

**THE BOARD OF DIRECTORS OF THE NAIROBI SECURITIES EXCHANGE PLC (NSE)  
IS PLEASED TO ANNOUNCE THE AUDITED GROUP RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018**

**SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER**

	2018 KShs '000	2017 KShs '000
Revenue	626,191	607,438
Interest income	116,341	98,569
Other income	39,605	46,711
<b>Total income</b>	<b>782,137</b>	<b>752,718</b>
Administrative expenses	(560,300)	(495,856)
Share of profit of associate	19,012	12,324
<b>Profit before taxation</b>	<b>240,849</b>	<b>269,186</b>
Taxation charge	(50,171)	(52,936)
<b>Profit for the year</b>	<b>190,678</b>	<b>216,250</b>
Other comprehensive income	(3,313)	2,556
<b>Total comprehensive income for the year</b>	<b>187,365</b>	<b>218,806</b>
<b>Earnings Per Share* - Basic and diluted (Kshs)</b>	<b>0.73</b>	<b>0.83</b>
*Basic EPS based on no. of shares	259,500,791	259,500,791

**SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER**

	2018 KShs '000	2017 KShs '000
<b>Assets</b>		
Non current assets	1,079,514	1,035,836
Current assets	1,138,874	1,072,384
<b>Total assets</b>	<b>2,218,388</b>	<b>2,108,220</b>
<b>Equity and liabilities</b>		
Share capital	1,038,003	1,038,003
Share premium	277,185	277,185
Revenue reserves	781,224	694,049
Other reserves	(664)	(559)
Revaluation reserves	-	3,208
Non current liabilities	2,711	7,326
Current liabilities	119,929	89,008
<b>Total shareholders' funds and liabilities</b>	<b>2,218,388</b>	<b>2,108,220</b>

**SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER**

	2018 KShs '000	2017 KShs '000
<b>Cash flows from operating activities</b>		
Cash generated from operations	124,642	99,969
Tax paid	(57,491)	(29,789)
Net cash generated from operating activities	67,151	70,180
Net cash generated from/(used in) investing activities	79,987	(327,035)
Net cash used in financing activities	(73,860)	(66,474)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>73,278</b>	<b>(323,329)</b>
Cash and cash equivalents at the beginning of the year	156,030	479,359
<b>Cash and cash equivalents at the end of the year</b>	<b>229,308</b>	<b>156,030</b>

**SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER**

	Share capital KShs '000	Share premium KShs '000	Revaluation & Other reserves KShs '000	Retained earnings KShs '000	Total KShs '000
<b>At 1 January 2017</b>	<b>1,038,003</b>	<b>277,185</b>	<b>105</b>	<b>547,852</b>	<b>1,863,145</b>
Profit for the year	-	-	-	216,250	216,250
Other comprehensive income, net of tax	-	-	2,556	-	2,556
Transfer of excess depreciation	-	-	(17)	17	-
Deferred tax on transfer of excess depreciation	-	-	5	(5)	-
2016 dividend declared in the year	-	-	-	(70,065)	(70,065)
<b>At 31 December 2017</b>	<b>1,038,003</b>	<b>277,185</b>	<b>2,649</b>	<b>694,049</b>	<b>2,011,866</b>
Impact of IFRS 9 and IFRS 15 transition adjustments:					
Additional loss allowance on adoption of IFRS 9	-	-	-	(7,130)	(7,130)
Deferred market access fee on adoption of IFRS 15	-	-	-	(25,001)	(25,001)
Deferred tax thereon	-	-	-	6,478	6,478
Profit for the year	-	-	-	190,678	190,678
Other comprehensive income, net of tax	-	-	(3,313)	-	(3,313)
2017 dividend declared in the year	-	-	-	(77,850)	(77,850)
<b>At 31 December 2018</b>	<b>1,038,003</b>	<b>277,185</b>	<b>(664)</b>	<b>781,224</b>	<b>2,095,748</b>

**SUMMARY OF DIRECTORS' REMUNERATION REPORT**

During the year, the Group paid Kshs. 38,008,921 (2017: Kshs. 30,223,317) as Directors remuneration.

**Explanatory Notes**

The above summary of the financial statements are extracts of the audited financial results of the Group which comprises the Nairobi Securities Exchange Plc (NSE), the subsidiary NSE Clear Limited, the structured entities (the NSE Derivatives Settlement Guarantee Fund and NSE Derivatives Investor Protection Fund) and the interest of the NSE in an associate company. The accounting policies used in preparing these audited financial statements are consistent and should be read in conjunction with those used for the annual financial statements for the year ended 31 December 2018.

**INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF NAIROBI SECURITIES EXCHANGE PLC**

**Opinion**

We have audited the summary financial statements of Nairobi Securities Exchange Plc, which comprise the summary consolidated statement of financial position at 31 December 2018 and the summary consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended which are derived from the audited financial statements of Nairobi Securities Exchange Plc and its subsidiaries and structured entities (together, the "Group") for the year ended 31 December 2018. The Group's financial statements are prepared in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

In our opinion the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements of the Group which are prepared in accordance with International Financial Reporting Standards (IFRS) and the Kenyan Companies Act, 2015.

