to oversee development and implementation of an ESG strategy aligned to the corporate strategy. The

strategy will drive our business to take a proactive role in reducing negative impacts on the environment, while also addressing societal issues and upholding proper stewardship.

In conclusion, we will continue to monitor the domestic business environment, ensuring that the business remains agile and responsive to emerging trends and challenges. We wish to assure our stakeholders that our steadfast commitment to adaptability serves as a cornerstone of our consistent pursuit of growth and resilience even amidst periods of uncertainty.

BUSINESS GROWTH

We closed the year on a high with the Group posting an impressive performance in growth and profitability. The company's assets under management grew by 15% to Kshs 146 billion up from Kshs 127 billion in 2022, profitability rose 10.4% year-on-year, while our customer-centric approach was clearly demonstrated by the 30% climb in our client base.

The business is determined to sustain this momentum by charting new territory through innovative product offerings as well as expanding our geographical reach as the operating environment continues to improve.

CHAIRMAN'S STATEMENT *(continued)*

CIC ASSET MANAGEMENT

GOING FORWARD

Moving ahead, we are assured in our capability to expedite growth and foster lasting value for all stakeholders. Our management team remains focused in persistently executing our strategy, fortifying our strong market position and reputation of the brand. We endeavour to continually enhance customer experience and operational efficiency, while enriching our employee value proposition by fostering future skills development, and prioritizing well-being.

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.

ACKNOWLEDGEMENT

I would like to extend my profound gratitude to all management and staff whose support and collaboration has been pivotal in ensuring the success and prosperity of the franchise. Moreover, I appreciate my esteemed colleagues on the Board for their invaluable insights that have expertly steered the firm toward unparalleled success. 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 2024 and beyond and we promise to keep our word.

Cornelius Ashira

Chairman

BOARD OF DIRECTORS

Cornelius Ashira: Chairman

Cornelius Odhiambo Ashira, aged 59, joined the Board in 2014. Mr. Ashira 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 57, 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 Co-op 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 56 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 70, 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 59, joined the Board in June 2021. 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.

BOARD OF DIRECTORS *(continued)*

Jyoti Patel: Director

Ms. Jyoti Ishwarbhai Patel, aged 53, 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.

Abel Amuyunzu: Director

Director Abel Amuyunzu, age 63, joined the CIC Asset Management Board on 24th June 2023. The Director has a wide experience in Co-operatives leadership and management. He is a board member of Co-operative Insurance Society Limited and Chairman of Vest Co-operative Savings and Credit Society Ltd. Director Amuyunzu has undergone governance training from the Centre for Corporate Governance and is a member of Institute of Directors of Kenya.

Mr. Humphrey Gathungu: Managing Director

Mr. Humphrey Gathungu aged 47, 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 56, 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,

We are pleased to present the 2023 results. In a year marked by challenging global macroeconomic and financial conditions, we continued 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 grew by 15% to Kshs 146 billion up from Kshs 127 billion in 2022. This growth enabled the company to maintain its market leadership position in the unit trust business where we have a market share of 30% as at 31st December 2023. Revenue from contracts with customers grew by 3% to Kshs 1.2 billion from Kshs 1.1 billion in 2022. The company reported a profit before tax of Kshs 704 million compared to a profit before tax of Kshs 644 million in 2022.

ECONOMIC OVERVIEW

The economy is estimated to have averaged a 5.6% growth in 2023 largely attributable to robust activity in the service sector and a rebound in the agricultural sector. Notwithstanding the growth, macroeconomic conditions remained challenging on the back of geopolitical tensions, high inflation and fiscal constraints experienced during the year.

Interest rates remained high in the year as the central bank continued to implement tighter monetary policy aimed at bringing inflation down to within its target band of 2.5% to 7.5%.

In December 2023, the Central Bank of Kenya hiked its policy rate to a record 12.5% from 10.5% set in June 2023, necessitated primarily by downward pressure on the shilling.

The ongoing economic uncertainties had direct implications for the financial markets. The equity market performance declined further in 2023 with all market indices dipping year-on-year; NASI shed 27.5%, NSE 25 shed 24.0%, NSE 20 shed 10.4% and the new N10 index launched on 1st September 2023 to track the top-ten most liquid counters lost 92.49 points or 9.2%. The market continues to be largely affected by foreign investor outflows due to global risk aversion, KES depreciation combined with central banks' stance to sustain high rates in advanced economies. In the fixed income market, the increase in interest rates meant bond valuations declined which meant investors preferred short-term securities.

FUTURE OUTLOOK

We will continue to double down on generating organic growth over the long term by offering more solutions whilst consolidating our core business line – unit trust scheme, as well as pensions business. The current environment offers significant opportunities for long-term investors, and we enter 2024 well-positioned and confident in our ability to deliver for our clients, employees, and shareholders.

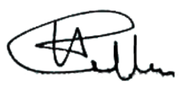
CIC Asset Management remains committed to its core mandate, with a strong capital base, good client relationships and a dedicated team to continue executing its strategic plan. We will increase our efforts in fulfilling our fiduciary responsibilities to clients and serving all of our stakeholders over the long term.

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

Mr. Humphrey Gathungu: Managing Director

Mr. Humphrey Gathungu aged 47, 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 56, 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).

Dennis Maranga: Portfolio Manager

Mr. Dennis Maranga aged 36, is a Portfolio Manager at CIC Asset Management Limited (CICAM). He holds a Bachelor of Commerce (Finance) from the University of Nairobi. Dennis is an associate member of the Chartered Institute of Securities and Investments (CISI) and the Institute of Certified Investment and Financial Analysts (ICIFA). He is an Association of Chartered Certified Accountants (ACCA) finalist and currently pursuing a certification in Climate and Renewable Energy Finance. He has over 14 years' experience in the Financial Services sector primarily in Private Equity and Asset Management. Prior to joining the team in 2024, he was a Portfolio Manager at Old Mutual Investment Group.

Muthoni Muuo: Portfolio Manager

Muthoni aged 38, 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.

Esther Nyambura: Senior Investment Operations Manager

Ms. Esther Nyambura Mwangi aged 36, joined CICAM in June 2023 as a Senior Investment Operations Manager. She holds a Bachelor's Degree in Commerce (Bcom - Finance) and is currently pursuing a Master degree in Strategic Management from the University of Nairobi. Esther has over 10 years work experience in Asset Management

Operations where she has performed various roles in Management, Investment Operations, Strategy & Leadership.

BOARD OF MANAGEMENT *(continued)*

Ruth Ngaruiya: Head of Unit Trust

Ms. Ruth Ngaruiya aged 36, is the Head of Unit Trust at CIC Asset Management Limited. She holds a master's degree in Strategic Management from Daystar University and a Bachelor of Commerce in Marketing from Catholic University of Eastern Africa. She is a member of the Chartered Institute of Investment and Securities (CISI) UK. Professionally, Ruth has over 11 years wealth of experience in financial services industry with key focus on Unit Trust business operations, Strategy implementing through innovation and forward-thinking solutions, Project and Change Management Solutions, driving customer engagement, Management and implementation of digital self-service channels through solving open ended business opportunities.

James Njagi: Head of Business Development

Mr. James Njagi aged 40, is the Head of Business Development at CIC Asset Management Limited. He holds a Bachelor of Science Degree in Actuarial Science from JKUAT and currently pursuing a Masters in Finance & Investment Management from University of Salford. He is a full member of the Institute of Certified Investment and Financial Analysts (ICIFA) and an Associate member of the Life Management Institute. With over 16 years' experience in the Financial services sector, Mr. Njagi has wealth of expertise in optimizing sales across diverse product portfolios, devising, and implementing long-term business strategies, and fostering strategic partnerships. Prior to joining CIC Group, he was the Head of Business Development Jubilee Financial Services. Earlier on, he worked as the Business Development Manager at APA Life Assurance.

