

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December	2019 Kshs '000	2018 Kshs '000
Revenue	567,382	626,191
Interest income	89,109	116,341
Other income	59,147	39,870
Total income	715,638	782,402
Administrative expenses	(625,403)	(560,565)
Share of profit of associate	14,264	19,012
Profit before taxation	104,499	240,849
Taxation charge	(24,346)	(50,171)
Profit for the year	80,153	190,678
Other comprehensive loss	(17,223)	(3,313)
Total comprehensive income for the year	62,930	187,365
Earnings Per Share* - Basic and diluted (Kshs)	0.30	0.73
*EPS based on no. of shares	259,500,791	259,500,791

Summary Consolidated Statement of Financial Position

For The Year Ended 31 December	2019 Kshs '000	2018 Kshs '000
Assets		
Non current assets	1,306,936	1,079,514
Current assets	935,465	1,138,874
Total assets	2,242,401	2,218,388
Equity and liabilities		
Share capital	1,038,003	1,038,003
Share premium	277,185	277,185
Revenue reserves	732,992	781,224
Other reserves	(18,093)	(664)
Non controlling interest	56,113	-
Non current liabilities	37,079	2,711
Current liabilities	119,122	119,929
Total shareholders' funds and liabilities	2,242,401	2,218,388

Summary Consolidated Statement of Cash Flows

For The Year Ended 31 December	2019 Kshs '000	2018 Kshs '000
Cash flows from operating activities		
Cash generated from operations	100,717	124,642
Tax paid	(46,900)	(57,491)
Net cash generated from operating activities	53,817	67,151
Net cash generated from investing activities	145,368	79,987
Net cash used in financing activities	(85,293)	(73,860)
Increase in cash and cash equivalents	113,892	73,278
Cash and cash equivalents at the beginning of the year	229,308	156,030
Cash and cash equivalents at the end of the year	343,200	229,308

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 2018	1,038,003	277,185	2,649	694,049	-	2,011,886
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)
At 31 December 2018	1,038,003	277,185	(664)	781,224	-	2,095,748
Profit for the year	-	-	-	78,923	1,230	80,153
Other comprehensive income, net of tax	-	-	(17,429)	-	206	(17,223)
Non-controlling interest on acquisition of subsidiary	-	-	-	-	54,677	54,677
2018 dividend declared in the year	-	-	-	(127,155)	-	(127,155)
At 31 December 2019	1,038,003	277,185	(18,093)	732,992	56,113	2,086,200

SUMMARY OF DIRECTORS' REMUNERATION REPORT

During the year, the Group paid Kshs 49,035,568 (2018: Kshs 38,008,921) as Directors remuneration.

Explanatory Notes

The accounting policies used in preparing these financial statements are consistent with those used for the group's 2018 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 27 March 2020.

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 2019 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 2019. 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 2019.

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) Regulation 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

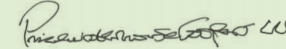
We expressed an unmodified audit opinion on the audited financial statements in our audit report dated 27 March 2020 and also confirmed that the auditable part of the directors' remuneration report was prepared in accordance with the Kenyan Companies Act, 2015. That audit report also includes the communication 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.

OPERATING ENVIRONMENT – 2019

Global Gross Domestic Product growth rate reduced to 2.9% in 2019. Conversely, the capital markets performed well with the S&P 500 gaining 28.9% as the Nasdaq Composite and the Dow Jones Industrial Average posting positive gains of 35% and 22% respectively. Locally the NSE's All-Share Index (NASI), which tracks the market value of shares of all listed firms, gained 18.5% to close the year 2019 at 166.41 points.

The strong performance of the international markets witnessed increased allocation to the developed markets impacting the frontier markets of which the NSE is a key constituent.

FINANCIAL HIGHLIGHTS

The Group reported a profit before tax of Kshs.104 Million in 2019 as compared to Kshs 241 Million recorded in the year 2018. Net profit declined by 58% to Kshs. 80 Million over the same period in 2018. This was occasioned by a 9% decrease in revenues mainly as a result of a decline in equity trading turnover which declined by 12% from Kshs.351 Billion in 2018 to Kshs.307 Billion in 2019. Equity trading levies equally declined by 12% from Kshs. 421.6 Million for the year ended 31 December 2018 to Kshs. 369.1 Million over the same period in 2019. The reduced trading activity was largely as a result of a

weak local demand side which did not complement the international activity. Bonds turnover however edged up 15.80% to settle at Kshs. 1,303 Billion for the year 2019 as compared to Kshs. 1,125 Billion recorded in 2018.

