CIC GROUP

ASSET MANAGEMENT LIMITED

ANNUAL REPORT AND FINANCIAL ACCOUNTS 2020

LET US UNITE,
LET US STOP COVID19
STAY SAFE

HELP PREVENT COVID19 BY:

OBSERVING ALL PROTOCOLS SET BY THE MINISTRY OF HEALTH

- Be alert to Symptoms
- Wash your Hands with Soap
- Wear a Mask
- Always Keep a Safe Distance
- Get Vaccinated
  If within the Priority List

In battling COVID-19 pademic and the risks associated with handling cash, we encourage you to transact using your **Debit Card, Credit Card** and **Mobile Money**.

#Stay Safe

OUR PHILOSOPHIES

1

OUR PURPOSE (MISSION)

Enable people achieve Financial security

WHO WE ARE

CIC Asset Management Limited is a market leader in the Collective Investment Scheme space with a market share of 41.35% and has a vast branch network of 27 branches spread across the counties. CIC offers a wide variety of life products and services.

2

OUR VISION

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

3

OUR VALUES

Integrity
- Be fair and transparent

Dynamism
- Be passionate and innovative

Performance
- Be efficient and results driven

Cooperation
- Live the cooperative spirit

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CIC ASSET MANAGEMENT LIMITED
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020

DIRECTORS	C. Ashira	- Chairperson
	P. Nyaga	- Appointed on 3 August 2020
	S. Mutuku	- Managing Director
	J. Magomere	
	J. Mbitu	- Retired on 30 June 2020
	J. Njiru	
	R. Sakaja	
	R. Githaiga	
	J. K. Maina	- Appointed on 3 August 2020

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	S. Mutuku	- Managing Director
	M. Wanga	- Company Secretary
	Z. Maghas	- Senior Manager Finance
	S. Robi	- Group Risk and Compliance Manager
	E. Njuguna	- Human Resource Business Partner
	D. Gitau	- Senior Portfolio Manager and Head of Business Development
	A. Muthaka	- Senior Portfolio Manager
	C. Nyambura	- Fund Administrator Manager
	S. Andiki	- Fund Administrator
	R. Ngaruiya	- Fund Administrator
	S. Kimani	- Team leader
	M. Katiwa	- Team leader
	P. Ongeti	- Team leader
	L. Oyaya	- Relationship Manager - Pensions
	K. Ndegwa	- Internal auditor

AUDITORS

PricewaterhouseCoopers LLP
Certified Public Accountants
PwC Tower, Westlands
Waiyaki Way/Chiromo Road
P.O. Box 43963 - 00100
Nairobi GPO - Kenya

PRINCIPAL BANKERS

The Co-operative Bank of Kenya Limited
P.O. Box 67881 - 00100
Nairobi

CIC GROUP

CIC ASSET MANAGEMENT LIMITED
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 9TH ANNUAL GENERAL MEETING OF CIC ASSET MANAGEMENT LIMITED WILL BE CONDUCTED VIRTUALLY VIA ELECTRONIC COMMUNICATION ON TUESDAY 11TH DAY OF MAY, 2021 AT 2:00 PM TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

1. To note the proxies and confirm the presence of quorum.

2. To read the notice convening the Meeting.

3. To confirm the Minutes of the 8th Annual General Meeting held on 25th September 2020.

4. To receive, consider and if thought fit, approve the Company's Audited Financial Statements for the year ended 31st December 2020, together with the Auditor's Report thereon.

5. To declare a dividend.

6. To consider and if thought fit, re-appoint Messrs. PriceWaterhouseCoopers, Certified Public Accountants, as the Auditors of the Company, 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 fees for the ensuing year.

7. Election of Directors:
   a. Mr. Cornelius Ashira who 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.
   b. Ms. Rosemary Sakaja who retires by rotation in accordance with Article 120 (a), (b) and (c) of the Company's Articles of Association, and being eligible, offers herself for re-appointment as an Independent Director.
   c. Mr. Joseph Maina Kamau, appointed to fill a causal vacancy, retires from office in accordance with the provisions of Article 107 and being eligible, offers himself for re-election as a Non-Executive Director.

   Changes in Board.

   d. To note the retirement of Mr. Japheth Magomere as a Non-Executive Director who has served his full tenure, in accordance with Articles 108(1) (b), 108 (2) and 130 (g).

8. To authorize the Board to fix the Directors Remuneration.

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

BY ORDER OF THE BOARD

MARY WANGA
COMPANY SECRETARY
Dated at Nairobi this 21st day of April, 2021

NOTE:

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

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

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

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 2020. Generally, the global and domestic economy witnessed poor performance in 2020 majorly on account of the Covid-19 pandemic. CIC Asset Management had a successful and rewarding year. We continue to reshape the business to address the fundamental changes taking place in the market.

GLOBAL ENVIRONMENT

Global growth is projected to have contracted by 4.4%, according to IMF, World Economic Outlook (October 2020) led by the significant contraction of 5.5% and 3.3% for the developed and developing economies respectively. The decline was largely due to the impact of COVID-19 leading to large disruptions in business activity than expected.

KENYAN ENVIRONMENT

Leading economic indicators point to an economic contraction in 2020. Growth receded to average -0.4% in the two quarters to June compared to 5.7% in the corresponding period in 2019. There was suppressed growth across sectors that were ground to a halt due to the measures taken to contain the COVID-19 pandemic.

Inflation remained well anchored despite a slight increase to average 5.28% in 2020 from 5.20% in 2019 largely due to the low fuel prices experienced in the first half of the year and favourable weather conditions experienced throughout the year, which ensured that food prices remained low.

The base lending rate by the Central Bank of Kenya was lowered earlier in the year to 7.0% to provide some needed stimulus to the economy.

The equities market exhibited a downward trajectory with the NSE All Share Index (NASI) and NSE-20 losing 8.6% and 29.6% respectively in 2020. This was mainly attributed to foreign investor outflows from equity markets amid a shift to safer haven assets in the wake of the pandemic.

BUSINESS GROWTH

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

GOING FORWARD

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

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

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

ACKNOWLEDGEMENT

I wish to thank my colleagues and the board for their support, strategic guidance and dedication to the company. My appreciation also goes to the management and employees for their hard work, commitment and enthusiasm in serving the company. I would also like to thank all our stakeholders including partners, brokers, independent agents and the regulator for their support. We sincerely believe that we would not have achieved these results without you. We look forward to even greater partnership in 2021 and beyond and we promise to keep our word.

Cornelius Ashira
Chairman

BOARD OF DIRECTORS

CORNELIUS ASHIRA
BOARD CHAIRMAN

Cornelius Odhiambo Ashira, aged 56, joined the Board in 2014. Mr. Ashira is the Director Representing Nairobi Province Parastatal based societies. He is currently a board member of Kumbu Kumbu Sacco and the Chairman of the Credit Committee. Mr. Ashra 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.

Mr. JAPHETH MAGOMERE, OGW.

Mr. Japheth Anavila Magomere aged 70, Joined the Board in 2014. Mr. Magomere is the President of the International Co-operative Alliance (ICA) Africa and the Vice President of ICA Global. He is the Director representing Nairobi Region Private Sector based societies. He has been the Chairman of CIC Insurance Group PLC since 2004. He has been a Delegate of Co-op Holdings Co-operative Society (the anchor shareholder of Co-operative Bank) since 1986 and is a Member of the Institute of Directors of Kenya. He serves as the Chairman of Cooperative Alliance of Kenya and is the Honourable Secretary of Maisha Bora Sacco. He has been a Council member of East African Farmers Federation since 2008 and joined the board in 2017. Japheth is the current Chairman of the National Council for Ushirika Day Celebrations, Africa Chapter and a Board Member of several secondary schools. He was honoured with the Order of the Grand Warrior of Kenya ("OGW") in 2009.

MR. JAMES NJUE
DIRECTOR

Mr. James Njue Njiru aged 54, Joined the Board in 2019. Mr. Njue represents Eastern Region based societies at the Co-operatives Insurance Society Limited. 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.

MRS. ROSEMARY GITHAIGA
DIRECTOR

Mrs. Rosemary Majala Githaiga aged 58, Joined the Board in 2019. Mrs. Githaiga has over 25 years' experience as a lawyer and is the former Group Company Secretary of the Co-operative Bank of Kenya Limited. She is a graduate of Nairobi University, LLB (Hons), and has a Post Graduate Diploma in Legal Studies from Kenya School of Law. She is an Advocate of the High Court of Kenya, a member of the Institute of Certified Public Secretaries (CPS (K), an Associate Member of the Chartered Institute of Arbitrators, a member of the Institute of Directors of Kenya and a member of Women Corporate Directors (WCD) Kenya Chapter. She is an accredited governance auditor and consultant. Rosemary also serves as a director on the boards of the Co- operative Bank of South Sudan and CIC Africa Insurance (SS) Limited.

MS. ROSEMARY SAKAJA
DIRECTOR

Ms. Rosemary Sakaja, aged 68, joined the board in 2019 as an independent Director. Ms. Sakaja 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 to other qualifications in accounts and taxation. She has undertaken various courses in corporate governance, human resource and pensions management, international trade and marketing. Ms. Sakaja is a member of the Institute of Directors of Kenya and the Women on Boards Network (WOBN). She has experience spanning over 29 years having held senior positions at various institutions both in the public and private sectors.

JOSEPH KAMAU
DIERCTOR

Mr. Joseph Maina Kamau, aged 56, joined the Board in 2020. Mr. Maina represents Central Region based societies at the Co-operatives Insurance Society Limited. 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.

BOARD OF DIRECTORS

MR. PATRICK NYAGA
DIRECTOR

Mr. Patrick Nyaga aged 53, Joined the Board in the year 2020 as an executive Director. Mr. Nyaga 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 29 years working experience mainly banking 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 Cooperative 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 several Corporate Governance courses including in Insurance Business.

STANLEY MUTUKU
MANAGING DIRECTOR

Stanley Mutuku - Stanley aged 46, is the Managing Director CIC Asset Management Limited. He holds an MBA (Double Major) in Finance and Strategic Management and a B Com (Double Major) in Business Administration, Management and Marketing. Professionally, Mr. Mutuku a Certified Public Accountant of Kenya (CPA-K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK), holds a postgraduate Diploma from the Chartered Institute of Marketing (UK) - CIM and Capital Market Specialist - INTERFIMA. He has over 25 years work experience in the financial services industry having worked for Old Mutual Kenya and Jubilee Insurance. He has worked in CIC for the last 10 years. He is also a licensed practitioner and member of ICIFA (K). Mr. Mutuku is also a Member of the Institute of Directors-Kenya. He is the Vice Chair of the CIS committee of the Fund Managers Association (FMA).

MARY WANGA
CS

Ms. Mary Wanga aged 53, is the Company Secretary and an Advocate of the High Court of Kenya with over 24 years' experience both as a practicing and corporate lawyer. She joined CIC Group Plc in 2008.

Ms. Wanga is a Certified Public Secretary CPS (K) and holds a Bachelor Degree in Law, Bachelor of Social Legislation and Post Graduate Diploma in Kenya Laws and Diploma in Insurance (AIIK). She is a member of the Institute of Directors of Kenya, An Associate member of Insurance Institute of Kenya and convenor of Legal Affairs and Professional standards commitee, Law Society of Kenya, ACIArb, ICPSK and Women on Boards Network (WOBN).


ASSET
We keep our word
to protect your INVESTMENTS

MANAGING DIRECTOR'S STATEMENT

CIC ASSET MANAGEMENT

Dear Shareholders,

The 2019 results are an improvement from the previous financial year. We continue to focus on delivering value for our shareholders, providing superior products and services to our customers, and positively impacting the communities in the areas where we live and work.

Financial Performance

The company's assets under management achieved an accelerated growth of 56.5% to Kshs 80.6 billion in 2020 up from Kshs 51.5 billion in 2019. This growth enabled the company to maintain its market leadership position in the unit trust business commanding a market share of 41.35%. Revenue from contracts with customers grew by 43.9% to Kshs 679.6 million from Kshs 472.2 million in 2019. The company reported a profit before tax of Kshs 361.1 million compared to a profit before tax of Kshs 243.62 million in 2019 a 48% growth.

Economic Overview

The yield curve steepened as short term rates decreased while longer term rates increased. This was mainly due to CBK's efforts to keep rates low by rejecting expensive bids in the auction market as well as increased demand by banks who shied away from lending to the public on perceived higher credit risk. Short term rates remained in single digits hence investors sought enhanced yields in the medium-term papers which offered slightly more attractive double digit returns. The Central Bank Rate (CBR) was lowered earlier in the year to 7% to provide some needed stimulus to the economy. Despite the accommodative stance adopted by the central bank, we opine that yields on the long end of the curve will increase while the short end is likely to remain relatively unchanged with a downward bias.

