

Nairobi Securities Exchange Integrated Report and Financial Statements 2020

Taking off together



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Overview - About us

The leading Securities Exchange in East and Central Africa connecting capital to opportunities in the region through provision of a world class trading facility for local and international issuers and investors.



Nairobi Securities Exchange

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Corporate Information

Directors	Mr. Kiprono Kittony, EBS	Chairman
	Mr. Bob Karina	Vice Chairman
	Mr. Samuel Kimani	
	Mr. Hosea K. Kili	
	Ms. Nasim Devji	
	Mr. Michael Turner	
	Mr. Paul Vollant	
	Ms. Risper Alaro	
	Mr. Paul Mwai	
	Ms. Isis Nyongo	
	Mr. Geoffrey O. Odundo	Chief Executive
Company Secretary	Mr. Kuria Waithaka P.O. Box 43633 - 00100 Nairobi, Kenya	
Registered Office	L.R. No 209/18851 The Exchange, 55 Westlands Road P.O. Box 43633 - 00100 Nairobi, Kenya	
Bankers	Kenya Commercial Bank Limited Moi Avenue Branch P.O. Box 30081 – 00100 Nairobi, Kenya	
	Co-operative Bank of Kenya Limited Westlands Branch P.O. Box 48231 – 00100 Nairobi, Kenya	
Auditor	PricewaterhouseCoopers LLP PwC Tower Waiyaki Way/Chiromo Road P.O. Box 43963 - 00100 Nairobi, Kenya	
Legal Advisers	Dentons Hamilton Harrison & Mathews Delta Office Suites, 1st floor Block A, Off Waiyaki Way P.O. Box 30333 - 00100 GPO Nairobi, Kenya	
	Mboya Wangong'u & Waiyaki Advocates Lex Chambers Maji Mazuri Road, Off James Gichuru Road, Lavington P.O. Box 74041 – 00200 Nairobi, Kenya	
	Walker Kontos Advocates Hakika House Bishops Road P.O. Box 60680 – 00200 Nairobi, Kenya	



About this report

Nairobi Securities Exchange Plc is pleased to present its Integrated Report for the period January 1 2020 to December 31 2020. The report is aimed at providing adequate information to our stakeholders, giving a comprehensive overview of how the NSE created value to all its stakeholders in the period under review. It reports on how the NSE leveraged on its various forms of capitals to create and enhance value.

The report will offer our stakeholders a deeper understanding of our operations, highlighting our achievements, opportunities as well as challenges we faced during the period under review as we seek to become Africa's leading trading and investment platform.



Purpose

This report is an acknowledgement of the critical importance the Group has placed in enhancing its communication with stakeholders through linking financial and non-financial standards in measuring our performance.

This report will therefore provide insights into the financial, operational, strategic, social and governance performance as well as outcomes and implications to the Group in the year under review.



Preparations and Presentation

This Integrated Report has been prepared in accordance with the International Integrated Reporting Framework. The NSE Board of Directors has applied the fundamental concepts and principles recommended in the framework in the preparation of this report.

As a listed company, we have prepared this report in line with the guidelines of the Kenya Companies Act 2015 and specifications issued by the Capital Markets Authority (CMA). The Group Financial Statements were prepared in accordance with International Financial Reporting Standards (IFRS).



Scope of the Report

The scope of this report relates to the NSE, an investment services company as well as material issues arising from its Derivatives Market, its related investments and other business lines. Any reference made to the Group will represent the NSE and its subsidiaries as well as its associate investments.

The report will however capture any material issues arising from any related transactions regarding the Group before the publication of this report.



Assurance

The Group's Financial Statements were audited by PricewaterhouseCoopers (PWC) to enhance their integrity and reliability.

ACCESS TO FLEXIBLE QUOTING AND LISTING REQUIREMENTS

The USP will offer issuers a flexible quoting and regulatory requirements whilst enabling them to trade their securities.



About NSE

Nairobi Securities Exchange (NSE) is the principal bourse in Kenya, offering an automated platform for the listing and trading of multiple securities.

NSE has consistently offered a well-regulated, robust and world class platform for the trading of equities and bonds.

NSE is the market of choice for local and international investors looking to gain exposure to the East African capital markets.

The NSE is publicly traded and was the second self-listed exchange in Africa.



Mission

Linking capital to opportunity to enhance stakeholder value.



Our Core Values

Integrity, Excellence, Teamwork, Sustainability, Accountability



Vision

To be the leading exchange and the investment partner of choice through providing efficient investment and capital raising services in Africa and globally.

Who We Serve

We are the gateway to Kenya's economic growth. We offer investors and issuer's exposure to Kenya's economic growth, a credible and reliable entry point.

Investors

We serve a wide array of retail and Institutional investors both local and foreign with discretionary mandate to invest in frontier equities markets and Derivatives Products. Institutional investors make up to 65% of our investors.



Issuers

We offer a capital raising platform for issuers looking to raise debt or equity capital.



Government

We offer a capital raising platform for issuers looking to raise debt or equity capital.



Data Clients

The NSE offers data products to a wide variety of domestic and international clients including; Data Vendors, Investment Advisors, Fund Managers, Trading System Developers as well as Index Computing Companies.



Training Clients

We offer both basic and specialized training services to a wide variety of market players and the general public. Our training services builds the capacity of market players in an ever changing environment, ensuring their ability to trade with even the most complex of instruments while keeping up with global trends.



Creating Opportunities in Regional Economies

We offer **investors access to Kenya's and East Africa's economic growth** through **exposure to leading companies** across various sectors of the economy.



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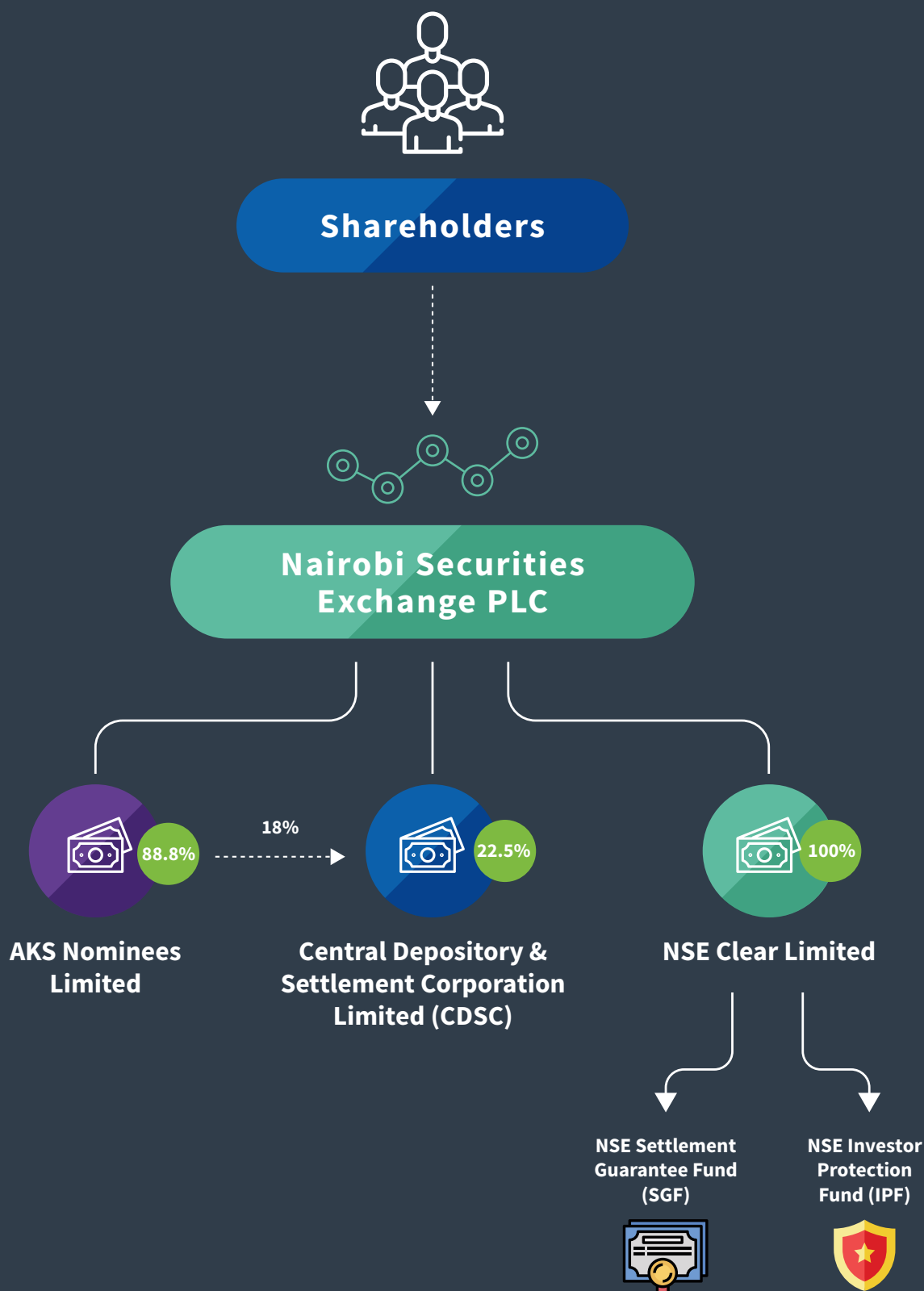


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Email: info@nse.co.ke

NSE Structure



The Board of Directors of NSE Clear Limited appoints Trustees of the SGF and IPF who manage and administer the funds.

Growing the Region's Financial Services Hub

We provide an **all-inclusive trading platform** anchored on **best-in-class trading technology**, wide **array of investment products** and **data dissemination capabilities**.



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NSE History

1920 -1953

Dealing in shares commenced with trading taking place on a gentleman's agreement. London Stock Exchange (LSE) officials accepted to recognize the setting up of the Nairobi Stock Exchange (NSE) as an overseas stock exchange in 1953.

1991

The NSE was registered as a private company limited by shares. Share trading moved from being conducted over a cup of tea (at the Exchange Bar at the Stanley Hotel), to the floor based open outcry system.

2006

The NSE implemented live trading on its own Automated Trading System (ATS) trading equities. The ATS also had the capability of trading immobilized corporate bonds and treasury bonds.

2008 April

The NSE launched the NSE Investment Challenge to promote financial literacy and stock market investments amongst Kenyan youth.

2009

The NSE marked the first day of automated trading in government bonds through the ATS and uploaded all government bonds on the System.

NSE History (continued)

2011 July

The NSE implemented live trading on its own Automated Trading System (ATS) trading equities. The ATS also had the capability of trading immobilized corporate bonds and treasury bonds.

2013 January

The Growth Enterprise Market Segment was launched giving small and medium enterprises a great opportunity to access the capital markets.

2014 June

The NSE was registered as a private company limited by shares. Share trading moved from being conducted over a cup of tea (at the Exchange Bar at the Stanley Hotel), to the floor based open outcry system.

2014 September

The NSE listed its 194,625,000 issued and fully paid up shares on the Main Investment Market Segment under a new sector - Investment Services of the Bourse after a successful IPO. Following its self-listing, the Exchange became the second African Exchange after the Johannesburg Stock Exchange, to be listed, supports trading, clearing and settlement of equities, debt, derivatives and other associated instruments.

2015 October

The NSE became the fourth African Bourse to launch Real Estate Investments Trusts (REITs) market and consequently listed the first REIT, the Stanlib Fahari I-REIT.

NSE History (continued)

2016 July

The NSE received formal recognition as a Self-Regulatory Organization (SRO) by the Capital Markets Authority (CMA).

2017 June

The NSE became the first Exchange in the East African region to introduce Exchange Traded Funds (ETFs) and subsequently listed the Barclays New Gold ETF.

2018 December

The NSE Ibuka program was launched in 2018 to prepare companies that wish to list on the Nairobi Securities Exchange. Companies on the program gain visibility and enhanced brand recognition, access to valuable advisory services, and improve their corporate structure.

2019 May

The East African Securities Exchanges Association (EASEA) in partnership with the Rwanda Stock Exchange hosted the inaugural within East Africa Capital Markets Day in Kigali, Rwanda.

2019 July

The NSE launched a new trading system provided by millennium technologies, who are part of the London Stock Exchange Group.

NSE History (continued)

2019 October

The NSE launched a new trading system provided by millennium technologies, who are part of the London Stock Exchange Group.

2020 June

Launch of the upgraded NSE mobile application, designed to provide investors with convenient, faster and real-time access to the Exchange's activities.

2020 February

Appointment of SCL Advisory Limited to assist in expanding its portfolio of information products and services and clients in major investment markets across the globe as well as generate additional value from existing and new data sets.

2020 August

Securities Lending and Borrowing (SLB) Pilot phase launched with functionalities that are in line with international standards and best practice as envisioned in the Kenyan Capital Markets Master Plan.

Board Chairman's Statement

It is my utmost honour to present to you our Integrated Annual Report for 2020, since becoming Chairman of the Board of the Nairobi Securities Exchange Plc (NSE) on July 13, 2020. The year 2020 was an extraordinary year by any standards. The COVID-19 pandemic hit nearly every strand of the global, regional and local economies. Many sectors of the economy from tourism, banking, logistics and many more had to rethink and reorganize their strategies to adjust to the new normal. The COVID-19 pandemic stunned businesses across the world like never before.

The financial services sector and more specifically the capital markets were also adversely impacted by the pandemic. The negative effect of the crisis on our listed companies, market intermediaries, service providers, and our society at large has been widespread. The misfortune created by the global public health crisis continues to have a substantial effect on the lives of millions of people around the world.

As a capital market infrastructure provider, it has been imperative that the NSE remains open, operational, and responsive to variabilities and risks in the market. Employee well-being was a key priority for us and we executed a smooth transition to remote working. We also aligned our business practices with those of market participants to ensure stable operations. The COVID-19 pandemic emphasized the importance of business continuity and represented a hands-on stress test on our systems and processes. During this unprecedented period the Exchange continued to operate effectively and commendably, had no system downtime.



Board Chairman's Statement



Sustainable Business Growth

- To ensure sustainability of revenue growth, NSE will seek to diversify its revenue streams and distribution channels.



Strategic Partnerships – NSE will leverage on partnerships to access new markets and customers while gaining market knowledge and best practice to elevate its market position.

Operating Environment

The outbreak of COVID-19 and its rapid spread globally in the first quarter of the year, prompted panic selling by global investors. According to the World Federation of Exchanges, global capital markets lost approximately USD 18 trillion due to the pandemic, in February and March 2020 alone. The pandemic impelled global Governments to enact preventive measures such as lockdowns, restrictions on movement and social distancing, causing economic activities to shrink drastically in the second quarter of 2020.

As a result, the global economy is estimated to have contracted by 3.5 percent in 2020 from a growth of 2.8 percent in 2019. Advanced economies are projected to have contracted by 4.9 percent in 2020 from a growth of 1.6 percent in 2019. The emerging markets and developing economies also contracted by 2.4 percent, from a growth of 3.6 percent in 2019. The Kenyan economy is estimated to have slowed down to approximately 0.6 percent in 2020 from a growth of 5.4 percent in 2019. Looking ahead, the economy is projected to recover and grow by above 6.0 percent over the medium term.

Departing from the forbidding economic hindsight and forecasts, global markets saw a recovery following the sharp drop in March 2020, with many indicators improving to pre-pandemic levels by June 2020. This was driven by remarkable stimulus packages, monetary policy actions and public health responses from world governments and economic actors. Defying expectations, many world markets closed the year positively. The final quarter of the year saw international investors react positively to the United States of America election results, the announcement of likely COVID-19 vaccines, improving investor sentiments and relative stabilization of oil prices and geopolitical risks.

Financial Performance and Dividend

During the year, the Group reported an increase in profit after tax of Kshs. 87.7 Million or over 100% for the year ended December 31, 2020 from Kshs. 80.2 Million for the similar period in 2019. Revenue decreased marginally by 5% from Kshs. 577.1 Million in 2019 to Kshs. 548.2 Million in 2020. This was mainly driven by a 3% drop in equity turnover which declined from Kshs. 154 Billion for the year ended December 31, 2019 to Kshs. 149 Billion for the year ended December 31, 2020. Greater detail on our financial performance will be provided further in the report.

Our dividend policy is aimed at ensuring that we continuously offer returns to our shareholders while ensuring the business is adequately capitalized. In view of the performance during the year, the Board recommends a payment of a first and final dividend of Kshs. 0.53 per share in relation to the Financial Year 2020. The dividend is subject to shareholders' approval at the Annual General Meeting.

Our Corporate Strategy

The Group's Strategic Plan 2020 – 2024 provides an effective tool to ensure that NSE is a profitable, financially robust company with a focus on sustainable growth, becoming increasingly attractive to shareholders, customers and employees. The strategy will be driven by sustainable business growth anchored on the following four pillars:

- i) Sustainable Business Growth - To ensure sustainability of revenue growth, NSE will seek to diversify its revenue streams and distribution channels;
- ii) Operational Excellence - NSE will seek to improve operational efficiencies, optimize costs, enhance innovation, strengthen enterprise risk management & compliance and ensure effective market oversight;
- iii) Strategic Partnerships – NSE will leverage on partnerships to access new markets and customers while gaining market knowledge and best practice to elevate its market position;
- iv) People - The people pillar will focus on promoting a high performance culture, enhancing employee engagement, talent development and succession planning, and promoting diversity equality and inclusion at the NSE.

In 2020 we achieved a number of strategic milestones including the establishment of the Unquoted Securities Platform (USP), a market infrastructure to facilitate the trading, clearing and settlement of securities of unquoted companies, following approval granted by the Capital Markets Authority. We also revamped our mobile App (the NSE App) to be more dynamic and user-friendly to enhance investors' participation in Kenya's capital market, especially during the pandemic era. Our 2020 strategic milestones will be presented in detail further in the report.

Corporate Governance

During the first half of 2020, the NSE was led by the immediate former Board chairman Mr. Samuel Kimani, who stepped down as Chair of the Board on July 13, 2020 after holding the position for four years. During his tenure, Mr. Kimani, successfully steered the Company as it achieved various milestones under the 2015-2019 Strategic Plan.

As I took over the role, I recognized the importance of, and indeed are committed to, high standards of corporate governance, aligned with the needs of the company and the interests of all our stakeholders. The Board of Directors fully appreciate the importance of sound governance in the efficient running of the company, and in particular in the effectiveness and independence of the Board and the management of risks faced by the company. Our corporate governance policy statement will be covered in this report.

Appreciation

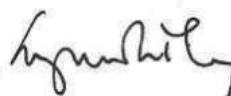
The Exchange is burgeoning in a sector with vast opportunity. There will be a need to remain selective in the opportunities the company pursues to ensure an ongoing focus on shareholder returns, while also recognising the wider role the company plays in the financial services ecosystem. With its strong presence in Africa and with its focus on stakeholder partnerships, open access and innovation, I believe the company has a bright future.

I am grateful to all my colleagues at the NSE for their energy, resilience and dedication. We delivered on our objectives against unprecedented challenges and our staff have remained motivated, engaged and focused on meeting their objectives, in a very challenging and shifting environment.

I wish to convey my profound appreciation to the capital market stakeholders who united and contributed to the Capital Markets COVID-19 Fund that fed into the national COVID-19 Emergency Response Fund. The money raised made a significant impact to the businesses and individuals impacted by the pandemic.

I thank my Board and our Chief Executive, Mr. Geoffrey Odundo, for their resolute involvement and invaluable counsel during the year. I also express my appreciation to our regulator the Capital Markets Authority, for their collaboration, partnership and support. I would like to express my gratitude to the Government, as we have continued to see enhanced collaboration from the Government towards deepening the Kenyan Capital Market.

I would like to extend my thanks to our shareholders for your continued support as we continue to chart our course through these most unusual of times. We look forward to a better year ahead as we link capital to opportunity, to enhance stakeholder value.



Kiprono Kittony, EBS
Chairman of the NSE Board

The NSE Offers Premium Training Services in:

- Trading and Investments
- Trading Systems and Technology
- Corporate Governance
- Risk and Compliance
- Sacco Training

Visit www.nse.co.ke to get the Training Calendar.

CEO'S Statement

Dear Shareholders,

On behalf of the Management and Staff of the Nairobi Securities Exchange, I am delighted to share with you highlights on the operational and financial performance of your company for the year ending December 31, 2020.

Trading performance

For the year ended December 31, 2020, equities turnover decreased by 3% to Kshs. 148 Billion from Kshs. 153 Billion recorded over the same period last year. During the period, there was decreased participation by foreign investors by 4.25% with local investors' participation increasing by the same. This was compounded by the fiscal stimulus offered during the year that saw a reduction in domestic revenue leading to a widening of the fiscal deficit.

Bonds turnover increased by 5.9% to Kshs. 691 Billion for the year ended December 31, 2020 reflecting the impact of enhanced secondary activity on the market as investors hedged their positions against the equities decline during the year.

In 2020, ETFs recorded a total of 65 deals, on a volume of 304,800 generating a turnover of Kshs. 545,293,000.

Additionally, we ended the year with 27 companies, hosted under our Ibuka programme. The program allows firms to access experts on the process of listing, financial, marketing and communication advisors and other consultants. We were pleased to have announced that one of the companies hosted in Ibuka; Homeboyz Entertainment joined the Growth Enterprise Market Segment (GEMS) by introduction and we are confident that other Ibukees are well on their way to listing their companies on any of our various segments.

