

NAIROBI SECURITIES EXCHANGE PLC

ANNOUNCEMENT OF AUDITED GROUP RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021



Summary Consolidated Statement of Profit or Loss and other Comprehensive Income for Year ended 31 December	2021 Kshs '000	2020 Kshs '000
Revenue	550,593	548,257
Interest Income	105,752	85,138
Other Income	57,922	36,544
Total income	714,267	669,939
Administrative expenses	(500,010)	(467,212)
Share of profit of associate	(3,389)	16,187
Profit before taxation	210,868	218,914
Taxation Charge	(78,334)	(50,996)
Profit for the year	132,534	167,918
Other comprehensive loss	26,721	(5,865)
Total comprehensive income for the year	159,255	162,053

Earnings per share* - Basic and diluted (Kshs)	0.51	0.65
*EPS based on no. of shares	260,004,320	259,500,791

Summary Consolidated Statement of Financial Position as at 31 December	2021 Kshs '000	2020 Kshs '000
Assets		
Non current assets	1,067,117	1,170,421
Current assets	1,147,275	1,142,725
Total Assets	2,214,392	2,313,146
Equity and Liabilities		
Share capital	1,040,017	1,038,003
Share premium	278,579	277,185
Revenue reserves	746,246	883,258
Non controlling interest	17,518	15,509
Other reserves	2,969	(23,752)
Non current liabilities	15,103	38,483
Current liabilities	113,960	84,460
Total shareholders' funds and liabilities	2,214,392	2,313,146

Summary Consolidated Statement of Cash Flows For The Year Ended 31 December	2021 Kshs '000	2020 Kshs '000
Cash flows from operating activities		
Cash generated from operations	135,901	136,289
Tax paid	(85,391)	(19,982)
Net cash generated from operating activities	50,510	116,307
Net cash (used in) / generated from investing activities	63,048	(134,880)
Net cash used in financing activities	(256,033)	(19,801)
Increase in cash and cash equivalents	(142,475)	(38,374)
Cash and cash equivalents at the beginnings of the year	943,643	982,017
Cash and cash equivalents at the end of the year	801,168	943,643

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	Non controlling interest Kshs'000	Total Kshs'000
At 1 January 2020	1,038,003	277,185	(18,093)	732,992	56,113	2,086,200
Profit for the year	-	-	-	167,801	117	167,918
Other comprehensive income	-	-	(5,865)	-	-	(5,865)
Non controlling interest on acquisition of subsidiary	-	-	206	5,616	(40,721)	(34,899)
2019 dividend declared in the year	-	-	-	(23,151)	-	(23,151)
At 31 December 2020	1,038,003	277,185	(23,752)	883,258	15,509	2,190,203
Profit for the year	-	-	-	130,525	2,009	132,534
Other comprehensive income, net of tax	-	-	26,721	-	-	26,721
2020 dividend declared in the year	-	-	-	(137,535)	-	(137,535)
2021 dividend declared in the year	-	-	-	(130,002)	-	(130,002)
Issue of shares to employee share ownership plan	2,014	1,394	-	-	-	3,408
At 31 December 2021	1,040,017	278,579	2,969	746,246	17,518	2,085,329

SUMMARY OF DIRECTORS' REMUNERATION REPORT

During the year, the Group paid Kshs. 43,605,820 (2020: Kshs. 45,342,040) as Directors' remuneration.

KEY AUDIT MATTERS

There are no key audit matters to report.

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

Opinion

The accounting policies used in preparing these financial statements are consistent with those used for the Group's 2021 Annual Financial Statements. These audited financial statements are extracts from the books of accounts of the Group and were approved by the Board of Directors on 29 March 2022.

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 2020.

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 Act, 2015. 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.

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.

Anne Muraya

Deloitte & Touche LLP Certified Public Accountants (Kenya)

FCPA Anne Muraya, Practising certificate No. 1697

Signing partner responsible for the independent audit

29 March 2022

OPERATING ENVIRONMENT IN 2021

The global economy experienced recovery in 2021, with the International Monetary Fund (IMF) projecting a Gross Domestic Product (GDP) growth at 5.9%. Similar trends are expected in Sub-Saharan Africa with growth projections at 4% for 2021. The containment of the Covid-19 pandemic was a key factor in economic recovery in 2021. Economic activity continued to adapt to the pandemic and associated restrictions. The period witnessed a restoration of supply chains which facilitated the movement of goods and persons across the globe.