The equities market exhibited a downward trajectory with the NSE All Share Index (NASI) and NSE-20 losing 8.6% & 29.6% respectively in 2020. This was mainly attributed to foreign investor outflows from equity markets amid a shift to safer haven assets in the wake of the pandemic. Towards the end of 2020, the market pulled back some gains on positive news of vaccine discovery and we are optimistic this should improve market sentiment heading to 2021. Outlook for the market in 2021 remains skewed to a few counters largely banks and Safaricom, which are expected to further grow earnings. Most of the sectors remain in the red with companies still exhibiting weaker earnings hence unattractive to investors.

Future Outlook

In 2020, the markets have experienced downward trends due to the COVID-19 pandemic spreading across the world, and we expect this to have a negative impact on the projected economic growth rates.

We are optimistic that a lasting solution will be developed to contain the COVID-19 pandemic. We are adhering to all Government directives and also maintaining a healthy workplace for our staff, customers and stakeholders. We have also implemented business continuity measures that include remote working to ensure that we continue to serve our customers. Despite the constraints, we will strive to continue building a sustainable business and conducting ourselves in the highest levels of ethics and integrity as we serve our customers.

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

Appreciation

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

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

I look forward to better years ahead.

Stanley Mutuku
Managing Director

SENIOR MANAGEMENT

STANLEY MUTUKU
MANAGING DIRECTOR

Stanley Mutuku - Stanley aged 46, is the Managing Director CIC Asset Management Limited. He holds an MBA (Double Major) in Finance and Strategic Management and a B Com (Double Major) in Business Administration, Management and Marketing. Professionally, Mr. Mutuku a Certified Public Accountant of Kenya (CPA-K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK), he holds a postgraduate Diploma from the Chartered Institute of Marketing (UK) - CIM and Capital Market Specialist - INTERFIMA. He has over 25 years work experience in the financial services industry having worked for Old Mutual Kenya and Jubilee Insurance. He has worked in CIC for the last 10 years. He is also a licensed practitioner and member of ICIFA (K). Mr. Mutuku is also a Member of the Institute of Directors-Kenya. He is the Vice Chair of the CIS committee of the Fund Managers Association (FMA).

MARY WANGA
CS

Ms. Mary Wanga aged 53, is the Company Secretary and an Advocate of the High Court of Kenya with over 24 years' experience both as a practicing and corporate lawyer. She joined CIC Group Plc in 2008.
Ms. Wanga is a Certified Public Secretary CPS (K) and holds a Bachelor Degree in Law, Bachelor of Social Legislation and Post Graduate Diploma in Kenya Laws and Diploma in Insurance (AIIK). She is a member of the Institute of Directors of Kenya, An Associate member of Insurance Institute of Kenya and convenor of Legal Affairs and Professional standards commitee, Law Society of Kenya, ACIArb, ICPSK and Women on Boards Network (WOBN).

ZULEKHA MAGHAS PHD

Ms. Zulekha is the Finance Manager. She holds a PhD in BA (Finance), an MBA in Strategic Management and a B Com in Finance. Professionally, Ms. Maghas is a Certified Public Accountant of Kenya (CPA-K), Certified Public Secretary of Kenya (CS-K), a member of the Institute of Certified Public Accountants of Kenya (ICPAK), member of the institute of Certified Secretaries of Kenya, and member of Association of Women Accountant (AWAK). She has over 25 years work experience in the horticultural, NGO and financial services industry. She has worked in CIC for the last 12 years. Ms. Maghas is also a Member of the Institute of Directors of Kenya.

SUSAN ROBI

Ms. Robi aged 43, 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 and Risk Management. Ms. Robi joined CIC Insurance Group Plc in 2011.

ELIZABETH NJUGUNA

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.

DAVID GITAU

David is a Senior Portfolio Manager and Head of Business Development. He holds a Bachelor of Laws (LLB) degree. Professionally, David is a Chartered Financial Analyst and a member of the CFA Institute and the CFA Society of East Africa. He has over 10 years work experience in the financial services industry spanning from stockbroking, corporate finance advisory and portfolio management having worked for AIB Capital Ltd and Madison Investment Managers Ltd. He has worked in CIC for the last 5 years. He is also a licensed practitioner and member of Institute of Certified Investment and Financial Analysts (ICIFA). David has attended various trainings on leadership, securities laws, financial modelling, debt and equity issuance and venture capital. He is a member of the Stakeholders Committee of the Fund Managers Association as well as a member of the Retirement Benefits Authority Research panel.

SENIOR MANAGEMENT

ALEX MUTHAKA

Alex Muthaka is the Senior Portfolio Manager. He is a member of the National Society of Collegiate Scholars and the Beta Gamma Sigma Honor Society. He holds a Master of Science (Msc) in Finance from the University of Baltimore, USA and a Bachelor's degree in Finance and Economics from Towson University, USA. Prior to joining CIC Asset Management in 2016, he served as the Manager - Asset Management at Genghis Capital and as an Investment Analyst at Britam Asset Managers. Alex is a Certified Financial Risk Manager and a member of ICIFA (K).

CATHERINE NYAMBURA

Catherine aged 35, is the Fund Administrator Manager. She holds a Master's Degree (MBA) in Finance, a Bachelor's Degree (BSc) in Actuarial Science and is an Associate Member of the Chartered Institute of Securities and Investments (CISI). Catherine has a wealth of experience in the Finance & Investment field with over 10 years work experience in various positions held in Cash, Bond & Equity settlements as well as Client Relationship Management. Catherine has worked in CIC for the last 6 years and performs various roles in management, operations, strategy & leadership.

SETH ANDIKI

Seth Andiki aged 32, is the Fund Administrator in charge of Pricing, Performance and Reconciliation. He holds an MBA from Warwick Business School (UK) with core modules being Strategic Management, Change Management, and Innovation and Creativity in organizations and B. Com, Finance from KCA University (Vice-Chancellor Scholarship Award beneficiary). Professionally, Seth is an ICIFA graduate and a licensed practitioner. He is also a graduate of the New Managers Leadership Program (Strathmore University). He joined CIC in 2013.

RUTH NGARUIYA

Ruth aged 34, is the Fund Administrator. She holds a Master's Degree (MBA) in Strategic Management from Daystar University and a Bachelor's Degree, (B Com) in Marketing from Catholic University. Professionally, Ruth is a member of Chartered Institute of Investment and Securities. She has worked in CIC for 10 years and joined CIC in 2011.

SYLVIA KIMANI

Sylvia Kimani aged 38, is a Team leader. She holds an MBA in Strategic Management and a B Com in Business Administration, International Business. She has COP (Certificate of Proficiency) in insurance and CISI (Chartered Institute for Securities & Investment) I & II. Has over 10 years work experience in the financial services industry and has worked in CIC for the last 10 years as a Unit trust advisor.

MOSES KATIWA

Moses Katiwa aged 40, is a sales team leader. He holds Bachelors in Business Administration and a Diploma in Information Technology. He has over 12 years work experience in the financial services industry having worked for Standard Chartered Bank and Old Mutual Kenya. He has worked in CIC for the last 10 years. He is also a holder of CISI and COP certificates.

SENIOR MANAGEMENT

PETER ONGETI

Peter Ongeti aged 36, is a Team leader. He holds a PhD in finance, MSC in finance and investment, Bachelor of commerce in finance, Diploma in co-operative management, professionally certified public Accountant (section 3), Chartered Institute of securities and Investment (CISI) London level 3 and a Certificate of Proficiency in insurance. He has over 14 years work experience in the financial service industry having worked with Family bank. He has worked in CIC for the last 9 years.

LINDA OYAYA

Linda aged 35, is the Relationship Manager - Pensions . She holds a Bachelor of Science Degree in Actuarial Science from JKUAT. She is a member of Chartered Institute of Securities and Investments and has over 10 years pension industry experience having been involved in several key responsibilities covering pension funds management, fund administration, research and analysis, client relationship and client acquisition. She joined CIC in 2015.

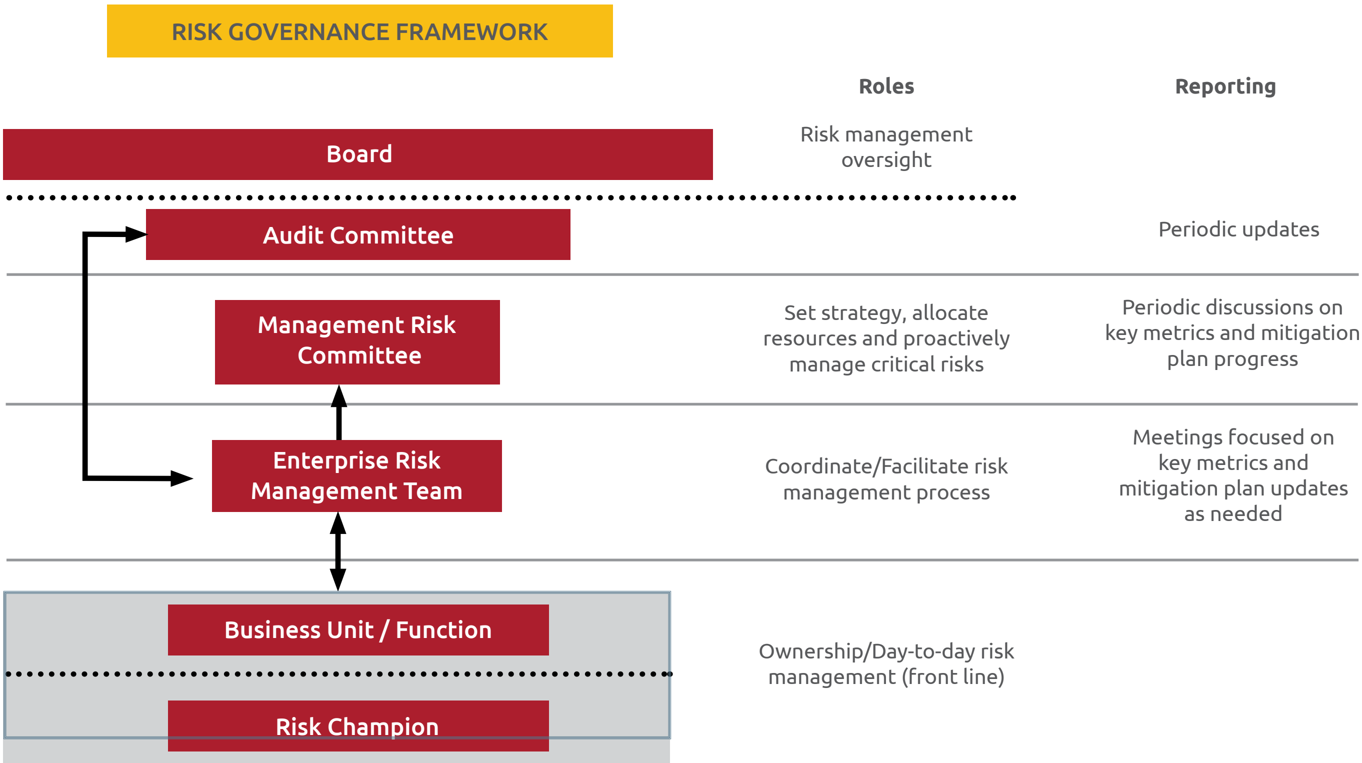
KEZIA NDEGWA

Kezia Ndegwa aged 35, is the Internal auditor. She holds a Bachelor of commerce accounting major. Professionally, she is a Certified Public Accountant of Kenya (CPA-K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). She is also a member of Institute of Internal auditors-IIA. She has over 12 years' work experience in finance and audit.


HEALTH
We keep our word
to nurture your FAMILY'S HEALTH

RISK GOVERNANCE FRAMEWORK
FOR THE YEAR ENDED 31 DECEMBER 2020

CICAM Risk Governance is based on the principles of Enterprise-wide Risk Management (ERM). This approach ensures a clear Tone at the top, shared risk management responsibility and accountability, while ensuring escalation of risks from the shop floor (Risk Champions) to the board level.