While Covid-19 has generally pushed financial markets lower, investors in the Derivatives Market have had a unique opportunity to protect their portfolios. Being a two-directional market, the Derivatives Market enabled investors to take on short positions in order to offset losses in the spot equities market.



CEO'S Statement



In 2021, we will lay focus on **growing the market size** through targeting listing of large state and corporate institutions, cross listings and growth of our SME segment.



The NSE enhanced its **digitization agenda** with the launch of its upgraded mobile application. The new NSE App is designed to provide investors with convenient, faster and real-time access to the Exchange's activities.

Trading performance (continued)

In 2020 a total of 1,215 contracts valued at Kshs.40.6 Million were traded in the Derivative Market, up from 565 contracts valued at Kshs. 20.5 Million registered in 2019.

The Exchange continues to work with partners to enable the amendment of investment policies, which will facilitate greater participation by local institutional funds in the derivatives market.

The NSE 20 index declined by 29.6% from 2,654 points in 2019 to close at 1,868 points in 2020 while the NASI declined by 8.59% from 166.41 in 2019 to close at 152.11 points in 2020.

Financial performance

Kenya's economy has been hurt by the COVID-19 pandemic. In 2020, GDP growth decelerated to 1.4% from 5.4% in 2019. Growth was supported by agriculture, while weaknesses in services and industry had a dampening effect.

Albeit a challenging environment, I am pleased to report that the Group reported an increase in profit after tax of Kshs. 87.7 Million or over 100% for the year ended December 31, 2020 from Kshs. 80.2 Million for the similar period in 2019. Revenue decreased marginally by 5% from Kshs. 577.1 Million in 2019 to Kshs. 548.2 Million in 2020.

Bonds turnover however edged up 5.9% to settle at Kshs. 691 Billion for the year ended December 31, 2020 as compared to the same period in 2019. Interest income decreased by 4% from Kshs. 89.1 Million in 2019 to Kshs. 85.1 Million for a similar period in 2020 due to utilization of deposits on acquisition of strategic investments in 2019.

Our strong financial performance in 2020 was mainly driven by the 25% decrease in administrative expenses from Kshs. 625.4 Million to Kshs. 467.2 Million attributed to our cost optimization that resulted in a Kshs. 83 Million reduction in staff related costs, Kshs. 14 Million reduction on product development costs and general reduction on other costs. We are constantly evaluating our role as a financial services provider across every level to remain competitive in the changing landscape.

Business Continuity Plan amidst Covid-19

The year 2020 was a peculiar year not just for NSE but for the country and the world at large. A year that started with vigor and great potential turned gloomy when the unexpected COVID -19 pandemic hit. As a business we were forced to quickly adjust to the new normal and implement a business continuity plan. Many things were uncertain last year as we navigated through uncharted territories.

Though global economic volatility reached levels comparable to the 2008 financial global crisis, NSE remained opened for business with the normal trading hours, to preserve the benefits of price formation and access to liquidity for the economy.

We worked closely with regulators, service providers and various stakeholders in the capital markets eco system to ensure an integrated approach to contingency plans that safeguard integrity, continuity and uninterrupted access to the markets whilst ensuring investor protection by closely monitoring capital adequacy and liquidity of trading participants to ensure settlement.

Some of the measures we put in place include; remote working of staff, mobile and online trading for investors, enhanced surveillance, revamp of our NSE mobile application which enhances investors' participation in Kenya's capital market and adoption of E-AGMs by listed companies which has allowed companies carry on with the AGMs despite the challenges posed by the pandemic.

Needless to say, our local investors exuded confidence in the market and took up more buying positions with an almost equal ratio of local to foreign participation in the market. We continue to encourage our local investors to participate more in the market and reap its vast benefits.

We believe that with appropriate mitigation measures, accurate information-sharing and vigilance, along with a fundamental focus on market integrity and investor protection, we will be able to come through the current crisis successfully with market correction and recovery expected.

Key Milestones in 2020:

1. NSE Gears Efforts to Boost Data Business through the Appointment of a Data Monetization Consultant

The NSE appointed SCL Advisory Limited to assist in expanding its portfolio of information products and services and clients in major investment markets across the globe as well as generate additional value from existing and new data sets.

2. NSE Rings the Bell for Gender Equality

In commemoration of the 2020 International Women's Day, the NSE joined 75 stock Exchanges globally to Ring the Bell for Gender Equality. The annual event held in partnership with International Finance Corporation, UN Sustainable Stock Exchanges (SSE) Initiative, UN Global Compact Network Kenya and UN Women is aimed at raising awareness of the fundamental importance of gender equality to both business growth and sustainable economic development.

3. NSE Spearheads Digitization with the Launch of its Upgraded Mobile Application

The NSE enhanced its digitization agenda with the launch of its upgraded mobile application. The new NSE App is designed to provide investors with convenient, faster and real-time access to the Exchange's activities. It features market snapshots, stock prices, market analytics, financial news and offers an easy gateway to stockbroker's mobile and online trading platforms. Further, the mobile app enables users to create personalized watch lists to keep track of chosen securities, eliminating the need to access multiple information sources.

4. Securities Lending and Borrowing (SLB) Pilot Phase Launched

The SLB is geared towards improving liquidity in the market. The more liquid a market is, the lower the costs of transactions and the faster new entrants experience price discovery.

The new system functionalities are in line with international standards and best practice as envisioned in the Kenyan Capital Markets Master Plan. The scheme enhances our delivery versus settlement agenda, as the introduction of market makers or liquidity providers will eliminate lags in execution by ensuring that every buyer has a seller and every seller, a buyer.

Future Outlook

The industry's collective response to the COVID-19 pandemic thus far has been notable. It was no easy feat to go fully virtual and execute an untested operating model in a matter of weeks. More importantly, we played a crucial part in stabilizing the economy and transmitting government stimulus and relief programs.

However, the pandemic is reshaping the industry on a number of dimensions: ushering in a new competitive landscape, stifling growth in some traditional product areas, prompting a new wave of innovation, and of course, accelerating digitization in almost every sphere.

In 2021, we will lay focus on growing the market size through targeting listing of large state and corporate institutions, cross listings and growth of our SME segment. In addition, we expect better uptake of our new products which includes Exchange-Traded Fund (ETFs), Real Estate Investment Trust (REITs) and the Unquoted Securities Platform.

We will continue to implement our business continuity plan which places special focus on ensuring uninterrupted market availability to investors and remote access by trading participants, cost optimization as well as protecting the health and safety of our staff and market players.

We are committed to actively engage key stakeholders especially 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.

The Group is leveraging on adoption of various technology enabled platforms to reach out to more investors as we seek to grow our retail investor footprint. The NSE will also continue participating in a number of engagements through various online platforms to enhance investor knowledge on opportunities in the market.

Uncertainty about the effects of the pandemic will likely remain for the foreseeable future, but that should not prevent us from reimagining the future and making bold steps. We are institutionalizing the lessons from the pandemic and building a new playbook by strengthening resilience now and accelerating the transformation in the post-COVID-19 world.

Appreciation

On behalf of the Management of the Exchange, I would like to extend my appreciation and gratitude to our Board of Directors for their guidance to our staff for their loyalty and dedication, to our Regulator for their excellent work and to listed companies, trading participants and service providers for their unwavering support.



Geoffrey O. Odundo
Chief Executive

The Board Of Directors



Kiprono Kittony
Chairman

Kiprono Kittony is the Chairman of the Nairobi Securities Exchange Board. He holds both a Bachelor of Commerce (B.Com) degree and a Bachelor of Laws (LL.B) degree from the University of Nairobi and a Global Executive MBA from the United States International University (USIU).

Mr. Kittony was appointed Chairman of the NSE Board on July 13, 2020 and as a Board Director of the NSE on May 30, 2018. He is the immediate former National Chairman of the Kenya National Chamber of Commerce & Industry (KNCCI), the premier business membership organization in Kenya.

He is an established entrepreneur and business leader having served in several capacities including being the immediate past Chairman of the Media Owners Association and AAR Insurance Limited. During his seven year tenure at the KNCCI, he was widely credited with revitalizing the organization through a series of transformative initiatives that placed the Chamber at the forefront in terms of shaping national trade and general economic policy.

He serves as the chair of the CreditInfo CRB Kenya Limited, Mtech Limited and Radio Africa Group (which he co-founded in 2000) and the Central Depository and Settlement Corporation (CDSC). He sits on the advisory council of the International Fund for Health in Africa (IFHA), an Amsterdam based private equity fund and is one of two representatives from Africa in the Global Council of the World Chambers Federation.



Bob Karina
Vice Chairman

Bob Karina is the Founder and Chairman of Faida Investment Bank, Corporate Finance Specialist, an accomplished Stockbroker and Research Analyst. He is the Vice Chairman, Nairobi Securities Exchange (NSE), Chairman of the Rwanda Stock Exchange, Chairman of Norwich Union Properties Ltd., Director Kenya Industrial Estates and served as Director of Kenya Private Sector Alliance (KEPSA) and Kenya National Chamber of Commerce and Industry (KNCCI), among others. He joined the Nairobi Securities Exchange (NSE) Board in 2012.

Bob, holds an MSc in Corporate Finance from the University of Liverpool, UK, in addition to technical and professional qualifications from the Institute of Systems Science, National University of Singapore, International Statistical Programs Center, United States Bureau of the Census, USA, Hong Kong Polytechnic Industrial Center, Institute of Development Studies, University of Sussex, UK., E.A. Statistical Training Centre, University of Dar-es-Salaam, Tanzania and London Institute of Statisticians.

Bob is a Founder Member of the Institute of Certified Investment and Financial Analysts (ICIFA) and was awarded Commendation and admitted as a Fellow of the Institute for exemplary service rendered since inception. Bob serves as the Chairman of the Association of Kenya Stockbrokers Nominees Ltd. He is a Member of the Institute of Directors, Director of the Central Depository and Settlement Corporation (CDSC), the NSE Clear Ltd., Trustee of both NSE Derivatives Investor Protection Fund and NSE Derivatives Settlement Guarantee Fund.

Bob played a critical role in the establishment of the CDSC, the NSE Automated Trading System (ATS), the Wide Area Network and the Broker Back Office system at the NSE as the Chairman of the Implementation Committee that spearheaded developments in Kenya's Capital Markets. For over two decades, Bob has acquired vast experience in Investment Banking and is passionate about supporting organizations improve their bottom line, list on the exchange, mergers and acquisitions, raise capital, grow and thrive.



Board of Directors



Geoffrey Odundo
Chief Executive

Geoffrey Odundo holds a Master's degree in Strategic Management and an undergraduate degree in Mathematics and Economics. He is an Advanced Management Program (AMP) graduate from Strathmore and IESE Business Schools.

Geoffrey was appointed Chief Executive of the NSE on March 3, 2015. He is an accomplished Investment Banker having been in the financial services sector for the last 29 years, 23 of which have been in the Capital Markets.

Prior to his appointment, Geoffrey was the Managing Director and Chief Executive Officer of Kingdom Securities Limited. He was instrumental in the setting up of Coop Trust Investment Services, Co-op Consultancy Services Limited and Kingdom Securities Limited, all subsidiaries of the Co-operative Bank of Kenya Limited.

Geoffrey has advised on a number of corporate finance mandates in both the public and private sectors; he has also managed key mandates in the asset management industry. He has contributed to the growth of the Capital Markets in his previous role as a Director/Board Secretary - Kenya Association of Stock Brokers and Investment Banks, Chairman of the Financial Standards Committee - Kenya Bureau of Standards as well as the Board Director of the Nairobi Securities Exchange PLC. Mr. Odundo is an Independent Director of the Central Depository and Settlement Corporation Limited representing the Nairobi Securities Exchange PLC, Director of the NSE Clear Limited; and a trustee of the NSE Fidelity Funds.

He is the Vice Chairman of the REITs Association of Kenya (RAK), a member of the Working Committee of the World Federation of Exchanges (WFE), a member of the Central Bank Consolidative Forum for Domestic Debt Market (CFDDM) and a Council Member of the Institute of Certified Investment Financial Analysts (ICIFA).

Geoffrey is also a former board member of the Africa Securities Exchanges Association (ASEA), a Director of the East African Securities Exchanges Association and a Member of the Thomson Reuters Africa Customer Advisory Network.



Samuel Kimani
Director

Samuel Kimani holds an MBA in Strategic Management and a BSc. in Civil Engineering, both from the University of Nairobi. He is a certified Public Accountant of Kenya (CPA-K) and a graduate of the Advanced Management Program (AMP 177) from Harvard University.

Samuel served as the Chairman of the NSE Board from June 6, 2016 to July 13, 2020. He joined the Nairobi Securities Exchange (NSE) Board in 2012. He has a wealth of experience in the banking industry having served as the immediate former Managing Director and Chief Executive Officer of Jamii Bora Bank Ltd. He has also served as the Deputy CEO and Finance Director of the Kenya Commercial Bank (KCB) Group. He is currently the Chairman of Jambo Credit Limited.

Prior to this, he served at the Central Bank of Kenya (CBK) as Deputy Chief Banking Manager, Deputy Director Financial Markets, Principle Financial Accountant, and the Chief Internal Auditor. He also headed the Surveillance Division of the Deposit Protection Fund and served as a Senior Auditor at PriceWaterhouseCoopers. He sits on the Boards of the Central Depository and Settlement Corporation (CDSC) and is a member of the University of Stellenbosch Executive Education Advisory Board (USB-AB).

He is the Chairman of NSE Clear Limited and a trustee of the NSE Derivatives Settlements Guarantee Fund and the NSE Derivatives Investor Protection Fund.



The Board Of Directors



Paul Mwai
Director

Paul Mwai holds an MBA from Strathmore University and a Bachelors of Business from the University of Southern Queensland. He holds an Investment Management Certificate from UK Society for Investment Professionals and is an Associate Member of the Chartered Institute of Bankers. He is an Authorized Representative for the Growth Enterprise Market Segment (GEMS) of the NSE.

Paul was appointed a Board Director of the NSE on May 30, 2018. He is the Chief Executive of AIB-AXYS Africa Limited Capital and the Chairman of the Kenya Association of Stock Brokers and Investment Banks (KASIB). He has over twenty years' experience in the financial services industry including fund management and investment banking.

He has worked in various departments within the Barclays Group, including Barclays Merchant Finance Ltd (BMFL) and Barclays Dealing Centre, before joining the Barclaytrust Investment Services Group in 1998 as a Fund Manager. He served as a Senior Portfolio Manager at Old Mutual Asset Managers following the acquisition of BarclayTrust by Old Mutual in October 2002 and as an Asset Allocation Strategist. He joined AIB Capital in February 2012 from African Alliance Investment Bank where he was Chief Executive.



Hosea Kili
Director

An advocate of the High Court of Kenya, Hosea Kili holds a Masters of Business Administration from the Management College of Southern Africa (MANCOSA). He is a Fellow of the Institute of Certified Public Secretaries of Kenya (ICPSK); a Fellow Member of Kenya Institute of Management (KIM) and an active member of the Law Society of Kenya (LSK).

Hosea is a Council member and the current Chairman of the East and Central Africa Social Security Association (ECASSA). He is a Non-Executive Director at the Nairobi Securities Exchange (NSE) since 2012 and the current President, Association of Pension Trustees Administrators of Kenya (APTAK).

A recipient of numerous commendations, Kili was awarded the Presidential Order of Grand Warrior of Kenya in December 2011 and the 2nd Runners up CEO of the Year at the COYA Awards 2012. He was also recognized as the Personality of the Year at the 2017 Pension Awards that sought to award excellence in innovation and service provision to improve the outcomes of both pension funds as well as members. Mr. Kili was also recognized as the 2nd Runners up in the 'CEO of the Year' category during the 2017 and 2018 Champions of Governance Awards.

Hosea currently serves as a member of the International Social Security Association (ISSA) bureau and a member of the Finance Committee of the ISSA, following his election to this post in 2019.



Board of Directors



Nasim Devji
Director

Nasim Devji is currently the Group Chief Executive Officer and Managing Director of Diamond Trust Bank (DTB). Nasim joined DTB in 1996, following which she was appointed Group CEO in 2001. She joined the Nairobi Securities Exchange (NSE) Board in 2015.

She is a Fellow of the Institute of Chartered Accountants of England and Wales, an Associate of the Institute of Taxation (United Kingdom) and a Fellow of the Kenya Institute of Bankers. In addition to being a Director of Nairobi Securities Exchange Limited, Devji is also a Director of DTB Tanzania, DTB Uganda, DTB Burundi, Jubilee Insurance Burundi and Diamond Trust Bancassurance Intermediary Limited. She has also previously served as a member of the Kenya Deposit Insurance Corporation.



Michael Turner
Director

Michael Turner holds a first class degree in Civil Engineering. He is a Fellow of the Institute of Chartered Accountants in England & Wales.

Michael was appointed a Board Director of the NSE on March 26, 2015. He is the Managing Director of Actis Limited in East Africa and is responsible for Actis's USD 300 million Private Equity Fund with investment in Energy and Real Estate in East Africa.

He has extensive experience in private equity having served as the Manager of the Actis Africa Agribusiness Fund and the founder manager of the first Small and Medium Sized Enterprises (SME) Private Equity fund in East Africa – the Acacia Fund.

Turner has deep understanding of Private Equity investment in agribusiness, financial services, real estate and infrastructure throughout Sub Saharan Africa. Prior to joining Actis, Michael worked in investment banking in London for Lehman Brothers and Kleinwort Benson, having started his career with Price Waterhouse.





The Board Of Directors



Paul Vollant
Director

Paul Vollant, holds an MSc in Business Administration from the ESDES Business School at the Catholic University of Lyon (France) and is a Graduate of the Australian Institute of Company Directors.

He is a Vice President at Largo Resources, a Canadian listed mining company. Prior to joining Largo, Vollant was the General Manager of Business Development at TNG Ltd. in Shanghai, China and before that the Managing Director for EMEA at Element Commodities. He joined the Nairobi Securities Exchange (NSE) Board in 2017.

He began his career with the Noble Group in Hong Kong and London.



Risper Alaro
Director

Risper holds an MBA in Finance from the United States International University Africa (USIU-A) and a Bachelor's Degree in Business Management from Moi University. She is a fellow of the Association of Certified Chartered Accountants (ACCA), a member of the Institute of Certified Public Accountants of Kenya (ICPAK), an International Coach Federation Associate Certified Coach (ACC), and a Certified Executive Leadership Coach. She is a fellow of the Archbishop Desmond Tutu Africa Leadership Fellowship.

Risper was appointed a Non-Executive Director on the Board of NSE on May 30, 2018. She also serves as a Non-Executive Director on the Board of BK Group PLC, and is a practicing Executive Leadership Coach. She previously served Centum Group PLC as Managing Director of one of its subsidiaries; Centum Business Solutions, and as the Group Finance & Operations Director.



The Board Of Directors



Isis Nyongo Director

Isis holds degrees from Stanford University and Harvard Business School. Isis is well established in the technology ecosystem and brings deep experience in navigating the Africa business landscape.

As a Principal at Asphalt & Ink, she serves as a Senior Advisor with the Albright Stonebridge Group advising leading global foundations and technology companies on their Africa strategies. This advisory work ranges from strategy formulation, stakeholder mapping, partnership development and navigating policy changes. She joined the Nairobi Securities Exchange (NSE) Board in 2019.

Prior to this, Isis founded MumsVillage, a leading ecommerce platform for parents in Kenya and led a merger with a Nigerian company to form Bliss Group in 2020. She earlier held notable leadership positions at InMobi, Google and MTN Networks leading their Africa entry strategies. Through her partnership role at Google, she was instrumental in building the foundation of the digital economy in Africa by structuring private sector partnerships that increased user access to and interest in the Internet while also advocating for public policy change. The widespread use of products such as Youtube, Google Workspace and Google Maps across Africa today are a testament to the impact of her work. In her general management role at InMobi she pioneered mobile advertising in South Africa, Nigeria and Kenya and was a key member of the founding Africa team at MTN.

Isis makes a concerted effort to address gender bias in the workplace through WomenWork, a women's digital network she co-founded in 2017. WomenWork partners with global donors and local corporations to implement programs to increase access to capital and business skills for thousands women-owned SMEs across Kenya.

Isis has 10 years of board experience that includes a mix of publicly listed, privately held, academic and non-profit boards. She currently serves on the boards of the Nairobi Securities Exchange (NSE), Southbridge Group (pan-African investment bank) and Nourishing Africa (pan-African digital platform for agri-entrepreneurs). She has been named as Top 40 women under 40 in Kenya for several years and shortlisted on the Forbes Top 20 Youngest Power Women in Africa. The World Economic Forum selected her as a Young Global Leader in 2012.



Executive Committee Members



Geoffrey Odundo
Chief Executive



David Wainaina
Chief Operating Officer



Kuria Waithaka
Company Secretary
and Chief Legal Officer



Jane Kiarie
Chief Finance Officer



Terrence Adembesa
Chief Officer,
Derivatives Market



Paul Ngaragari
Chief Internal Auditor



Lucy Kamar
Chief Officer,
Human Resources &
Administration



Loise Wangui
Chief Officer, Regulatory
Affairs



Irungu Wagemma
Chief Officer, Cash Markets



2020 Highlights

1. NSE Gears Efforts to Boost Data Business through the Appointment of a Data Monetization Consultant

On February 14, 2020, the NSE appointed SCL Advisory Limited to assist in expanding its portfolio of information products and services and clients in major investment markets across the globe as well as generate additional value from existing and new data sets. This is in line with NSE's strategy to enhance data revenues through expansion of its client base.