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.

REPORT OF THE INDEPENDENT GOVERNANCE AUDITOR

TO THE SHAREHOLDERS OF CIC ASSET MANAGEMENT LIMITED

INTRODUCTION

We have performed Governance Audit for CIC Asset Management Limited covering the year ended 31st December 2023 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 governance 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

6th March , 2024

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

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. It is 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 has had a positive impact on the relationship between the Company and its stakeholders, hence transforming the Company into a top-tier leading fund manager in Unit Trusts by market share in Kenya and the most profitable fund manager.

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 Laws of Kenya. 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 and defines the roles, responsibilities and conduct expected of the Board , management and employees.

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

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, 2023. The Capital Markets (Conduct of Business) (Market Intermediaries) Regulations, 2011, The Companies Act No.17 of 2015, Companies (General)(Amendment) No.2 Regulations, 2015 and 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 practices 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 cornerstones 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, on the other for the achievement of the Company's strategic objectives and performance.

In promoting the success of the Company, the Board of Directors has 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 excellence in sound corporate governance practices, policies and procedures as evidenced in its internal policies and procedures. In the period 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.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

3. STATEMENT OF COMMITMENT TO GOOD CORPORATE GOVERNANCE *(continued)*

The Board of Directors with the support of management proactively manages the relationship with all stakeholders by embracing a stakeholder-inclusive approach. Engaging with stakeholders is 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.

4. OUR KEY STAKEHOLDERS AND PARTNERS

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

INTERNAL ENVIRONMENT			
SHAREHOLDER (OWNER)	**BOARD OF DIRECTORS**	**MANAGERS**	**EMPLOYEES**
Contribute capital, Undertake risks associated with the launch of financial investment activities and fund manager's operations.	Represent shareholder's interests, 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. Competitive NSE shares or correctly priced units.	To ensure compliance with regulatory legislative framework and provide input into the legislative development process. Issuance of 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.

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 to have 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.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

5. 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, whose performance against set objectives and policies is 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 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.

6. 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:

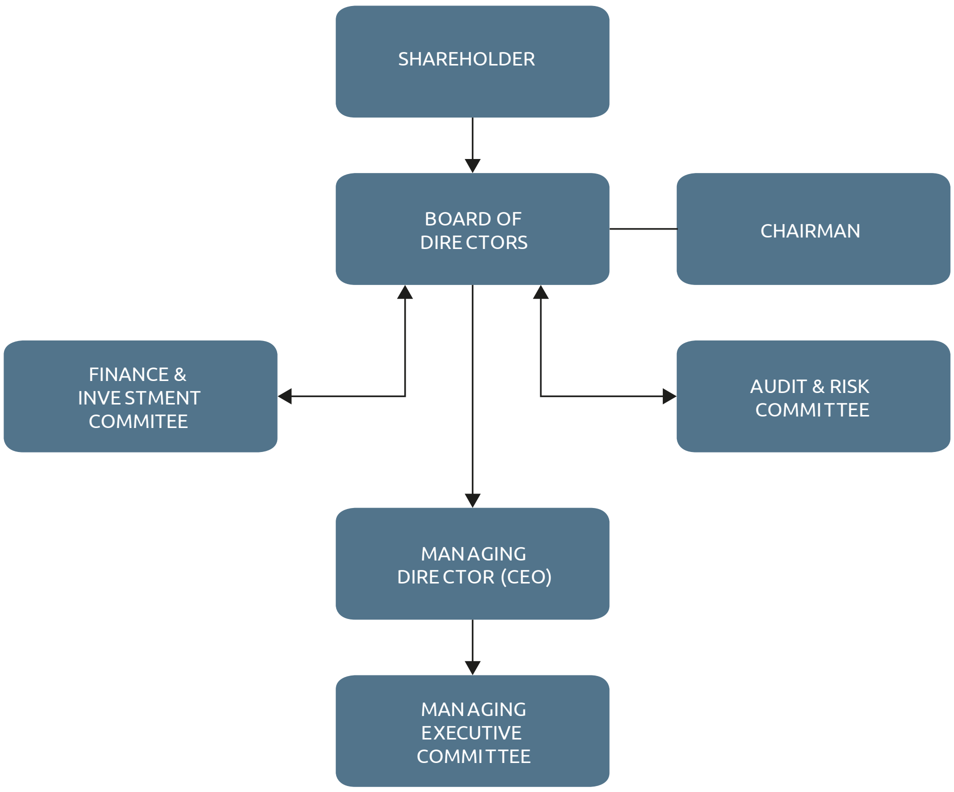
I. The separation of the roles, functions, responsibilities and powers of the Board and its members;
II. Powers delegated to the Board Committees;
III. Matters reserved for final decision-making and approval by the Board;
IV. Policies and practices of the Board on matters of corporate governance, directors' declarations of conflict of interest, conduct of board and board committee meetings;
V. 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.

The Board Charter is not a substitute or a replacement of any laws and regulations that govern the running of the company. The Board Charter is reviewed every three years so as to align with changing regulations and best Corporate Governance practice. The last review was done in March 2021.

Table 2

THE DIAGRAM BELOW PROVIDES AN OVERVIEW OF THE COMPANY'S CORPORATE STRUCTURE



CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

7. 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 at 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 the effective execution of its mandate.

A third of the board members are independent non-executive directors who do 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 a smooth transition on the board;
VI. Board diversity to ensure the desired mix of skills, knowledge, experience and expertise to enable the board to discharge its duties effectively

8. THE BOARD'S FUNCTION AND RESPONSIBILITIES

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

- Sustainable long-term success through the exercise of objective and informed judgment 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 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.

9. 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, the 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 on performance against set 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 the Board's strategies, decisions, values and policies with a structured approach to governance, integrated reporting and risk management;

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

9. THE BOARD'S FUNCTION AND RESPONSIBILITIES *(continued)*

X. Governing the disclosure control process of the Company including ensuring the integrity, accuracy, timeliness 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

10. 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.

11. DIRECTOR INDEPENDENCE

The Board has put in place policies and procedures to ensure the 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 judgment 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.

12. SEPARATION OF ROLES AND RESPONSIBILITIES

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

13. 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 a 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 make sound decisions.
- Regularly meets with the Managing Director to stay informed.
- Ensures effective communication with the shareholder and other stakeholders.
- Promotes high standards of corporate governance.
- Promotes and safeguards the interests and reputation of the Company.

14. 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 his annual performance appraisals. It is on this basis that the Managing Director's performance appraisal was evaluated during the reporting period.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

15. 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 the 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 non executive Director is capped at two terms of three years each.

16. BOARD TENURE

DIRECTOR	DATE OF APPOINTMENT TO THE BOARD	DATE LAST RE-APPOINTED
Cornelius Ashira	02.02.2012	11.05.2021
James Njue	21.05.2019	12.05.2022
Abel Amuyunzu	14.06.2023	24.06.2023
Rosemary Sakaja	01.06.2018	11.05.2021
Joseph Maina	03.08.2020	11.05.2021
Jyoti Patel	23.07.2021	-
Patrick Nyaga	03.08.2020	-
Humphrey Gathungu*	22.09.2022	-

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

17. 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 the 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.

18. 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.

19. 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' of annual board training, the Board has undertaken various trainings facilitated by management and industry professional bodies.

During the year under review, the board underwent comprehensive training by various specialists ranging from Corporate Governance, Board maturity assessment, Environmental, Social, and Governance (ESG) training, Emerging Industry Trends, Digitalization, and Cyber Security Threats. Audit and Risk Committee members underwent specialized training and the board chairman also underwent specialized training from Strathmore Business School.