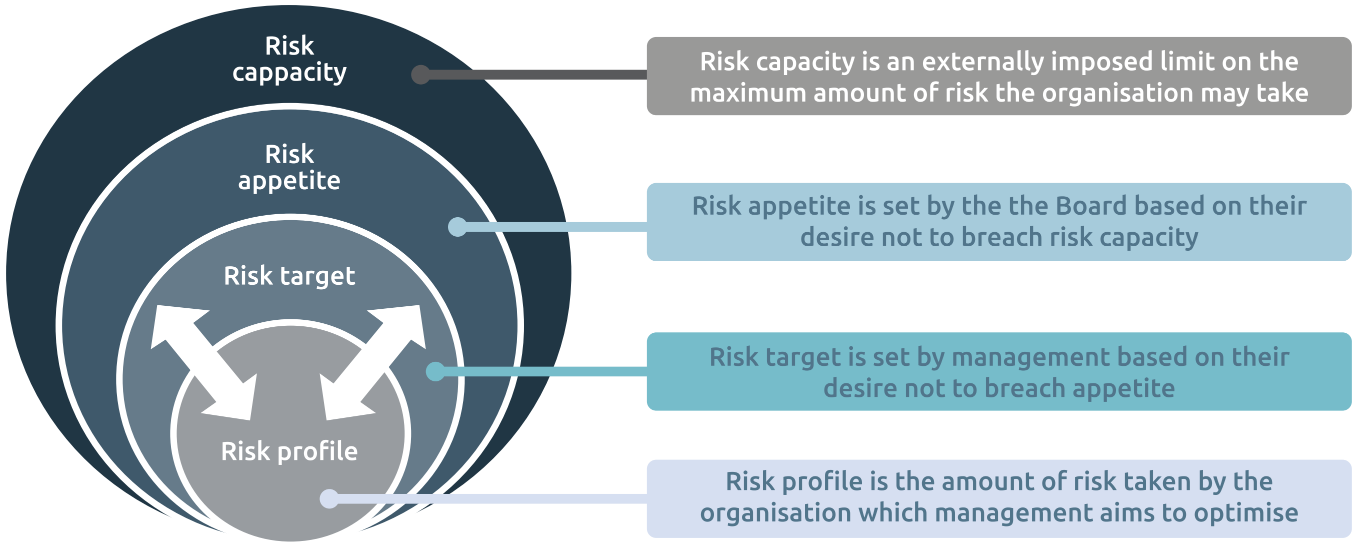


Risk Tolerance and Appetite

CICAM has established and maintains a risk appetite statement which sets out its overall quantitative and qualitative risk appetite levels and defined risk appetite limits, which takes into account all relevant and material categories of risk and the relationships between them. A clearly articulated risk appetite framework is based on the approved strategy. This has been cascaded across risk types being a critical element of prudential business management and successful ERM, to ensure that CICAM has effective processes in place to operate within the expectations of key stakeholders and within CICAM's financial capacity.

RISK GOVERNANCE FRAMEWORK *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

The components of the risk appetite system are illustrated be the figure below



Business Continuity Management (BCP)

CICAM Insurance Group has a robust Business continuity plan that covers disastrous events that is, any internal or external event that may cause unacceptable interruption in essential business processes. The primary objective of this Business Continuity Plan is to ensure the continued operation of identified critical business operations in the event of a disaster.

In 2020 we were faced with challenges around business continuity by the COVID 19 pandemic; CICAM was able to adopt to the new operating environment and continue its operations, this was made possible by our Business Continuity Plan which created a guide of operations within a Health and Safety Disaster.

Whistle blower policy

CICAM has a well-established whistle blower policy that provides a platform for stakeholders (Customers, staff, agents, brokers, suppliers) to raise concern regarding any suspected wrongdoing. The whistle blower platform is managed by an independent Ombudsman to ensure anonymity.

The policy has been designed to entrench risk escalation to the board ensuring that all reports are followed to conclusion. Our policy is enforced by the code of conduct and anti-fraud policy to which every staff member must attest.

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 2020 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 LLP*
5th March, 2021

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

Our vision is to be the preferred provider of superior investment management and related financial services

CIC Asset Management Limited

CIC Asset Management Limited was incorporated on 12th February 2007 under Certificate No. C.135138 under Chapter 486 Laws of Kenya (Repealed by The Companies Act No.17 of 2015) and licensed as a Fund Manager on 30th January 2014 regulated by the Capital Markets Authority.

Overview of the Governance Statement Regulation and Compliance

In setting up our corporate governance framework, we have taken into account the Capital Markets Act, Part IV of the Capital Markets (Licensing Requirements) (General) Regulations, 2002 and the Capital Markets (Corporate Governance) (Market Intermediaries) Regulations, 2011 and the Capital Markets (Collective Investment Schemes) Regulations, 2001.

The Capital Markets (Conduct of Business) (Market Intermediaries) Regulations, 2011 expressly states that a market intermediary shall, when conducting a regulated activity, apply principles of best practice and, in particular observe a high standard of integrity and fair dealing. Secondly, act with due skill, care and diligence; and finally observe high standards of market conduct.

Further, the governance statement is inspired by the Company Memorandum and Articles of Association, the Companies Act No.17 of 2015, Kenyan Constitution 2010 as well as International Best Practice and CICAM Board Charter.

Implications of COVID 19 on Corporate Governance

The wake of COVID 19 in the country has continued to affect companies and firms in all sectors of the economy especially during the year under review. The Board worked closely with management to ensure continuity and sustainability of business. During the year, the Board enhanced the use of technology to ensure good governance by amending the Company's memorandum of understanding to incorporate virtual and hybrid meetings. The company had already adopted the use of eBoard system in its conduct of board meetings.

Report of the Independent Governance Auditor to the Shareholders of CIC Asset Management Limited

We have carried out a Governance Audit of CIC Asset Management Limited (the "Company") for the Financial Year ended 31st December 2019 -2020 through which we reviewed the Governance Practices, Structures, policies and Systems put in place by the Board of the Company.

Governance Auditor's Responsibility

We conducted our audit in accordance with the 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 Company's policies, systems, practices and processes. We believe that our governance audit provides a reasonable basis for our opinion.

Opinion

The 2019 -2020 governance audit that was conducted by Umsizi LLP gave their opinion, that the Board of CIC Asset Management Limited has put in place effective, appropriate and adequate governance structures which are in compliance with the legal and regulatory framework and in line with good governance practices for the interest of stakeholders.

Statement of Commitment to Good Governance

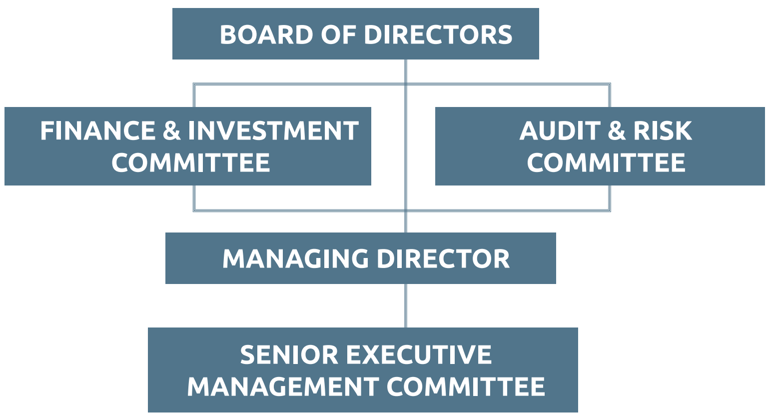
The CIC Asset Management Limited Board of Directors ("Board") is committed to high standards of corporate governance and its corporate governance framework supports its long term performance and sustainability projects and enhances shareholder value and protects the interests of all its key stakeholders. The company believes that good corporate governance is based on a set of values and behaviour that underpin day-to-day activities; provide transparency and fair dealing; and promote financial stability and healthy economic growth that can deliver better outcomes for the company's stakeholders and help its customers get ahead.

The company regularly reviews its corporate governance arrangements and practices and ensures that the same reflects the developments in regulation, best market practice and stakeholder expectations. Our strategy is anchored on fundamental pillars and core values of the company which espouse Integrity, Dynamism, Performance and Co-operation.

Board Mandate

The primary role of the Board remains to guide the company towards sustainable long-term success through the exercise of objective and informed judgement in determining the strategy of the company, having the best team in place to execute that strategy, monitoring business performance and maintaining an effective framework of controls to mitigate risks facing the business.

Table 1: The diagram below provides an overview of the Company's Corporate Structure.



The Board Charter

A Board Charter provides a concise overview of the role and responsibilities of the board of directors; powers of the board various committees; separation of roles between the Board and Management; and the practice of the board in respect of corporate governance matters. The CICAM Board Charter is subject to the provisions of the Companies Act, 2015, the Company's Memorandum and Articles of Association and any applicable law or regulatory provision.

The CICAM Board Charter was reviewed during the year under review to offer guidance on matters including but not limited to the following:

- The separation of the roles, functions, responsibilities and powers of the Board and its individual members.
- Powers delegated to the Board committees; matters reserved for final decision-making and approval by the Board.
- Policies and practices of the Board on matters of corporate governance, Directors' declarations and conflict of interest, conduct of Board and Board committee meetings.

The Charter is not a substitute or a replacement of any laws and regulations that govern the running of the company.

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

Separation of the role of the Chairman and the Managing Director

The separation of the functions of the Chairman (a Non-Executive Director) and the Managing Director supports and ensures the independence of the board and management. The balance of power, increased accountability, clear definition of responsibilities and improved decision-making are attained through a clear distinction between the Non-Executive and executive roles. The Chairman's responsibilities include the operation, leadership and governance of the board. The Managing Director's roles and responsibilities remains the day-to-day management of the company's business and overseeing the implementation of strategy and policies approved by the board.

The Chairman is responsible for:

- The leadership of the Board and ensuring that the Board functions are effectively carried out.
- Setting the Boards' agenda while striking a balance between strategy and performance.
- Ensuring that sufficient time is allowed for discussions on complex, contentious and critical issues and that all Directors engage and contribute to these discussions while ensuring that appropriate time and information is provided to Directors to take sound decisions on such matters.
- Encouraging active engagement and appropriate challenge by the Board on the company's risk and control environment.
- Ensuring that the Board has sufficient oversight over its committees by ensuring that the Committees meet regularly and comprehensively report back on their activities to the Board.
- Facilitating effective communication between the Board and the leadership team inside and outside of the Board meeting framework

The Managing Director is responsible for:
- Driving the implementation of the strategy and business as approved by the
- Managing all matters affecting the operations and performance of the company within the authority delegated to him by the Board.
- Providing timely and accurate information about the company and key/material developments to the Board.
- Communicating to internal and external stakeholders on matters affecting the Company.
- Board and regularly reporting on the progress on execution.
- 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.
- Maintaining and ensuring the effectiveness of the system of governance adopted across the company.

Company Secretary

The Company Secretary, a member of the Institute of Certified Secretaries of Kenya (ICPSK), plays the critical role of coordinating the activities of the Board. The Board is assisted by the Company Secretary who is directly responsible to the Board through the Chairman on all matters to do with the proper functioning of the Board. The Company Secretary attends all Board meetings and offers additional guidance to the Board on matters relating to corporate governance and statutory matters.

The Company Secretary's role and responsibilities includes but not limited to the following:
- Facilitation of good information flow within the Board, its Committees and between Senior Management.
- Induction of new Directors and the on-going professional development of all Directors.
- Monitoring compliance with the Board's procedures and for advising the Board on all applicable laws and governance matters through the Chairman.

Each member of the Board has direct access to the Company Secretary.
The performance of the Company Secretary is assessed by the Board as part of the annual Board performance evaluation process.

Working Relationship Between the Board and the Company Secretary

The Board is solely responsible for its agenda. However, it is 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 agenda for the Board meetings.

The CICAM Board meets at least four (4) times a year and the meetings are structured in a way that allows for open discussions. Comprehensive Board papers are prepared and circulated to all Directors for all substantive agenda items. This allows time for the Directors to undertake an appropriate review of the Board papers to facilitate full and effective discussions at the meetings. The senior leadership team members may be invited to attend the board meetings if deemed necessary. The Directors are responsible for ensuring that the business strategies proposed are successful and offer oversight role over the business. The Board has also put in place a new strategic plan 2021 - 2025. This enables the Directors to promote the success of CICAM for the benefit of its shareholders, with consideration of, among other matters, the interests of employees, fostering of business relationships with customers, suppliers and other stakeholders. The Directors oversee operational performance of the business, and to perform these tasks, they have full access to all relevant information with updates provided on governance, regulatory and other matters affecting the company.

Board of Directors and Composition

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

The company's constitution sets a minimum of five (5) directors and a maximum of nine (9) directors including the Managing Director and the Group Company Chief Executive Officer.

The Board currently comprises of eight directors constituted as follows:

- Five non-executive directors including the Chairperson;
- Two executive directors
- One independent director.

The constitution of Directors provides that the executive directors have no voting rights.

For the year under review, the Board Chairman was Mr. John Mwangi Mbitu who retired on 30th June 2020. Mr. Conelious Ashira was subsequently elected as the Chairman of the Bord on 3rd August 2020. The Chairman's responsibilities include among others; setting the ethical tone for the Board, providing overall leadership to the Board in line with principles of collective responsibility for Board decisions that caters for the interests of the policyholders and shareholders, setting out the Board agenda for board meetings and ensuring adequate time is made available at each Board meeting for discussion on all agenda items.

Detailed information on each of the Company's Director is set out in the Director's Report section of the 2020 Annual Financial Statements.