SCL Advisory Limited is a strategic consultancy firm based in Monaco that focuses on helping institutions monetize their data as well as supporting with the development of capital markets in Africa and the Middle East.

SCL Advisory Limited will support the NSE's efforts to provide professionals with essential data, analytics and services that will support investors make more informed investment and business decisions and give them greater insight into Kenya's capital market. Through this partnership, SCL Advisory Limited will play a significant role in expanding NSE's data client base and cementing NSE's position as a leading Exchange in providing reliable and credible market information to international and local investors.

The appointment underscores NSE's commitment to diversify the Group's revenue streams as well as offer investors and issuers an all-inclusive trading platform anchored on the latest technology and data dissemination channels.

2. NSE and Riara University Ink Deal to Enhance Financial Inclusion

On March 9, 2020 the NSE and Riara University sealed a partnership that will see the two organizations collaborate in enhancing the quality of financial literacy and education among its students.

Through the partnership that was symbolized through the signing of a Memorandum of Understanding, the NSE will structure and develop content for financial based courses to be offered by Riara University, provide instructors to deliver the course as well as provide technical and eLearning support services to students. Additionally, the NSE will review course outcomes

by evaluating the students and offer market recognised certificates to students. The NSE will also provide essential capital markets data and analytics to the students.

The NSE Chief Executive Mr. Geoffrey Odundo expressed confidence in the partnership's potential to ensure all graduates from Riara University have requisite knowledge and skills about the Capital Markets and products and services offered at the NSE. He emphasized that the NSE will bridge the gap between theory and practice through offering quality training supported by data from NSE.



(Left) Prof. Robert Gateru, Vice-Chancellor, Riara University and NSE Chief Executive Mr. Geoffrey Odundo sign the MoU to enable the two organization's work together in enhancing financial education.



NSE and Riara University teams pose for a photo following the signing of the MoU.

2020 Highlights (continued)

3. Absa Bank Kenya PLC change their ticker from BBK to ABSA

On February 19, 2020, Absa Bank Kenya PLC marked the official change of its stock ticker code from BBK to ABSA marking the successful completion of their transition from Barclays Bank of Kenya to Absa Bank Kenya PLC. The change of name follows a 2018 decision by the parent company, Absa Group Limited, to rebrand all its operations across the continent to Absa. This is after Barclays Bank Plc reduced its majority shareholding in Barclays Africa Group (the former parent company) to 14.9% and the subsequent renaming of Barclays Africa Group to Absa Group Limited.



Absa Bank Kenya PLC Chairman, Mr. Charles Muchene is joined by NSE and Absa Bank Kenya Board members and Management teams as he rings the bell to mark the commencement of trading at the NSE during the Bank's change of ticker ceremony at the NSE.

4. NSE Rings the Bell for Gender Equality

In commemoration of the 2020 International Women's Day, the NSE joined 75 stock Exchanges globally to Ring the Bell for Gender Equality on March 13, 2020. The annual event held in partnership with International Finance Corporation, UN Sustainable Stock Exchanges (SSE) Initiative, UN Global Compact Network Kenya and UN Women is aimed at raising awareness of the fundamental importance of gender equality to both business growth and sustainable economic development.

The ceremony culminated with a C-Suite dialogue on gender equality among private sector companies, social

organizations as well as Government agencies. The dialogue brought together CEOs and HR Directors of companies in Kenya and focused on promotion of gender balance in leadership and the workforce as well as well developing policies and frameworks to enhance gender equality. Gender Equality has proven to offer competitive advantages to enterprises through leveraging on women's unique abilities to drive business growth and efficiency.

As a member of the UN SSE Initiative, the NSE is committed to undertaking strategic initiatives to realize UN Sustainable Development Goal Five (SDG 5) of achieving gender equality and empowering all women and girls.



Cabinet Secretary for the Public Service, Youth and Gender Affairs, Prof. Margaret Kobia, 'Rings The Bell For Gender Equality' joined by Ms. Rose Lumumba, IFC (Left), NSE Chief Executive Mr. Geoffrey Odundo (Second from left), UN Global Compact Network Kenya Board Member, Ms. Flora Mutahi (Centre) and Ms. Anna Mutavati, Country Director, UN Women (Right).

2020 Highlights (continued)

5. Merican Limited and Prafulchandra and Brothers Limited Join the NSE Ibuka Program

Merican Limited and Prafulchandra and Brothers Limited joined the NSE Ibuka Program on February 27, 2020 and March 4, 2020 respectively joining a select group of ambitious companies looking for their next growth opportunity through the capital markets. Merican Limited is a reputable organisation specializing in tailor made stainless-steel fabrication and commercial food and beverage equipment solutions whilst Prafulchandra and Brothers Limited has a five decade heritage in the distribution of lighting, kitchen as well as flooring solutions.

The NSE Ibuka Program is aimed at growing the visibility, brand recognition and business opportunities among hostee companies. Additionally, the program will assist in inculcating improved corporatization, develop capabilities to access capital markets as well as provide a roadmap to long term corporate sustainability. The admission of the two organizations brings the total number of companies on the program to 24 since its inception in December 2018.



Prafulchandra and Brothers Limited team is joined by a team from the NSE and KASIB as they receive their Ibuka Hosting Certificate following their admission to the NSE Ibuka Program.



Merican Limited team is joined by a team from the NSE and KASIB as they receive their Ibuka Hosting Certificate following their admission to the NSE Ibuka Program.

6. NSE Spearheads Digitization with the Launch of its Upgraded Mobile Application

The NSE enhanced its digitization agenda with the launch of its upgraded mobile application on June 9, 2020. The new NSE App is designed to provide investors with convenient, faster and real-time access to the Exchange's activities. It features market snapshots, stock prices, market analytics, financial news and offers an easy gateway to stockbroker's mobile and online trading platforms. Further, the mobile app enables users to create personalized watch lists to keep track of chosen securities, eliminating the need to access multiple information sources.



Ms. Maureen Mbaka, Chief Administrative Secretary, Ministry of ICT, Innovation and Youth Affairs is joined by Mr. James Ndegwa, Chairman, Capital Markets Authority (Right) and Mr. Samuel Kimani, then Chairman, NSE (Left) as she rings the bell to mark the official launch of the NSE App

2020 Highlights (continued)

7. AIB-AXYS Africa Commences Operations in the Kenyan Market

The launch of the upgraded NSE mobile app is consistent with NSE's objective to offer uninterrupted capital markets services amid the current global challenge driven by the outbreak and spread of the Coronavirus and Government directives put in place to mitigate effects of the pandemic.

AIB-AXYS Africa, the merged entity of AIB Capital and Apex Africa Capital commenced operations in the Kenyan market following its launch on June 30, 2020 at the NSE. The launch marked the successful completion of the merger between two leading, credible and developed brokerage firms which seek to leverage on synergies to enhance their impact on the Kenyan market and service

delivery to clients.

The launch of AIB-AXYS Africa entrenches AXYS Financial Services Group's faith and confidence in the Kenyan Stock Market following its entry in Kenya in 2015 through the acquisition of Apex Africa Capital and further investment through the merger. The merged entity will enjoy considerable brand equity both locally and internationally, a stronger capital position through capital consolidation and better capacity through the merger of its working teams. Additionally, AXYS Financial Group's coverage of various markets across 5 continents will provide the firm with international exposure enabling it access additional international clients.



Ms. Caroline Armstrong, AIB-AXYS Africa Chairperson (Second from right) is joined by Mr. Paul Mwai, Chief Executive AIB –AXYS Africa (Right), Mr. Geoffrey Oundo, NSE Chief Executive (far left) and Mr. Mahmood Mansoor, Director AIB-AXYS Africa (second from left) to celebrate the launch of AIB-AXYS Africa.

8. Homeboyz Entertainment Joins the NSE GEMS Segment

Homeboyz Entertainment PLC joined the Growth Enterprise Market Segment (GEMS) by introduction on December 22, 2020. Homeboyz Entertainment PLC listed 63.2 Million shares and was the tenth company to join the NSE Ibuka program in May 2019.

Enterprise Risk (ERM) Framework

Background

The objective of the NSE's Enterprise Risk Management (ERM) framework is to protect shareholders' value in order to enhance NSE's competitive advantage, improve business performance and optimize risk management and compliance value. The framework is aligned to ISO 31000:2018 Risk Management Guidelines, COSO Enterprise Risk Management 2017 as well as the applicable laws, regulations and guidelines. The NSE has succeeded in applying the risk framework to such an extent as to make risk management not only a reporting and oversight obligation, but a management discipline. In support of this, an internal risk working group was established in 2018 and in 2019, NSE joined World Federation of Exchanges Enterprise Risk Management Working Group, to further support the formal risk reporting structures and to drive risk management into the organisational practice.

Roles and responsibilities NSE Board and Risk Committee

The NSE Board has constituted the Audit, Risk & Compliance Committee to help it to discharge its duties and responsibilities with regard to risk management. The committee provides enterprise risk management (ERM) oversight by monitoring the implementation of the NSE risk framework and driving corrective actions based on the risk reporting provided.

NSE Management

The NSE executive and its management structures are responsible for applying the defined risk management process across the enterprise. This is done to enable management to identify potential events that, if they occur, will affect the NSE in terms of achieving its enterprise objectives. Risks must be managed within the NSE's set risk appetite.

Risk appetite is a measure and allocation of the amount of risk that the NSE is willing to accept in pursuit of its strategy and states that the NSE will only tolerate risks that permit us to:

- achieve our strategic business objectives;
- comply with all applicable laws and regulations;
- conduct our business in a safe and sound manner; and,
- protect and/or enhance our shareholder value)

Chief Executive Office

The Chief Executive Office, under which the Strategy, Risk and Compliance functions are domiciled, is responsible for enterprise risk framework and spearheads implementation and reporting for ERM. This includes:

- defining and implementing the risk process
- facilitating risk workshops as may be deemed necessary;
- ensuring updates to risk reporting at least quarterly
- ensuring risk actions are updated and tracked;
- compiling and presenting report-backs to line management;

- providing formal risk reporting to the NSE executive committee;
- providing risk reporting to the Risk Committee of the Board; and
- entrenching risk management as an effective management tool in the enterprise.

Risk Management Approach

Risk management is conducted using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework guidelines and is in line with principles defined in ISO 31000. Risks are analysed in the context of the NSE risk framework and cover the following categories:

- **Operational risk** – The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, in the following areas:
 - o Human capital related;
 - o Technology and systems;
 - o Information security;
 - o Fraud and theft;
 - o Procurement and third party;
 - o Contracts management;
 - o Legal and compliance;
 - o Business disruption and continuity;
 - o Regulation of markets;
 - o Market operations;
 - o NSE client concentration;
 - o Strategic arrangements; and
 - o Reputation.
- **Finance risk** – This is an umbrella term for any risk associated with any form of financial management of the enterprise such as market risk, credit risk, price risk, liquidity risk, capital risk, etc.
- **Strategic risk** – This risk is the impact on the organisation arising from adverse business decisions and/or the lack of responsiveness to changes.
- **Black swan risk** – Anticipating and considering low probability (not identified as a possible emerging risk on its risk radar) and catastrophic impact events as part of the enterprise's risk approach.

A good example of a black swan risk is the COVID-19 pandemic whose impacts are catastrophic and their occurrence are extremely rare. Management of a black swan risk requires adequate business continuity planning measures which NSE is happy to report have been operationalized successfully.

Enterprise Risk (ERM) Framework (continued)

Risk Management Governance Model

NSE has successfully deployed the three lines of defense model with Board oversight under the Board Audit, Risk and Compliance Committee. See illustration below of how the risk governance model is structured.

- Business areas through the risk champions and risk owners are required to provide risk reporting to the risk team in the

Three Lines of Defense



The above risk governance model at NSE can be broken down as follows:

- Strategy, Risk and Compliance Department.
- An enterprise-wide risk report is then compiled by the risk team and presented to NSE Management for comment and ratification before the report is submitted to the Risk Management Committee of the Board.
- The Risk Management Committee of the Board, in turn, provides assurance to the NSE Board on both the acceptability of the NSE's risk profile as well as the effective functioning of the risk process.

Value Creation Process

NSE enables value creation by providing a trusted and well-regulated financial market infrastructure to support the economy. Our value creation process is embedded in our mission - Linking capital to opportunity to enhance stakeholder value.

Core focus of value creation

The ongoing relevance as an exchange and our ability to create long-term value for stakeholders, are dependent on various forms of capital/areas of values creation in our finances, technologies, brand equity, talent stakeholder relationships and sustainability.

Our Finances

NSE PLC's funding is sourced from shareholders and internally generated income. These funds are used to run NSE's operations with a view to generate profits. As at December 31, 2020, these stood at Issued Share Capital of Kshs. 1,038 million, Share Premium of Kshs. 277 million and Retained Earnings of Kshs. 883 million. Financial resources are required to operate the business and support growth, expansion and innovation. NSE balances the need to distribute value to investors through a balanced return to shareholders, reinvestment and reduced prices to clients.

Our Technology

At the core of NSE's operations is a robust ICT foundation. This comprises three world class trading systems for equities (Automated Trading System (ATS)) bonds (Broker Back Office (BBO)) and Derivatives, coupled with comprehensive software, hardware and disaster recovery resources.

In March 2020, NSE successfully migrated its disaster recovery site to a tier 3 contracted data center located more than forty kilometers away from the primary data center in Westlands. This transition enabled NSE to leverage the benefits of colocation in mature third party data center facility while giving an unmatched confidence to our key trading stakeholders on business continuity. In the Cyber Security front, one of the most significant initiatives was the engagement of a Managed Security Services (MSS) to complement the internal Security Operations Centre (SoC). This enabled NSE to mature its security incidents and events detective and response capability.

Finally, the team spearheaded the migration of the broker wide area network from traditional Multiprotocol Label Switched Network (MPLS) to Software defined wide area network (SD-WAN). This project was completed in December 2020 and among other benefits enables trading intermediaries to be connected to the NSE sites through a fast, highly available, resilient and secure network.

Implementing world-class technology and remaining at the cutting edge of industry advances are core to our business

model. Investment in new systems and related employee skills can maximize our outputs and enhance outcomes for our brand, people and stakeholders.

Our Stakeholder Relationships

NSE actively engages with its key stakeholder groups.

For example, the Green Bonds Program Kenya (GBPK) has been a key partner in the structuring of the first green bond product launched in October 2, 2019. The bond, issued by Acorn group was subscribed by 85% and cross-listed in the Nairobi Securities Exchange and the London Stock Exchange.

NSE also works closely with the United Nations Sustainable Stock Exchanges Initiative (UN SSE) to encourage sustainable running of stock exchanges.

It also sits in several working groups of the World Federation of Exchanges (WFE), influencing global policies affecting world exchanges.

The NSE Investment Challenge and the annual Charity Trading Day are the flagship projects in Social Investment. We are able to respond to the needs of our stakeholders and reinforce confidence in our brand because we have reliable systems, our people are skilled and client-centered, and we apply our financial resources efficiently.

Our Innovation

Innovation is a core value of the NSE. In the wake of COVID-19, investors were enabled to access the market via online portals such as the upgraded mobile application and chatbot. Moreover, to facilitate continuous market awareness, an online e-learning platform was launched for remote training purposes and to act as a trading simulator. Additionally, a new Unquoted Securities Platform (USP) was created to facilitate efficient, reliable and transparent Over-the-Counter (OTC) Transactions.

NSE continues to explore other global disruptive technologies in a bid to enhance its offering to investors. The NSE's brand includes the technologies and systems in place and the intellectual know-how we need to facilitate an efficient and world-class market. The NSE brand relies on technology delivery and positive relations with our stakeholders.

NSE takes pride in its talented staff whose aggregated knowledge and experience enable the company to grow and achieve more. The NSE is a specialized organization requiring competent, motivated and diverse employees with specialist skills in financial markets technology, governance, risk and financial products trading.

We work to attract, develop and retain high caliber employees who are instrumental in the execution of our strategy and delivery of world-class markets.

Value Creation Process (continued)

Total Number of Employees

49



53%

Males



47%

Females

	2020	2019	Variance
	Kshs. '000	Kshs. '000	%
Revenue	669,939	715,638	-6.39
Stakeholder contribution			
Taxes to Government	19,982	46,900	-57.39
Shareholders dividend paid	23,151	127,155	-81.79
Human capital	172,270	198,635	-13.27

Note: Taxes to Government exclude VAT and withholding tax paid for supplier invoices

NSE 2020 – 2024 Strategy

Taking Off: NSE 2020 - 2024 Strategic Direction

An ambitious journey towards 2024



NSE 2020 – 2024 Strategy (continued)



Integrity	Excellence	Team-Work	Sustainability	Accountability
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NSE 2020 - 2024 Strategic Pillars and Objectives

To execute on the 2024 vision, NSE has identified four strategic pillars and eight objectives it will focus on in the next strategic planning cycle. These strategic pillars and organize related initiatives that work together to deliver specific, valuable business objectives.



NSE 2020 – 2024 Strategy (continued)

Some of the key strategic achievements in 2020 includes:

01

Homeboyz Entertainment PLC was listed by introduction in the Growth Enterprises Market Segment (GEMS) on December 21st 2021.

02

CMA approved the establishment of the Unquoted Securities Platform (USP) to facilitate efficient Over-the-Counter (OTC) trading.

03

The NSE App was revamped in June 2020 to support mobile and online trading especially in the wake of Covid 19 and remote working and trading arrangements.

2020 – 2024 Strategy Implementation Status and the Key focus areas in 2021

01

We are in the second year of the 2020 – 2024 Strategic Plan which is centered on 4 pillars
(i) Sustainable Business Growth;
(ii) Strategic Partnership;
(iii). Operational Excellence and,
(iv) People.

02

In the last year, 2020 (first year of new Strategy implementation), we achieved an average implementation of 94% with significant improvements in Strategic Partnership, Operational Excellence and People pillars.

03

There is more work to be done on Sustainable Business Growth which has initiatives such as enhancing market liquidity, increasing number of listed companies, growth of derivatives market, diversification of revenues, improving local market participation and distribution channels.

04

In 2021, we will lay focus on growing the market size through targeting listing of large state and corporate institutions, cross listings and growth of our SME segment.

05

We continuously engage key stakeholders especially 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.

06

In addition, we expect better uptake of our new products which includes derivatives, exchange traded, real estate instruments and our recently launched Unquoted Securities platform.

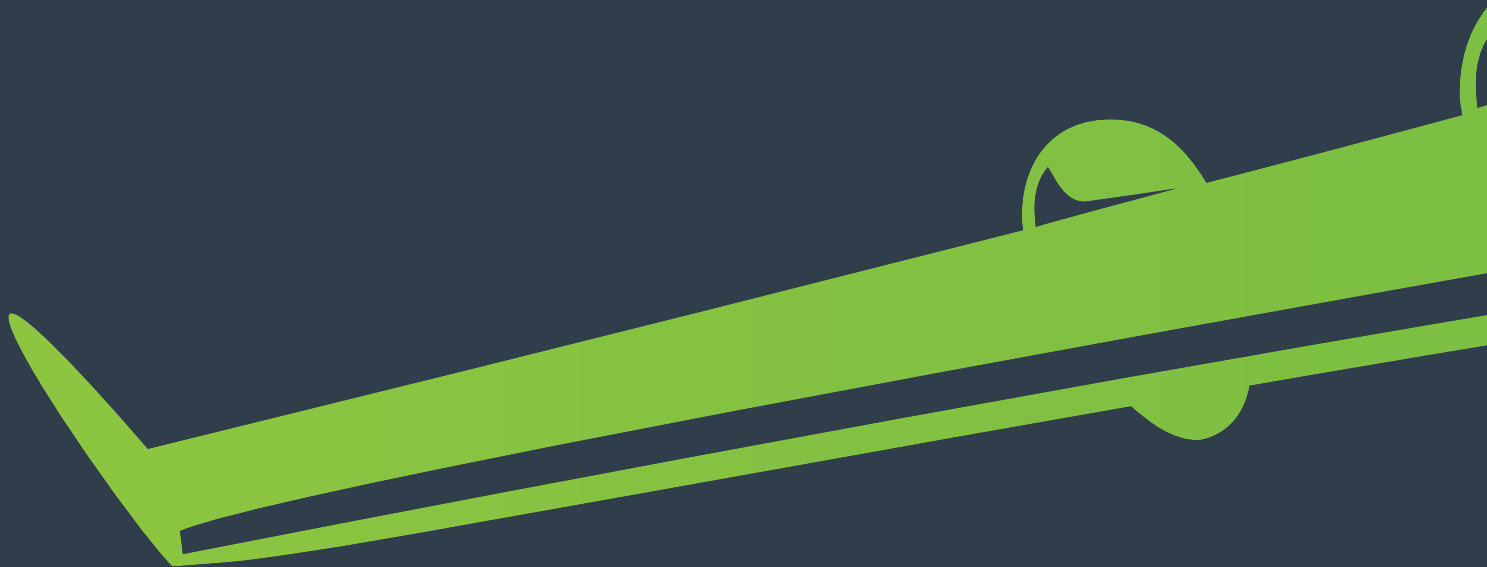
07

We will continue to implement on our business continuity plans which place special focus on ensuring uninterrupted market availability to investors and remote access by trading participants, cost optimization as well as protecting the health and safety of our staff and market players.

08

NSE is leveraging on adoption of various technology enabled platforms to reach out to more investors during this period as we seek to grow our retail investor footprint. The NSE will also continue participating in a number of engagements through various online platforms to enhance investor knowledge on opportunities in the market during this period.