20. CONFLICT OF INTEREST

All Directors of the Company must avoid any situation that 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 Capital Markets Act. 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 that 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 2023.

21. 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.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

21. CODE OF ETHICS AND CONDUCT *(continued)*

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

22. 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 in the table below.

23. 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.

DIRECTORS	BOARD MEETING		AUDIT AND RISK COMMITEE MEETING		FINANCE AND INVESTMENT COMMITEE MEETING		AGM 04.05.23
	(a)	(b)	(a)	(b)	(a)	(b)	
Cornelius Ashira – Chairman	5	5	*	*	4	4	✓
James Njue	5	5	*	*	4	4	✓
Abel Amuyunzu***	5	3	5	3	*	*	-
Rosemary Sakaja	5	5	*	*	4	4	✓
Joseph Maina	5	5	5	5	*	*	✓
Jyoti Patel	5	5	5	5	*	*	✓
Julius Nyaga**	*	*	*	*	4	4	-
Patrick Nyaga	5	5	5	5	4	4	✓
Humphrey Gathungu	5	5	5	5	4	4	✓

(a). Number of meetings convened during year when the director was a member.
(b). Number of Meetings attended by the Director during the year.
* Not a Member.
** Committee members drawn from affiliated companies.
*** Appointed to the Board on 14th June, 2023.

24. SECRETARY TO THE BOARD

The primary functions of the company Secretary include:

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

II. 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.

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

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

24. SECRETARY TO THE BOARD *(continued)*

IV. Maintains all minutes of Board meetings and the reports submitted and presented to the Board. In consultation with the CEO and the Chairman, ensures 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.

25. 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 herein after in this section.

26. AUDIT AND RISK COMMITTEE

The committee's major task is to provide a structured and systematic oversight of the institution's governance, risk management, and internal control practices.

The Responsibilities and roles of the Audit and Risk Committee fall 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
   - 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.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

26. AUDIT AND RISK COMMITTEE *(continued)*

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

Audit and Risk Commitee Members:
- Jyoti Patel - Chairperson
- Abel Amuyunzu
- Joseph Maina

27. 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 Commitee Members:
- James Njue - Chairman
- Cornelius Ashira
- Rosemary Sakaja
- 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.

28. 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 to gauge their performance and identify areas of improvement.

An extensive board evaluation was undertaken for the year 2023 by an independent consultant- Wyne & Associates. The recommendations therein are in the process of being implemented in the year 2024.

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

Board Maturity Self-Assessment revealed that a large majority of Board Members believe that the Board behavior reflects the highest maturity level. Great progress has been made in addressing areas of concern highlighted in the 2023 board evaluation.

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

30. 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.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT FRAMEWORK *(continued)*

The risk management framework is designed to assess, control, and monitor risks from all sources, to increase 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.

31. 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:

32. 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.

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.

33. 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.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

34. 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 Laundering.

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 Laundering (AML) and Combating the Financing of Terrorism (CFT). The company through its AML policy and KYC (Know Your Client) 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 the 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.

35. EXTERNAL AUDITOR
The shareholders at the Annual General Meeting of the Company held on 4th May 2023 approved the re-appointment of PriceWaterhouseCoopers as the external auditors for the year 2023, on the recommendation of the Board of Directors.

36. 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.

37. 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 competency and balance is maintained and enhanced. The Board has therefore put in place a succession policy to guide the process.

38. 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.

39. 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.

40. DISCLOSURE
The Company is fully committed to timely and relevant regulatory disclosure 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 2023, the Company was not subject to any material regulatory penalties for non-compliances with regulatory provisions.

41. WHISTLE BLOWING
The Company does not tolerate fraud, corrupt conduct, bribery, unethical behavior, 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 communication channels are supported and monitored independently and the contacts are on our website together with the whistleblowing policy.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

42. GOVERNANCE AUDIT
In line with modern good corporate governance practices and regulatory requirements, the Board appointed Umsizi LLP to conduct the Company's governance audit for the year 2023, 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.

43. 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 are ongoing.

44. ESG AND BOARD OF DIRECTORS RESPONSIBILITIES.
Global trends in the 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. To this end, an ESG Committee and ESG Framework has been approved at the group level and instituted to look into the operationalization and implementation of the ESG-related objectives.

45. 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.

46. SHARE - HOLDING STRUCTURE
The authorized share capital of CIC Asset Management Limited 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

47. 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

6th March, 2024

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2023

The directors submit their report together with the audited financial statements of CIC Asset Management Limited ("the company") for the year ended 31 December 2023.

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 4.

2. DIRECTORATE

The directors who held office during the year and to the date of this report are set out on page 4

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:

	2023 KSHS '000	2022 KSHS '000
Revenue from contracts with customers	1,163,774	1,129,791
Growth of assets under management	18%	33%
Profit before income tax	703,970	644,422
Net current assets	452,259	428,013
NET ASSETS	**1,562,258**	**1,299,530**

5. DIVIDEND

The directors recommend the approval of a first and final dividend of Ksh 215 million (2022 – Ksh 200 million).

6. BUSINESS REVIEW

ECONOMIC AND BUSINESS ENVIRONMENT

On average, the economy grew by 5.5% by the third quarter of 2023, unchanged year-on-year when compared to the average growth by Q3 of 2022. In Q3 of 2023, GDP growth was at 5.9% as the country's key industry, agriculture, rebounded strongly (+6.7%), off the back of favourable weather conditions, from a 1.3% contraction in Q3 of 2022. Services sector continued to perform strongly; particularly financial services (+14.7%), information and communication (+7.3%) and accommodation & food services (+26.0%).

IMF estimates that the real GDP grew by 5.7% in 2023 and will grow 5.0% in 2024. The 2023 growth is higher than the 4.8 % recorded in 2022. The IMF projects Kenya GDP growth in 2024 will largely be boosted by private consumption and ambitious debt-financed public investment. However, the slowed growth year-on-year will be because of the need to maintain mutually consistent and tighten domestic policy environment which will eventually weigh on the demand and partly dampen the positive effect from a recovery in the agricultural sector spurred by favourable rains.

Inflation overshot CBK's upper target to average 7.7% in 2023 from 7.6% in 2022; largely driven by supply side factors that exerted upward pressure largely on energy prices. The uptick in the cost of living reduced the purchasing power of households and subsequently lower savings and investments to the economy. It is expected that inflation will remain elevated in the year though within the CBK target band of 2.5% to 7.5% and likely hover towards the upper target for most of the year. Domestic price pressures will continue to ease as agricultural output improves. Upside risks exist from the ongoing geopolitical conflicts in the Middle East and Eastern Europe, which may result in elevated fuel prices thus second round effects of higher than projected inflation.

The KES lost substantial value against the USD in 2023 (-21.1%) to exchange at KES 156.46 on 31 Dec and lost a further 2.6% in January 2024.

REPORT OF THE DIRECTORS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

6. BUSINESS REVIEW *(continued)*

The sustained weakening could be attributed to imported inflation and previous fed rate hikes which resulted in increased demand for hard currency and outflows of the same to developed markets. Pockets of convergence in the exchange rate have begun to be witnessed. If sustained, this will improve the real returns of KES denominated investments. While currency access has improved significantly from the backlogs witnessed in 2022, we expect the shilling to be weaker in 2024 on the back of weak Kenyan macros.