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

Board Tenure of Office

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

Table 2: Directors Period of Office

Director	Date of Appointment to the Board	Date Last Re-Appointed
Cornelius Ashira	30.01.2014	11.05.2021
Japheth Magomere	30.01.2014	25.09.2020
James Njue	21.05.2019	-
Rosemary Majala	16.07.2019	-
Rosemary Sakaja	01.06.2018	-
John Mbitu	09.05.2017	Retired on 30.06.2020
Joseph Maina	03.08.2020	-
Patrick Nyaga	03.08.2020	-

Letter of Appointment and Due Diligence

The key terms and conditions applicable to Director Appointments are set out in a letter of appointment setting out Director's role and responsibilities, time commitments, induction, performance, remuneration, disclosure of outside interests, independence and confidentiality.

All Directors have undergone the fit and proper due diligence assessment conducted by the regulator (The Capital Markets Authority) and approvals granted to all directors. All Directors also have a current certificate of good conduct from the Criminal Investigation Directorate and Credit Reference Bureau.

Director Induction

A comprehensive induction to an organisation allows new board members to be properly informed, supported and welcomed from the time of their board appointment. Newly appointed Directors receive appropriate 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.

Board Evaluation

In line with the provisions of the Code of Corporate Governance Practices for market intermediaries, the Board undertook an annual evaluation of its performance as an entity, its committees, the Chairman and each individual Director as well as the Company Secretary. This was aimed at enabling the Board and its members and the committees to gauge their performance and identify areas of improvement.

The Board was trained on corporate governance and the application of the board evaluation tool towards complying with the 12 hours board training requirement.

The Board evaluation for the year under review, 2020, was conducted virtually and the questionnaires administered digitally. This was as a result of adherence to government protocols on restrictions on physical meetings and movements due to the covid 19 situation in the country. The evaluations exercise also included a board evaluation training.

The review concluded that the Board continues to be effective.

Conflict of Interest

The Directors are obligated to fully disclose to the Board any real or potential conflict of interest, which comes to any Director's attention, whether direct or indirect. The statutory duty to avoid situations in which the Directors have or may have interests that conflict with those of the Company has been observed by the Board in the financial year under review. All business transactions with all parties, Directors or their related parties are carried out at arm's length.

The Board has formal procedures for managing conflicts of interest in accordance with the Companies Act 2015 and the Capital Markets Act Cap 485 A. Directors are required to give advance notice of any conflict of interest issues to the Chairman or Company Secretary and these are considered at the next Board meeting. Declaration of conflicts of interest is also a standard agenda item which is addressed at the onset of each Board meeting. Directors are excluded from the quorum and vote in respect of any matters in which they have an interest.

The Board has put in place a conflict of interest policy.

Code of Ethics and Conduct

The CIC Asset Management Directors and employees are expected to act with honesty, integrity and fairness in all their dealings with one another and with stakeholders. The Board has a code of conduct to commit to and employees have HR manual that guides the conduct of employees.

Fraud Awareness & Whistle Blowing Policy

We have a whistleblowing policy that provides for an ethics hotline managed by an independent, department, Through the hotline, anonymous reports on unethical/fraudulent behavior can be made without fear of retaliation from the suspected individuals. Whistleblowing statistics are reported to the Audit and Risk Committee on a quarterly basis. Staff members and business partners are also regularly sensitized on the need to report any suspected unethical business practices.

The whistleblowing policy provides a platform for employees, suppliers, dealers and agents to raise concerns regarding any suspected wrong doing and the policy details how such concerns are addressed. The whistleblowing policy has been uploaded on the Company's website.

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

Insider Trading

The Capital Markets Act is very strict on matters insider trading and that is why the company has put in measures to prevent any instances of insider trading. Directors and staff are made aware that they ought not to make investments decisions while in possession of any material insider information that is not available to the public or during a closed period or that can lead to unfair advantage in comparison to other fund managers. To ensure compliance with the Companies Act, 2015 on the same, the Company communicates ‘open’ and ‘closed’ periods for trading in its shares to its employees and Directors on an annual basis.

The Company has taken reasonable steps to ascertain that there is no insider trading and maintains records to assist in monitoring insider dealings.

To the best of the Company’s knowledge, there was no insider dealing in the financial year under review.

Anti-money Laundering

Guidelines on the Prevention of Money Laundering and Terrorism Financing in the Capital Markets, 2016 requires prudence in analyzing and ascertaining the sources of investments and ensuring that they don’t contravene the Act and the regulations therein. In compliance with the Act, the company has put in measures related and not limited to putting in place a format of wealth declaration which explains sources of funds. The company has put in place an anti-money laundering policy to help prevent any suspicious transactions. The company has put in place measures like written declarations and effective policies on Know Your Customer (KYC) to incorporate details to ascertain origin and source of funds.

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 Board Manual.

The attendance at the meetings is as detailed under table 4 below.

Attendance at the Meeting

Below is a summary of the attendance record of the directors at the Main Board and Committee Meetings. A record of attendance is kept with the Company Secretary. The record of attendance at meetings is also noted in the minutes of the meeting.

Directors	Board Meeting		Audit and Risk Committee Meeting		Finance and Investment Committee Meeting	
	(a)	(b)	(a)	(b)	(a)	(b)
John Mbitu - (Chairman)*	4	3	*	*	4	2
Japheth Magomere	4	4	*	*	*	*
James Njue	4	4	*	*	4	4
Cornelius Ashira*	4	4	*	*	4	1
Rosemary Sakaja	4	4	4	4	*	*
Rosemary Majala	4	4	*	*	*	*
Dr. Rachel Monyoncho	*	*	4	4	*	*
Joseph Maina*	4	1	4	1	*	*
Patrick Nyaga*	4	2	*	*	*	*
Judith Oluoch	*	*	*	*	4	4
Julius Nyaga	*	*	*	*	4	4
Stanley Mutuku	4	4	*	*	*	*

Notes:
(a) Number of meetings convened during year when the director was a member
(b) Number of Meetings attended by the Director during the year.
(c) *Not a Member
(d) *Patrick Nyaga was appointed to the board on 3rd August 2020
(e) *John Mbitu retired from the board on 30th June 2020
(f) Cornelius Ashira was appointed the Chair of the board on 30th June 2020
(g) All the directors attended the company's Annual General Meeting held on 25th September 2020
(h) *Joseph Maina was appointed to the Board on 3rd August 2020.

Board Committees

The Board has delegated authority to committees two (2) standing Committees: Finance & Investment Committee and Audit & Risk Committee to enhance the efficiency and depth of achieving Board responsibilities.

These Committees of the Board are listed below and each has its own clearly defined Terms of Reference indicating the purposes, goals, duties and authority of the Committee as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure, operations and it's reporting structure to the Board. The TORs are periodically reviewed to align with the best governance practices and relevant to the dynamic business environment.

Each Committee comprises a majority of non-executive directors and independent non-executive directors with relevant expertise.

In determining the composition of the Committees, the Board considers the skills and experience of its members, applicable regulations and committee mandate. Each respective Committee Chairman report to the board on the activities of the respective committee at each board meeting and submit written reports to the board which highlight matters for board attention and recommendations. The Committees mandates are reviewed annually. The Committees have mandate to invite third parties including consultants and executive management to provide opinions and expert or technical advice. The Committees meets at least quarterly or at such other times as the respective Chairman of the Committees may require. During the period under review, the Board had two (2) Committees as outlined below.

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

Audit and Risk Committee

The audit committee meets at least quarterly basically to review and assess the Company's risk management process and the adequacy of the overall control environment; main purpose is to assist the Board in discharging its duties relating to the corporate accountability and associated risks in terms of management, assurance and reporting. The Committee is charged with monitoring and reviewing the adequacy and effectiveness of accounting policies, internal control systems and financial reporting processes. It provides independent oversight of the company's financial reporting, effectiveness of the internal and external audit, ensures checks and balances within the company and related institutions. The committee also monitors the reliability of the company's risk management strategy.

The audit or review by the external auditor provides a further level of protection of the integrity of the financial statements. The Audit Committee oversees the external audit function. This includes reviewing and approving the external audit plan and engagement, and assessing the performance of the external auditor.
Risk management and internal control is a continuous process and has been considered by the Board on a regular basis throughout the year including regular review of strategic and operational risk, and the associated controls and mitigating factors.

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

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

Audit and Risk Committee Members
1. Rosemary Sakaja - Chairperson
2. Dr. Rachael Monyoncho
3. Cornelius Ashira
4. Joseph Maina

Finance and Investment Committee

The Committee supervises the financial and investment business of the Company, and provides guidelines and limits for investment of the Company's funds. It also guides the overall investment strategy and operational framework of the company's investment portfolios. The other duties amongst others include receiving and considering the company's annual budget and revision of the same. The committee also formulate appropriate policies for prudent financial management.

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 strategy initiatives as requested by the Board.

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

Finance and Investment Committee
1. James Njue - Chairman
2. John Mbitu*
3. Judith Oluoch
4. Julius Nyaga
5. Cornelius Ashira

* Retired from the Board on 30.06.2020

External Auditor

The Statutory (External) Auditors are Pricewaterhousecoopers (PWC) appointed by the shareholders for the year under review 2020 . The Statutory Auditors certified the company's financial statements in the year 2020.

Internal Controls

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 business performance of the Company is reported regularly to the Board through performance trends, forecasts, actual performance analysis against budgets and prior periods for close monitoring.

Personal use of Company's Assets and Loans to Directors

The Audit and Risk Committee reviewed and confirmed that during the year there has not been any improper personal use of the company's assets by Directors. Further, at no time during the year was there any arrangement to which the company was a party, whereby Directors acquired benefits by means of transactions in the Company's shares. There were also no loans issued to Directors' at any time during the year.

Communication with Shareholders and Stakeholders

CICAM has shareholder engagement policy and remains committed to relating openly with its shareholders by enacting by providing regular as well as ad-hoc information on operating and financial performance and addressing any areas of concern. This is achieved through the following:

- Interim and annual results and publication of extracts of its financial performance in the daily newspapers, preparation of annual audited accounts and holding of the Annual General Meeting;
- Copies of the annual reports are made available to shareholders at least 21 days before the date of the AGM and they are free to raise questions to the Board during the meeting;
- CICAM responds to daily queries from shareholders, their representatives and financial analysts through a dedicated investor relations team;
- The website has a specific webpage dedicated to the information requirements of the shareholders and investment analysts;
- Investor briefing sessions are held immediately after the announcement of interim and full year results;
  Company is committed to giving its shareholders appropriate information and facilities to enable them exercise their rights effectively. As a result, the company seeks to provide shareholders with information that is timely, of high quality and relevant to their investment, and to listen and respond to shareholder feedback. The Board recognizes the importance of maintaining transparency and accountability to its shareholders and

CORPORATE GOVERNANCE REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

works to ensure that all shareholders are treated equitably and their rights are protected.

We strive to be accessible to both institutional and private investors, and proactively encourage all shareholders to participate at our Annual General Meeting (AGM). This is usually done through publication of the company's annual reports and filing of quarterly and yearly financial returns to the Insurance Regulatory Authority.

People and Policies

The Board has established and formalized various policies, processes and systems relevant to guide the business and periodically reviews the same.

Succession

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

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 CICAM board has the appropriate mix of skills, knowledge and experience to perform its role effectively.

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.

Remuneration for Non-Executive Directors

The Company's Non-Executive Directors are compensated in the form of fees but are not entitled to any pension, bonus or long term incentives. The package covers a Director's role in the Board, any Board Committee(s) and any other activities as identified in the approved compensation schedule and in-line with the Directors' Remuneration Policy.

Corporate Social Responsibility

We recognize that Corporate Social Responsibility (CSR) issues are of increasing importance to our stakeholders and are fundamental to the continued success of the business. We support the group directly in its CSR activities. We have a CIC Foundation Policy which ensures that we operate our business in a responsible manner at all times for the benefit of stakeholders and the environment. We also encourage our employees to take part in CSR initiatives aimed at improving the standards of living of the communities that they come from. CICAM gave a donaton aimed at supporting the Kenyan Government in its efforts of containing the Corona Virus pademic. Our CSR activities are disclosed every year in the social impact section of our sustainability and foundation reports in the Group's Annual Report.

Sustainability

CICAM 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. It is the company's best interest to be socially responsible and innovative because these are the foundations of sustainability.

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.

Shareholding

The authorized share capital of the CIC Asset Management is currently Kenya Shillings fifty million (Kshs 50,000,000/=), The issued share capital of the company is currently Kshs. 15,550,000.00 divided into 311,000,000.00 shares of Kshs. 20/= each.

The shareholders of the Company are as follows:

SHAREHOLDER	SHARES
CIC Insurance Company Limited PLC	15,550,000.00

Looking Ahead

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

Dated …… 2020

CIC GROUP

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors submit their report together with the audited financial statements of CIC Asset Management Limited ("the company") for the year ended 31 December 2020.

1. INCORPORATION

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

2. DIRECTORATE

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

3. PRINCIPAL ACTIVITIES

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

4. COMPANY RESULTS

	2020 KShs	2019 KShs
Profit before taxation	361,110,780	243,625,656
Tax expense	(92,156,467)	(72,425,941)
Profit for the year	268,954,313	171,199,715

5. RECOMMENDED DIVIDEND

The directors recommend the approval of a first and final dividend of Ksh.175 million (2019 – Ksh.50 million).