Interest income in the review period decreased by 23% to Kshs. 89.1 Million from Kshs. 116.3 Million recorded over a similar period in 2018 due to utilization of cash deposits on acquisition of strategic investments.

Administrative expenses increased by 12% from Kshs. 560 Million in 2018 to Kshs. 625 Million in 2019 mainly arising from a one off staff restructuring cost of Kshs. 52 Million in 2019. This is not expected to recur in 2020. The ATS system upgrade and the derivatives market were launched in the year. Both ATS and derivatives systems were capitalized in 2019 resulting in an increase in amortization and depreciation expenses by Kshs. 11.7 Million.

The Group recorded other comprehensive loss of Kshs. 17.2 Million for the year under review mainly comprising of Kshs. 18.4 Million in unrealised loss on the fair value of a quoted equity investment acquired in 2019. This was passed through Other Reserves.

Total assets increased marginally by 1% from Kshs. 2.218 Billion as at 31 December 2018 to Kshs. 2.242 Billion as at 31 December 2019. Non controlling interest of Kshs. 56.1 Million as at 31 December 2019 represents the minority shareholders arising from the 61% acquisition in 2019 of an unquoted equity investment. Non current liabilities as at 31 December 2019 include Kshs 35.2 Million contributions received from clearing members towards the settlement guarantee fund.

COVID 19

The outbreak of COVID-19 presents a new challenge to the market and we anticipate that investors will remain cautious in the medium term. The systemic global impact of this pandemic has been significant and as an international market we will experience some volatility in the near term.

It is impressive to note that local investors continue to exude confidence in the market and are taking up more buy positions with almost 50:50 local to foreign participation in the market. The increased local investor participation and continued trading inflows from the international markets is evidence of the attractive valuation of stocks trading on the Exchange. As a market we have put in place measures that will ensure continuous seamless trading and access to all our investing publics. We remain committed to ensuring that we complement the Government's efforts in containing this virus by ensuring availability of the trading infrastructure through our remote automated processes.

The NSE has robust systems and highly committed market participants who have ensured uninterrupted trading, clearing and settlement in all the securities listed and traded on its various segments. The NSE is working closely with regulators, service providers, trading members and various stakeholders in the capital markets ecosystem to ensure an integrated contingency approach to safeguard integrity, business continuity and uninterrupted access to the markets during this unprecedented period.

OUTLOOK – 2020

To increase listings, we have enhanced our engagements with the Government to encourage privatization of publicly owned companies as well as encourage the Government to reduce its shareholding in some listed State Owned Enterprises.

To grow the data and training business lines, we have reviewed our offering, expanding the portfolio of data and training products and will be partnering with institutions of higher learning to offer data and training services.

We have commenced the implementation of our new strategy for 2020-2024. The strategy will be guided by accelerated innovation and will place special focus on leveraging on technology to increase our reach as we seek to grow our retail investor footprint.

The company will focus on cost management as one of its key deliverables this year. This will be achieved through increased automation and leveraging on the new trading infrastructure. Through these and other innovative initiatives the company is keen on creating a cost efficient organization to attain a cost income ratio of 65%.

ANNUAL GENERAL MEETING

The details of the Annual General Meeting of the Nairobi Securities Exchange Plc will be communicated at a later date.

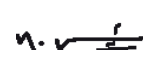


DIVIDENDS

The Directors recommend the payment of a first and final dividend for the year 2019 of Kshs. 0.08 per ordinary share (2018: Kshs. 0.49 per share comprising of an ordinary dividend of Kshs. 0.29 per share and a special dividend of Kshs. 0.20 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 within sixty (60) days of the date of the Annual General Meeting to members on the register at the close of business on the day of the Annual General Meeting as will be communicated in due course. Accordingly, the register of members will remain closed for one day, that is, on the day after the Annual General Meeting 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 for inspection upon issuance of the notice of the Annual General Meeting.

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2020 and were signed on its behalf by:

		
Mr. Samuel Kimani	Ms. Risper Alaro	Mr. Geoffrey O. Odundo
Chairman	Director	Chief Executive