Business Review





NSE's Approach to Sustainability in 2020



2020 brought to light the need for businesses to think more long-term and plan for turbulent times. The pandemic illustrated the world's unpreparedness for a global crisis. The significance of sustainability for business resilience could not be overemphasized during this period. Companies that integrated sustainability purposefully into their business operations prior to the COVID-19 pandemic, were better placed and much more agile in responding to the unexpected turn of events. As economies slowly recover from COVID-19, issues to deal with globalization, poverty, health, digitization, food security and climate change must be addressed.

Prioritizing environmental sustainability is crucial to Kenya's recovery from COVID-19. We need to build more sustainable businesses and monitor our recovery efforts against the sustainable development targets.

Our 2020 approach to sustainability reflects the progress that we have made towards entrenching sustainability as a core part of our strategy. Positioned at the heart of capital markets, NSE is well placed to drive long-term sustainable economic

growth, stability and resilience across East Africa. Our key focus in 2020 was on helping to mitigate the devastating impact of the COVID-19 pandemic, promoting diversity and inclusion, upholding corporate governance and promoting green finance.

We partnered across the board with other industry leaders, to champion the role responsible businesses play in enhancing the transition to a sustainable economy and promoting good corporate governance. Successful stakeholder engagement helps build the relationships and trust necessary to develop and implement corporate sustainability strategies and programs. We care about these challenges because they have a direct impact on our customers, workforce, suppliers and communities.

Guided by this thought process, we made a commitment to support a sustainable economy through undertaking various strategic interventions. As we commenced the 2020-2024 strategic period, we had a resounding vision of playing a bigger role in supporting our country and communities thrive and prosper. We made a conscious effort to run our business in a sustainable but socially progressive way and we aligned our initiatives to the United Nations Sustainable Development Goals (SDGs).

We are aware that we are strategically placed to make a significant positive contribution to society by proactively working with our customers, regulators, civil society, investors and other stakeholders. By doing all this, we can deliver positive change for our local and regional economies and indeed Africa at large.

Geoffrey O. Odundo
Chief Executive

SUSTAINABLE DEVELOPMENT GOALS



NSE's Approach to Sustainability in 2020 (continued)

1. Community Engagement & Support

In 2020 the company made a strategic decision to support business and individuals impacted by COVID-19. The NSE together with capital markets industry stakeholders formed the Capital Markets COVID-19 Fund to raise funds to support the national COVID-19 Emergency Response Fund. Together we donated Kshs 30 million which supported lives and livelihoods of the most affected in our society. The NSE will continue to serve and support the communities around us as there can be no long term success without a thriving community.

2. Partnership to Promote Financial Education and Literacy

The NSE has adopted SDG Goal 17 to leverage key multi-stakeholder partnerships to share knowledge, expertise and technology to achieve the SDGs. In 2020 NSE partnered with institutions of higher learning to promote financial literacy. Through the partnerships NSE is able to collaborate in enhancing the quality of financial literacy and education among the students in those institutions and equip them to start the journey towards savings, investments and entrepreneurship.

As a leading Securities Exchange, we have taken a conscious effort to enhance financial literacy for economic growth and development. Core to this endeavor, is a commitment to nurture the next generation of NSE Investors.

In pursuit of its commitment to enhance investor education, the NSE launched a premium digital learning platform called the NSE Digital Academy in 2020. The NSE Digital Academy will leverage on technology incorporating a fully automated Learning Management System that will support virtual training and certification as well as a trading simulator which will offer participants the opportunity to have a virtual trading experience. Financial Literacy has the potential to increase demand for formal financial services in developing economies. We are confident that our interventions to promote Financial Literacy have the capacity to enhance Kenyans ability to access formal financial services thus ultimately boosting savings and investments in our market.

3. Accelerating Digitization During The Pandemic

The shift towards digitization has been hastened with the onset of the pandemic. In a contactless world, the

vast majority of interactions with our stakeholders has taken place virtually. The NSE is a market infrastructure provider whose fundamental pillar is technology.

In 2020 the NSE enhanced its digitization with the launch of its upgraded mobile application, the NSE App. The NSE App is designed to provide investors with convenient, faster and real-time access to the Exchange's activities. Additionally, the NSE launched the NSE Chatbot which is an artificial intelligence powered assistant that provides a conversational interface that supports investors as they conduct various financial market transactions on the NSE.

The ability for our investors to access the market remotely and conveniently was a key priority for the company during the pandemic.

4. Sustainable Finance

The pandemic was a real wake up call for sustainable finance. Now is the time to assess the environmental impacts of COVID-19 and take opportunities to catapult to green finance. By issuing green or social bonds, companies can show their stakeholders that they take climate protection and social responsibility seriously.

The Capital Markets play a key role in driving the transition to a low-carbon, sustainable economy. Financing climate-friendly industries, facilitating social investments into hospitals and schools is at the heart of the post COVID-19 recovery and can be achieved through the NSE. Climate change continues to pose a threat to economic growth and development. As a country, a majority of our value chain and GDP is directly or indirectly affected by climatic conditions.

In 2020, the NSE held forums with investors, Government and issuers to promote uptake of green investments. These engagements bore fruit with Acorn Holdings listing a Kshs 4.3 billion Green Bond in Kenya and cross listed it at the London Stock Exchange. We are confident that we list more green instruments at the bourse in the near future, with heightened discussions with the Kenyan Government to list their debut Sovereign Green Bond and with County Governments to list social bonds to support various developmental projects.



NSE's Approach to Sustainability in 2020 (continued)

4. Sustainable Finance (continued)



Rt. Hon. Alok Sharma, UK Secretary of State for International Development rings the opening bell as Acorn Holdings becomes the first company in East Africa to list in the Green Bond programme on the NSE

5. Promoting Gender Equality and Women Empowerment

On gender equality and women empowerment, we have taken a leadership role in spearheading equality while promoting women empowerment in Kenya. Our strategy has involved advocating for more women leaders at both Board and Management level in Kenya's corporate sector. We have empowered women in informal sectors through various leadership and financial training programs. Our efforts in this endeavour has attracted Government attention and earned the NSE recognition by the Ministry of Gender and Youth Affairs as well as other key players in the market.

We have also placed special focus on enhancing women's access to both leadership and management positions in Kenya's largest enterprises listed on the NSE. This has been achieved through highlighting financial, risk management and profitability benefits that companies stand to benefit by leveraging on women's unique abilities to enhance business growth.

Over the course of 2020, we undertook various programs that sought to empower women among our listed companies as well as help shape policies that will promote women empowerment. In commemoration of the 2020 International Women's Day, the NSE joined over 75 stock Exchanges globally to ring the bell for Gender Equality to raise awareness on the importance of Gender Equality to both business and sustainable development.

6. Employee Engagement

Employees at NSE remained engaged during the pandemic. During the period, a survey was done and 80% of the employees gave NSE a high score for its support during COVID-19. Employees, when asked how supported they felt by the company during COVID-19, gave an overwhelmingly positive response, with 84% expressing satisfaction with the support received.

We are cognizant of the fundamental role our employees play in supporting the Group achieve its strategic priorities. Our smooth transition to remote working in 2020 reinforced the fact that the workforce is indeed agile and flexible. All operations ran normally during the period, with the company offering much needed support to staff and families in need of physical and mental health support.

In the year, we continued with regular learning programs where our staff trained each other on their respective areas of expertise. This has enhanced business knowledge, co-operation and overall appreciation of different areas of the organization and prompted a valued-staff sentiment among various divisions. We continue leveraging expertise from all levels of the organization to create strategic, value-driven, and impactful change for the benefit of the Company.

NSE's Approach to Sustainability in 2020 (continued)

7. Cyber Security

Technology is a core pillar of our operations. Our adoption of technology in our end to end trading and data operations necessitates enhanced security measures to protect the interest of both investors and issuers.

We're heading into a new reality for cyber security in our industry. The events of 2020 have disrupted markets and supply chains, forced major change in operating models and intensified political tensions. In the midst of this we face a future of persistent and progressively sophisticated cyber-security threats demanding that businesses raise the bar on their cyber-security measures while coping with growing cost burdens.

We are keen on providing utmost confidence to both domestic and international clients, that, activities on our market are protected and we have adopted a common goal and framework around enhancing cybersecurity across all our operations. We have ensured our frameworks are at par with global best practices to ensure maximum protection of investor information.

8. Championing for Transparent and Efficient Capital Markets

Transparent and efficient capital markets are key to attracting and maintaining local and international investors while protecting the interest of our shareholders.

The NSE has put in place effective policies and procedures to grow a fair, transparent and efficient capital market. The NSE works closely with the Capital Markets Authority and other regulators to ensure highest level of compliance by listed companies and trading participants are upheld for the development of a more sustainable capital market.

The NSE has fostered the disclosure of material information by listed companies and trading participants enhancing market confidence and integrity. We are committed to streamlining our standards to global best practices as we strive to integrate the NSE with global financial markets. In 2020 the NSE commenced its journey towards publishing its Environmental, Social and Governance (ESG) Disclosure Guidelines which will provide an ESG reporting framework in response to market demand for greater coherence, consistency and comparability for companies listed on the bourse. NSE is committed to driving better alignment of sustainability reporting frameworks, as well as with frameworks that promote further integration between non-financial and financial reporting.

9. Supply Chain Screening

The social dimension of sustainability in the supply chain at NSE is concerned with ensuring that the company and its partners across the supply chain manage their operations in a way that promotes: health and safety, a supportive working environment, human rights standards, labour rights, and measures aimed at improving ethical practices at the workplace, while having a positive impact on the surrounding community along the supply chain.

In 2020 NSE endeavoured to improve its supply chain management, including partner and client engagement to cultivate smarter operations that link business processes, tangible measurements, and best practices in one integrated structure.

Material Issues

Business Development – Cash Markets



Irungu Waggema
Chief Officer, Cash Markets

The NSE PLC has continued to report a steady performance despite a tough economic climate propelled by the COVID-19 pandemic, swings in global economic power, significant changes in pricing of consumer goods and downward trade activity that has affected the global integrated markets. The Management continues to be committed on driving the strategic pillar on Sustainable Business Growth as per the Strategic Plan (2020-2024) and all efforts through the year have been directed towards positioning the Exchange as a channel for supporting capital raises through the market downturn where many businesses were in dire need of capital to stay afloat.

The NSE Equity listing segments continue to deliver strong capital raising solutions to companies that are focused on raising funding through the market. The market saw significant activity last year during the floating of additional shares by Kenya Commercial Bank, NCBA, Nairobi Business Ventures, Standard Chartered Bank and Nation Media Group. These institutions have instilled confidence in the market through successful capital raising years after being listed. The Homeboyz Entertainment PLC listed on the GEMS Market segment through a Listing by Introduction on December 6th, 2020. This will be the first company in the Entertainment sector to be listed at the bourse and opens up opportunities for companies in the SME segment to pursue the Exchange to list in the future.

The Fixed income segment which consists of Corporate, Green and Government bonds has shown consistent performance, in

line with the prior year's performance. Corporate bonds are gaining traction amid the defaults by specific issuers which is a good signaling effect to future issuers and investors alike. The first Green Bond in East and Central Africa was issued at the NSE in January 2020 by Acorn Holding Limited. The bond has a 3year tenure and the issuer received approval to raise Kshs. 4.2 billion from the market through various draw-downs. The company made 4 draw downs in 2020 and we expect more in 2021. The same Green Bond was cross listed at the London Stock Exchange and received widespread commitments from professional investors. This issuance marks a landmark moment for the Exchange and positions us as a market with adequate depth to support capital raises of significant magnitudes.

The NSE developed a Real Estate Investment Trust market to enable investors gain exposure to the growing real estate market accelerated by the housing financing gap in Kenyan market. REITs provide developer's access to capital through the capital markets to bridge the growing demand of purpose-built real estate solutions for the Kenyan populace. The Fahari I-REIT listed on the NSE continued to post moderate performance. In May 2020, ICEA Lion Asset Management took over the management of the Stanlib Fahari I-REIT following successful completion of all conditions precedent to the transfer of the REIT effectively becoming the REIT manager and promoter. We continue to see significant interest on the REIT market and are engaging various stakeholders including the Government to list this products on the NSE.

The Absa New Gold ETF listed on the NSE in March 2017 recorded an impressive performance in the year under review. This was driven by heightened demand from both domestic and international investors as the need to hedge against asset price volatility increased on account of uncertainty caused by the outbreak of COVID-19. The asset class proved beneficial to investors seeking to build resilient portfolios anchored on diversification in a challenging environment. Increased capital flows saw the asset class post a record 35% increase in value while turnover for the increased by over 7,500% in the year. Management is equally working closely with other market players to enhance knowledge and awareness of the product especially among institutional investors in our market.

The Ibuka Program that was launched on December 17th, 2018 continues to remain an attractive option for companies of all sizes to venture into a tailored incubation and acceleration program to restructure and subsequently capital raise. This initiative provides an opportunity to the Exchange to play a role in strengthening companies that can subsequently access the market for capital. The Program has supported companies

Material Issues (continued)



The first Green Bond in East and Central Africa was issued at the NSE in January 2020 by Acorn Holdings Limited. The bond has a 3year tenure and the issuer received approval to raise Kshs. 4.2billion from the market through various draw-downs.

from rebalancing their financials to reframing their business models in light of remaining more competitive in the business world. The Program has been focusing on adding value to the already hosted companies to complete key mile stones and in 2020 Ibuka saw the successful graduation of Homeboyz Entertainment Limited PLC from the Accelerator Board to a main listing on the GEMS Segment. The Program currently hosts 26 companies, a range of consultants and advisors and has raised term sheets for companies that are investment ready.

The M-Akiba bond, the first mobile traded government bond floated to the market to raise capital in 2017 matured in 2020 after a successful run. The targeted two issuances in 2020 did not take place in light of change in government priorities in the wake of the Covid-19 pandemic, however, Management is keen on reviving this discussion with National Treasury in a bid to continue driving financial inclusion. A final payout to 13,592 bond holders was made in September 2020 through the CDSC.



Material Issues (continued)

Derivatives Markets



Terrence Adembesa
Chief Officer, Derivatives Market

During FY20, the following members were active in the NSE derivatives market (NEXT); AIB-AXYS Africa Ltd (AIBC), Genghis Capital Ltd (GENC), Kingdom Securities Ltd (KING), Standard Investment Bank (STIB), NCBA Custody (NICC) all trading under the Co-operative Bank (K) Ltd as clearing bank and Sterling Capital Ltd (STER), Faida Investment Bank Ltd (FINB) and NCBA Investment Bank Ltd (NICS) trading under the Stanbic Bank (K) Ltd as their clearing bank.

Turnover is gradually increasing with the derivatives market registering a total turnover of Kshs. 40.6 million and a total volume of 1,255 contracts in FY20 compared to a turnover of Kshs. 20.5 million and volume of 565 contracts in FY19. The increase in trading activity also raised the average daily turnover for FY20 to Kshs. 250,972 compared to Kshs. 214,025 in FY19.

In terms of securities traded, SCOM, KCBG and EQTY have consistently been the most actively traded contracts since 2019. During FY20, 82% of the trades registered were on these three contracts, in comparison to 85% of trades registered in FY19.

Following a decrease in market activity in Q2 2020 during the onset of the COVID-19 pandemic, activity recovered throughout the remainder of the year and has further strengthened in Q1 2021 with the introduction of a market maker. December 2020 saw the introduction of a market maker to enhance liquidity. The market making function requires the appointed firm to stand ready to buy or sell contracts on



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a regular and continuous basis by providing continuous two-sided quotes (bid and ask) within a predefined spread. In doing so, the market maker allows investors to more easily enter and exit positions thereby improving confidence in the market and ultimately improving liquidity.

Open interest declined sharply in Q2 2020 following the onset of the COVID-19 pandemic before climbing steadily throughout the remainder of the quarter as well as Q3 2020. Despite a quiet period after the September 2020 expiry, open interest rose to reach a peak of 263 contracts valued at Kes 8.7 million in February 2021 supported by the introduction of the market maker. The average open interest following the introduction of market making in December 2020 stood at 202 contracts (Kshs. 5.8 million) which represented a gain of 242% over the 59-contract average observed between July 2019 and November 2020. Open interest refers to the total number of outstanding positions held by investors in the market.

In order to enhance uptake, the team continues to engage with key stakeholders. Specifically the team is concentrating its efforts towards:

1. Enhancing knowledge and training of key market participants;
2. Addressing the need to update Investment Policy Statements (IPS) that govern local institutional assets with administrators, trustees and fund managers; and
3. Onboarding of online trading members who have built a sizeable community of retail investors who are active in trading offshore and volatile markets in diversified pool of asset classes.

Material Issues (continued)

Operations and IT Department



David Wainaina
Chief Operating Officer

The Operations and IT Department is tasked with the objective of ensuring that the NSE continues to meet its main mandate of providing a platform for trading listed securities. The department supports this noble objective by enabling a world class trading and broker back office systems as well as packaging the market data for consumption by various stakeholders to make rational investment decisions.

The Team started the year 2020 on a high gear with key focus in enhancing market infrastructure continuity plans. This strategy was guided by the successful upgrade of the trading platform commissioned the previous year. To achieve the said continuity plans, undertook a project to migrate the Disaster recovery from its previous location to a location that meets all the recommended standards. This was based on our resolve to ensure that we continue to guarantee the market system availability which is anchored on the international best practices of 99.99%. It is worth noting that 100% availability was achieved in year 2020. The DR migration was successfully commissioned in February 2020.



The Remote way of working called for the Company to invest significantly in cyber security...The team championed the roll out of several cybersecurity technology solutions aimed at protecting our critical data assets and systems.

On the back of this successful migration, news of the first case of coronavirus disease was confirmed in Kenya on March 13, 2020. The news came with restrictions as guided the ministry of Health. As a law abiding organization we were guided by the leadership to abide by the ministry of health protocols as well as ensure system availability in line with the NSE mandate. What a challenge!

The COVID disruption and the guidance from our leadership called upon us as a Department to broaden our scope of solution offering. We were in unfamiliar territory but were determined to ensure business continuity. We therefore activated remote access by all NSE staff members and the market participant who could access the trading systems at the comfort of their homes. During the total lock down the market operated uninterrupted and the Department was at the center of ensuring that this was achieved.

The Remote way of working called for the Company to invest significantly in cyber security. Again this load of ensuring cyber resilience was placed on the departments' doorstep. The team championed the roll out of several cybersecurity technology solutions aimed at protecting our critical data assets and systems. One of the most significant initiatives was the rolling out of a managed security services (MSS) to complement our internal Security Operations Centre (SoC).

Finally on the information services front the team embarked on digitizing the big market data in NSE possession. This was guided by the appreciation that trading is driven by information. We noted the increased appetite by data consumers to be able to access data through the Website and mobile phones and take advantage of the mobile wallet. The team therefore focused on access points through technology that made it easier to access NSE's market data particularly for colleges and higher learning institutions of learning. Further and working closely with the training and capacity building function, we launched the NSE digital academy incorporating two products- the virtual trader and the classes. We note that the data business reported increased revenue albeit the macro economic challenges.

In conclusion the Department is bullish that building on the 2020 foundation, the future is bright to all the stakeholders including but not limited to the esteemed NSE shareholders. As a department we were not surprised when the company reported in excess of 100% profitability.

Financials







Director's Report

The directors present their annual report together with the audited financial statements of Nairobi Securities Exchange PLC (NSE/the "Company"/the "Exchange") and its subsidiaries and structured entities (together, the "Group") for the year ended December 31 2020, which show the state of affairs of the Company and the Group.

Principal Activities

The Company is the sole securities exchange licensed by the Capital Markets Authority to promote, develop, support and carry on the business of a securities exchange and to discharge all the functions of a securities exchange in Kenya.

NSE Clear Limited is a wholly owned subsidiary of the NSE. The principal objectives of NSE Clear Limited are to carry on the business of a clearing house and as such, to provide clearing and settlement services for transactions in derivative securities whether carried out on or off a securities exchange, to act as a central counterparty in derivative securities transactions and to carry out all activities that pertain to a clearing house. The license to operate a derivatives exchange was issued by the Capital Markets Authority to the NSE on October 19, 2015. The derivatives market was launched in July 2019.

The NSE Derivatives Settlement Guarantee Fund (SGF) and NSE Derivatives Investor Protection Fund (IPF) are trusts whose main purpose is to strengthen the financial integrity of the derivatives market, ensure settlement of transactions in derivatives securities in case of default by a clearing member and satisfy specified claims by the investing public arising out of non-settlement of obligations owed to them by trading members or losses incurred by reason of the default of the trading members. The Board of Directors of the NSE Clear Limited appoints Trustees of the SGF and IPF who manage and administer these funds.

In 2020, the Company acquired additional 28% of AKS Nominees Ltd (AKS) bringing the total shareholding to 89% (2019: 61%). AKS holds an 18% shareholding in the ordinary shares of the Central Depository Settlement Corporation (CDSC) (2019: 18%). The principal activity of the subsidiary is holding equity shares in CDSC in trust for its members who are authorised to operate as stockbrokers and investment banks in the Nairobi Securities Exchange (NSE).

Additionally, in 2020, the Company incorporated a Limited Liability Partnership namely NSE LLP. The Partners of the LLP are the Chief Executive and the Chief Operating Officer of the NSE PLC. The LLP also has a Management Committee that oversees the day to day activities of the LLP. The Management Committee of the LLP reports to the Board of Directors of NSE PLC. The principal activity of the LLP is to run the recently launched Unquoted Scrips Platform. The NSE LLP did not have any operations in 2020 and hence is not consolidated in these financial statements.