6. BUSINESS REVIEW

ECONOMIC AND BUSINESS ENVIRONMENT

Leading economic indicators point to an economic contraction in 2020. Growth receded to average -0.4% in the 2 quarters to June compared to 5.7% in the corresponding period in 2019. There was supressed growth across sectors that were ground to a halt due to the measures taken to contain the pandemic; namely accommodation & services (-83%), education (-56%), transport & storage (-12%), wholesale & retail trade (-7%) and manufacturing (-4%). Meanwhile, public administration (+6%), agriculture (+6%), construction (+4%) and Information Communication and Technology, ICT, (+4%) held up well. Revised projections by the International Monetary Fund, IMF, indicate an economic recession of -1% despite the gradual pick-up in real activity following phased easing of the restrictions.

Inflation remained well anchored despite a slight increase to average 5.28% in 2020 from 5.2% in 2019; largely due to the low fuel prices experienced in the first half of the year and favourable weather conditions experienced throughout the year, which ensured that food prices remained low despite locust infestation in some parts of the country in the third quarter of 2020. We expect headline inflation to remain above 5% in 2021 due to; expectations of a mini-drought especially in the first half of the year which will drive food prices up and further depreciation of the Kenya Shilling to the greenback.

The Kenya Shilling depreciated 7.7% to the United States Dollar in 2020. The shilling has remained under relentless pressure since mid-March, when the country reported its first case of COVID-19, due to elevated dollar demand, reduced inflows from both exports of goods & services like tourism and foreign investor outflows from the Nairobi Securities Exchange, NSE.

6. BUSINESS REVIEW *(continued)*

Mid-year, the government agreed to a drawdown facility with the IMF (approximately 79 billion shillings) that was a welcome relief to our reserves and improved market sentiment. We expect IMF's recent mission in Kenya, as they continue to engage with the authorities, could lead to additional program support in our next phase of COVID-19 response. We expect further depreciation of the shilling as global economies recover and a loose monetary policy persists.

The yield curve steepened as short term rates decreased while longer term rates increased. This was mainly due to the Central Bank of Kenya's, CBK, efforts to keep rates low by rejecting expensive bids in the auction market as well as increased demand by banks who shied away from lending to the public on perceived higher credit risk. Short term rates remained single digit hence investors sought enhanced yields in the medium-term papers which offered slightly more attractive double digit returns. The Central Bank Rate, CBR, was lowered earlier in the year to 7% to provide some needed stimulus to the economy. Despite the accommodative stance adopted by the Central Bank, we opine that yields on the long end of the curve will increase while the short end is likely to remain relatively unchanged with a downward bias.

The equities market exhibited a downward trajectory with the NASI and NSE-20 losing 8.6% & 29.6% respectively in 2020. This was mainly attributed to foreign investor outflows from equity markets amid a shift to safer haven assets in the wake of the pandemic. Towards the end of 2020, the market pulled back some gains on positive news of vaccine discovery and we are optimistic this should improve market sentiment heading to 2021. Outlook for the market in 2021 remains skewed to a few counters largely banks and Safaricom, which are expected to further grow earnings. Most of the sectors remain in the red with companies still exhibiting weaker earnings hence unattractive to investors.

Considering the recent easing of some of the restrictions and reopening of some of the sectors, we expect the economy to rebound slightly. This is already reflected by the improvement in the Purchasing Managers', PMI, Index readings which point to an improvement in the private sector outlook. Treasury's ability to contain public borrowing still poses a risk due to the persistent lag in revenue performance and the country's heavy balance sheet exposure to foreign denominated debt. This notwithstanding, we expect renewed government efforts to curb the current health crisis and recovery in the coming years will also hinge on any future need for additional containment measures.

Meanwhile, some return to 'normalcy' including reopening of schools, low COVID-19 positivity rates and plans to stimulate economic activity through the Economic Recovery Strategy are bolstering confidence. This could affirm optimistic growth forecasts of +6.90% this year. Whereas risks to outlook remain to the downside, the said confidence could reduce the urgency for further easing. Moreover, it is somewhat evident that further easing may be inconsequential for the crucial credit market unless supply challenges are addressed, for now.

OVERALL PERFORMANCE

In spite of the fairly tough economic times that the country faced in 2020, the company registered positive results in many areas. Management fees and profit before tax grew by 44% and 48% respectively, over 2019.

GOING FORWARD

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

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.

REPORT OF THE DIRECTORS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

8. TERMS OF APPOINTMENT OF THE AUDITOR

PricewaterhouseCoopers LLP were appointed during the year and having expressed their willingness, continue in office in accordance with the provisions of Section 719(2) of the Kenyan 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 directors.

BY ORDER OF THE BOARD

Company Secretary

5th March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2020

The Kenyan Companies Act 2015 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company at the end of the financial year and its profit or loss for the year then ended. The Directors are responsible for ensuring that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Company; disclose with reasonable accuracy at any time the financial position of the Company; and that enables them to prepare financial statements of the Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act 2015. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

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

Approved by the Board of Directors on 15th March 2021 and signed on its behalf by:

Director
Stanley Mutuku

Director
Cornelius Ashira

pwc

PricewaterhouseCoopers LLP.
PwC Tower,
Waiyaki Way/Chiromo Road, Westlands
P O Box 43963 – 00100 Nairobi,
Kenya

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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 41 to 88 which comprise the statement of financial position at 31 December 2020 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of CIC Asset Management Limited at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CIC ASSET MANAGEMENT LIMITED *(CONTINUED)*

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 International Financial Reporting Standards and the requirements of the Companies Act, 2015 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CIC ASSET MANAGEMENT LIMITED *(CONTINUED)*

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

- 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 Company's 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 2 is consistent with the financial statements.

PricewaterhouseCoopers LLP

Certified Public Accountants
Nairobi

30th March 2021

FCPA Richard Njoroge, Practising certificate No. 1244.
Signing partner responsible for the independent review


ASSET
We keep our word
to protect your FINANCIAL NEEEDS

CIC ASSET MANAGEMENT LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 KShs	2019 KShs
INCOME			
Revenue from contracts with customers	3(a)	679,661,511	472,292,052
Interest income	3(b)(i)	49,174,788	38,851,266
Other investment income	3(b)(ii)	(3,368,678)	17,474,096
Other income	3(c)	-	80,000
Total income		725,467,621	528,697,414
Operating and other expenses	4	(362,574,747)	(284,971,144)
Expected credit losses	4(b)	(1,782,094)	(100,614)
Profit before taxation		361,110,780	243,625,656
Income tax expense	6(a)	(92,156,467)	(72,425,941)
Profit for the year		268,954,313	171,199,715
Other comprehensive income		(3,135,892)	-
Total comprehensive income for the year		265,818,421	171,199,715

CIC ASSET MANAGEMENT LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 KShs	2019 KShs
ASSETS			
Non-current assets			
Property & equipment	7	18,031,136	17,387,755
Intangible assets	8	515,630	703,129
Right of use – Leases	9(a)	16,469,759	770,757
Intercompany loan	17	173,961,907	199,900,000
Equity instruments at fair value through profit or loss	10	9,295,706	11,473,529
Investment in collective investment scheme at fair value through profit or loss	11	212,884,896	224,578,111
Financial assets at amortised cost-corporate bonds	12	17,972,408	72,358,268
Financial assets at fair value through other comprehensive income-Government securities	13	27,964,108	-
Other receivables	14	-	2,337,182
Deferred tax asset	15	12,015,636	10,098,982
		489,111,186	539,607,713
Current assets			
Accounts receivable	16	86,491,302	56,225,965
Amounts due from related companies	17	22,260,420	8,227,554
Other receivables	14	730,950	1,000,000
Deposits with financial institutions	18	330,738,601	64,050,095
Commercial paper	19	9,459,311	30,084,722
Cash and bank balances	24(b)	3,346,675	4,415,833
		453,027,259	164,004,169
Total assets		942,138,445	703,611,882
EQUITY AND LIABILITIES			
Equity			
Share capital	20	311,000,000	311,000,000
Fair value reserve	21	(3,135,892)	-
Retained earnings	22	546,384,478	327,430,165
		854,248,586	638,430,165
Current liabilities			
Amounts due to related companies	17	337,707	5,139,457
Current income tax	6(b)	37,596,005	32,798,183
Lease liability	9(b)	17,124,079	777,185
Other payables	23	32,832,068	26,466,892
Total liabilities		87,889,859	65,181,717
Total equity and liabilities		942,138,445	703,611,882

The financial statements on pages 9 to 48 were approved by the board of directors on………………………………..…… 2021 and were signed on its behalf by:

Director–Stanley Mutuku

Director–Cornelius Ashira

CIC ASSET MANAGEMENT LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capital KShs Note 20	Fair value reserve KShs Note 21	Retained earnings KShs Note 22	Total KShs
At 1 January 2020	311,000,000	-	327,430,165	638,430,165
Total comprehensive income for the year	-	-	268,954,313	268,954,313
Fair value loss on revaluation of financial assets at FVOCI	-	(3,135,892)	-	(3,135,892)
Dividend paid	-	-	(50,000,000)	(50,000,000)
At 31 December 2020	311,000,000	(3,135,892)	546,384,478	854,248,586
At 1 January 2019	311,000,000	-	171,230,450	482,230,450
Total comprehensive income for the year	-	-	171,199,715	171,199,715
Dividend paid	-	-	(15,000,000)	(15,000,000)
At 31 December 2019	311,000,000	-	327,430,165	638,430,165

CIC ASSET MANAGEMENT LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 KShs	2019 KShs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	24(a)	291,092,859	170,433,888
Tax paid	6(b)	(89,275,299)	(60,970,034)
Net cash generated from operating activities		201,817,560	109,463,854
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income received	3(b)(ii)	561,490	626,282
Interest on fixed deposits	3(b)(i)	38,839,995	28,302,544
Interest on commercial paper	3(b)(i)	2,268,342	2,929,461
Interest on staff loans	3(b)(i)	104,252	253,845
Interest on corporate bonds	3(b)(i)	6,145,555	7,365,416
Purchase of property & equipment	7	(8,382,113)	(76,000)
Purchase of intangible assets	8	-	(750,000)
Intercompany loan issued		-	(200,000,000)
Net repayment of ICO loan		25,938,093	-
Purchase of units in collective investment scheme	11	(20,059,130)	(59,959,300)
Disposal of units in collective investment scheme	11	30,000,000	37,000,000
Purchase of treasury bond	13	(31,100,000)	-
Purchase of corporate bonds	12	-	(43,439,968)
Maturity of corporate bonds	12	54,659,750	32,500,000
Purchase of commercial paper		-	(40,601,716)
Maturity of commercial paper		20,729,057	27,679,016
Net cash generated from/(used in) investing activities		119,705,291	(208,170,420)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(50,000,000)	(15,000,000)
Repayment of principal portion of lease liability	9	(4,674,768)	(4,674,768)
Net cash used in financing activities		(54,674,768)	(19,674,768)
NET INCREASE IN CASH AND CASH EQUIVALENTS		266,848,083	(118,381,334)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		68,535,954	186,917,288
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	24(b)	335,384,037	68,535,954

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards (IFRS)

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRIC) Interpretations applicable to companies reporting under IFRS and the Kenya Companies Act, 2015.

(a) Basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act. The financial statements have been prepared on a historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Kshs), rounded to the nearest thousand, which is also the functional currency.

The financial statements comprise the statement of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows, and notes to the financial statement. 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.

(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 on or after 1 January 2020 (i.e. years ending 31 December 2020), and (ii) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2021.

(i). New standards and amendments – applicable 1 January 2020

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2020:

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

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

Title	Key requirements	Effective Date *
Definition of Material Amendments to IAS 1 and IAS 8 (effective 1 January 2020)	The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: a. That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and b. The meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.	1 January 2020
Interest Rate Benchmark Reform - Amendments to IFRS 7, IFRS 9 and IAS 39	The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.	1 January 2020
Revised Conceptual Framework for Financial Reporting	The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: increasing the prominence of stewardship in the objective of financial reporting reinstating prudence as a component of neutrality defining a reporting entity, which may be a legal entity, or a portion of an entity revising the definitions of an asset and a liability removing the probability threshold for recognition and adding guidance on derecognition	1 January 2020

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

Title	Key requirements	Effective Date *
	adding guidance on different measurement basis, and stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.	

ii. New and amended standards in issue but not yet effective in the year ended 31 December 2020

Title	Key requirements	Effective Date *
COVID-19-related Rent Concessions – Amendments to IFRS 16	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.	1 June 2020
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022

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

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

Title	Key requirements	Effective Date *
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020: (a). IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. (b). IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.	1 January 2022

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

The Company has not early adopted any of these standards.