Kenya's GDP forecast for 2021 was adjusted higher by the National Treasury to 6.6% from 6.4%, mainly as a result of a recovery in key sectors that support the economy. Inflation in 2021 averaged 6.1%, triggered mainly by increased food and fuel prices. The Government made several decisions to stimulate the economy including reducing and maintaining the Central Bank Rate at 7%. The period also witnessed the cessation of tax concessions and other incentives following improved vaccination levels.

The year was also characterised by the other challenges including a drought situation, which was declared a national disaster in September 2021. Poor rainfall in the Kenyan Arid and Semi-Arid lands (ASAL), at less than 60% of average rainfall, left more than 2.1 million people in a severe food shortage situation. The Government spearheaded relief efforts including water and relief food distribution, as well implementing a livestock off take programme.

The Government raised approximately Kshs. 834 Billion in Treasury Bonds during the year, some of which went into supporting infrastructure, a key component in the achievement of the Big 4 Agenda.

MARKET PERFORMANCE

At the close of the 2021, equity turnover decreased by 7.6% to close at Kshs. 137.4 Billion, compared to Kshs.148.6 Billion in 2020. This was as a result of reduced equity activity from local and international investors who instead reallocated more capital towards Fixed Income assets, owing to attractive yields. The Government maintained its domestic borrowing programme. Total new issuance during the year stood at Kshs. 834 Billion while the value of bonds traded stood at a historical high of Kshs. 936 Billion, a growth of 38.33%. The market capitalization in the equity market stood at Kshs. 2.57 Trillion, while the valuation of outstanding bonds crossed the milestone Kshs. 3 Trillion mark to stand at Kshs. 3.12 Trillion. This was an improvement of 10.97% and 23.70% respectively over a similar position in 2020.

The NSE 20 index rose by 1.83% to close at 1,902.57 points in 2021 from 1,868.39 in 2020.

The market also attracted additional equity issuances amounting to Kshs. 711 Million, mainly through a rights issue of Kshs.71.81 Million units.

The bond market attracted four additional listings bringing the total number of outstanding corporate bonds to five. The total amount raised was Kshs.18 Billion. During the period, the Exchange also listed two additional Real Estate Investment Trusts (REITs) which raised a total of Kshs. 2.5 Billion. The REITs were listed on the Unquoted Securities Platform which to date, has recorded a total turnover of Kshs. 387 Million.

In the Derivatives Market, the year 2021 witnessed the introduction of market making which significantly boosted trading activity. Turnover increased to Kshs. 289 Million representing an increase of over 600% compared to Kshs. 40 Million in 2020. The total number of outstanding positions held by investors in the market, peaked to 939 contracts worth approximately Kshs. 36 Million in 2021, up from previous highs of 468 contracts worth Kshs. 15.6 Million in 2020. This increase was supported by increased confidence by investors taking larger positions as market liquidity improved.

FINANCIAL HIGHLIGHTS

- The Group reported a Profit before Tax of Kshs. 210 Million from Kshs. 218 Million in 2020, representing a decline of 4%. Profit after Tax stood at Kshs. 132.5 Million from Kshs. 167 Million in 2020, a decline of 21%.
- Equity turnover stood to Kshs. 137 Million from Kshs. 148 Million occasioned by reducing equity trading volumes owing mainly to reallocation of capital to fixed income assets. This in turn led to a reduction in equity trading levies from Kshs 356.8 Million for the twelve months 31 December 2020 to Kshs. 329.7 Million in 2020.
- Bonds turnover increased by 38% to a historical high of Kshs. 956 Billion for the twelve months ended 31 December 2021 as compared to Kshs. 691 Billion during the same period in 2020.
- Interest income increased by 24% from Kshs. 85.1 Million in 2020, to Kshs. 105.7 Million in 2021 due to our active treasury management.