Business Review

In 2020, the performance of listed securities on the NSE was largely subdued in line with the performance of global capital market assets that were characterized by sharp price volatility erratic demand and forecast challenges. Uncertainty caused by COVID-19 weighed negatively on investor's sentiments which saw investors reallocate the funds to more defensive assets such as bonds.

The NSE 20 index declined by 29.6% from 2,654 points in 2019 to close at 1,868 points in 2020.

The Group reported an increase in profit after tax of Kshs. 87.7 Million or over 100% for the year ended December 31, 2020 from Kshs 80.2 Million for the similar period in 2019. Revenue decreased marginally by 5% from Kshs 577.1 Million in 2019 to Sh 548.2 Million in 2020.

This was mainly driven by a 3% drop in equity turnover which declined from Kshs. 154 Billion for the year ended 31 December 2019 to Kshs. 149 Billion for the year ended 31 December 2020. This in turn led to a reduction in equity trading levies by 3% from Kshs 369.2 Million for the year ended December 31, 2019 to Kshs 356.8 Million for same period in 2020. The decline in the equity turnover was as a result of reallocation of capital towards the fixed income assets as well as reduced inflow from international investors.

Bonds turnover however edged up 5.9% to settle at Kshs. 691 Billion for the year ended 31 December 2020 as compared to the same period in 2019. Interest income decreased by 4% from Kshs 89.1 Million in 2019 to Kshs 85.1 Million for a similar period in 2020 due to utilization of deposits on acquisition of strategic investments in 2019.

Other income decreased by 25% from Kshs. 49.4 Million in 2019 to Kshs. 36.5 Million in 2020 mainly due to a Kshs. 9 Million bargain purchase earned in 2019 on acquisition of a subsidiary and Kshs. 3 Million revaluation surplus on property in 2019.

Administrative expenses decreased by 25% from Kshs. 625.4 Million to Kshs. 467.2 Million in the period under review. This was mainly driven by our cost optimization that resulted in a Kshs. 83 Million reduction in staff related costs, Kshs. 14 Million reduction on product development costs and general reduction on other costs.

Other comprehensive loss relates to the fair value reduction of

Director's Report (continued)

Business Review (continued)

the quoted equity instrument acquired in 2019 which is passed through Other Reserves.

Total assets increased marginally by 3% from Kshs. 2.24 Billion as at December 31, 2019 to Kshs. 2.31 Billion as at December 31, 2020 on the back of the Group's improved performance. Noncurrent liabilities as at December 31, 2020 and 2019 includes Kshs. 35.2 Million contributions received from clearing members in 2019 towards the NSE Derivatives Settlement Guarantee Fund.

Net cash from operating activities increased from Kshs. 53.8 Million as at December 31, 2019 to Kshs. 161.3 Million as at December 31, 2020 as a result of the improved performance in the year. Return on assets and return on equity both doubled from 3.6% and 3.9% respectively in 2019 to 7.2% and 7.7% in 2020.

Dividend

The Group profit for the year of Kshs 167,918,000 (2019: Kshs. 80,153,000) has been added to retained earnings. The Directors recommend the approval of a first and final dividend of Kshs. 0.53 per share amounting to Kshs. 137,535,000 (2019: Kshs.0.08 per share amounting to Kshs. 20,760,000).

Directors

Mr. Samuel Kimani ceased to be the Chairman of the Board of Directors on July 13th, 2020 and Mr. Kiprono Kittony, EBS was appointed as the Chairman of the Board of Directors on the same date.

The current members of the Board of Directors are as shown on page 24 to 29.

Disclosures to Auditor

The directors confirm that with respect to each director at the time of approval of this report:

- (a) there is, as far as each director is aware, no relevant audit information of which the Company's auditor is unaware; and
- (b) each director has taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Terms of Appointment of Auditors

The auditor, PricewaterhouseCoopers LLP has retired from office. The Board of Directors is in the process of recruiting a new auditor to be recommended for appointment to the shareholders at the next Annual General Meeting in accordance with the Company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

By order of the Board



Mr. Kuria Waithaka
Secretary

26 March 2021



Corporate Governance Statement

Overview

Corporate governance is at the heart of the structures and processes guiding the leadership of the Group. The Group has instituted systems to ensure that high standards of corporate governance are maintained at all levels of the organization and is in compliance with the requirements of all applicable laws and regulations including but not limited to the Capital Markets Act and regulations, rules and guidelines thereunder on Corporate Governance and the Nairobi Securities Exchange (NSE) regulations, rules, policies and procedures.

The Role of the Board

The Board is collectively responsible to the Group's shareholders for the long-term success of the Group and its strategic direction, its values and governance. It provides the leadership, integrity, enterprise and good judgment necessary to meet its business objectives within the framework of its internal controls while also discharging the Group's obligations to its shareholders.

The Key Responsibilities of the Board include:

- To define and chart out the Group's vision and mission. The Board has ultimate responsibility for the attainment of the Group's vision;
- To set the strategy, approve business plans and annual budgets and of any subsequent material changes in strategic direction;
- To monitor Management's implementation of the strategic plans and financial objectives as defined by the Board;
- To define levels of materiality, reserving specific powers to itself and delegating other matters with the necessary written authority to Management;
- To ensure that the Group is managed with a view to ensuring that the Group is ethical in all its dealings and has put in place sustainable business practices;
- To ensure that procedures and processes are in place to protect the Group's assets and reputation;
- To ensure compliance by the Group with all relevant laws and regulations, audit and accounting principles, and such other principles as may be established by the Board from time to time;
- To approve Terms of Reference of Board Committees and make appointments and changes in the composition of such Committees as are established from time to time;
- To identify key risks for the Group and establish mechanisms for managing or mitigating them;
- To set policies on internal controls and obtain regular assurance that the system is functioning effectively and is effective in managing risks;
- To appoint the Chief Executive and senior management staff;

- To procure suitable external auditors for shareholder; and
- To exercise such other powers as are necessary to enforce the requirements of the Capital Markets Act and regulations and guidelines thereunder, the NSE's Articles of Association and the internal regulations and rules governing the Group.

Division of Responsibilities

The Chairman and the Chief Executive are responsible for the sustainable operations of the Group. Their roles are separate, with each having distinct and clearly defined roles and responsibilities. The Chairman directs the Board's business and acts as its facilitator and guide ensuring that the Board is effective in its tasks of setting and implementing the Group's direction and strategy. The Chairman is responsible for leadership of the Board, for ensuring its effectiveness on all aspects of its role and for facilitating the productive contribution of all Directors. The Chairman sets the agenda for the Board meetings in consultation with the Chief Executive. The Chairman is accountable to the Board for leading the direction of the Group's corporate and financial strategy and for the overall supervision of the policies, rules and regulations governing the Group.

The Chief Executive has overall responsibility for the business of the Group. The Chief Executive enforces the provisions of the Capital Markets Act (the "Act") and the rules of the Group and immediately reports any violations to the Board and the Capital Markets Authority ("CMA/Authority") and ensures compliance with the requirements of the Act, and rules in operations, transactions and all affairs of the Group including listings and continuous reporting obligations of listed companies.

The Chief Executive is also responsible for the supervision of the trading activities of the Group and takes all necessary steps to maintain orderly and efficient trading and functioning of facilities, in accordance with the Group's rules and as prescribed by the Act.

The Chief Executive reports periodically to the Board on all matters concerning the operation and affairs of the Group, attends all meetings of the Committees and provides technical input where necessary and promotes the objectives and functions of the Group. The Chief Executive also liaises with the Authority and its representatives in respect of administrative, regulatory and technical matters of the Group. The Chief Executive is also responsible for the stewardship of the Group's assets and, jointly with the Chairman, for representation of the Group externally.

Corporate Governance Statement (continued)

Board Composition

As at the date of this Annual Report, the Board of the Nairobi Securities Exchange is constituted as follows:

- (a) Five (5) Independent and Non-Executive Directors;
- (b) One (1) Non-Executive Director
- (c) Two (2) Directors appointed to represent Trading Participants;
- (d) Two (2) Directors appointed to represent Listed Companies; and
- (e) One (1) Executive Director.

Below is the current composition of the board:

Mr. Kiprono Kittony, EBS	Chairman/Independent Non-Executive Director
Mr. Bob Karina	Vice Chairman/Trading Participant/Non-Executive Director
Mr. Samuel Kimani	Independent Non-Executive Director
Ms. Nasim Devji	Listed Companies/Non-Executive Director
Mr. Hosea K. Kili	Independent Non-Executive Director
Mr. Michael Turner	Listed Companies/Non-Executive Director
Mr. Paul Vollant	Non-Executive Director
Ms. Risper Alaro	Independent Non-Executive Director
Mr. Paul Mwai	Trading Participant/Non-Executive Director
Ms. Isis Nyongo	Independent Non-Executive Director
Mr. Geoffrey O. Odundo	Chief Executive

Board Committees

The Board established seven (7) Board Committees with delegated authority to assist the Board effectively carry out its obligations. These Board Committees are:

- (a) Finance and Strategy Committee
- (b) Trading, Technology and Innovation Committee
- (c) Listing and Admissions Committee
- (d) Derivatives Market Oversight Committee
- (e) Self-Regulatory Organization (SRO) Committee
- (f) Audit, Risk and Compliance Committee
- (g) Remuneration, Nominating and Human Capital Committee

Other than the Derivatives Market Oversight Committee and Trading, Technology and Innovation Committee, both which have external resource persons, all other Committees are now composed of Board members only.

There is also the Derivatives Risk Management Committee, which though a sub-committee of the Derivatives Market Oversight Committee, has within its membership, one member of the Board, a member of the Audit, Risk and Compliance Committee, for purposes of linkage and interface of risk matters between the Audit, Risk and Compliance Committee and the Derivatives Risk Management Committee.

At each ordinary Board meeting, the chairpersons of the

Board Committees are required to report to the Board on the highlights of the deliberations of the Committees and to escalate to the Board all matters requiring the Board's consideration and approval.

The Board reviews the Committee composition every year to ensure that the Committees have suitable, appropriate and relevant skills required to effectively discharge the mandate of the Committees and the Board as a whole. The review also aids in incorporating into committees any members who may have retired from the Board and also those who may join the Board in the course of the year. The Committee membership review took place in June 2019.

The Committee Terms of Reference are also reviewed on an annual basis to ensure that they are up to date to factor in any developments in the organizations strategic direction, operations, industry practice and global best practices. The annual review in 2019, took place in November 2019.

Below is a summary of the mandates, functions, membership and activities of the various committees:

- **Finance and Strategy Committee**

The mandate of the Finance and Strategy Committee is to oversee the implementation of the NSE Strategy and strategic business development initiatives of the NSE,



Corporate Governance Statement (continued)

Finance and Strategy Committee (continued)

including training and to deal with all matters relating to the prudent financial management of the Group, which includes NSE PLC subsidiaries, including reviewing and advising on the financial statements and management accounts. The Committee also evaluates and advises on potential investment opportunities and also oversees procurement at the NSE to ensure compliance with the Procurement manuals and procedures.

Trading, Technology and Innovation Committee

The Trading, Technology and Innovation Committee's mandate is to assist the Board in relation to trading and markets operations, information technology infrastructure, data service provision and dissemination of market information to capital markets stakeholders and the general public. The Committee also monitors the state of technology capabilities within NSE and identifies and manages the associated risks and opportunities that could have significant impact in the organization's operations.

Listing and Admissions Committee

The Listing and Admissions Committee is mandated to assist the Board in the effective discharge of its responsibilities in relation to listing of new equity securities in any of the market segments and admission of Market Participants (including Trading Participants, market makers, liquidity providers, custodians for the Derivatives Market and other capital market support service providers) on the Nairobi Securities Exchange and the NSE Derivatives Market. The Committee also provides oversight in respect of admission of companies into the Ibuka Program and the consultants and advisors that guide entities hosted on the Ibuka Program.

Derivatives Market Oversight Committee

The Derivatives Market Oversight Committee advises the Board on the oversight of, and strategic issues relating to the NSE's Derivatives Market and the Derivatives Clearing House including addressing conflict of interest matters regarding futures brokers, issues arising in the design of derivatives contracts and undertaking trading and surveillance functions.

Self-Regulatory Organization (SRO) Committee

The mandate of the Self-Regulatory Organization Committee is to enforce the NSE Market Participants Business Conduct and Enforcement Rules, 2014, the Listing Rules, Continuous Listing Obligations Regulations, the Derivatives Rules, the NSE Trading Rules and any other Regulations or Rules of the NSE as are in force, as may be necessary for the maintenance of a fair and orderly

market and to ensure compliance with any other capital market legislation and the enforcement powers of which have been delegated to the SRO function of the NSE.

Audit, Risk and Compliance Committee

The mandate of the Audit, Risk and Compliance Committee is to monitor, review and make recommendations to the Board on the adequacy of NSE's internal control, internal and external audit programs, risk management and compliance monitoring systems and to monitor the organization's Corporate Governance practices including compliance with relevant laws, regulations and rules in respect of the Group's business.

Remuneration, Nominating and Human Capital Committee

The Remuneration, Nominating and Human Capital Committee advises and assists the Board in effective discharge of its responsibilities in relation to the composition of the Board and its remuneration, and to establish a plan of continuity for the Chief Executive as appropriate. The Committee also advises, implements and assists the Board in effective discharge of its responsibilities in relation to Human Capital Management.



Board and Board Committees' Membership and Number of Meetings Held and Attended in 2020

Director	Classification	Designation	Board	Finance & Strategy Committee	Trading, Technology & Innovation Committee	Audit, Risk & Compliance Committee	Listings & Admissions Committee	Self-Regulatory Organization (SRO) Committee	Remuneration, Nominating & Human Capital Committee	Derivatives Market Oversight Committee
K Kittony, EBS ***	Non-executive	Chairman - Board	✓	*	*		*		*	
			5/5	1/1	2/2		2/2		3/4	
B Karina	Non-executive	Vice Chairman – Board, Chairman – Trading, Technology & Innovation Committee	✓	✓	✓		✓		✓	
			5/5	5/5	4/4		6/6		7/7	
H Kili	Non-executive	Chairman - Self-Regulatory Organization (SRO) Committee	✓		✓	✓		✓		✓**
			5/5		3/4	4/4		4/4		1/2
M Turner	Non-executive	Chairman – Finance & Strategy Committee	✓	✓			✓	*		✓
			5/5	5/5			6/6	2/2		4/4

* Stepped down from the Committee on July 23rd 2020

** Appointed to the Committee on July 23rd 2020

***Appointed as Board Chairman on July 13th 2020



Corporate Governance Statement (continued)

Board and Board Committees' Membership and Number of Meetings Held and Attended in 2020 (continued)

Director	Classification	Designation	Membership	Board	Finance & Strategy Committee	Trading, Technology & Innovation Committee	Audit, Risk & Compliance Committee	Listings & Admissions Committee	Self-Regulatory Organization (SRO) Committee	Remuneration, Nominating & Human Capital Committee	Derivatives Market Oversight Committee
N Devji	Non-executive		Membership	✓			✓			✓	*
			Attendance	5/5			3/4			5/7	
P Vollant	Non-executive		Membership	✓				✓	**	✓	
			Attendance	5/5	5/5			4/4		7/7	
R Alaro	Non-executive	Chairperson - Audit, Risk & Compliance Committee	Membership	✓			✓	*	✓	✓	
			Attendance	5/5			4/4	2/2	4/4	6/7	
P Mwai	Non-executive		Membership	✓	✓	✓		✓			✓
			Attendance	5/5	5/5	4/4		6/6			4/4
S Kimani***	Non-executive	Chairperson - Remuneration, Nominating & Human Capital Committee	Membership	✓	✓	✓			✓	✓	**
			Attendance	5/5	3/3	1/2			2/2	4/4	
I Madison	Non-executive	Chairperson - Listing & Admissions Committee	Membership	✓	✓	✓	✓	✓			
			Attendance	5/5	5/5	4/4	4/4	6/6			
G Odundo		Chief Executive	Membership								
			Attendance	5/5	5/5	4/4	4/4	6/6	4/4	7/7	4/4

* Stepped down from the Committee on July 23rd 2020

** Appointed to the Committee on July 23rd 2020

*** Stepped down as Board Chairman on July 13th 2020

The Chief Executive does not form the quorum for Board Committee meetings and attends by invitation

Corporate Governance Statement (continued)

Board Committees' Membership and Number of Meetings Held and Attended in 2020

Board Committees with External Resource Persons



1. Derivatives Market Oversight Committee

Name	Nature of Participation	Attendance
S. Mwangi	Chairperson	3/4
E. Kigen	Member	4/4
A. Mulisa	Member	3/4
J. Swai	Member	4/4



2. Trading, Technology and Innovation Committee

Name	Nature of participation	Attendance
I. Onyango	Member	4/4
J. Waiguru	Member	4/4
F. Moturi	Member	3/4
F. Mwangi	Member	3/4
E. Kihanda	Member	4/4

Nairobi Securities Exchange Corporate Governance Fact Sheet

Number of Board Members	11
Number of Independent Non-Executive Directors	5
Number of Non-Executive Directors	1
Number of Non-Executive Directors representing Trading Participants	2
Number of Non-Executive Directors representing Listed Companies	2
Number of Executive Directors	1
Number of women on the Board	3
Separate Chairman and CEO	Yes
Terms of Reference for Board Committees	Yes
Independent Audit Committee	Yes
Number of financial experts on Audit Committee	2
Number of Board Meetings held in 2020	5
Number of Annual General Meetings in 2020	1
Re-election of Directors in accordance with Articles of Association	Yes
Board Induction Programs conducted	No



Corporate Governance Statement (continued)

Capital Structure

(a) Share capital

The authorized and issued share capital of Nairobi Securities Exchange PLC consists of only ordinary shares as disclosed in note 24 to the financial statements.

(b) Top 20 Shareholders at 31 December 2020

No	Shareholder	Number of shares	%
1	Standard Chartered Kenya Nominees Ltd A/C KE004468	41,764,400	16.0941%
2	Standard Chartered Kenya Nominees Ltd A/C KE22446	27,115,973	10.4493%
3	Standard Chartered Kenya Nominees Ltd A/C KE003414	13,467,793	5.1899%
4	Stanbic Nominees Ltd A/C NR1030823	12,523,399	4.8259%
5	The Investor Compensation Fund Board	8,750,000	3.3719%
6	The Permanent Secretary to The Treasury	8,750,000	3.3719%
7	Stanbic Nominees Ltd A/C NR1030824	8,397,067	3.2358%
8	Standard Chartered Kenya Nominees Ltd A/C KE22816	7,247,499	2.7928%
9	Sterling Capital Limited	7,000,000	2.6975%
10	Nyaga Stock Brokers Ltd	7,000,000	2.6975%
11	Discount Securities Limited	7,000,000	2.6975%
12	ABC Capital Limited	7,000,000	2.6975%
13	Kingdom Securities Limited	7,000,000	2.6975%
14	Renaissance Capital (Kenya) Limited	7,000,000	2.6975%
15	Stanbic Nominees Ltd A/C NR1031142	6,879,090	2.6509%
16	Old Mutual Securities Limited	5,415,700	2.0870%
17	Dyer & Blair Investment Bank Limited	4,300,000	1.6570%
18	Africa Allied investors Ltd	4,236,300	1.6325%
19	Stanbic Nominees Ltd A/C NR1031436	3,999,333	1.5412%
20	NIC Securities Ltd	3,500,000	1.3487%
Top 20 shareholders		198,346,554	76.4339%
Others		61,154,237	23.5661%
Total issued shares		259,500,791	100.000%

(c) Distribution of Shareholders at 31 December 2020

	Number of Shareholders	Number of shares	%
Less than 500	2,726	477,305	0.184%
501 – 5,000	9,403	12,569,286	4.844%
5,001 – 10,000	625	4,496,680	1.733%
10,001 – 100,000	626	16,406,157	6.322%
100,001 – 1,000,000	54	13,650,981	5.260%
Above 1,000,000	28	211,900,382	81.657%
Total	13,462	259,500,791	100.000%

Corporate Governance Statement (continued)

Capital Structure (continued)

(d) Shareholder Analysis by Domicile at 31 December 2020

	Number of Shareholders	Number of shares	%
Individual investors			
Local	12,622	32,973,259	12.706%
East African	84	252,471	0.097%
Foreign	104	4,563,297	1.759%
	12,810	37,789,027	14.562%
Institutional investors			
Local	629	91,714,343	35.343%
East African	5	4,033	0.002%
Foreign	18	129,993,388	50.093%
	652	221,711,764	85.438%
Total	13,462	259,500,791	100.000%

e) Directors Holding Shares at 31 December 2020

	Number of shares	%
Mr. Paul Vollant	1,310,900	0.505%
Mr. Bob Karina	198,600	0.077%
Mr. Geoffrey Odundo	94,000	0.036%
Ms. Nasim Devji	45,600	0.018%
Mr. Samuel Kimani	20,300	0.008%
Mr. Hosea Kili	4,400	0.002%
Total	1,673,800	0.646%



Directors' Remuneration Report

Information not Subject to Audit

Statement of Group's Policy on Directors' Remuneration

(a) Nairobi Securities Exchange PLC

The Board establishes and approves formal and transparent remuneration policies to attract and retain both executive and non-executive Board members. These policies clearly state remuneration elements such as Directors' fees and attendance allowances that are competitive and in line with the industry. Non-Executive Directors are paid a sitting allowance for every meeting attended. They are not eligible for provident fund membership. The Company does not grant any personal loans, guarantees, share options or long term incentives to its non-executive Directors. The company has taken out insurance covers for the non-executive Directors covering Directors and Officers liability insurance cover and group personal accident covering death, permanent total disability and medical expenses.