(c) Revenue recognition

Revenue from contracts with customers

a) Fund management fees

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

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

b) Administration fees

Administration fee, which is a one-off fee charged on the unit holder and is a percentage of the initial amount invested are recognized at a point in time, upon placing of the units with the fund

c) Other income

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

d) Interest and other investment income

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(c) Revenue recognition *(continued)*

d) Interest and other investment income *(continued)*

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

(d) Taxation

Current Income tax

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

Current income tax is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date. The prevailing tax rate and the amount expected to be paid are highlighted in note 6 to these financial statements.
The net amount of current income tax recoverable from, or payable to, the taxation authority is presented as a separate line item in the statement of financial position.

Deferred Income tax

Deferred income tax is determined using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date, using tax rates and laws enacted or substantively enacted at the reporting date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

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

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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.

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

(d) Taxation *(continued)*

Deferred Income tax *(continued)*

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

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

Value Added Tax (VAT)

Revenues, expenses, assets and liabilities are recognised net of the amount of VAT except:

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

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

(e) Translation of foreign currencies

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

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

(f) Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the

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

(f) Impairment of non-financial assets *(continued)*

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

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

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

(g) Provisions

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

(h) Dividends

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

(i) Events after the reporting period

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

(j) Share capital and share premium

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(j) Share capital and share premium *(continued)*

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

(k) Expenses

Expenses are recognised in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably and is independent from transactions with equity participants. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment).

i). When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined, expenses are recognised in profit or loss on the basis of systematic and rational allocation procedures. This is often necessary in recognising the expense associated with the using up of assets such as property and equipment. In such cases, the expense is referred to as depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.
ii). An expense is recognised immediately in profit or loss when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

(l) Accounting for 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,

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

(l) Accounting for leases *(continued)*

Company acting as a lessee (continued)

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 were 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.

Determination

The determination of whether an arrangement is, (or contains), a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement

(m) Employee benefits

Defined contributions provident fund

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

Statutory pension scheme

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

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

(m) Employee benefits *(continued)*

Leave

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

(n) Property and equipment

Property and equipment is 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 2020

1. SUMMARY OF SIGNIFICANT 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 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

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

hierarchy as explained above. Fair value of related financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are disclosed in note 21 to the financial statements.

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

Initial recognition and measurement

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

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

Financial assets

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

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

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- 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

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

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, 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. 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.

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.

Business model assessment

The company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

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

(p) Financial instruments *(continued)*

Business model assessment (continued)

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of trading liabilities as they arise. The Company considers the timing, amount, and volatility of cash flow requirements to support the operations of the business in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The expected frequency, value, and timing of asset sales are important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.
"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the period for which the interest is set.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Overview of Expected Credit Loss (ECL) principles

Adoption of IFRS 9 has fundamentally changed the Company's financial assets loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Company has been recording the allowance for expected credit losses for all financial assets at amortised cost. 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 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument

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

(p) Financial instruments *(continued)*

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

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

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

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

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

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

The calculation of ECLs

The Company calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the effective interest rate (EIR). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

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).

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

(p) Financial instruments *(continued)*

The calculation of ECLs (continued)

When estimating the ECLs, the Company considers three scenarios (a base case, optimistic (upside) and pessimistic (downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the staff loans and mortgages will cure and the value of collateral or the amount that might be received for selling the asset.

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.

Forward looking information

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. The Company did not provide detailed information on how the forecast economic conditions have been incorporated in the determination of ECL because the impact is not significant. Collateral valuation

To mitigate its credit risk on financial assets (staff loans), the Company seeks to use collateral, where possible. The collateral is in form of real estate or motor vehicles. Collateral, unless repossessed, is not recorded on the Company's statement of financial position. However, the fair value of collateral affects the calculations of ECLs for staff loans. It is generally assessed, at a minimum, at inception and reassessed on annual basis. Collaterals such as real estate, is valued based on data provided by third parties such as real estate valuers.

Collateral repossessed

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for internal operations are transferred to their relevant asset category at the lower of the repossessed value or the carrying amount of the original secured asset. Assets for which selling is determined to be the better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Company's policy.

In its normal course of business, the Company does not physically repossess properties or motor vehicles but engages its procurement department to auction the asset to settle the outstanding debt. Any surplus funds are returned to the obligors. As a result of this practice, the real estate properties and motor vehicles under legal repossession processes are not recorded in the balance sheet.

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 over the period reported in these financial statements.

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings 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.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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.

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

(p) Financial instruments *(continued)*

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.

(q) 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.

(r) Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised 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 the straight line method to write down the cost of each licence or item of software over its estimated useful life (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.

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

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

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

An intangible asset shall be derecognised on disposal or when no future economic benefits are expected from its continued use.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

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

the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

(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.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

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 IRS 9 across relevant financial assets requires judgement, in particular the estimation of the amount of timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. Other judgements applied include; determining financial condition of counter parties and forward looking information. These estimates are driven by the outcome of modelled ECL scenarios and relevant inputs used.

(b) Contingent Liabilities

The company is exposed to contingent liabilities in the normal course of business. Directors evaluate the status of these exposures on a regular basis to assess the probability of the company incurring related liabilities. However, provisions are only made in the financial statements where, based on the directors' evaluation, a present obligation has been established. Judgement and assumptions are required in:

- assessing the existence of a present obligation (legal or constructive) as a result of a past event,
- assessing the probability that an outflow of resources embodying economic benefits will be required to settle the obligation; and,
- estimating the amount of the obligation to be paid out.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES *(continued)*

(c) 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 2020

3. (a) REVENUE FROM CONTRACTS WITH CUSTOMERS

	2020 KShs	2019 KShs
Fund management fees	628,085,423	433,677,947
Administration fee	51,108,417	37,188,277
Other income	467,671	1,425,828
	679,661,511	472,292,052
NET FUND MANAGEMENT FEES		
Fund management fees (note 3(a)	628,085,423	433,677,947
Administration fees (note 3(a)	51,108,416	37,188,277
Postal and withdrawal charges (note 3(a)	467,672	1,425,828
Total fund management fees	679,661,511	472,292,052
Fund management expenses		
Commission expenses(note4)	(192,161,151)	(120,304,950)
Net fund management fees	487,500,360	351,987,102

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.

Other income mainly relates to income earned when sending statements by post and frequency withdrawal fees Commission expenses relate to expenses that are paid to agents.

(b) INVESTMENT INCOME

	2020 KShs	2019 KShs
(i) Interest income		
Interest on fixed deposit	38,839,995	28,302,544
Interest on corporate bonds	6,145,555	7,365,416
Interest on treasury bonds	1,816,644	-
Interest on commercial paper	2,268,342	2,929,461
Interest on staff loans	104,252	253,845
	49,174,788	38,851,266
(ii) Other investment income		
Dividend income	561,490	626,282
Fair value (loss)/gain on equity instruments at fair value through profit or loss (note 10)	(2,177,823)	1,166,357
Fair value (loss)/gain on collective investment scheme at fair value through profit or loss (note 11)	(1,752,345)	15,681,457
	(3,368,678)	17,474,096

3. (b) INVESTMENT INCOME *(continued)*

Analysed as follows:	2020 KShs	2019 KShs
Financial assets		
At amortised cost	47,358,144	38,851,266
At fair value through other comprehensive income	1,816,644	-
At fair value through profit or loss	(3,368,678)	17,474,096
	45,806,110	56,325,362

(c) OTHER INCOME

	2020 KShs	2019 KShs
Receipt from insurance- paid claim	-	80,000

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

4. OPERATING AND OTHER EXPENSES

	2020 KShs	2019 KShs
Commissions expenses	192,161,151	120,304,950
Bank charges	231,329	222,434
Auditor's remuneration	1,000,000	1,000,000
Directors' emoluments:		
Fees	2,636,749	2,749,049
Retainer	4,984,796	6,334,880
Sitting allowances	1,270,408	2,611,363
Travel and subsistence	381,443	1,643,399
Insurance	380,124	461,703
Honoraria	465,750	586,155
Training and retreats	258,554	249,498
Christmas token	100,800	-
Exit package	580,882	-
Depreciation on property and equipment (note 7)	7,738,732	7,766,433
Amortisation charge on intangible assets (note 8)	187,499	221,871
Staff costs (note 4(a))	113,056,343	105,411,859
Business advertising	3,175,207	2,456,830
Legal fees	841,038	618,608
Professional fees	1,439,314	2,047,252
Group personal accident insurance	847,893	754,744
Telephone	2,178,144	1,138,565
Amortisation of right of use asset (note 9) (a)	3,427,170	4,624,544
Interest on lease liabilities (note 9) (b)	1,895,490	56,652
Office rent	1,485,468	1,485,468
Entertainment	291,343	381,870
Equipment repairs	36,465	86,049
Motor vehicle expenses	950,454	895,239
Postage	265,755	328,823
Stationery	798,136	1,022,262
Software licenses	7,101,821	4,510,588
Travelling and accommodation	205,910	804,166
Medical expenses	4,451,856	4,792,640
Staff welfare	816,521	1,277,338
Seminars	213,724	1,398,706
Miscellaneous*	6,718,478	6,727,206
	362,574,747	284,971,144

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

(a) STAFF COSTS

	2020 KShs	2019 KShs
Salaries and wages	107,612,403	100,872,392
Defined contribution plan contributions	5,044,414	4,901,632
Provision for staff leave	(300,816)	(362,165)
Final dues	577,471	-
Education benefit	122,871	-
	113,056,343	105,411,859

4. OPERATING AND OTHER EXPENSES *(continued)*

(b) EXPECTED CREDIT LOSSES –IFRS 9

	2020 KShs	2019 KShs
Government securities at FVOCI		
Financial assets at amortised cost-corporate bonds (note 12)	(273,890)	364,203
Commercial papers (note 19)	(103,646)	64,614
Deposits with financial institutions (note 18)	1,228,735	(299,017)
Related parties (note 17)	17,937	13
Intercompany loan (note 17)	17,804	100,000
Other receivables (note 14)	163,256	(50,699)
Accounts receivables (note 16)	731,898	(78,500)
Cash and cash equivalents	-	-
	1,782,094	100,614

The expected credit losses for government securities and cash and cash equivalents are not material.

5 PROFIT BEFORE TAXATION

	2020 KShs	2019 KShs
Auditor's remuneration	1,000,000	1,000,000
Depreciation on property and equipment (note 7)	7,738,732	7,766,433
Amortisation of intangible assets (note 8)	187,499	221,871
Amortisation of right of use asset (note 9)	3,427,170	4,624,544
Interest on lease liabilities (note 9)	1,895,490	56,652
Staff costs (note 4(a)	113,056,343	105,411,859
	127,305,234	119,081,359

6 INCOME TAX EXPENSE

(a) Major components of income tax expense

	2020 KShs	2019 KShs
Current tax charge	94,073,121	73,533,347
Deferred tax credit (note 15)	(1,916,654)	(4,215,681)
Prior year under provision on deferred tax	-	3,108,275
	92,156,467	72,425,941

(b) Statement of financial position current income tax

	2020 KShs	2019 KShs
At 1 January	32,798,183	17,126,595
Tax charge	94,073,121	73,533,347
Prior year under provision	-	3,108,275
Tax paid	(89,275,299)	(60,970,034)
At 31 December	37,596,005	32,798,183

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

6 INCOME TAX EXPENSE *(continued)*

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

	2020 KShs	2019 KShs
Accounting profit before taxation	361,110,780	243,625,656
Tax at the applicable rate of 25% (2019:30%)	90,277,695	73,087,697
Tax effect of expenses not deductible for tax purposes*	2,272,795	(3,770,031)
Tax effect of income not taxable	(140,373)	3,108,275
Impact of change in tax rate on deferred tax	(253,651)	-
	92,156,467	72,425,941

The effective income tax rate is 26.0% (2019: 29.7%)

The applicable corporate tax rate during the year was 25% as per the Tax Laws (Amendment) Act, 2020. The rate reverted to 30% with effect from 1 January 2021.