The Monetary Policy Committee (MPC) cumulatively raised the central bank rate by 375bps by 2023 to close at 12.50%. We expect the committee to take a pause stance in the year given that inflation is within range in addition to allowing prior rate hikes to reverberate in the economy. The CBK's rate hikes intentions have recently transformed to managing the KES depreciation against the major currencies. Resultantly, both short term and long-term rates rose in 2023 driven by elevated inflation, government's continued borrowing and investors seeking enhanced yields. We expect yields on government securities to edge upwards in 1H24 as investors continue to weigh the government's debt sustainability. Yields should begin to taper in second half of 24 as global central banks begin/continue their rate cuts.

Activity in the domestic bourse was muted, down 6.1% year-on-year, denoting investor apathy following attractive returns in the fixed income and offshore investments. Despite improved corporate performance in some sectors such as agriculture, banking and insurance, prices of listed stocks had declined due to prevailing tough macro conditions and the un-abating foreign investor sell offs. The market was particularly impacted by drops in blue chip firms such as KCB, Safaricom, EABL and Equity Bank, down 42.5%, 42.4%, 31.9% and 24.4% respectively in 2023. Rate hikes in the advanced markets, global inflation pressures and market accessibility issues did not help the cause for an underperforming equities market; the NASI closed in the red for the second consecutive year, losing 27.7%. Significant local investor support helped support the market, with local investor participation rising 6.1 %age points to 55.4% from 49.3% in 2022. Going forward, we expect any rebound or downturn being contingent on the macro-economic factors. The significant drop of the Kenyan market in 2023, posting negative dollar returns of 42.4%, may provide a rebound opportunity aided by base effects.

OVERALL PERFORMANCE

Despite the fairly tough economic times that the country faced in 2023, the company registered an increase in management fees by 3% (2022: increase of 23%) and in profit before tax by 9% (2022: increase of 23%) from the prior year. This is mainly attributed to increase in assets under management by 18% from prior year. The balance sheet continues to be strong with net current assets of Kshs 447 million at 31 December 2023 (31 December 2022: Kshs 428 million) and net assets of Kshs 1,558 million at 31 December 2023(31 December 2022: Kshs 1,300 million).

LOOKING FORWARD

The future looks bright for the company. The directors are optimistic that the other lines of business especially management of pensions funds 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 2023.

REPORT OF THE DIRECTORS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

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

6 March 2024

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 35 to 74 which comprise the statement of financial position at 31 December 2023, 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, comprising material 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 as at 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting 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 judgement, were of the most significance in our audit of the financial statements of the current period.

We have determined that there were no key audit maters 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.

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 IFRS Accounting 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.

PricewaterhouseCoopers LLP. PwC Tower, Waiyaki Way/Chiromo Road, Westlands
P O Box 43963 – 00100 Nairobi, Kenya
T: +254 (20)285 5000 F: +254 (20)285 5001 www.pwc.com/ke

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

OF CIC ASSET MANAGEMENT LIMITED *(continued)*

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.
- 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 30 to 32 is consistent with the financial statements.

Bernice Kimacia

CPA Bernice Kimacia – Practicing Certificate Number 1457
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

27 March 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 KShs '000	2022 KShs '000
INCOME			
Revenue from contracts with customers	3(a)	1,163,774	1,129,791
Interest income calculated using effective interest rate	3(b)(i)	125,540	73,746
Other investment income	3(b)(ii)	(8,489)	1,181
Other income	3(b)(iii)	14	331
Total income		1,280,839	1,205,049
Operating and other expenses	4	(577,689)	(563,018)
Expected credit losses	4(b)	820	2,391
PROFIT BEFORE INCOME TAX		703,970	644,422
Income tax expense	6(a)	(207,034)	(194,349)
PROFIT FOR THE YEAR		496,936	450,073
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	(34,208)	(6,590)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		462,728	443,483

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 KShs '000	2022 KShs '000
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	7	10,079	9,380
Intangible assets	8	-	141
Right of use assets	9(a)	6,906	10,094
Equity instruments at fair value through profit or loss	10	10,125	7,080
Investment in collective investment scheme at fair value through profit or loss	11	159,503	156,258
Financial assets at amortised cost-corporate bonds	12	20,287	20,036
Financial assets at fair value through other comprehensive income-Government securities	13	864,466	651,835
Deferred income tax	15	43,459	24,922
		1,114,825	879,746
CURRENT ASSETS			
Accounts receivable	16	141,032	140,911
Amounts due from related companies	17	55,646	42,649
Other receivables	14	33	135
Deposits with financial institutions	18	348,385	338,247
Cash and bank balances	24(b)	405	14,002
		545,501	535,944
TOTAL ASSETS		1,660,326	1,415,690
EQUITY AND LIABILITIES			
Equity			
Share capital	19	311,000	311,000
Fair value reserve	20	(66,834)	(32,626)
Retained earnings	21	1,318,092	1,021,156
TOTAL EQUITY		1,562,258	1,299,530
Non-current liability			
Lease liability	9(b)	4,826	8,229
Current liabilities			
Current income tax	6(b)	22,777	44,569
Lease liability	9(b)	3,868	3,674
Other payables	22	66,597	59,688
Total liabilities		98,068	116,160
TOTAL EQUITY AND LIABILITIES		1,660,326	1,415,690

The financial statements on pages 35 to 74 were approved by the board of directors on 6 March 2024 and were signed on its behalf by:

Director – Humphrey Gathungu

Director – Cornelius Ashira

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Share Capital KShs '000	Fair value reserve KShs '000	Retained earnings KShs '000	Total KShs '000
	Note 19	Note 20	Note 21	
At 1 January 2023	311,000	(32,626)	1,021,156	1,299,530
Profit for the year	-	-	496,936	496,936
Other comprehensive income for the year	-	(34,208)	-	(34,208)
Transactions with owners				
Dividend paid	-	-	(200,000)	(200,000)
At 31 December 2023	311,000	(66,834)	1,318,092	1,562,258
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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 KShs '000	2022 KShs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	23(a)	587,347	578,415
Tax paid	6(b)	(232,702)	(198,154)
Repayment of the interest portion of the lease liability	9(b)	(1,466)	(1,883)
Net cash generated from operating activities		353,179	378,378
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income received	3(b)(ii)	706	540
Interest received	3(b)(i)	125,540	73,746
Purchase of property & equipment	7	(3,082)	(1,266)
Proceeds from disposal of property & equipment	7	50	134
Purchase of equity instruments at fair value through profit or loss	10	(5,124)	-
Proceed from disposal of equity instruments at fair value through profit or loss	10	550	-
Purchase of units in collective investment scheme	11	(10,911)	(40,113)
Proceeds from disposal of units in collective investment scheme	11	-	114,267
Purchase of treasury bond	13	(266,500)	(355,000)
Disposal of treasury bond	13	5,000	-
Purchase of corporate bonds	12	-	(3,500)
Proceeds from maturity of corporate bonds	12	342	-
Net cash from investing activities		(153,429)	(211,192)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(200,000)	(170,000)
Repayment of principal portion of lease liability	9	(3,209)	(2,792)
Net cash from financing activities		(203,209)	(172,792)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,459)	(5,606)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		352,249	357,855
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	24(b)	348,790	352,249

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1. MATERIAL 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 IFRS Accounting Standards, interpretations issued by the IFRS Interpretations Committee (IFRIC) Interpretations applicable to companies reporting under IFRS. The financial statements comply with IFRS Accounting Standards 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, statement of financial position, statement of changes in equity, statement of cash flows and notes to the financial statements comprising material accounting policies and other explanatory information. 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 2023 i.e years ending 31 December 2023,and (ii)forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2024.