The Chief Executive is the only executive director on the Board and the company has in place a remuneration policy which is aimed at ensuring compensation is competitive and aligned to the company's strategic objectives. The Executive Director's remuneration and benefits consists of:-

- A monthly salary determined on appointment
- An annual bonus based on the performance of the company, individual performance and general inflation considerations.
- Contributory staff provident scheme
- Non-cash benefits relating to a company-maintained vehicle and insurance cover.

There were no substantial changes to the Director's remuneration policy during the year 2020.

(b) NSE Clear Limited

A managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the directors may determine.

There were no substantial changes to the Director's remuneration policy during the year 2020.

(c) The NSE Derivatives Settlement Guarantee Fund (SGF) and NSE Derivatives Investor Protection Fund (IPF)

In accordance with the Trust Deed of the Funds, the Board of Directors of NSE Clear Limited appoints the trustees of the Fund subject to approval by the CMA. The number of trustees is set at a minimum of Three (3). Any person, whether or not domiciled, resident or carrying on business or in the case of a body corporate carrying on business in Kenya may be appointed and hold office as a trustee.

There were no substantial changes to the trustees' remuneration policy during the year 2020.

Contract of service

(a) Nairobi Securities Exchange PLC

In accordance with Article 93 of the Articles of Association of the Company, unless and until otherwise from time to time determined by an ordinary resolution of the Company, but always subject to the provisions of the Kenyan Companies Act (the Act) and the Capital Markets Act (CMA) regulations, the number of Directors (including the Chief Executive and excluding alternates) shall not be less than Seven (7) and not more than Eleven (11) in number and shall be elected in accordance with the Act, the Capital Markets Act and the Company's Articles of Association.

Two (2) Directors are elected by the members from among or to represent the trading participants and a further Two (2) Directors are elected by the members from among nominees of companies listed on the Nairobi Securities Exchange to represent the said listed companies. Any other directors are elected by the members in accordance with the Companies Act provided that at all times at least one third of the Directors must be non-executive Directors.

If at any time the number of Directors falls below the minimum number fixed by or in accordance with the Company's Articles of Association, the remaining Directors may act for the purpose of convening a general meeting or for the purpose of bringing the number of Directors to such minimum, and for no other purpose.

The Non-Executive Directors are not under contract but are subject to retirement by rotation at the Annual General Meeting (AGM). CMA regulations provide for fixed terms of office for the company's Chairman and Chief Executive, which shall include a maximum term of office of two consecutive years for the Chairman and four years renewable once for the Chief Executive.

The Chief Executive's contract within the period under review is for the second term for a Four (4) years period running from 1 March 2019. Under the terms of the contract, either party may, not less than six months to the expiry of this contract, notify the other of their intention not to extend the contract, otherwise the contract shall be automatically renewed for a further final period of four years. Either Party may also terminate the Agreement without assigning any reasons, at any time, by giving to the other not less than six months' notice in writing, or six months' salary in lieu of notice, at the end of which the Agreement shall determine.

Directors' Remuneration Report (continued)

Information not Subject to Audit (continued)

(b) NSE Clear

In accordance with the Company's Articles of Association (the Articles), the directors have power at any time, and from time to time, to appoint any person to be a director, either to fill a casual vacancy, or as an addition to the existing directors, but so that the total number of directors shall not at any time exceed the number fixed in accordance with the Articles. Any director so appointed shall hold office until he is removed or his office is vacated, in each case in accordance with these Articles.

The Directors may from time to time appoint one or more of their body to the office of managing director, or to any other executive office under the Company, for such period and on such terms as they think fit, and, subject to the terms of any agreement entered into in any particular case, may revoke such appointment. The appointment of such managing director or other executive officer shall be automatically determined if he ceases from any cause to be a director.

Other than the Managing Director, the Directors are subject to retirement by rotation at every Annual General Meeting (AGM).

(c) The NSE Derivatives Settlement Guarantee Fund (SGF) and NSE Derivatives Investor Protection Fund (IPF)

The Trustees are not under contract. The office of a trustee becomes vacant if: the trustee resigns with a one month's notice; becomes mentally or physically incapacitated; or by removal by the Board of NSE Clear Limited by a resolution. A trustee can also retire at any time by giving a three (3) months written notice to the Board. In the event of the number of trustees falling below three, the Board shall, subject to the approval of the CMA, appoint such additional trustees as shall be necessary to make their number up to three, save where there is appointed a sole corporate trustee.

Statement of voting on the Directors' remuneration report at the Previous Annual General Meeting

(a) Nairobi Securities Exchange PLC

During the Annual General Meeting held on July 9th, 2020, the shareholders approved the fees paid to the Directors fees for the year ended December 31st 2019 by show of hands.

At the Annual General Meeting to be held on June 3rd, 2021, approval will be sought from shareholders for the fees paid to the Directors for the financial year ended December 31st, 2020.

(b) NSE Clear Limited

During the Annual General Meeting held on May 19th, 2020, the shareholders approved the fees paid to the Directors for the year ended December 31st, 2019 by show of hands.

At the Annual General Meeting to be held on 12th May 2021, approval will be sought from shareholders for the fees paid to the Directors for the financial year ended 31st December 2020.

(c) The NSE Derivatives Settlement Guarantee Fund (SGF) and NSE Derivatives Investor Protection Fund (IPF)

The Funds do not hold annual general meetings. The fees for the Trustees are approved by the NSE Clear Limited Board.



Directors' Remuneration Report (continued)

Information Subject to Audit

The following table shows a single figure remuneration for the Chairman, Non-Executive Directors and Executive Director in respect of qualifying services for the year ended 31 December 2020 together with the comparative figures for 2019.

Year ended 31 December 2020

Name	Category	Fees	Sitting allowances	Gross pay + other allowances	Provident scheme contribution	Total
		Kshs	Kshs	Kshs	Kshs	Kshs
Kiprono Kittony, EBS	Non-Executive	960,000	888,571	-	-	1,848,571
Bob Karina*	Non-Executive	960,000	1,771,429	-	-	2,731,429
Hosea Kili*	Non-Executive	720,000	1,214,285	-	-	1,934,285
Isis Nyong'o	Non-Executive	720,000	1,371,428	-	-	2,091,428
Nasim Devji	Non-Executive	720,000	814,285	-	-	1,534,285
Michael Turner	Non-Executive	720,000	1,271,429	-	-	1,991,429
Paul Vollant*	Non-Executive	720,000	1,285,714	-	-	2,005,714
Paul Mwai	Non-Executive	720,000	1,285,714	-	-	2,005,714
Risper Alaro	Non-Executive	720,000	1,342,857	-	-	2,062,857
Samuel Kimani	Non-Executive	960,000	1,291,428	-	-	2,251,428
Geoffrey Odundo	Executive	-	-	22,662,500	2,222,400	24,884,900
		7,920,000	12,537,140	22,662,500	2,222,400	45,342,040

*Included in the Director's fees for the year ended 31 December 2020 is amounts relating to fees earned for services rendered in other NSE Group Companies as tabulated below:

Sitting Allowances				
	NSE Clear Kshs	IPF Kshs	SGF Kshs	Total Kshs
Samuel Kimani	114,286	114,286	114,286	342,857
Bob Karina	114,286	114,286	114,286	342,857
Paul Vollant	57,143	57,143	57,143	171,429
Hosea Kili	57,143	57,143	57,143	171,429
	342,857	342,857	342,857	1,028,571

Geoffrey O. Odundo was provided with a company car during the year (non-cash benefit).

Directors' Remuneration Report (continued)

Information Subject to Audit (continued)

Year ended 31 December 2019

Name	Category	Fees	Sitting allowances	Gross pay + other allowances	Provident scheme contribution	Total
		Kshs	Kshs	Kshs	Kshs	Kshs
Samuel Kimani*	Non-Executive	1,200,000	1,300,000	-	-	2,500,000
Bob Karina*	Non-Executive	960,000	2,100,000	-	-	3,060,000
Hosea Kili*	Non-Executive	720,000	1,700,000	-	-	2,420,000
Sharon Maviala	Non-Executive	360,000	700,000	-	-	1,060,000
Isis Nyong'o	Non-Executive	360,000	807,143	-	-	1,167,143
Nasim Devji	Non-Executive	720,000	1,064,286	-	-	1,784,286
Michael Turner	Non-Executive	720,000	1,235,714	-	-	1,955,714
Paul Vollant*	Non-Executive	720,000	1,478,571	-	-	2,198,571
Paul Mwai	Non-Executive	720,000	1,514,286	-	-	2,234,286
Risper Alaro	Non-Executive	720,000	1,692,857	-	-	2,412,857
Kiprono Kittony	Non-Executive	720,000	1,414,286	-	-	2,134,286
Geoffrey Odundo	Executive	-	-	23,875,465	2,232,960	26,108,425
		7,920,000	15,007,143	23,875,465	2,232,960	49,035,568

*Included in the Director's fees for the year ended 31 December 2019 is amounts relating to fees earned for services rendered in other NSE Group Companies as tabulated below:

Sitting Allowances				
	NSE Clear	IPF	SGF	Total
	Kshs	Kshs	Kshs	Kshs
Samuel Kimani	85,714	85,714	85,714	257,143
Bob Karina	114,286	114,286	114,286	342,857
Paul Vollant	114,286	114,286	114,286	342,857
Hosea Kili	57,143	57,143	57,143	171,429
	371,429	371,429	371,429	1,114,286

Mr Geoffrey O. Odundo was provided with a company car during the year (non-cash benefit).



Mr. Kuria Waithaka
Secretary

26 March 2021



Statement of Directors' Responsibilities

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company and Group as at the end of the financial year and of its profit or loss for that year. The directors are responsible for ensuring that the Company and Group keep proper accounting records that are sufficient to show and explain the transactions of the Company and Group; disclose with reasonable accuracy at any time the financial position of the Company and Group; and that enables them to prepare financial statements of the Company and Group 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 Group 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 judgments and accounting estimates that are reasonable in the circumstances.

Having made an assessment of the Company's and Group'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 and Group's ability to continue as a going concern.

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

Approved by the Board of Directors on 26 March 2021 and signed on its behalf by:

Mr. Kiprono Kittony, EBS
Chairman

Ms. Risper Alaro
Director

Mr. Geoffrey O. Odundo
Chief Executive



Independent Auditor's Report to the Shareholders of the Nairobi Securities Exchange Plc

Report on the financial statements

Our opinion

We have audited the accompanying financial statements of Nairobi Securities Exchange PLC ("NSE"/the "Company") and its subsidiaries and structured entities (together, the "Group") set out on pages 71 to 119, which comprise the consolidated statement of financial position at 31 December 2020 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, together with the separate statement of financial position of the Company at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company at 31 December 2020 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan 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 Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to report.

Other information

The other information comprises the Corporate information,

Directors' report, Corporate governance statement, Statement of directors' responsibilities, Director's remuneration report and Appendix I and II which we obtained prior to the date of this auditor's report and the rest of the other information in the Annual Report, which are expected to be made available to us after that date but does not include 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 we do not and will 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 have received prior to the date of this auditor's report 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.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 Kenyan 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 Group's and 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 Group or Company or to cease operations, or have no realistic alternative but to do so.



Independent Auditor's Report to the Shareholders of the Nairobi Securities Exchange Plc (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's or Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 Group's and 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 Group or 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Kenyan Companies Act, 2015

Report of the Directors

In our opinion the information given in the report of the directors on page 54 to 55 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 64 to 67 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

Certified Public Accountants
Nairobi

26 March 2021

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

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2020

	Notes	Group		Company	
		2020 Sh'000	2019 Sh'000	2020 Sh'000	2019 Sh'000
Revenue	6	548,257	577,114	548,257	577,114
Interest income	9	85,138	89,109	68,195	73,641
Other income	10	36,544	49,415	73,060	40,487
Total income		669,939	715,638	689,512	691,242
Administrative expenses		(467,212)	(625,403)	(457,507)	(619,592)
Share of profit of associate	15(b)	16,187	14,264	8,930	10,424
Profit before income tax	7	218,914	104,499	240,935	82,074
Income tax expense	11(a)	(50,996)	(24,346)	(49,562)	(21,237)
Profit for the year		167,918	80,153	191,373	60,837
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Fair value loss on equity instruments at fair value through other comprehensive income net of deferred tax		(5,764)	(18,416)	(5,764)	(18,416)
Total items that will not be reclassified to profit or loss		(5,764)	(18,416)	(5,764)	(18,416)
<i>Items that may be reclassified to profit or loss</i>					
Share of exchange differences from associate arising from translation of foreign operation	15(b)	(101)	1,193	(56)	663
Total items that may be reclassified to profit or loss		(101)	1,193	(56)	663
Total other comprehensive income		(5,865)	(17,223)	(5,820)	(17,753)
Total comprehensive income for the year		162,053	62,930	185,553	43,084
		Shs	Shs	Shs	Shs
Earnings per share - Basic and diluted	29	0.65	0.30	0.74	0.23



Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2020

(continued)

		Group		Company	
	Notes	2020 Sh'000	2019 Sh'000	2020 Sh'000	2019 Sh'000
Profit for the year attributable to:					
Ordinary equity holders of the parent	29	167,801	78,923	191,373	60,837
Non-controlling interests	16(e)	117	1,230	-	-
		167,918	80,153	191,373	60,837
Total comprehensive income for the year attributable to:					
Ordinary equity holders of the parent		161,936	61,494	185,553	43,084
Non-controlling interests	16 (e)	117	1,436	-	-
		162,053	62,930	185,553	43,084



Consolidated Statement of Financial Position

At 31 December 2020

	Notes	2020 Sh'000	2019 Sh'000
ASSETS			
Non-current assets			
Property and equipment	12	196,439	219,783
Investment property	13	313,100	313,100
Intangible assets	14	148,550	162,021
Investment in associate	15 (b)	287,667	276,441
Financial assets at fair value through other comprehensive income – Quoted equity instruments	17	48,720	49,880
Financial assets at amortised cost - Government securities	18 (a)	-	79,548
Long-term restricted investments	19	170,938	199,298
Deferred income tax	20	5,007	6,865
		1,170,421	1,306,936
Current assets			
Trade and other receivables	21 (a)	69,654	67,464
Financial assets at fair value through profit or loss - Government securities	18 (b)	281,144	32,300
Tax recoverable	11 (c)	19,222	52,982
Fixed deposits	22	126,469	149,736
Short-term restricted cash and investment	22	243,488	289,910
Cash and cash equivalents	22	402,748	343,073
		1,142,725	935,465
TOTAL ASSETS		2,313,146	2,242,401
EQUITY AND LIABILITIES			
Equity			
Share capital	24	1,038,003	1,038,003
Share premium		277,185	277,185
Retained earnings		883,258	732,992
Other reserves		428	323
Revaluation reserve		(24,180)	(18,416)
Equity attributable to the owners of the parent		2,174,694	2,030,087
Non-controlling interest	16 (e)	15,509	56,113
Total equity		2,190,203	2,086,200
Non-current liabilities			
Settlement Guarantee Fund members contributions	25	35,250	35,250
Tenant deposits	26 (a)	3,233	1,829
		38,483	37,079
Current liabilities			
Trade and other payables	26 (b)	50,194	85,846
Dividends payable	27	32,066	30,876
Trading members' contributions		2,200	2,400
		84,460	119,122
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		2,313,146	2,242,401

The financial statements on pages 71 to 119 were approved and authorised for issue by the Board of Directors on 26 March 2021 and were signed on its behalf by:

Mr. Kiprono Kittony, EBS
Chairman

Ms. Risper Alaro
Director

Mr. Geoffrey O. Odundo
Chief Executive



Company Statement of Financial Position

At 31 December 2020

	Notes	2020 Sh'000	2019 Sh'000
ASSETS			
Non-current assets			
Property and equipment	12	196,436	219,779
Investment property	13	313,100	313,100
Intangible assets	14	148,550	162,021
Investment in associate	15 (b)	140,905	134,731
Investment in subsidiaries and structured entities	16	241,899	207,000
Financial assets at fair value through other comprehensive income – Quoted equity instrument	17	48,720	49,880
Financial assets at amortised cost - Government securities	18 (a)	-	79,548
Deferred income tax	20	587	3,879
		1,090,197	1,169,938
Current assets			
Trade and other receivables	21 (a)	67,672	67,204
Due from related party	30	6,526	3,306
Financial assets at fair value through profit or loss - Government securities	18 (b)	281,144	32,300
Tax recoverable	11 (c)	15,405	50,017
Fixed deposits	22	126,469	149,736
Short-term restricted cash and investments	22	243,488	289,910
Cash and cash equivalents	22	401,027	339,698
		1,141,731	932,171
TOTAL ASSETS		2,231,928	2,102,109
EQUITY AND LIABILITIES			
Equity			
Share capital	24	1,038,003	1,038,003
Share premium		277,185	277,185
Retained earnings		859,683	689,070
Other reserves		(57)	(1)
Revaluation reserve		(24,180)	(18,416)
Shareholders' funds		2,150,634	1,985,841
Non-current liabilities			
Tenant deposits	26(a)	3,233	1,829
		3,233	1,829
Current liabilities			
Trade and other payables	26 (b)	46,621	83,863
Dividends payable	27	31,440	30,376
Due to NSE Investor Protection Fund		-	200
		78,061	114,439
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		2,231,928	2,102,109

The financial statements on pages 71 to 119 were approved and authorised for issue by the Board of Directors on 26 March 2021 and were signed on its behalf by:

Mr. Kiprono Kittony, EBS
Chairman

Ms. Risper Alaro
Director

Mr. Geoffrey O. Odondo
Chief Executive



Consolidated Statement Of Changes in Equity

For the Year Ended 31 December 2020

	Share capital Sh'000	Share premium Sh'000	Other reserves Sh'000	Revaluation reserve Sh'000	Retained earnings Sh'000	Due to owners of the parent Sh'000	Non-controlling interest Sh'000	Total equity Sh'000
Year ended 31 December 2019								
At start of year	1,038,003	277,185	(664)	-	781,224	2,095,748	-	2,095,748
Profit for the year	-	-	-	-	78,923	78,923	1,230	80,153
Other comprehensive income, net of	-	-	987	(18,416)	-	(17,429)	206	(17,223)
Total comprehensive income for the year	-	-	987	(18,416)	78,923	61,494	1,436	62,930
Transactions with owners:								
2018 dividend declared in the year	-	-	-	-	(127,155)	(127,155)	-	(127,155)
Non-controlling interest on acquisition of a subsidiary	-	-	-	-	-	-	54,677	54,677
At end of year	1,038,003	277,185	323	(18,416)	732,992	2,030,087	56,113	2,086,200
Year ended 31 December 2020								
At start of year	1,038,003	277,185	323	(18,416)	732,992	2,030,087	56,113	2,086,200
Profit for the year	-	-	-	-	167,801	167,801	117	167,918
Other comprehensive income, net of tax	-	-	(101)	(5,764)	-	(5,865)	-	(5,865)
Total comprehensive income for the year	-	-	(101)	(5,764)	167,801	161,936	117	162,053
Dividend paid by AKS Nominees	-	-	-	-	(2,391)	(2,391)	-	(2,391)
2019 dividend declared in the year	-	-	-	-	(20,760)	(20,760)	-	(20,760)
Reduction in NCI on increase in shareholding in AKS Nominees Ltd	-	-	206	-	5,616	5,822	(40,721)	(34,899)
At end of year	1,038,003	277,185	428	(24,180)	883,258	2,174,694	15,509	2,190,203

The revaluation reserve relates to the valuation surplus on property and valuation of equity instruments through other comprehensive income. Other reserves relate to the Company's share of the translation reserve of the associate.