The summary directors' remuneration report is derived from the directors' remuneration report for the year ended 31 December 2018.

**Summary financial statements and directors' remuneration report**

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and in the manner required by the Kenyan Companies. In addition, the summary directors' remuneration report does not contain all the disclosures required by the Companies (General) (Amendment) (No.2) Regulations 2017.

Reading the summary financial statements, the summary directors' remuneration report and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements, the directors' remuneration report and the auditor's report thereon. The summary financial statements, the summary directors' remuneration report and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

**The audited financial statements and our report thereon**

We expressed an unmodified audit opinion on the audited financial statements in our audit report dated 22 March 2019 and also confirmed that the auditable part of the directors' remuneration report was prepared in accordance with the Kenyan Companies Act, 2015. That audit report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

**Directors' responsibility for the summary financial statements**

The directors are responsible for the preparation of the summary financial statements and the summary directors' remuneration report in accordance with the International Financial Reporting Standards and Kenyan Companies Act 2015.

**Auditor's responsibility**

Our responsibility is to express an opinion on whether the summary financial statements and the summary directors' remuneration report are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to report on summary financial statements*.

  
**Certified Public Accountants  
Nairobi**

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

**KEY AUDIT MATTERS**

There are no key audit matters to report.

**FINANCIAL HIGHLIGHTS**

• Total income increased by 4% from Kshs. 753 million in 2017 to Kshs. 782 million in 2018. This was driven mainly by a 2% increase in equity turnover from

Kshs. 343 billion in 2017 to Kshs. 351 billion in 2018 and bonds turnover which increased by 29% from Kshs. 872 billion in 2017 to Kshs. 1,125 billion in 2018. Interest income increased by 18% from Kshs. 99 million in 2017 to Kshs. 116 million in 2018 due to prudent management of funds. Other income decreased by 15% from Kshs. 47 million in 2017 to Kshs. 40 million in 2018 mainly due to a reduction in revaluation surplus on investment property in 2018.

• Share of profit of associate increased by 54% from Kshs. 12.3 million in 2017 to Kshs. 19 million in 2018 owing to increased profitability.

• Administrative expenses increased by 13% from Kshs. 496 million in 2017 to Kshs. 560 million in 2018 mainly due to a salary review alignment and revaluation deficit on the valuation of the NSE building. This resulted in a decline in the profit for the year by 12% from Kshs. 216 million in 2017 to Kshs. 191 million in 2018.

• Total assets increased nominally by 5% from Kshs. 2.1 billion in 2017 to Kshs. 2.2 billion in 2018.

• The Group recorded a return on assets of 8.6% and a return on equity of 9.1% in 2018.

**OUTLOOK FOR 2019**

Our expectations on the economic activities and the general business environment in Kenya are positive going into 2019. The Government's investment in the *Big Four Agenda* will create new opportunities for businesses to grow. According to the International Monetary Fund (IMF), Kenya's GDP could grow to 6.01% due to improved performance in various sectors, including real estate, tourism, manufacturing, and agriculture.

The NSE will in the coming year focus on enhancing uptake of its various products. With the broadening of our product offering, companies can now tap into various forms of capital including debt, equity and Real Estate Investment Trusts to raise funds for their businesses. We also embarked on the full roll-out of the *Ibuka* program which is an incubation and accelerator platform for providing companies with visibility, capacity building and networking opportunities on a hosted basis. From a product development perspective, we envisage to launch the derivatives market this year. The NSE will continue to focus on its innovative strategy and in the coming year deliver its products through more accessible digital channels.

During the year, we intend to support the issuance of the *M-Akiba* retail bond program and in addition promote sustainable financing through issuance of green bonds.

In 2019, the NSE will strengthen its operational efficiency through optimisation of its resources and management of costs.

**ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of the Nairobi Securities Exchange Plc will be held on 30 May 2019 at the Kenyatta International Convention Centre (KICC), Nairobi.

**DIVIDEND**

The Directors recommend the payment of a first and final dividend for the year 2018 of Kshs. 0.49 per ordinary share comprising of an ordinary dividend of Kshs. 0.29 per share and a special dividend of Kshs. 0.20 per share (2017 - Kshs. 0.30 per share). The dividend is subject to shareholders' approval at the Annual General Meeting. The payment is subject to withholding tax, where applicable and will be paid by 30 July 2019 to members on the register at the close of business on 30 May 2019. Accordingly, the register of members will remain closed for one day on 31 May 2019 for preparation of dividend warrants.


**MESSAGE FROM THE DIRECTORS**

These are extracts from the financial statements of the Group which have been audited by PricewaterhouseCoopers and have received an unqualified opinion. A full set of these financial statements will be available at our registered office at The Exchange, 55 Westlands Road, Nairobi and online at [www.nse.co.ke](http://www.nse.co.ke) for inspection upon issuance of the notice of the Annual General Meeting to be held on 30 May 2019.

The financial statements were approved and authorised for issue by the Board of Directors on 22 March 2019 and were signed on its behalf by:

  
**Mr. Samuel Kimani**  
Chairman

  
**Ms. Risper Alaro**  
Director

  
**Mr. Geoffrey O. Odundo**  
Chief Executive