I. New standards and amendments – applicable for the first time for the December 2023 year-ends

TITLE	KEY REQUIREMENTS	EFFECTIVE DATE *
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	1 January 2023
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.	1 January 2023

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. MATERIAL ACCOUNTING POLICIES *(continued)*

(b). New and amended standards and interpretations *(continued)*

TITLE	KEY REQUIREMENTS	EFFECTIVE DATE *
Amendments to IAS 12 International Tax Reform—Pillar Two Model Rules	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	1 January 2023

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

(c). New and amended standards in issue but not yet effective in the year ended 31 December 2023

TITLE	KEY REQUIREMENTS	EFFECTIVE DATE *
Amendments to IAS 1 - Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	Annual periods beginning on or after 1 January 2024
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to Supplier Finance Arrangements (IAS 7 and IFRS 7)	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis	1 January 2024
Amendments to IAS 21 Lack of Exchangeability (Amendments to IAS 21)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	1 January 2025

* applicable to reporting periods commencing on or after the given date.
The Company has not adopted any of these standards and none of them are expected to have a significant impact on the Company's financial statements.

(d). Revenue recognition

Revenue from contracts with customers:

I. Fund management fees
The Company recognizes revenue only when it satisfies a performance obligation by transferring control of the service to its customers.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. MATERIAL ACCOUNTING POLICIES *(continued)*

(d). Revenue recognition *(continued)*

I. Fund Management Fee *(continued)*

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.

II. 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.

III. Other income

Other income which comprises frequency withdrawal 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.

IV. 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.

(e). 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 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. MATERIAL ACCOUNTING POLICIES *(continued)*

(e). Taxation *(continued)*

Deferred income tax *(continued)*

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.

(f). 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).

(g). 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. MATERIAL ACCOUNTING POLICIES *(continued)*

(g). Impairment of non-financial assets *(continued)*

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.

(h). 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.

(i). 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.

(j). 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.

(k). 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.

(l). 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 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).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. MATERIAL ACCOUNTING POLICIES *(continued)*

(l). Expenses *(continued)*

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.

(m). 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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. MATERIAL ACCOUNTING POLICIES *(continued)*

(n). 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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. MATERIAL ACCOUNTING POLICIES *(continued)*

(o). Intangible assets *(continued)*

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 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. MATERIAL ACCOUNTING POLICIES *(continued)*

(q). Financial instruments *(continued)*

Initial recognition and measurement *(continued)*

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 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. MATERIAL ACCOUNTING POLICIES *(continued)*

(q). Financial instruments *(continued)*

Financial assets at fair value through profit or loss *(continued)*

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 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. MATERIAL ACCOUNTING POLICIES *(continued)*

(q). Financial instruments *(continued)*

Overview of Expected Credit Loss (ECL) principles *(continued)*

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. MATERIAL ACCOUNTING POLICIES *(continued)*

(q). Financial instruments *(continued)*

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 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 2023

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 2023, If the probabilities of default were increased or decreased by 1%, the impact on reported profit or loss before tax would not be material (2022: Immaterial).

(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 2023

3. (a) REVENUE FROM CONTRACTS WITH CUSTOMERS

	2023 KShs '000	2022 KShs '000
Fund management fees (Earned over time)	1,026,502	1,031,448
Administration fee (At a point in time)	137,272	98,343
	1,163,774	1,129,791
NET FUND MANAGEMENT FEES		
Total fund management fees in 3(a)	1,163,774	1,129,791
Fund management expenses		
Commission expenses (note4)	(322,042)	(320,791)
Net fund management fees	841,732	809,000

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

	2023 KShs '000	2022 KShs '000
i. **Interest income calculated using effective interest rate method**		
Interest on fixed deposit	33,274	31,645
Interest on corporate bonds	1,354	2,058
Interest on treasury bonds	90,912	40,043
	125,540	73,746
ii. **Other investment income**		
Dividend income	706	540
Fair value loss on equity instruments at fair value through profit or loss (note 10)	(1,529)	(1,189)
Fair value (loss)/gain on collective investment scheme at fair value through profit or loss (note 11)	(7,666)	1,830
	(8,489)	1,181
Total of (i) and (ii)	117,051	74,927
Analysed as follows:		
Financial assets		
At amortised cost	34,628	33,703
At fair value through other comprehensive income	90,912	40,043
At fair value through profit or loss	(8,489)	1,181
	117,051	74,927
iii. **Other income**		
Sundry income	14	331

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

4. OPERATING AND OTHER EXPENSES

	2023 KShs '000	2022 KShs '000
Commissions expenses	322,042	320,791
Bank charges	405	319
Auditor's remuneration	1,222	1,175
Directors' emoluments (note 17)	18,563	14,513
Depreciation on property and equipment (note 7)	2,333	2,076
Amortisation charge on intangible assets (note 8)	141	187
Staff costs (note 4(a)	176,526	171,740
Business advertising	5,287	4,786
Legal fees	267	180
Professional fees	3,969	12,296
Group personal accident insurance	1,844	1,829
Telephone	4,322	2,570
Amortisation of right of use asset (note 9) (a)	3,188	3,188
Interest on lease liabilities (note 9) (b)	1,466	1,883
Entertainment	508	225
Equipment repairs	167	14
Motor vehicle expenses	353	587
Sales promotion	133	299
Leased line internet services	1,308	1,325
Stationery	1,932	2,428
Software licenses	9,307	3,944
Travelling and accommodation	1,990	996
Medical expenses	5,662	6,856
Staff welfare	2,171	1,190
Seminars	580	803
Miscellaneous*	12,003	6,818
	577,689	563,018

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

(a). STAFF COSTS

Salaries and wages	129,744	132,723
Gratuity	4,053	4,055
Defined contribution plan contributions	6,135	5,480
Final dues	1,509	4,174
Fringe benefit tax	371	158
Education benefit	77	236
Bonus provision	19,264	24,914
Housing Levy	1,024	-
Restructuring cost	14,349	-
	176,526	171,740

*Restructuring costs relate to severance pay for employees who opted to retire under the voluntary early retirement programme in the year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

4. OPERATING AND OTHER EXPENSES *(continued)*

(b). EXPECTED CREDIT LOSSES –IFRS 9

	2023 KShs '000	2022 KShs '000
Government securities at FVOCI (note 26(a)	-	(153)
Financial assets at amortised cost-corporate bonds (note 26(a)	(345)	(3,246)
Deposits with financial institutions (note 26(a)	(202)	89
Related parties (note 26(a)	69	47
Other receivables (note 26(a)	-	(178)
Accounts receivables (note 26(a)	(335)	1,046
Cash and cash equivalents(Note 26(a)	(7)	4
	(820)	(2,391)

5 PROFIT BEFORE INCOME TAX

The following items have been charged in arriving at profit before tax:		
Auditor's remuneration (note 4)	1,222	1,175
Depreciation on property and equipment (note 7)	2,333	2,076
Amortisation of intangible assets (note 8)	141	187
Amortisation of right of use asset (note 9)	3,188	3,188
Interest on lease liabilities (note 9)	1,466	1,883
Staff costs (note 4(a))	176,526	171,740

6. INCOME TAX EXPENSE

(a). Current tax charge	210,910	191,767
Deferred tax credit (note 15)	(3,876)	2,582
	207,034	194,349
(b). Statement of financial position current income tax		
At 1 January	44,569	50,956
Tax charge	210,910	191,767
Tax paid	(232,702)	(198,154)
At 31 December	22,777	44,569
(c). Reconciliation of taxation charge to the expected tax based on accounting profit		
Profit before income tax	703,970	644,422
Tax at the applicable rate of %30	211,191	193,327
Tax effect of expenses not deductible for tax purposes*	5,127	2,305
Tax effect of income not taxable **	(9,284)	(1,283)
	207,034	194,349