**These expenses are fringe benefit tax, excess pension contributions, fair value loss on financial assets and club subscriptions.*

7. PROPERTY & EQUIPMENT

2020 COST	Computers and Equipment KShs	Furniture fittings & Equipment KShs	Total KShs
At 1 January	1,037,780	59,055,756	60,093,536
Additions	696,000	7,686,113	8,382,113
At 31 December	1,733,780	66,741,869	68,475,649
ACCUMULATED DEPRECIATION			
At 1 January	778,951	41,926,830	42,705,781
Charge for the year	181,525	7,557,207	7,738,732
At 31 December	960,476	49,484,037	50,444,513
CARRYING AMOUNT			
AT 31 December	773,304	17,257,832	18,031,136

2019 COST	Computers and Equipment KShs	Fittings & Equipment KShs	Total KShs
At 1 January	961,780	59,055,756	60,017,536
Additions	76,000	-	76,000
At 31 December	1,037,780	59,055,756	60,093,536
ACCUMULATED DEPRECIATION			
At 1 January	567,963	34,371,385	34,939,348
Charge for the year	210,988	7,555,445	7,766,433
At 31 December	778,951	41,926,830	42,705,781
CARRYING AMOUNT			
AT 31 December	258,829	17,128,926	17,387,755

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 2020

8. INTANGIBLE ASSETS

	2020 KShs	2019 KShs
COST		
At 1 January	5,708,898	4,958,898
Additions	-	750,000
At 31 December	5,708,898	5,708,898
AMORTISATION		
At 1 January	5,005,769	4,783,898
Charge for the year	187,499	221,871
At 31 December	5,193,268	5,005,769
NET CARRYING AMOUNT		
At 31 December	515,630	703,129

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

9. OPERATING LEASES

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

	2020 KShs	2019 KShs
At 1 January	770,757	-
Addition	19,126,172	5,395,301
Amortisation	(3,427,170)	(4,624,544)
As at 31 December	16,469,759	770,757
Amounts recognised in profit or loss		
Leases under IFRS 16		
Interest on lease liabilities (Note 4)	1,895,491	56,651
Amortisation expense (Note 4)	3,427,170	4,624,544
Amounts recognised in statement of cash flows		
Total cash outflow for leases	4,674,768	4,674,768

9. OPERATING LEASES *(continued)*

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

(b) Lease liability	2020 KShs	2019 KShs
As at 1 January	777,185	5,395,301
Additions	19,126,172	-
Accretion of interest	1,895,490	56,652
Payments	(4,674,768)	(4,674,768)
As at 31 December	17,124,079	777,185

Lease liability maturity analysis (undiscounted cashflows)

2020	Due on demand KShs	Due within 3 months KShs	Due between 3 and 12 months KShs	Due between 1 and 5 years KShs	Due after 5 years KShs	Total KShs
Lease liabilities	-	1,168,692	3,506,076	18,699,072	779,128	24,152,968

2019	Due on demand KShs	Due within 3 months KShs	Due between 3 and 12 months KShs	Due between 1 and 5 years KShs	Due after 5 years KShs	Total KShs
Lease liabilities	-	779,128	-	-	-	779,128

10. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 KShs	2019 KShs
At 1 January	11,473,529	10,307,172
Fair value (loss)/gain (note 3(b)(ii))	(2,177,823)	1,166,357
At 31 December	9,295,706	11,473,529

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 2020

11. INVESTMENT IN COLLECTIVE INVESTMENT SCHEME

	2020 KShs	2019 KShs
At fair value through profit or loss		
At 1 January	224,578,111	185,937,354
Additions	20,059,130	59,959,300
Disposals	(30,000,000)	(37,000,000)
Fair value (loss)/gain (note 3(b)(ii)	(1,752,345)	15,681,457
At 31 December	212,884,896	224,578,111

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

	2020 KShs	2019 KShs
January 1	72,358,268	61,782,503
Purchase of corporate bonds	-	43,439,968
Maturity of corporate bonds	(54,659,750)	(32,500,000)
Write back of ECL/(Expected credit loss)	273,890	(364,203)
	17,972,408	72,358,268
Maturity analysis		
Maturing within 1 year	10,753,238	7,201,992
Maturing between 1 – 2 years	7,219,170	65,156,276
	17,972,408	72,358,268

Corporate bonds are carried at amortized cost. The weighted average effective interest rate was 9.94%. (2019: 13.85%) An analysis of changes in the gross carrying amount and corresponding ECL allowances in corporate bonds has been disclosed in note 25.

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

	2020 KShs	2019 KShs
At 1 January		
Purchase of government bonds	31,100,000	-
Fair value loss	(3,135,892)	-
Expected credit loss allowance	-	-
	27,964,108	-

14. OTHER RECEIVABLES

	2020 KShs	2019 KShs
At 1 January	3,337,182	3,761,528
Additions	1,287,000	2,000,000
Loan repayments	(3,729,976)	(2,424,346)
Expected credit loss	(163,256)	-
At 31 December	730,950	3,337,182
Maturity analysis:		
Maturing in one year	730,950	1,000,000
Maturing after one year	-	2,337,182
	730,950	3,337,182

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 fair value of the staff loans is disclosed in note 26(a).

The following table shows the maximum exposure to credit risk by of staff loans, the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk:

		Fair value of collateral and credit enhancements held			
31 December 2020 In KShs	Maximum exposure to credit risk	Property	Total collateral	Net exposure	ECLs
Staff loan	730,950	-	-	730,950	163,256
31 December 2019 In KShs					
Staff loan	2,336,899	-	-	2,336,899	-

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:

2020	At 1 January	Recognised in profit or loss	At 31 December
Accelerated capital allowances	(2,915,531)	(1,164,829)	(4,080,360)
Expected credit losses allowances	(3,432,934)	(402,533)	(3,835,467)
Gratuity	(2,877,890)	(439,537)	(3,317,427)
Accrued leave	(872,627)	90,245	(782,382)
Deferred tax asset	(10,098,982)	(1,916,654)	(12,015,636)

2019	At 1 January	Recognised in profit or loss	At 31 December
Accelerated capital allowances	(2,074,653)	(840,878)	(2,915,531)
Expected credit losses allowances	(294,476)	(3,138,458)	(3,432,934)
Gratuity	(2,532,896)	(344,994)	(2,877,890)
Accrued leave	(981,276)	108,649	(872,627)
Deferred tax asset	(5,883,301)	(4,215,681)	(10,098,982)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

16. ACCOUNTS RECEIVABLE

	2020 KShs	2019 KShs
Administration fees receivable	83,654,783	54,746,633
Prepayments	50,003	50,019
Withholding tax debtors	3,884,383	1,795,282
Allowance for expected credit losses	(1,097,867)	(365,969)
	86,491,302	56,225,965

Accounts receivable are non-interest bearing and due within 30 days from the date of transaction.
The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

17. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

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

	2020 KShs	2019 KShs
Due from:		
CIC Life Assurance Limited	4,639,161	10,147,659
CIC Insurance Group	17,639,209	(1,920,092)
Allowance for expected credit losses	(17,950)	(13)
	22,260,420	8,227,554

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

Due to:	2020 KShs	2019 KShs
CIC General Insurance Limited	337,707	5,139,457
Intercompany loan:		
Gross unsecured loan issued to CIC Insurance Group at 12.5% interest rate	174,079,711	200,000,000
Write back/(Allowance for expected credit losses)	(117,804)	(100,000)
	173,961,907	199,900,000

The Company advanced Shs 200 million to ita parent CIC Insurance Group Plc in 2019, at an interest rate of 12.5%, repayable n 2 years. The loan is unsecured.

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

	2020 KShs	2019 KShs
Receipts from related parties:		
CIC Insurance Group Limited	46,212,393	1,496,139
CIC General Insurance Limited	291,390,969	161,703,071
CIC Life Assurance Limited	31,527,460	28,898,402
	1,064,931,860	969,741,415
Payments to related parties:		
CIC Insurance Group Limited	65,060,817	234,403,298
CIC General Insurance Limited	296,192,719	159,422,180
CIC Life Assurance Limited	26,018,962	17,299,207
	1,105,713,423	1,202,234,950
Directors' emoluments-fees		
Retainer	2,636,749	2,749,049
Sitting allowances	4,984,796	6,334,880
Travel and subsistence	1,270,408	2,611,363
Insurance	381,443	1,643,399
Honoraria	380,124	461,703
Retreats and training	465,750	586,155
Christmas token	258,554	249,498
Exit package	100,800	-
	580,882	-
	11,059,506	14,636,047
Key management compensation		
Salaries and other short-term employment benefits		
Basic salary	22,169,820	25,938,085
Staff leave allowance	291,465	291,464
Contribution to defined contribution pension scheme	-	413,111
National Social Security Fund contribution	2,400	4,000
	22,463,685	26,646,660

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

18. DEPOSITS WITH FINANCIAL INSTITUTIONS

	2020 KShs	2019 KShs
The Co-operative Bank of Kenya Limited	50,021,575	1,110
Credit Bank Limited	23,727,902	4,244,000
Gulf African Bank Limited	-	6,216,000
Development Bank of Kenya Limited	35,864,618	-
Family Bank of Kenya Limited	21,529,979	-
UBA Kenya Bank Limited	-	11,755,205
Kingdom Bank Limited	95,861,184	
KCB Bank Kenya Limited	18,727,163	18,206,518
NCBA Bank Kenya Limited	35,675,192	-
Sidian Bank Limited	16,126,515	-
Middle East Bank Kenya Limited	34,503,234	23,697,288
Allowance for expected credit losses	(1,298,761)	(70,026)
	330,738,601	64,050,095
Maturity analysis:		
Maturing within 3 months	332,037,362	64,120,121

The carrying amounts disclosed above reasonably approximate fair value at the reporting date. The weighted average effective interest rate was 9.35%. (2019: 9.34%)

19. COMMERCIAL PAPER

	2020 KShs	2019 KShs
Gross amounts	9,506,845	30,235,902
Allowance for expected credit losses	(47,534)	(151,180)
	9,459,311	30,084,722
Maturity analysis:		
Maturing within 1 year	9,459,311	30,084,722

The weighted average effective interest rate on commercial paper as at 31 December 2020 was 16.50%. (2019: 16.50%). The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

20. SHARE CAPITAL

	2020 KShs	2019 KShs
Authorised:		
50,000,000 (2019 - 50,000,000) ordinary shares of KShs 20 each	1,000,000,000	1,000,000,000
Issued and fully paid:		
15,550,000 (2019 - 15,550,000) ordinary shares of KShs 20 each	311,000,000	311,000,000

21. FAIR VALUE RESERVE

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

22. RETAINED EARNINGS

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

23. TRADE AND OTHER PAYABLES

	2020 KShs	2019 KShs
Leave pay liability	2,607,937	2,908,753
Commission payable	1,125	93,609
VAT payable	10,873,189	7,515,794
PAYE payable	-	2,134,758
Gratuity payable	11,058,089	9,592,967
Sundry payables	8,291,729	4,221,011
	32,832,069	26,466,892

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.

24. CASH GENERATED FROM OPERATING ACTIVITIES

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

	Notes	2020 KShs	2019 KShs
Profit before taxation		361,110,780	243,625,656
Adjustments for:			
Depreciation on property & equipment	7	7,738,732	7,766,433
ECL on corporate bond and commercial paper		(377,536)	(364,203)
ECL on bank deposits		1,228,735	1,252,632
Amortisation charge on intangible assets	8	187,499	221,871
Interest on fixed deposits	3(b)(i)	(38,839,995)	(28,302,544)
Interest on commercial paper	3(b)(i)	(2,268,342)	(2,929,461)
Interest on staff loans	3(b)(i)	(104,252)	(253,845)
Interest receivable on corporate bonds	3(b)(i)	(6,145,555)	(7,365,416)
Dividend income	3(b)(ii)	(561,490)	(626,282)
Interest on lease liability	9	1,895,490	56,651
Depreciation of right of use asset	9	3,427,170	4,624,544
Fair value loss/(gain) on equity instruments at fair value	10	2,177,823	(1,166,357)
Fair value loss/(gain) on investment in collective investment scheme at fair value through profit or loss	11	1,752,345	(15,681,457)
		331,221,404	200,858,222
Cash flows generated from operating activities			
Working capital changes:			
Increase in accounts receivable		(27,659,105)	(1,293,238)
Increase in accounts payable		6,365,176	3,393,249
Increase in related party balances		(18,834,616)	(32,524,345)
Cash generated from operating activities		291,092,859	170,433,888

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

24. CASH GENERATED FROM OPERATING ACTIVITIES *(continued)*

(b) Cash and cash equivalents comprise: -

	Notes	2020 KShs	2019 KShs
Bank balances		3,346,675	4,415,833
Deposits with financial institutions maturing within 3 months	18	332,037,362	64,120,121
		335,384,037	68,535,954

25. DIVIDENDS

	2020 KShs	2019 KShs
Dividends paid during the year	50,000,000	15,000,000
Proposed for approval at the annual general meeting (not recognised as a liability)	175,000,000	50,000,000

There are no income tax consequences attached to the payment of dividends in either 2020 or 2019 by the company to its shareholders.

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 Standards and Poors (S&P), 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

26. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

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	Standard and Poors (S&P) rating
0	High grade	AAA
1	High grade	A-
2	Standard grade	BBB+
3	Sub-standard grade	BB+
4	Past due but not impaired	CCC+
5	Individually impaired	D

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

26. FINANCIAL RISK MANAGEMENT *(continued)*
(a) Credit risk *(continued)*

Impairment losses on financial investments subject to impairment assessment

Debt instruments measured at FVOCI

Government securities measured at FVOCI

The table below shows the fair values of the Company's debt instruments at FVOCI by credit risk, based on the Company's internal credit rating system.