Company Statement of Changes in Equity For the Year Ended 31 December 2020

	Share capital Sh'000	Share premium Sh'000	Other reserves Sh'000	Revalua- tion reserve Sh'000	Retained earnings Sh'000	Total equity Sh'000
Year ended 31 December 2019						
At start of year	1,038,003	277,185	(664)	-	755,388	2,069,912
Profit for the year	-	-	-	-	60,837	60,837
Other comprehensive income, net of tax	-	-	663	(18,416)	-	(17,753)
Total comprehensive income for the year	-	-	663	(18,416)	60,837	43,084
Transactions with owners:						
2018 dividend declared in the year	-	-	-	-	(127,155)	(127,155)
At end of year	1,038,003	277,185	(1)	(18,416)	689,070	1,985,841
Year ended 31 December 2020						
At start of year	1,038,003	277,185	(1)	(18,416)	689,070	1,985,841
Profit for the year	-	-	-	-	191,373	191,373
Other comprehensive income, net of tax	-	-	(56)	(5,764)	-	(5,820)
Total comprehensive income for the year	-	-	(56)	(5,764)	191,373	185,553
2019 dividend declared in the year	-	-	-	-	(20,760)	(20,760)
At end of year	1,038,003	277,185	(57)	(24,180)	859,683	2,150,634

The revaluation reserve relates to the valuation surplus on property and valuation of equity instruments through other comprehensive income.
Other reserves relates to the Company's share of the translation reserve of the associate

Statement of Cash Flows

For the Year Ended 31 December 2020

	Notes	Group		Company	
		2020	2019	2020	2019
		Sh'000	Sh'000	Sh'000	Sh'000
Cash flows from operating activities					
Cash generated from operations	28	181,307	100,717	226,599	104,928
Tax paid	11 (c)	(19,982)	(46,900)	(16,262)	(42,663)
Net cash from operating activities		161,325	53,817	210,337	62,265
Cash flows from investing activities					
Purchase of property and equipment	12	(9,920)	(29,804)	(9,920)	(29,804)
Purchase of intangible assets	14	(10,848)	(24,645)	(10,848)	(24,645)
Interest received		85,138	89,109	68,195	73,641
Dividend received from associate	15 (b)	2,700	3,937	2,700	3,937
Dividends received by subsidiary		2,160	3,150	-	-
Net investment in fixed deposits		23,267	314,797	23,267	314,797
Investment in restricted investments		28,360	(42,777)	-	-
(Increase)/decrease in tenant deposits		1,404	(882)	1,404	(882)
Proceeds on disposal of equipment		85	2,588	85	2,588
Net investment in treasury bonds		(169,296)	(20,205)	(169,296)	(20,205)
Investment in quoted investment	17	-	(72,900)	-	(72,900)
Investment in subsidiary	16 (b)	(34,899)	(77,000)	(34,899)	(77,000)
Net cash(used in)/generated from investing activities		(81,849)	145,368	(129,312)	169,527
Cash flows from financing activities					
Dividends paid	27	(19,801)	(120,543)	(19,696)	(120,638)
Contributions from clearing members	25	-	35,250	-	-
Net cash used in financing activities		(19,801)	(85,293)	(19,696)	(120,638)
Increase in cash and cash equivalents		59,675	113,892	61,329	111,154
Cash and cash equivalents at the start of year	22	343,073	229,308	339,698	229,286
Cash and cash equivalents at the end of year	22	402,748	343,200	401,027	340,440



Notes to the Financial Statements

1. Reporting Entity

The Nairobi Securities Exchange Plc (NSE/the “Company”/ the “Exchange”), formerly known as the Nairobi Securities Exchange Limited, was incorporated in Kenya under the Companies Act and is domiciled in Kenya. The NSE is licensed as an exchange by the Capital Markets Authority (CMA) of Kenya and obtained a license on 19 October 2015 to operate a derivatives exchange. The NSE currently has the primary market services as a main line of business. The consolidated financial statements of the Group at and for the year ended 31 December 2020 comprise the Company and subsidiaries and controlled structured entities (collectively referred to as the “Group”) and reflect the Company’s interest in an associate company.

2. Standards and Interpretations Affecting the Reported Results or Financial Position

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Statement of compliance

The financial statements have been prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS), IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and the Kenyan Companies Act, 2015. The IFRS are issued by the International Accounting Standards Board.

b) Basis of preparation

The financial statements comprise a profit and loss account (statement of profit or loss and other comprehensive income), balance sheet (statement of financial position), statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income (OCI), are recognised in the profit or loss. Other comprehensive income is recognised in other comprehensive income and comprises items of income and expense (including reclassification adjustments) that are not recognised in the profit or loss as required or permitted by IFRS.

i. Basis of measurement

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in

some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

For those assets and liabilities measured at fair value, 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. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account.

ii. Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgment in the process of applying the Group’s and Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

iii. Adoption of new and revised International Financial Reporting Standards (IFRS)

Standards, amendments and interpretations to existing standards that are effective in the year

IFRS 3 - Business combinations

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions.

To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

The change did not have a material impact on the financial statements of the Group.

Notes to the Financial Statements (continued)

2. Standards and Interpretations Affecting the Reported Results or Financial Position (continued)

b) Basis of preparation (continued)

iii. Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

Standards, amendments and interpretations to existing standards that are effective in the year (continued)

Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies'

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

Use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; Clarify the explanation of the definition of material; and Incorporate some of the guidance in IAS 1 about immaterial information.

The amended definition is:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The change did not have a material impact on the financial statements of the Group.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform

These amendments become effective for Annual periods beginning on or after 1 January 2021.

The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one. The change is not expected to have any material impact to the financial statements.

Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current

The amendment becomes effective for annual periods beginning on or after 1 January 2022.

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The change is not expected to have any material impact to the financial statements.

Amendment to IFRS 3, 'Business combinations'

The amendment becomes effective for annual periods beginning on or after 1 January 2022.

The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.

In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework.

The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. The change is not expected to have any material impact to the financial statements.

Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use

The amendment becomes effective for annual periods beginning on or after 1 January 2022.

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss. The change is not expected to have any material impact to the accounts.

3. Summary of Significant Accounting Policies

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Nairobi Securities Exchange Plc and its subsidiaries, controlled structured entities and interest in associate company made up to 31 December 2020. The subsidiaries and structured entities undertakings have been fully consolidated.



Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

3.1 Basis of consolidation (continued)

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held

interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

The Group financial statements incorporate the assets, liabilities and results of the operations of the NSE Clear Limited, a company formed to act as a central counterparty in all the derivative transactions and AKS Nominees Ltd. Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's separate financial statements. Details of NSE's subsidiary are set out in Note 16.

The accounting policies of the subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

(ii) Structured entities

The NSE Derivatives Settlement Guarantee Fund and the NSE Derivatives Investor Protection Fund are trusts established under the Trustee Act (Cap. 167) pursuant to the statutory obligations imposed on the NSE, as a licensed exchange, by the provisions of the Capital Markets (Derivatives Markets) Regulations, 2015 and clause 1.90 and 1.10 of the NSE Derivatives Rules. Clause 1.90 requires that the NSE, shall by itself or through a clearing house, establish and maintain a Settlement Guarantee Fund to strengthen the financial integrity of the derivatives market and ensure settlement of transactions in derivatives securities in case of default by a clearing member (CM). Clause 1.10 requires that the NSE shall establish and maintain an Investor Protection Fund to satisfy specified claims by the investing public arising out of non-settlement of obligations owed to them by trading members or losses incurred by reason of the default of the trading members up to an amount specified in the rules.

Management and administration of the assets and operations of these trusts is done by a management committee formed by the NSE Clear Board of Directors. The Trustees of the funds act as the custodians and trustees of the assets of these Funds as defined in the trust deeds and rules of these Funds. The Fund's assets are segregated from the assets of the NSE and the NSE Clear Limited but are effectively controlled by NSE Clear Limited. The NSE, by virtue of its role as the parent company of the clearing house, NSE Clear Limited, has to consolidate the results of these funds in its annual financial statements.

The subsidiary and structured entities are stated at cost less accumulated impairment losses in the separate financial statements of the Company. Separate financial statements are prepared for the subsidiary and the

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

3.1 Basis of consolidation (continued)

(ii) Structured entities (continued)

structured entities, and independent external audits performed.

(iii) Investment in associate

Associates are those entities which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% to 50% of the voting power of another entity. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3.2 Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Groups' interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.3 Foreign currencies

i) Functional and Presentation currency

The financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The financial statements are presented in Kenya Shilling which is the Group's and the Company's Functional and Presentation Currency. Except as indicated, financial information presented in Kenya Shillings has been rounded to the nearest thousand.

ii) Transactions and balances

Foreign currency transactions that are transactions denominated, or that require settlement, in a foreign currency are translated into the respective functional currencies of the operations using the exchange rates prevailing at the dates of the transactions. At the end of

each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

3.4 Revenue recognition

The Group recognises revenue as and when it satisfies a performance obligation by transferring control of a product or service to a customer. The amount of revenue recognised is the amount the Group expects to receive in accordance with the terms of the contract, and excludes amounts collected on behalf of third parties, such as Value Added Tax.

Transaction levy income is based on a percentage of the value of shares traded and is recognised on the dates of the transactions.

Initial listing income is recognized in the year in which the listing company makes the flotation. Additional listing income is recognized during the year in which the issuing company makes announcement of the bonus/rights issues.

Annual listing fee is computed on the basis of the daily weighted average capitalisation value of the listed securities for the 11 months period between 1 January and 30 November.

Interest income from a financial asset is recognised on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income from investment property is recognised in profit or loss on a straight line basis over the term of the lease.

Management services income is charged to the NSE Clear



Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

3.4 Revenue recognition (continued)

Limited based on direct and indirect costs incurred on staff assigned to the NSE Clear Limited and a proportion of office and administration overhead expenses.

Market access fees are fees charged on the admission of a market participant as a member of the Group and are recognised over a period of three years.

An investor protection levy of 0.01% is charged on the transaction value/notional value (or such other amount as may be determined by the NSE in consultation with the CMA), for all transactions in derivative securities which levy is remitted to the Investor Protection Fund.

3.5 Property and equipment

The building is carried at valuation less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the year. The frequency of valuation is annual.

Motor vehicles and equipment are stated at cost less accumulated depreciation and any impairment losses.

Professional valuations on buildings are carried out in accordance with the Group policy. The fair value is determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Increases in the carrying amounts of property resulting from revaluation is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Each year the difference between depreciation based on the revalued carrying amount of an asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings.

Depreciation is calculated on the straight-line basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

Motor vehicles	4 years
Furniture, fittings and partitions	8 years
Office equipment	4 years
Computer equipment	4 years
Buildings	Over the remaining period of the lease

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of equipment are determined as the difference between the sales proceeds and the carrying amount of the asset at the date of disposal and taken into account in determining operating profit. Gains or losses arising from changes in fair value of the building are included in other comprehensive income in the period in which they arise net of deferred taxes.

3.6 Intangible assets

Intangible assets represent computer software which is stated at cost less amortisation. Amortisation is calculated to write-off software on a straight-line basis over the estimated useful life of 4 – 10 years.

3.7 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognized in profit or loss whenever the carrying amount of the asset exceeds its recoverable amount.

3.8 Investment property

Investment property, which is property held to earn rentals, is stated at its fair value, at the reporting date as determined through its revaluation by external valuers on the basis of the highest and best use. Gains or losses arising from changes in fair value of the investment property are included in profit or loss in the year in which they arise net of deferred taxes.

3.9 Restricted cash and investments

The Group classifies all cash, cash equivalents and investments that are not available for general use by the Group, either due to regulatory requirements or through restrictions in specific agreements, as restricted in the accompanying statement of financial position.

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

3.9 Restricted cash and investments (continued)

Short-term restricted cash and investments

As required by the Capital Markets (Derivatives Markets) Regulations, 2015, the Group is required to maintain a minimum liquid net-worth capital requirement equal to one half of the total estimated operating costs for the next twelve (12) months period. At 31 December 2020, this amount was Sh 244 million (2019: Sh 290 million). The amounts are reflected as short-term restricted investments (note 22).

Long-term restricted cash and investments

The NSE has contributed Sh 20 million, Sh 100 million and Sh 10 million as seed capital to the subsidiary, NSE Clear Limited, and the structured entities, NSE Derivatives Settlement Guarantee Fund and NSE Derivatives Investor Protection Fund respectively. These amounts could be used in the event of a clearing/trading member's default where the amount of the defaulting clearing/trading member's initial, variation and additional margins and guarantee fund deposits are insufficient. These amounts together with related earned interest are held in bank deposits that have been classified as restricted (note 19).

3.10 Financial instruments

(i) Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets e.g. basic ordinary shares.

The Group management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income (FVOCI) and therefore, measures all equity investments at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are subsequently not reclassified to profit or loss, including on disposal. Impairment losses (and reversals of impairment losses) are not reported separately from other changes in fair values.

Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payment is established.

(ii) Debt instruments

(a) Recognition and subsequent measurement

Financial instruments are recognised when, and only when, the Group becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Group commits itself to the purchase or sale.

At initial recognition, financial assets are measured at fair value, and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI) or amortized cost based on:

- the Group's business model for managing the financial assets; and
- the cash flow characteristics of the asset

Based on these factors, the Group classifies its financial assets into one of the following three measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVTOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/ (losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently



Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

3.10 Financial instruments (continued)

(ii) Debt instruments (continued)

(a) Recognition and subsequent measurement (continued)

- measured at FVTPL is recognised in profit or loss and presented net within other gains/ (losses) in the period in which it arises.
- Business model:** the business model reflects how the Group manages the assets in order to generate cash flows i.e. whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed and managed.
- SPPI:** Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ('SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.
- The Group reclassifies financial assets when and only when its business model for managing those assets changes.

(b) Impairment

The Group recognises a loss allowance for expected credit losses (ECL) on financial assets that are measured at amortised cost or at fair value through other comprehensive income.

The loss allowance is measured at an amount equal to the

lifetime expected credit losses for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

In applying the IFRS 9 impairment requirements, the Group follows one of the approaches below:

- The general approach
- The simplified approach

The General Approach

Under the general approach, at each reporting date, the Group determines whether the financial asset is in one of the three stages below, to determine both the amount of ECL to recognise as well as how interest income should be recognised.

Stage 1 - where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, the Group will recognise 12 month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2 - where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2, the Group will recognise lifetime ECL but interest income will continue to be recognised on a gross basis.

Stage 3 - where the financial asset is credit impaired. This

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

3.10 Financial instruments (continued)

(ii) Debt instruments (continued)

(b) Impairment (continued)

The General Approach (continued)

is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, the Group will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. As such, interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset.

The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss.

The Simplified Approach

Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

Definition of Default

The Group will consider a financial asset to be in default when:

- The counterparty or borrower is unlikely to pay their credit obligations to the group in full, without recourse by the group to actions such as realising security (if any is held); or
- The counterparty or borrower is more than 90 days past due on any material credit obligation to the group. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the group; or

In assessing whether the counterparty or borrower is in default, the Group considers indicators that are:

- Qualitative: e.g. Breach of covenant and other indicators of financial distress;
- Quantitative: e.g. Overdue status and non-payment of another obligation of the same issuer to the Company; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Significant Increase In Credit Risk (SIICR)

When determining whether the credit risk (i.e. risk

of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and forward-looking information.

The Group primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due;
- The average time between the identification of a significant increase in credit risk and default appears reasonable;
- Exposures are not generally transferred from 12-month ECL measurement to credit-impaired; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month and lifetime ECL measurements.

Measurement of ECL

The key inputs into the measurement of ECL are the term structures of the following variables:

- Probability of Default (PD)
- Loss given default (LGD) and
- Exposure at default (EAD)

To determine lifetime and 12-month PDs, the Group uses externally developed PD tables based on the default history of obligors with the same credit rating. The Group adopts the same approach for unrated investments by mapping external credit ratings. Changes in the rating for a counterparty or exposure lead to a change in the estimate of the associated PD.



Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

3.10 Financial instruments (continued)

(ii) Debt instruments (continued)

(b) Impairment (continued)

Measurement of ECL (continued)

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include: instrument type; credit risk grading; collateral type; date of initial recognition; remaining term to maturity.

The groupings are subject to regular review to ensure that exposures within a group remain appropriately homogeneous.

When ECLs are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Group uses to derive the default rates of its portfolios. This includes the PDs provided by rating agencies.

Trade and other receivables

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

$$\text{ECL} = \text{PD} \times \text{LGD} \times \text{EAD}$$

(c) Modification of contracts

The Group rarely renegotiates or otherwise modifies the

contractual cash flows of securities. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the counterparty is in financial difficulty
- Whether any substantial new terms are introduced that affect the risk profile of the instrument
- Significant extension of the contract term when the borrower is not in financial difficulty
- Significant change in interest rate
- Change in the currency the security is denominated in
- Inclusion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new EIR for the asset. The date of renegotiation is consequently considered the date of initial recognition for impairment calculation purposes, including the purpose of determining whether a SICR has occurred.

If the terms are not substantially different and the renegotiation or modification does not result in derecognition, the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR.

(d) Write off policy

The Group writes off financial assets, in whole or in part when it has exhausted all practical recovery effort and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity; and (ii) the Group is foreclosing on collateral and the value of the collateral is such as there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

3.11 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and demand deposits and other short term liquid investments which are readily convertible into known amounts of cash

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

3.11 Cash and cash equivalents (continued)

and which were within three months of maturity when acquired, less advances from banks repayable within three months from the dates of the advances.

3.12 Taxation

Income tax expense represents the sum of the current income tax and deferred income tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences are utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from good will or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the

asset realised, based on tax rates that have been enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred income tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income.

3.13 Employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of reporting.

3.14 Segmental reporting

The Group determines and presents operating segments based on the information that is internally provided to the chief operating decision maker (Group management). An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Costs in the NSE are managed holistically across the Exchange and variances against budget are closely monitored. Information technology and corporate overheads are not generally allocated to a particular segment.

3.15 Retirement benefit obligations

The Group operates a defined contribution provident scheme for all its employees. The scheme is administered by Britam Life Assurance Company (Kenya) Limited and is funded by contributions from both the Group and employees. The Group also contributes to a statutory contribution pension scheme, the National Social Security Fund (NSSF). The Group's obligations under the scheme are limited to specific contributions legislated from time to time. The Group's contributions to these schemes are charged to the profit or loss in the year in which they relate.

3.16 Dividends payable

Dividends payable on ordinary shares are charged to retained earnings in the period in which they are declared. Proposed dividends are not accrued for until ratified in an Annual General Meeting.



Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

3.17 Earnings per share

The Group presents earnings per share (EPS) data for its ordinary shareholders in the financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the NSE by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding adjusted for the effects of all potentially dilutive shares.

3.18 Shares reserves and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3.19 Minimum liquid net worth requirement

The Capital Markets (Derivatives Market) Regulations, 2015 clause 15 (1) and 15 (2) require that a futures exchange have and maintain a minimum liquid net-worth equal to one half of the estimated gross operating costs of the futures exchange for the next twelve (12) month period or such other liquid net-worth amount as may be prescribed by the Authority. The requirement is met as per Note 35.

3.20 Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in the presentation in the current year.

4. Accounting Judgments and Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, management makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas of judgment and estimation in applying the entities accounting policies are dealt with below:

Taxes

The Group is subjected to numerous taxes and levies by various government and quasi- government regulatory bodies. As a rule of thumb, the Group recognises liabilities for the anticipated tax/levies payable with utmost care and diligence. However, judgment is usually required in

the interpretation and applicability of those taxes/levies. Should it come to the attention of management, in one way or the other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

Valuation of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. The directors believe that the chosen valuation techniques and assumptions used in the valuation of its investments are appropriate in determining the fair value of financial instruments.

Valuation of land and building

The fair value model has been applied in accounting for land and building. The Group commissioned external, independent and professionally qualified real estate valuers that hold recognised relevant professional qualification and have recent experience in the location and type of property valued to determine the fair value of the property as at 31 December 2020 and 2019 on the basis of open market value. The current use of the portion of the land and building accounted for as investment property equates to the highest and best use.

The valuation of the land and building is derived by making reference to recent comparable sales transactions in the relevant property market. The Group's land and building are valued by reference to a level 2 fair value measurement.

5. Operating Segments

The Group entities are all domiciled in Kenya. The Group has two main business segments:

- Cash equities and interest rate market segment comprises the equities and bond trading business. This includes other income comprising broker back office income, rental income, data fees and other incomes; and
- Derivatives market segment comprises of the futures trading business. The market was launched in July 2019.

Notes to the Financial Statements (continued)

5. Operating Segments (continued)

Each business segment offers different products and services and is managed separately because each requires different technology and a different marketing strategy. The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by Group management (the chief operating decision maker) and the Board. The segment results were as follows:

Statement of financial position

	Cash equities and interest rate market	Derivatives market	Total
	Sh'000	Sh'000	Sh'000
2020			
ASSETS			
Government securities	281,144	-	281,144
Long-term restricted investments	-	170,938	170,938
Short-term restricted cash and investments	243,488	-	243,488
Cash, cash equivalents and fixed deposits	529,176	41	529,217
Other assets	1,079,004	9,355	1,088,359
	2,132,812	180,334	2,313,146
LIABILITIES			
Settlement Guarantee Fund members contribution	-	35,250	35,250
Trade and other payables	47,305	2,889	50,194
Dividends payable	32,066	-	32,066
Tenant deposits	3,233	-	3,233
Trading members' contributions	-	2,200	2,200
	82,604	40,339	122,943
2019			
ASSETS			
Government securities	111,848	-	111,848
Long-term restricted investments	-	199,298	199,298
Short-term restricted cash and investments	289,910	-	289,910
Cash, cash equivalents and fixed deposits	492,795	14	492,809
Other assets	1,142,454	6,082	1,148,536
	2,037,007	205,394	2,242,401
LIABILITIES			
Settlement Guarantee Fund members contribution	-	35,250	35,250
Trade and other payables	84,084	1,762	85,846
Dividends payable	30,876	-	30,876
Tenant deposits	1,829	-	1,829
Trading members' contributions	-	2,400	2,400
	116,789	39,412	156,201



Notes to the Financial Statements (continued)

5. Operating Segments (continued)

Statement of financial position (continued)

	Cash equities and interest rate market Sh'000	Derivatives market Sh'000	Total Sh'000
2020			
Additions to non-current assets	(109,589)	(26,926)	(136,515)
Non-current assets	995,063	175,358	1,170,421
2019			
Additions to non-current assets	180,636	43,786	224,422
Non-current assets	1,104,652	202,284	1,306,936

Statement of profit or loss and other comprehensive income

	Cash equities and interest rate market Sh'000	Derivatives market Sh'000	Total Sh'000
2020			
Revenue	548,257	-	548,257
Interest income	68,204	16,934	85,138
Other income	36,513	31	36,544
Total income	652,974	16,965	669,939
Administrative expenses	(458,630)	(8,582)	(467,212)
Share of profit of associate	16,187	-	16,187
Profit before income tax	210,531	8,383	218,914
2019			
Revenue	567,382	-	567,382
Interest income	73,681	15,428	89,109
Other income	59,141	6	59,147
Total income	700,204	15,434	715,638
Administrative expenses	(620,295)	(5,108)	(625,403)
Share of profit of associate	14,264	-	14,264
Profit before income tax	94,173	10,326	104,499

All revenues are earned in Kenya. There are no revenues derived from transactions with a single external customer that amounted to 10% or more of the Group's revenues.