The effective income tax rate is 30%

*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 2023

7. PROPERTY & EQUIPMENT

2023	Computers and Equipment	Furniture fittings & Equipment	Total
COST	KShs '000	KShs '000	KShs '000
At 1 January	3,402	67,289	70,691
Additions	2,178	904	3,082
Disposal	(50)	-	(50)
At 31 December	5,530	68,193	73,723
ACCUMULATED DEPRECIATION			
At 1 January	1,858	59,453	61,311
Charge for the year	805	1,528	2,333
At 31 December	2,663	60,981	63,644
CARRYING AMOUNT			
AT 31 December	2,867	7,212	10,079

2022	Computers and Equipment	Furniture fittings & Equipment	Total
COST	KShs '000	KShs '000	KShs '000
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	1,544	7,836	9,380

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

8. INTANGIBLE ASSETS

	2023 KShs '000	2022 KShs '000
COST		
At 1 January and 31 December	5,709	5,709
AMORTISATION		
At 1 January	5,568	5,381
Charge for the year	141	187
At 31 December	5,709	5,568
CARRYING AMOUNT		
At 31 December	-	141

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

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**	2023 KShs '000	2022 KShs '000
At 1 January	10,094	13,282
Amortisation	(3,188)	(3,188)
As at 31 December	6,906	10,094

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

9. RIGHT OF USE ASSETS AND LEASE LIABILITIES *(continued)*

	2023	2022
(b). Lease liability	**KShs '000**	**KShs '000**
Current	3,868	3,674
Non-current	4,826	8,229
	8,694	11,903
As at 1 January	11,903	14,695
Accretion of interest	1,466	1,883
Payments	(4,675)	(4,675)
As at 31 December	8,694	11,903
Amounts recognised in profit or loss		
Leases under IFRS 16		
Interest on lease liabilities (Note 4)	1,466	1,883
Amortisation expense (Note 9)	3,188	3,188
Amounts recognised in statement of cash flows		
Repayment of principal portion of the lease liability	3,209	2,792
Repayment of the interest portion of the lease liability	1,466	1,883
Total cash outflow for leases	4,675	4,675

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.

2023	Due on demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Lease liabilities	-	1,169	3,506	5,454	-	10,129

2022	Due on demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
	KShs	KShs	KShs	KShs	KShs	KShs
Lease liabilities	-	1,169	3,506	10,129	-	14,804

10. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	KShs '000	**KShs '000**
At 1 January	7,080	8,269
Purchases	5,124	-
Disposals	(550)	-
Fair value loss (note 3(b)(ii))	(1,529)	(1,189)
At 31 December	10,125	7,080

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

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

.	2023 KShs '000	2022 KShs '000
At 1 January	156,258	228,582
Additions	10,911	40,113
Disposals	-	(114,267)
Fair value (loss)/gain (note 3(b)(ii)	(7,666)	1,830
At 31 December	159,503	156,258

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

	2023 KShs '000	2022 KShs '000
Gross	20,563	29,727
Expected credit loss (note 26(a))	(276)	(9,691)
At 31 December	20,287	20,036
Movement of the cost of corporate bonds in the year:		
At 1 January	29,727	33,209
Purchases	-	3,500
Maturity	(342)	-
Write off	(9,070)	(7,350)
Accrued interest	248	368
Gross	20,563	29,727
Maturity analysis		
Maturing within 1 year	-	-
Maturing between 2 – 1 years (undiscounted)	28,389	35,901

Corporate bonds are carried at amortized cost. The weighted average effective interest rate was 12.5%. (2022: 12.5%). An analysis of changes in the gross carrying amount and corresponding ECL allowances in corporate bonds has been disclosed in note 26.

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

	2023 KShs '000	2022 KShs '000
At 1 January	651,835	306,096
Purchases	266,500	355,000
Sales	(5,000)	
Fair value loss	(48,869)	(9,414)
Expected credit loss allowance	-	153
	864,466	651,835

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

14. OTHER RECEIVABLES

	2023 KShs '000	2022 KShs '000
Gross	33	135
Expected credit loss allowance	-	-
At 31 December	33	135

All other receivables will be settles within the year.

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. (2022: Not collaterised)

Movement in other receivables is shown below:

	2023 KShs '000	2022 KShs '000
At 1 January	135	47
Additions	33	135
Loan repayments	(135)	(47)
Expected credit loss for the year	-	-
At 31 December	33	135

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:

2023	At 1 January Kshs '000	Recognised in profit or loss Kshs '000	Recognised in OCI Kshs '000	At 31 December Kshs '000
Accelerated capital allowances	(5,745)	1,450	-	(4,295)
Expected credit losses allowances	(3,333)	2,541	-	(792)
Gratuity	(2,086)	733	-	(1,353)
Fair value gains on securities at FVOCI	(12,638)	-	(14,661)	(27,299)
Accrued leave	(1,120)	115	-	(1,005)
Bonus provision	-	(8,715)	-	(8,715)
Deferred tax asset	(24,922)	(3,876)	(14,661)	(43,459)

2022	At 1 January	Recognised in profit or loss	Recognised in OCI	At 31 December
Accelerated capital allowances	(5,939)	194	-	(5,745)
Expected credit losses allowances	(6,681)	3,348	-	(3,333)
Gratuity	(1,021)	(1,065)	-	(2,086)
Fair value gains on securities at FVOCI	(9,814)	-	(2,824)	(12,638)
Accrued leave	(1,225)	105	-	(1,120)
Deferred tax asset	(24,680)	2,582	(2,824)	(24,922)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

16. ACCOUNTS RECEIVABLE

	2023 KShs '000	2022 KShs '000
Administration fees receivable	22,242	24,351
Administration fees receivable – CIC Unit Trust Scheme	120,482	115,815
Prepayments	87	2,859
Allowance for expected credit losses	(1,779)	(2,114)
	141,032	140,911

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 The 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 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.

	2023 KShs '000	2022 KShs '000
Due from:		
CIC Life Assurance Limited	7,077	6,488
The CIC Insurance Group PLC	47,478	36,260
CIC General Insurance Limited	1,374	115
Allowance for expected credit losses	(283)	(214)
	55,646	42,649

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

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

	2023 KShs '000	2022 KShs '000
Receipts from related parties:		
CIC Insurance Group PLC	32,457	16,437
CIC General Insurance Limited	384,226	351,023
CIC Life Assurance Limited	36,135	20,831
	452,818	388,291
Payments to related parties:		
CIC Insurance Group PLC	43,675	27,588
CIC General Insurance Limited	385,485	354,284
CIC Life Assurance Limited	35,767	10,817
	464,927	392,689

The following are balances with CIC Collective Investment Scheme as at 31 December.