	2020 KShs	2019 KShs
Stage 1	27,964,108	-
Stage 2	-	-
Stage 3	-	-
Total	27,964,108	-
Less: Loss Allowance	-	-
Net carrying amount	27,964,108	-

Debt instruments at amortized cost

The tables below show the credit quality and maximum exposure to credit risk based on the Company's internal credit rating system and year end stage classification. The amounts presented are gross of impairment allowances. Details of the Company's grading system are explained above.

Corporate bonds	2020 KShs	2019 KShs
Stage 1	18,062,725	72,722,475
Stage 2	-	-
Stage 3	9,070,939	9,070,939
Total	27,133,664	81,793,414
Less: Loss Allowance	(9,161,256)	(9,435,146)
Net carrying amount	17,972,408	72,358,268

Commercial paper

Stage 1	9,506,845	30,235,902
Stage 2	-	-
Stage 3	-	-
Total	9,506,845	30,235,902
Less: Write backs /(Loss Allowance)	(47,534)	(151,180)
Net carrying amount	9,459,311	30,084,722

26. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk *(continued)*

Impairment losses on financial investments subject to impairment assessment

Debt instruments at amortized cost *(continued)*

Deposits with financial institutions	2020 KShs	2019 KShs
Stage 1	332,107,388	64,120,121
Stage 2	-	-
Stage 3	-	-
Total	332,037,362	64,120,121
Less: Loss Allowance	(1,298,761)	(70,026)
Net carrying amount	330,738,601	64,050,095

Other receivables		
Stage 1	894,205	3,337,182
Stage 2	-	-
Stage 3	-	-
Total	894,205	3,337,182
Less: Loss Allowance	(163,255)	-
Net carrying amount	730,950	3,337,182

Amounts due from related parties		
Stage 1	22,278,370	8,227,567
Stage 2	-	-
Stage 3	-	-
Total	22,278,370	8,227,567
Less: Loss Allowance	(17,950)	(13)
Net carrying amount	22,260,420	8,227,554

Intercompany Loan		
Stage 1	174,079,711	200,000,000
Stage 2	-	-
Stage 3	-	-
Total	174,079,711	200,000,000
Less: Loss Allowance	(117,804)	(100,000)
Net carrying amount	173,961,907	199,900,000

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

26. FINANCIAL RISK MANAGEMENT (continued)
(a) Credit risk *(continued)*

Impairment losses on financial investments subject to impairment assessment

Debt instruments at amortized cost *(continued)*

Cash and bank	2020 KShs	2019 KShs
Stage 1	3,346,675	4,415,833
Stage 2	-	-
Stage 3	-	-
Total	3,346,675	4,415,833
Less: Loss Allowance	-	-
Net carrying amount	3,346,675	4,415,833

Accounts receivable

The outstanding customer receivables as at 31 December 2020 was 7,675,746 (2019: 1,407,483). The company had 6 customers in 2020 (2019: 5).

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

31-Dec-20	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Total
Expected credit loss rate	1.5%	6%	30%	100%	25.0%
Estimated total gross carrying amount at default	86,578,366	-	-	1,010,803	87,589,169
Expected credit loss	(87,064)	-	-	(1,010,803)	(1,097,867)
Net amount	86,491,302	-	-	-	86,491,302

31-Dec-19	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Total
Expected credit loss rate	1.5%	6%	30%	100%	26.0%
Estimated total gross carrying amount at default	55,381,911	-	1,210,023	-	56,591,934
Expected credit loss	(2,962)	-	(363,007)	-	(365,969)
Net amount	55,378,949	-	847,016	-	56,225,965

26. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk *(continued)*

Impairment losses on financial investments subject to impairment assessment

Reconciliation of Loss Allowance Accounts

	At 31 December 2019 KShs	(Increase)/ decrease in loss allowance in the year KShs	At 31 December 2020 KShs
Government securities at FVOCI	-	-	-
Corporate bonds	(9,435,146)	273,890	(9,161,256)
Commercial paper	(151,180)	103,646	(47,534)
Other receivables	-	(163,256)	(163,256)
Deposits with financial institutions	(70,026)	(1,228,735)	(1,298,761)
Intercompany loan	(100,000)	(17,804)	(117,804)
Due from related parties	(13)	(17,937)	(17,950)
Cash and cash equivalents	-	-	-
Accounts receivables	(365,969)	(731,898)	(1,097,867)
	(10,122,334)	(1,782,094)	(11,904,428)

(b) Liquidity risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

26. FINANCIAL RISK MANAGEMENT (continued)
(b) Liquidity risk *(continued)*

31 December 2020	6 months or on demand KShs	Between 6 months and 1 year KShs	More than 1 year KShs	Total KShs
Financial Assets				
Accounts receivable	7,625,489	-	-	7,625,489
Corporate bonds	10,995,950	495,950	7,991,900	19,483,800
Staff loans	894,205	-	-	894,205
Government securities	1,561,875	1,561,875	60,803,781	63,927,531
Commercial paper	9,960,279	-	-	9,960,279
Due from related companies	97,546,530	-	-	97,546,530
Intercompany loan	-	189,477,739	-	189,477,739
Deposits with financial institutions	332,037,362	-	-	332,037,362
Cash and bank balances	3,346,675	-	-	3,346,675
	463,968,365	191,535,564	68,795,681	724,299,610
Financial Liabilities				
Accounts payable	32,832,069	-	-	32,832,069
Due to related parties	337,706	-	-	337,706
	33,169,775	-	-	33,169,775
Net liquidity gap	430,798,590	191,535,564	68,795,681	691,129,835
31 December 2019				
Financial Assets				
Accounts receivable	1,073,386	-	-	1,073,386
Corporate bonds	-	65,144,505	7,213,763	72,358,268
Staff loans	-	1,021,800	2,337,182	3,358,982
Commercial paper		30,084,722		30,084,722
Due from related companies	63,280,132	-	-	63,280,132
Intercompany loan	-	200,000,000	-	200,000,000
Deposits with financial institutions	64,050,095	-	-	64,050,095
Cash and bank balances	4,415,833	-	-	4,415,833
	132,819,416	296,251,027	9,550,945	438,621,418
Financial Liabilities				
Accounts payable	27,340,024	-	-	27,340,024
Due to related parties	5,139,457	-	-	5,139,457
	32,479,481	-	-	32,479,481
Net liquidity gap	100,339,935	296,251,027	9,550,945	406,141,937

26. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk *(continued)*

Carrying amounts of financial assets and liabilities

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

Category of financial asset/liability	2020 KShs	2019 KShs
Financial assets		
Financial assets at fair value through profit or loss	222,180,602	236,051,640
Financial assets at fair value through OCI	27,964,108	-
Debt instruments at amortised cost	532,132,227	438,621,420
	782,276,937	674,673,060
Financial liabilities		
Financial liabilities at amortised cost*	32,832,069	32,479,489

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

(c) Market risk

(i) Interest rate risk

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

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

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

(ii) Price risk

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

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

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

If equity market indices had increased/ decreased by 5%, with all other variables held constant, and all the company's equity investments moving according to the historical correlation with the index, the profit for the year would increase/decrease by Ksh.464,785 (2019: KShs.573,676) while equity would increase/decrease by KShs 325,350 (2019: KShs 401,574)

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 been relatively stable against the major convertible currencies. As at 31 December 2020 and at 31 December 2019, the company did not hold any foreign currency financial instruments hence it was not susceptible to foreign currency risk.

27. FAIR VALUE MEASUREMENT

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

Level 1: Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi Securities Exchange.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

Assets and liabilities by fair value hierarchy

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

	Level 1 KShs	Level 2 KShs	Level 3 KShs	Total KShs
At 31 December 2020				
Equity investments at fair value through profit or loss (note 11)	9,295,706	-	-	9,295,706
Investments in collective investment scheme at fair value through profit or loss (note 11)	-	212,884,896	-	212,884,896
Financial securities as fair value through OCI-Government securities	27,964,108	-	-	27,964,108
	37,259,814	212,884,896	-	250,144,710
At 31 December 2019				
Equity investments at fair value through profit or loss (note 11)	11,473,529	-	-	11,473,529
Investments in collective investment scheme at fair value through profit or loss (note 11)	-	224,578,111	-	224,578,111
	11,473,529	224,578,111	-	236,051,640

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:	2020 KShs	2019 KShs
Minimum capital requirement	10,000,000	10,000,000
Capital held at 31 December:		
Share capital	311,000,000	311,000,000
Retained earnings	546,384,478	327,430,165
	857,384,478	638,430,165
Working capital:		
Net working capital	365,137,400	98,822,452
20% of the minimum share capital	2,000,000	2,000,000
3 times average monthly operating expenses	90,000,000	71,000,000

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 2019.

Gearing ratio

The company had no external borrowings as at 31 December 2020 and 31 December 2019.

29. CONTINGENT LIABILITY

Tax Assessment

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

30. EVENTS AFTER THE REPORTING PERIOD

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

31. INCORPORATION

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

32. CURRENCY

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

CIC GROUP

GLOSSARY OF INSURANCE TERMS
FOR THE YEAR ENDED 31 DECEMBER 2020

Assumptions	The underlying variables which are taken into account in determining the value of insurance and investment contract liabilities.
Benefits and claims experience variation	The difference between the expected and the actual benefit
Discretionary participation feature (DPF)	A contractual right to receive, as a supplement to guaranteed benefits, additional pay-out benefits: • That are likely to be a significant portion of the total contractual benefits • Whose amount or timing is contractually at the discretion of the issuer • That are contractually based on: • The performance of a specified pool of contracts or a specified type of contract • Realised and/or unrealised investment returns on a specified pool of assets held by the issuer • The profit or loss of the company, fund or other entity that issues the contract
Financial risk	The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non–financial variable that the variable is not specific to a party to the contract.
Insurance contract	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
Insurance risk	Risk, other than financial risk, transferred from the holder of a contract to the issuer.
Investment contract	A contract, which contains significant financial risk and may contain insignificant insurance risk but does not meet the definition of an insurance contract.
Investment management services	The management of an investment contract on behalf of a policyholder, for which an investment management service fee is charged.
Liability adequacy test	An annual assessment of the sufficiency of insurance and/or investment contract with DPF liabilities, to cover future insurance obligations.
Life insurance	A contract which provides whole life, term assurance, unitised pension, guaranteed pension, pure endowment pension and mortgage endowment coverage to the policyholder.
Outstanding claims provision	Comprises claims reported by the policyholder to the insurance company, and IBNR claims.
Premiums written	Premiums to which the insurer is contractually entitled becoming due for payment in the accounting period.
Provision for premium deficiency	The provision for premium deficiency reflects management assessment of claims expected to be incurred after the reporting date in respect of current insurance contracts that exceed the premiums to be earned on those contracts after the reporting date.
Reinsurance	Insurance risk that is ceded to another insurer to compensate for losses, but the ultimate obligation to the policyholder remains with the entity who issued the original insurance contract.
Unit holder/unit linked	Investor in a unit–linked product, when the investment risk is borne by the policyholder and not by the insurance company.


LIFE
We keep our word
to secure your CHILD'S EDUCATION

PROXY FORM
CIC Asset Management Limited

(Incorporated in the Republic of Kenya under the Companies Act No. 17 of 2015)
Annual General Meeting dated 25th September 2020 at 8:30 a.m. At CIC Plaza II, Nairobi.

I/We______________________________________ ID Number ______________________

Member/ CDS Account Number ____

Of (address) _________________________________ Mobile Number ______________________

Being a member of CIC Life Assurance Limited and entitled to vote hereby appoint

Name(s) _____________________________________ ID Number ______________________

Of (address) ____

Or, failing him, the duly appointed Chairman of the meeting to be my/our Proxy, to vote on my/our behalf at the Annual General Meeting of the Company to be held on 25th September 2020 at 8:30 a.m. or at any adjournment thereof.

As witness to my/our hands this __________ day of ______________________ 2020

Signature(s) ____

Notes

1. This proxy form is to be delivered to CIC Life Assurance Limited, CIC Plaza, Mara Road and of P.O. Box 59485-00200 Nairobi via email address cic.life@cic.co.ke to arrive not later than 8.30 am on 23rd September 2020 before the meeting or any adjournment thereof, failing which it will be invalid.

2. A proxy form must be in writing and in the case of an individual shall be signed by the shareholder or by his attorney and in the case of a corporation the proxy must be either under its common seal or signed by its attorney or by an officer of the corporation.

The Board of Directors
CIC Asset Management Limited
Address 59485-00200

Re: **Seeking Consent From The Members To Convene AGM At Shorter Notice**

Dear Sir/s,

I/we ____ , the member/s holding an

____

(in words) equity shares of the Company as on date representing _____________ % of the total paid-up share capital and also have an entitlement to vote at such meeting, hereby do accord mine/our consent to convene the ensuing AGM of the Company at shorter notice.

Kindly do take the same on your record.

Thanking you
Yours truly

____
(Name of the Member)

Date: ___________________

Place: ___________________

NOTEPAD

NOTEPAD

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CIC GROUP

CIC ASSET MANAGEMENT LIMITED

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