- Our data business recorded a good performance increasing from Kshs. 36.8 Million in 2020 to Kshs. 52.4 Million owing to a proactive institutional sale strategy.
- Administrative expenses increased by 7% from Kshs. 467.2 Million in 2020, to Kshs. 500 Million in the period under review. The increase was as a result of exceptional provisions resulting from International Financial Reporting Standards (IFRS) adjustments in our asset holdings and additional tax charges.
- Share of profit of associate decreased by 121% to a loss of Kshs. 3.3 Million in 2021 from Kshs. 16.1 Million in 2020 owing to low equity levies received by our associate investment company.
- Other comprehensive profit resulted from the fair value movement of our quoted investment amounting to Kshs. 26.7 Million.
- Total assets decreased marginally by 4% from Kshs. 2.31 Billion in 2020 to Kshs. 2.2 Billion as at 2021 as a result of a write down of our fixed assets and payment of a special dividend at the close of the year.
- Non-current liabilities as at both periods (2020 and 2021) included Kshs. 11.75 Million made up of contributions received from clearing members in 2019 towards the NSE Derivatives Settlement Guarantee Fund.
- Current liabilities stood at Kshs. 113 Million at the close 2021 and includes a dividend payable of Kshs. 67 Million.
- Share Capital increased by Kshs. 2 Million due to shares issued to staff through the Employee Share Ownership Plan.
- Return on assets and return on equity reduced from 7.25% and 7.72% respectively in the twelve months ended 31 December 2020, to 5.96% and 6.38% respectively in the same period in 2021.

OUTLOOK – 2022

The year began with new political tension in Europe which later manifested into a war between Russia and Ukraine. This has had an unexpected global impact on our country given the importance of these two nations as producers of energy and agricultural produce. Following this, global investors have taken a cautious approach to investments leading to low turnover being experienced in 2022. There is attendant inflationary pressure in most countries being driven by volatile commodity and oil prices that could potentially impact on investor interest in the emerging and frontier markets.

To counter this, the Exchange will continue to drive investor interest in all its products while encouraging companies to tap into the capital markets, to fund their businesses as well as manage their risks. These include our Exchange Traded Funds (ETFs), Real Estate Investment Trust (REITs) and the Derivatives market. We currently have a strong demand side as evidenced by the recent successful oversubscription of the capital raising done by companies in our equity and corporate bond markets. Our focus will be on building the supply side. In line with this, we will continue to engage both public and private institutions to consider blending their capital structures, by taking up equity capital which has proven to be critical to their long term sustainability. In addition, we will continue to lay focus on the corporate debt market which provides an ideal opportunity for companies to raise medium term funding.

The NSE will focus on supporting the high growth sectors in the country especially the technology industry which had demonstrated an appeal for funding from the private equity investors, through providing desirable exit platforms.

We also recognize that as a member of the United Nations Sustainable Stock Exchanges Initiative we have a role to play in promoting climate friendly assets. We will therefore build on the success of our Green Bond market and encourage more issuers to take up this sustainable financing opportunity. In line with our efforts to enhance Corporate Governance we will continue to encourage our issuer companies to implement Environmental Social and Governance (ESG) reporting using the ESG Guidance Manual provided by the NSE in 2021.

The launch of the Unquoted Securities Platform in May 2021 has permitted the Exchange to explore the untapped opportunities that exists in the ever growing private over the counter markets space in Kenya. The Platform offers a very prominent value proposition through increased transparency, better turnaround time in closure of trades and an avenue for capital raising for entities that are not yet ready for the main market. This asset class provides an avenue for private companies, Savings and Credit Co-operative Organisations (Saccos) and other specialized units to trade. We will aggressively target to grow interest especially among Small and Medium Sized Enterprise (SME) companies.

The retail sector is a key focus for us in 2022. In this regard, we have developed initiatives to support interest from the retail sectors, key among them being point for shares and day trading of shares.

With the upcoming Kenyan elections in August 2022, we remain positive of a productive business environment that will enable investors and issuers seek opportunities in the capital markets.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Nairobi Securities Exchange Plc will be held on 3rd June 2022. Further information will be sent to shareholders ahead of the Meeting.

DIVIDENDS

The Board of Directors recommends the approval of a Second Special dividend of Kshs. 0.50 cents per share resulting in a total Special dividend of Kshs. 1.00 per share (inclusive of the Kshs.0.50 cents paid in December 2021) and final dividend of Kshs. 0.40 per share, making a total dividend of Kshs.1.40 per share (2020: Kshs. 0.53 per share). The dividend is subject to shareholders' approval at the Annual General Meeting. The payment is also subject to withholding tax where applicable, and will be paid by 15th July 2022 to members on the register at the close of business on 3rd June 2022.

By Order of the Board

Mr. Kiprono Kitonyo, EBS
Chairman

Ms. Risper Alaro
Director

Mr. Geoffrey O. Odundo
Chief Executive

Nairobi

29 March 2022