	2023 KShs '000	2022 KShs '000
Revenue earned from management of unit trusts (note 3 (a)	1,026,502	1,031,448
Administration fees receivable (note 16)	120,482	115,815
	1,146,984	1,147,263

	2023 KShs '000	2022 KShs '000
Directors' emoluments-fees	2,506	3,106
Retainer	6,833	6,221
Sitting allowances	3,851	1,923
Travel and subsistence	163	394
Insurance	378	514
Honoraria	3,042	691
Retreats and training	1,052	500
Christmas token	738	162
Exit package	-	1,002
	18,563	14,513
Key management compensation		
Salaries and other short-term employment benefits		
Basic salary	27,519	32,620
Gratuity	4,510	5,810
Staff leave allowance	424	418
National Social Security Fund contribution	12	2
	32,465	38,850

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

18. DEPOSITS WITH FINANCIAL INSTITUTIONS

	2023 KShs '000	2022 KShs '000
The Co-operative Bank of Kenya Limited	225,055	33,089
Development Bank of Kenya Limited	-	37,398
Family Bank of Kenya Limited	-	17,021
Kingdom Bank Limited	22,679	64,444
KCB Bank Kenya Limited	28,089	43,710
NCBA Bank Kenya Limited	-	44,621
Equity Bank Kenya Limited	61,471	47,790
National Bank of Kenya	-	50,678
Stanbic Bank	11,393	-
Allowance for expected credit losses	(302)	(504)
	348,385	338,247
Maturity analysis:		
Maturing within 3 months	348,687	338,751

The carrying amounts disclosed above reasonably approximate fair value at the reporting date. The weighted average effective interest rate was %9.40 :2022) .%9.4)

19. SHARE CAPITAL

	2023	2022
Authorised:	KShs '000	KShs '000
50,000,000 - 2022) 50,000,000) ordinary shares of KShs 20 each	1,000,000	1,000,000
Issued and fully paid:		
15,550,000 - 2022) 15,550,000) ordinary shares of KShs 20 each	311,000	311,000

20. FAIR VALUE RESERVE

The fair value reserve represents fair value losses arising from debt instruments at fair value through other comprehensive income.

21. RETAINED EARNINGS

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

22. TRADE AND OTHER PAYABLES

	2023 KShs '000	2022 KShs '000
Leave pay accrual	3,350	3,730
Commission payable	648	500
VAT payable	16,837	17,625
Gratuity payable	4,510	6,955
Bonus	29,049	25,265
Sundry payables	6,818	5,613
Restructuring costs	5,385	0
	66,597	59,688

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 2023

23. CASH GENERATED FROM OPERATING ACTIVITIES

(a). Reconciliation of profit before taxation to cash generated from operations:

	Notes	2023 KShs '000	2022 KShs '000
Profit before income tax		703,970	644,422
Adjustments for:			
Depreciation on property & equipment	7	2,333	2,076
Expected credit loss on bonds	4(b)	(345)	(3,399)
Amortisation charge on intangible assets	8	141	187
Interest receivable	3(b)(i)	(125,540)	(73,746)
Accrued interest on corporate bond	12	(248)	(368)
Dividend income	3(b)(ii)	(706)	(540)
Interest on lease liability	9(b)	1,466	1,883
	Notes	**2023 KShs '000**	**2022 KShs '000**
Amortisation of right of use asset	9(a)	3,188	3,188
Fair value loss on equity instruments at fair value through profit or loss	10	1,529	1,189
Fair value loss/ (gain) on investment in collective investment scheme at fair value through profit or loss	11	7,666	(1,830)
		593,454	573,062
Cash flows generated from operating activities			
Working capital changes:			
Accounts receivable and other receivables		(19)	(17,007)
Other payables		6,909	31,545
Related party balances		(12,997)	(9,185)
Cash generated from operating activities		587,347	578,415

		2023 KShs '000	2022 KShs '000
(b). For purposes of cash flows, cash and cash equivalents comprise:			
Bank balances		405	14,002
Deposits with financial institutions maturing within 3 months	18	348,385	338,247
		348,790	352,249

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

25. DIVIDENDS

	2023 KShs '000	2022 KShs '000
Dividends paid during the year	200,000	170,000
Proposed for approval at the annual general meeting (not recognised as a liability)	215,000	200,000

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.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

26. FINANCIAL RISK MANAGEMENT *(continued)*

(a). Credit risk *(continued)*

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.

Significant increase in credit risk, default, and cure

The Company continuously monitors all assets subject to ECLs. 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

26. FINANCIAL RISK MANAGEMENT *(continued)*

(a). Credit risk *(continued)*

Impairment losses on financial investments subject to impairment assessment

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

Government securities measured at FVOCI

	2023 KShs '000	2022 KShs '000
Gross receivable (fair value through OCI)	864,466	651,835
Less: Loss Allowance	-	-
Net carrying amount	864,466	651,835

The loss allowance on Government securities measured at FVOCI has been assessed to be immaterial.

Debt instruments at amortized cost:

Corporate bonds

	2023 KShs '000	2022 KShs '000
Corporate bonds	20,563	29,727
Less: Loss Allowance	(276)	(9,691)
Net carrying amount	20,287	20,036

Deposits with financial institutions

	2023 KShs '000	2022 KShs '000
Gross	348,686	338,750
Less: Loss Allowance	(301)	(503)
Net carrying amount	348,385	338,247

Other receivables

	2023 KShs '000	2022 KShs '000
Gross	33	135
Less: Loss Allowance	-	-
Net carrying amount	33	135

Amounts due from related parties

Gross	55,929	42,863
Less: Loss Allowance	(283)	(214)
Net carrying amount	55,646	42,649

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

26. FINANCIAL RISK MANAGEMENT *(continued)*

(a). Credit risk *(continued)*

Impairment losses on financial investments subject to impairment assessment *(continued)*

Debt instruments at amortized cost *(continued)*

Cash and bank balances

	2023 Kshs'000	2022 Kshs'000
Gross	405	14,009
Less: Loss Allowance	-	(7)
Net carrying amount	405	14,002

Accounts receivable

The outstanding customer receivables as at 31 December 2023 amounted to Kshs 141,032,000 (2022: Kshs. 140,911,000) (Note 16). The company had 10 customers in 2023 (2022: 10).

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:

-31Dec23-	30-1 days	60-31 days	90-61 days	Over 90 days	Total
Expected credit loss rate	%1.3	%6	%30	%100	
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Gross carrying amount	142,811	-	-	-	142,811
Expected credit loss	(1,779)	-	-	-	(1,779)
Net carrying amount	141,032	-	-	-	141,032

-31Dec22-	30-1 Days	60-31 Days	90-61 Days	Over 90 Days	Total
Expected credit loss rate	%1.5	%6	%30	%100	
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Gross carrying amount	143,025	-	-	-	143,025
Expected credit loss	(2,114)	-	-	-	(2,114)
Net carrying amount	140,911	-	-	-	140,911

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

26. FINANCIAL RISK MANAGEMENT *(continued)*

(a). Credit risk *(continued)*

Impairment losses on financial investments subject to impairment assessment *(continued)*

Debt instruments at amortized cost *(continued)*

Reconciliation of loss allowance accounts

	At 31 December 2022	Write off of ECL	(Increase)/ decrease in loss allowance in the year	At 31 December 2023
	KShs '000	KShs '000	KShs '000	KShs '000
Government securities at FVOCI (note 13)	-	-	-	-
Corporate bonds (note 12)	(9,691)	9,070	345	(276)
Other receivables (note 14)	-	-	-	-
Deposits with financial institutions (note 18)	(504)	-	202	(302)
Due from related parties (note 17)	(214)	-	(69)	(283)
Cash and cash equivalents	(7)	-	7	-
Accounts receivables (note 16)	(2,114)	-	335	(1,779)
	(12,530)	9,070	820	(2,640)

	At 31 December 2021	Write off of ECL	(Increase)/ decrease in loss allowance in the year	At 31 December 2022
	KShs '000	KShs '000	KShs '000	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)	(504)
Due from related parties (note 17)	(167)	-	(47)	(214)
Cash and cash equivalents	(3)	-	(4)	(7)
Accounts receivables (note 16)	(1068)	-	(1,046)	(2,114)
	(22,271)	7,350	2,391	(12,530)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

26. FINANCIAL RISK MANAGEMENT *(continued)*

(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.

31 December 2023	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	141,032	-	-	141,032
Corporate bonds	-	-	28,389	28,389
Other receivables	33	-	-	33
Government securities	-	-	2,478,854	2,478,854
Due from related companies	55,646	-	-	55,646
Deposits with financial institutions	348,385	-	-	348,385
Cash and bank balances	405	-	-	405
	545,501	-	2,507,243	3,052,744
Financial liabilities				
Other payable	66,597	-	-	66,597
Lease liability	2,337	2,337	5,455	10,129
Net liquidity headroom	476,567	(2,337)	2,501,788	2,976,018
31 December 2022				
Financial assets				
Accounts receivable	140,911	-	-	140,911
Corporate bonds	-	-	35,901	35,901
Staff loans	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

Carrying amounts of financial assets and liabilities

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

26. FINANCIAL RISK MANAGEMENT *(continued)*

(b). **Liquidity risk** *(continued)*

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

Category of financial asset/liability	2023 KShs '000	2022 KShs '000
Financial assets		
Financial assets at fair value through profit or loss	169,628	163,338
Financial assets at fair value through OCI	864,466	651,835
Financial assets at amortised cost	565,788	555,980
	1,599,882	1,371,153
Financial liabilities at amortised cost*	75,291	71,591

*Included in financial liabilities at amortised cost are other payables, excluding taxes and leave provision.

(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 (2022: immaterial).

If government securities held at fair value through other comprehensive income market indices had increased/ decreased by 5%, with all other variables held constant, and all the company's government securities investments moving according to the historical correlation with the index, the impact to total comprehensive income would increase/decrease by Ksh 1,710,414 (2022:329,500) while government securities would increase/decrease by Kshs 43,223,308 (2022: 32,591,756)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

26. FINANCIAL RISK MANAGEMENT *(continued)*

(c). Market risk *(continued)*

III. Foreign exchange risk

The company's operations are predominantly in Kenya where the currency has lost substantial value against the major convertible currencies. As at 31 December 2023, the company has invested in the CIC dollar fund which is 3% of total investments. If the value of the currency had increased / decreased by 10% against the US dollar, with all other variables held constant, the profit before tax for the year would have decreased or increased by Kshs 15 million and Kshs 4 million respectively.

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 KShs '000	Level 2 KShs '000	Level 3 KShs '000	Total KShs '000
At 31 December 2023				
Equity investments at fair value through profit or loss (note 10)	10,125	-	-	10,125
Investments in collective investment scheme at fair value through profit or loss (note 11)	-	159,503	-	159,503
Financial securities as fair value through OCI- Government securities	864,466	-	-	864,466
	874,591	159,503	-	1,034,094
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

There were no transactions between different levels during the year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

27. FAIR VALUE MEASUREMENT *(continued)*

Assets and liabilities by fair value hierarchy *(continued)*

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:

	2023 KShs '000	2022 KShs '000
Minimum capital requirement	10,000	10,000
Capital held at 31 December:		
Share capital	311,000	311,000
Retained earnings	1,318,092	1,021,156
	1,629,092	1,332,156
Working capital:		
Net working capital	452,259	428,013
%20 of the minimum share capital	2,000	2,000
3 times average monthly operating expenses	145,000	141,000

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 2022.

Gearing ratio

The company had no external borrowings as at 31 December 2023 and 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

29. CONTINGENT LIABILITIES

Assets under management

At 31 December 2023, the third party funds under management by the company amounted to Kshs 132 billion (31 December 2022: Kshs 111 billion).

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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CIC OFFICES

NAIROBI BRANCHES

TOWN OFFICE:
Reinsurance Plaza
Mezzanine Floor, Aga Khan Walk
Mobile: 0703 099 500
townoffice@cic.co.ke

BURU BURU BRANCH
Victoria Building, 1st Floor
Mumias Road
Mobile: 0703 099 954
bururubrunch@cic.co.ke

WESTLANDS BRANCH
Pamstech House
2nd Floor, Woodvale Grove
Mobile: 0703 099 757
westlands@cic.co.ke

THIKA BRANCH
Thika Arcade, 4th Floor
Mobile: 0703 099 611
Kenyatta Highway
thika@cic.co.ke

KITENGELA BRANCH
New Raha Mall
Mobile: 0703 099 749
kitengela@cic.co.ke

NANYUKI BRANCH
Peeri Place, 1st Floor
Mobile: 0703 099 770
nanyuki@cic.co.ke

MAWASHA BRANCH
Maina Plaza, 1st Floor
Kijabe Road
Mobile: 0703 099 763
mawasha@cic.co.ke

NYAHURURU BRANCH
Kimwa Centre, 2nd Floor
Kenyatta Avenue
Tel: 0703 099 783
nyahururu@cic.co.ke

MACHAKOS BRANCH
ABC Impali Plaza, 2nd Floor
Tel: 0703 099 960
machakos@cic.co.ke

BOMET BRANCH
Merya Building, Ground
Mobile: 0703 099 690
bomet@cic.co.ke

KIAMBU BRANCH
Bishop Rent Cathedral Plaza,
2nd & 3rd Floor
Tel: 0703 099 630
kiambu@cic.co.ke

NYERI BRANCH
Co-dpera ve Union Building
Tel: 0703 099 716
nyeri@cic.co.ke

NAKURU BRANCH
Macho Plaza, 2nd Floor
Geoffrey Kamau Road
Tel: 0703 099 713
nakuru@cic.co.ke

KISUMU BRANCH
wedco Centre, Mezzanine Floor
Oginga Odinga Road
Tel: 0703 099 600

HOMA BAY BRANCH
Port Samora Plaza, Ground Floor
Mobile: 0703 099 766
hombay@cic.co.ke

EMBU BRANCH
Sakita›s Building, 3rd Floor
above Family Bank
Tel: 0703 099 900
embu@cic.co.ke

RUIRU BRANCH
Alexander House, 1st Floor
Ranga Street
Tel: 0703 099 930
rairubrunch@cic.co.ke

KAKAMEGA BRANCH
Walia›s Centre, Ground Floor
Tel: 0703 099 802
kakamega@cic.co.ke

ELDORET BRANCH
Co-operative Building, 1st Floor
Ronald Ngala Street
Tel: 0703 099 660
eldoret@cic.co.ke

KISII BRANCH
Kengelo Plaza, 2nd Floor
Kisii- Kisumu Highway
Mobile: 0703 099 700

BUNGOMA BRANCH
Uhuru Flats
1st Floor, Kiai Avenue
Tel: 0703 094 173

KERICHO BRANCH
Imarisha Building, Ground Floor
Tel: 0703 099 650
kericho@cic.co.ke

KILIFI BRANCH
Arkdhens Plaza, 3rd Floor
Mobile: 0703 099 718
kilifi@cic.co.ke

MOMBASA BRANCH
MTC North Tower,
Mwembe Road, Mkunazini Road
Tel: 0703 099 751
mombasa@cic.co.ke

KITALE BRANCH
Mega Centre, 1st Floor
Mobile: 0703 099 951
kitale@cic.co.ke

REGIONAL OFFICES

CIC SOUTH SUDAN
Co-Bros Mart Plaza, South, Kololo
Tel: +211 926 668 807
inf@cis.cicinsuregroupp.com

CIC UGANDA
ARA Building, 2 Floor,
Lourdel Rd, Kampala
Mobile: +256 200 900 100
uganda@cic.cicinsuregroupp.com

CIC MALAWI
Tata Building, Plot-4/387,
Colby Road, Lilongwe
Mobile: +265(1) 751 026
malawi@cic.cicinsuregroupp.com

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CIC ASSET MANAGEMENT LIMITED

KENYA • SOUTH SUDAN • UGANDA • MALAWI

CIC Plaza, Mara Road, Upperhill
020 282 3000, 0703099120
callc@cic.co.ke www.cicinsurancegroup.com
@CICGroupPLC CICGroupPLC

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