Notes to the Financial Statements (continued)

	Group		Company	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
6. Revenue				
Revenue recognized at a point in time				
Transaction levy	405,219	414,827	405,219	414,827
Initial listing fees	2,688	7,000	2,688	7,000
Application and additional listing fees	1,542	2,168	1,542	2,168
	409,449	423,995	409,449	423,995
Revenue recognized over time				
Annual listing fees	69,918	76,057	69,918	76,057
Broker back office subscription	23,691	26,045	23,691	26,045
Market access fee	8,334	16,667	8,334	16,667
Data vending	36,865	34,350	36,865	34,350
	138,808	153,119	138,808	153,119
	548,257	577,114	548,257	577,114
7. Profit Before Income Tax				
The profit before income tax is arrived at after charging/(crediting):				
Employee benefits (note 8)	172,270	198,635	172,270	198,635
Staff restructuring costs	-	52,360	-	52,360
Depreciation of property and equipment (note 12)	33,559	27,758	33,558	27,758
Amortisation of intangible assets (note 14)	24,319	21,061	24,319	21,061
Directors' emoluments:				
- Executive (note 30 a))	24,885	26,108	24,885	26,108
- Non-executive (note 30 a))	20,457	22,927	19,429	21,813
Auditor's remuneration	4,207	4,213	3,093	3,106
Gain on disposal of equipment	(1)	(1,511)	(1)	(1,511)
Revaluation deficit on valuation of property (note 12 and 13)	(379)	7,734	(379)	7,734
Increase/(decrease) in impairment of financial assets measured at amortised cost (note 33 (b) (iii))	3,966	4,274	4,043	4,237
8. Employee Benefits				
Salaries and wages	155,744	168,007	155,744	168,007
Bonus	-	11,205	-	11,205
Leave pay expense	1,239	2,488	1,239	2,488
Provident fund contribution	15,169	16,252	15,169	16,252
Social security costs (NSSF)	118	683	118	683
	172,270	198,635	172,270	198,635

The staff numbers as at 31 December 2020 were 49 (2019: 47).



Notes to the Financial Statements (continued)

	Group		Company	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
9. Interest Income				
Interest on term deposits	63,471	80,658	46,528	65,190
Interest on treasury bonds	20,508	7,217	20,508	7,217
Interest on staff loans and advances	1,159	1,234	1,159	1,234
	85,138	89,109	68,195	73,641
10. Other Income				
Fair value gain on property (note 12 and 13)	379	3,218	379	3,218
Rental income	10,317	10,179	10,317	10,179
Miscellaneous income	254	5,552	254	5,552
Training fees	1,639	4,855	1,639	4,855
M-Akiba fees	3	4,959	3	4,959
Private transfer fee	739	724	739	724
Nomad fees	400	500	400	500
Gain on disposal of equipment	1	1,511	1	1,511
Annual members fees	3,650	3,750	3,650	3,750
Ibuka fees	234	5,230	234	5,230
Dividend income – quoted instrument	6,025	-	6,025	-
Surplus distributed by SGF	-	-	34,852	-
Gain on trading book	11,984	-	11,984	-
Management fees	-	-	1,695	-
IPF levy	8	4	-	-
Margin interest	23	2	-	-
Clearing fees	-	9	-	9
Exchange gain	792	-	792	-
Derivatives fees	19	-	19	-
Unrealised gain on mark to market treasury bond	77	-	77	-
Bargain purchase on acquisition of AKS Nominees Ltd (Note 16 (b))	-	8,922	-	-
	36,544	49,415	73,060	40,487



Notes to the Financial Statements (continued)

	Group		Company	
	2020 Sh'000	2019 Sh'000	2020 Sh'000	2019 Sh'000
11. Taxation				
(a) Taxation charge				
Current income tax				
Current year expense	53,742	20,919	50,874	16,801
Deferred income tax (note 20)				
Current year (charge)/credit	(2,746)	3,427	(1,312)	4,436
	50,996	24,346	49,562	21,237
(b) Reconciliation of taxation charge to the expected tax based on accounting profit				
Profit before income tax	218,914	104,499	240,935	82,074
Tax calculated at a tax rate of 25% (2019: 20%)	60,233	16,415	60,233	16,415
Tax calculated at a tax rate of 25% (2019: 30%)	1,934	6,727	-	-
Net tax effects on items not deductible for tax	(11,171)	1,204	(10,671)	4,822
Income tax expense	50,996	24,346	49,562	21,237
(c) Current income tax movement				
At start of year	(52,982)	(27,049)	(50,017)	(24,155)
Charge to profit or loss	53,742	20,919	50,874	16,801
Balance acquired from subsidiary	-	48	-	-
Tax paid	(19,982)	(46,900)	(16,262)	(42,663)
At end of year	(19,222)	(52,982)	(15,405)	(50,017)
Made up of:				
Current income tax recoverable	(19,277)	(53,042)	(15,405)	(50,017)
Current income tax payable	55	60	-	-
	(19,222)	(52,982)	(15,405)	(50,017)



Notes to the Financial Statements (continued)

	Building Sh'000	Motor vehicles Sh'000	Furni- ture & fittings Sh'000	Office equip- ment Sh'000	Com- puter equip- ment Sh'000	WIP Sh'000	Total Sh'000
12. Property and Equipment - Group							
COST OR VALUATION							
At 1 January 2019	94,958	13,612	88,820	24,627	82,747	74,824	379,588
Additions	4,357	12,772	583	8,376	4,355	-	30,443
Disposals	-	(8,992)	(4)	(5,410)	(26,160)	-	(40,566)
Transfer from WIP	38,537	-	-	12,456	23,192	(74,185)	-
Adjustments	-	-	-	-	-	(639)	(639)
Revaluation deficit	(10,952)	-	-	-	-	-	(10,952)
Acquisition from subsidiary	-	-	-	4	-	-	4
At 1 January 2020	126,900	17,392	89,399	40,053	84,134	-	357,878
Additions	-	-	-	2,057	8,242	-	10,299
Disposals	-	-	-	(638)	(2,681)	-	(3,319)
Adjustments	(379)	-	-	-	-	-	(379)
Revaluation surplus	379	-	-	-	-	-	379
At 31 December 2020	126,900	17,392	89,399	41,472	89,695	-	364,858
Comprising:							
At valuation	126,900	-	-	-	-	-	126,900
At cost	-	17,392	89,399	41,472	89,695	-	237,958
Cost or valuation	126,900	17,392	89,399	41,472	89,695	-	364,858
DEPRECIATION							
At 1 January 2019	-	10,243	49,202	19,767	71,434	-	150,646
Charge for the year	-	3,816	11,057	5,659	7,226	-	27,758
Eliminated on disposal	-	(8,992)	(4)	(5,410)	(25,903)	-	(40,309)
At 1 January 2020	-	5,067	60,255	20,016	52,757	-	138,095
Charge for the year	-	4,348	10,916	6,849	11,446	-	33,559
Eliminated on disposal	-	-	-	(638)	(2,597)	-	(3,235)
At 31 December 2020	-	9,415	71,171	26,227	61,606	-	168,419
NET BOOK VALUE							
At 31 December 2020	126,900	7,977	18,228	15,245	28,089	-	196,439
At 31 December 2019	126,900	12,325	29,144	20,033	31,377	-	219,783



Notes to the Financial Statements (continued)

	Building Sh'000	Motor vehicles Sh'000	Furniture & fittings Sh'000	Office equipment Sh'000	Computer equipment Sh'000	WIP Sh'000	Total Sh'000
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12. Property and Equipment (Continued) - Company

COST OR VALUATION

At 1 January 2019	94,958	13,612	88,820	24,627	82,747	74,824	379,588
Additions	4,357	12,772	583	8,376	4,355	-	30,443
Disposals	-	(8,992)	(4)	(5,410)	(26,160)	-	(40,566)
Transfer from WIP	38,537	-	-	12,456	23,192	(74,185)	-
Adjustments	-	-	-	-	-	(639)	(639)
Revaluation deficit	(10,952)	-	-	-	-	-	(10,952)
At 1 January 2020	126,900	17,392	89,399	40,049	84,134	-	357,874
Additions	-	-	-	2,057	8,242	-	10,299
Disposals	-	-	-	(638)	(2,681)	-	(3,319)
Adjustments	(379)	-	-	-	-	-	(379)
Revaluation surplus	379	-	-	-	-	-	379
At 31 December 2020	126,900	17,392	89,399	41,468	89,695	-	364,854

Comprising:

At valuation	126,900	-	-	-	-	-	126,900
At cost	-	17,392	89,399	41,468	89,695	-	237,954
Cost or valuation	126,900	17,392	89,399	41,468	89,695	-	364,854

DEPRECIATION

At 1 January 2019	-	10,243	49,202	19,767	71,434	-	150,646
Charge for the year	-	3,816	11,057	5,659	7,226	-	27,758
Eliminated on disposal	-	(8,992)	(4)	(5,410)	(25,903)	-	(40,309)
At 1 January 2020	-	5,067	60,255	20,016	52,757	-	138,095
Charge for the year	-	4,348	10,916	6,848	11,446	-	33,558
Eliminated on disposal	-	-	-	(638)	(2,597)	-	(3,235)
At 31 December 2020	-	9,415	71,171	26,226	61,606	-	168,418

NET BOOK VALUE

At 31 December 2020	126,900	7,977	18,228	15,242	28,089	-	196,436
At 31 December 2019	126,900	12,325	29,144	20,033	31,377	-	219,779

No depreciation has been charged in arriving at the result for the year in respect of certain fully depreciated equipment with a cost of Sh 63.5 million (2019: Sh 52.8 million) which are still in use. If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to Sh 12.6 million (2019: Sh 12.1 million).

The building has been stated at its revalued amounts, being the fair value at 31 December 2020 less any subsequent depreciation. The revaluation was done on the basis of market comparable approach reflecting the highest and best use by Tysons Limited, an independent registered valuer.



Notes to the Financial Statements (continued)

13. Investment Property - Group and Company

	2020 Sh'000	2019 Sh'000
VALUATION		
At 1 January	313,100	309,882
Fair value gain	-	3,218
At 31 December	313,100	313,100

The fair value of the Group's investment property at 31 December 2020 and 31 December 2019 have been arrived at on the basis of a valuation carried out at 31 December 2020 and 31 December 2019 by Tysons Limited, an independent registered valuer. The fair value was adjusted for in the books of the Group and Company. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The following table gives information about how the fair values of these non-financial assets are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at					
	31/12/20 Sh'000	31/12/19 Sh'000	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Buildings	126,900	126,900	Level 2	Market comparable approach- Highest and best use	N/A	N/A
Investment property	313,100	313,100	Level 2			
Total	440,000	440,000				



Notes to the Financial Statements (continued)

14. Intangible Assets - Group and Company

	Automated trading system software	Other software	Broker back office software	Bond software license	Derivatives software	WIP	Total
	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000
COST							
At 1 January 2019	61,169	38,088	67,931	38,191	-	122,215	327,594
Additions	5,751	7,979	4,773	-	5,555	587	24,645
Transfer from WIP	66,692	3,903	2,491	-	48,783	(121,869)	-
Disposals	(61,169)	(9,093)	-	-	-	-	(70,262)
At 1 January 2020	72,443	40,877	75,195	38,191	54,338	933	281,977
Additions	7,202	2,031	-	-	-	1,615	10,848
Transfer from WIP	371	506	-	-	-	(877)	-
At 31 December 2020	80,016	43,414	75,195	38,191	54,338	1,671	292,825
AMORTISATION							
At 1 January 2019	60,311	31,492	44,240	32,294	-	-	168,337
Amortisation for the year	2,037	3,768	6,793	5,897	2,566	-	21,061
Eliminated on disposal	(60,557)	(8,885)	-	-	-	-	(69,442)
At 1 January 2020	1,791	26,375	51,033	38,191	2,566	-	119,956
Amortisation for the year	7,536	3,830	7,519	-	5,434	-	24,319
At 31 December 2020	9,327	30,205	58,552	38,191	8,000	-	144,275
NET BOOK VALUE							
At 31 December 2020	70,689	13,209	16,643	-	46,338	1,671	148,550
At 31 December 2019	70,652	14,502	24,162	-	51,771	933	162,021

No amortisation has been charged in arriving at the results for the year in respect of certain fully depreciated intangible assets with a cost of Sh 60.9 million (2019: Sh 60.9 million) which are still in use. If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to Sh 15.2 million (2019: Sh 8.8 million).



Notes to the Financial Statements (continued)

15. Investment in Associate

The investment in associate represents an investment in Central Depository and Settlement Corporation Limited (CDSC). The Group held an ownership percentage of 40.5% at 31 December 2020 (2019: 40.5%). The proportion of the voting rights in the associate held by the Company does not differ from the proportion of ordinary shares held.

(a) Details of the associate at the end of the reporting period are as follows:

	Country of incorporation and operation	Number of shares held by NSE @ Sh 100 per share		Proportion of ownership interest and voting power held by NSE	
	Group	2020	2019	2020	2019
CDSC	Kenya	708,750	708,750	40.5%	40.5%
	Company				
CDSC	Kenya	393,750	393,750	22.5%	22.5%

The principal activity of the associate is provision of automated clearing, delivery and settlement facilities in respect of transactions carried out at the Nairobi Securities Exchange PLC.

In 2020, the Group increased shareholding to 88.8% (2019: 61%) of AKS Nominees Ltd (AKS) (Subsidiary as disclosed in note 16). AKS holds an 18% shareholding in the ordinary shares of the CDSC in 2020 (2019 – 18%).

	Group		Company	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000

(b) The movement in the balance is as follows:

At start of year	276,441	127,581	134,731	127,581
Additional investment	-	137,340	-	-
Share of profit for the year (note 15 (e))	16,187	14,264	8,930	10,424
Share of other comprehensive income for the year (note 15 (e))	(101)	1,193	(56)	663
Dividends received	(4,860)	(3,937)	(2,700)	(3,937)
At end of year	287,667	276,441	140,905	134,731

(c) Summarised financial information in respect of the associate is set out below:

Total assets	667,865	684,208	667,865	684,208
Total liabilities	(41,619)	(85,401)	(41,619)	(85,401)
Net assets	626,246	598,807	626,246	598,807
Group's share of net assets of associate	253,630	242,516	140,905	134,731
Total revenue for the year	323,903	357,264	323,903	357,264
Total profit for the year	40,496	43,469	40,496	43,469

(d) Reconciliation of share of net assets of associate to investment in associate

Share of net assets (note 15 (c))	253,630	242,516	140,905	134,731
Goodwill	36,194	33,925	-	-
Balance as per statement of financial position	289,827	276,441	140,905	134,731

Notes to the Financial Statements (continued)

15. Investment in Associate (continued)

	Group		Company	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
(e) Share of profit of the associate:				
Company				
Being the direct shareholding at 22.5% (2019 – 22.5%)				
Share of profit of associate	8,930	10,424	8,930	10,424
Share of other comprehensive income	(56)	663	(56)	663
	8,874	11,087	8,874	11,087
Group				
Being the direct shareholding at 22.5% (2019: 22.5%) (as computed for Company above) and the indirect shareholding at 18% from the acquisition date (2019 – 18%)				
Indirect shareholding at 18% (2019 – 18%)				
Share of profit of associate	7,257	3,840	-	-
Share of other comprehensive income	(45)	530	-	-
	7,212	4,370	-	-
Total group share of profit and OCI at 40.5% (2019 – 40.5%)				
Total share of profit of associate	16,187	14,264	8,930	10,424
Total share of other comprehensive income	(101)	1,193	(56)	663
	16,086	15,457	8,874	11,087

16. Investment in Subsidiaries and Structured Entities - Company

	Principal activity	Holding	2020	2019
			Sh'000	Sh'000
Investment in subsidiaries				
Investment in NSE Clear Limited (note (a))	Clearing house	100%	20,000	20,000
Investment in AKS Nominees Ltd (note (b))	Investment	88.8%	111,899	77,000
			131,899	97,000
Investment in structured entities (note (c)):				
NSE Derivatives Settlement Guarantee Fund	Settlement guarantee fund		100,000	100,000
NSE Derivatives Investor Protection Fund	Investor protection fund		10,000	10,000
			110,000	110,000
			241,899	207,000



Notes to the Financial Statements (continued)

16. Investment in Subsidiaries and Structured Entities - Company (continued)

(a) Investment in subsidiary – NSE Clear Limited

NSE Clear Limited was incorporated as a limited liability company on 4 February 2014 under the Companies Act (Cap. 486) with a share capital of Kenya Shillings One Hundred Thousand (Sh 100,000) divided into One Hundred (100) ordinary shares of Kenya Shillings One Thousand (Sh 1,000) each. It is a wholly owned subsidiary of the Nairobi Securities Exchange PLC. The subsidiary is domiciled in Kenya.

The principal objectives of the subsidiary are to carry on the business of a clearing house and as such, to provide clearing and settlement services for transactions in derivative securities whether carried out on or off a securities exchange, to act as a central counterparty in derivative securities transactions and to carry out all activities that pertain to a clearing house.

The license to operate a Derivatives Exchange was granted to the Nairobi Securities Exchange Limited on 19 October 2015. The derivatives market was launched in July 2019.

(b) Investment in subsidiary – AKS Nominees Ltd

In 2020, the Group acquired an additional 28% of AKS Nominees Ltd (AKS) amounting to a total shareholding of 88.8% (2019: 61%) for a consideration of Sh 35 million (2019: Sh 77 million). The transaction resulted in an additional bargain purchase of Sh 5,616,000 (2019: Sh 8,922,000) which was recognized in the statement of changes in equity (2019: Profit or loss). AKS holds an 18% shareholding in the ordinary shares of the CDSC in 2020 (2019 – 18%).

The principal activity of the subsidiary is holding equity shares in CDSC in trust for its members who are authorised to operate as stockbrokers and investment banks in the Nairobi Securities Exchange (NSE).

(c) Investment in structured entities

The NSE Derivatives Settlement Guarantee Fund (SGF) was established on 17 July 2015 as an irrevocable trust under the Trustee Act (Cap. 167) pursuant to the Capital Markets (Derivatives Markets) Regulations, 2015 and the Nairobi Securities Exchange (NSE) Derivatives Rules. The main purpose of the Settlement Guarantee Fund is to settle specified claims by derivatives members arising out of transactions in derivative securities.

The NSE Derivatives Investor Protection Fund (IPF) was established on 17 July 2015 as an irrevocable trust under the Trustee Act (Cap167) pursuant to the Capital Markets (Derivatives Markets) Regulations, 2015, the NSE Investor Protection Fund Rules and the Nairobi Securities Exchange PLC (NSE) Compensation Rules and Procedures. The main purpose for the Investor Protection Fund is to satisfy specified claims by the investing public arising out non-settlement of obligations owed to them by trading members or losses incurred by reason of the default of trading members.

16. Investment in Subsidiaries and Structured Entities - Group

(d) Non-controlling interest (NCI)

The total NCI at 31 December 2020 is Shs 15,509,000 (2019: Shs 56,113,000) all of which relates to AKS Nominees Limited at 11% shareholding (2019: 39%).

The following table summarises the financial information relating to the Group's company that has significant non-controlling interest.

	2020 Sh'000'	2019 Sh'000
Total assets	139,942	140,645
Total liabilities	(1,365)	(721)
Net assets	138,577	139,924
Revenue	2,169	40
Profit before tax	1,046	(663)
Taxation	(2)	(12)
Total comprehensive income	1,044	(675)

Notes to the Financial Statements (continued)

16. Investment in Subsidiaries and Structured Entities - Group (continued)

(e) Reconciliation of NCI

	2020	2019
	Sh'000	Sh'000
Movement in the non-controlling interest is as follows:		
At start of the year	56,113	-
Reduction in NCI on additional shareholding in subsidiary	(40,721)	-
On acquisition of subsidiary	-	54,677
NCI's share of profit	117	1,230
Share of other comprehensive income of the associate	-	206
	15,509	56,113

17. Financial Assets at Fair Value Through Other Comprehensive Income - Quoted Equity Instruments

	Group		Company	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
At start of year	49,880	-	49,880	-
Additions in the year	-	72,900	-	72,900
Fair value loss through other comprehensive income	(1,160)	(23,020)	(1,160)	(23,020)
At end of year	48,720	49,880	48,720	49,880

Quoted ordinary shares at face value through other comprehensive income are classified as non-current assets. At the year end, these are valued at the closing market share price at the Dar-Es-Salaam Stock Exchange on the last day of trading of the year.

18. Government Securities

	Group		Company	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
(a) At amortized cost				
Treasury bonds maturing:				
After three months to six months	-	79,863	-	79,863
Less: provision for expected credit losses	-	(315)	-	(315)
	-	79,548	-	79,548
The weighted average effective interest rate on the treasury bonds held at amortised cost for the year ended 31 December 2020 was nil (2019: 8.6%).				
(b) At fair value through profit or loss				
Treasury bonds held for trading	283,126	32,815	283,126	32,815
Less: Fair value losses	(1,982)	(515)	(1,982)	(515)
	281,144	32,300	281,144	32,300

The weighted average effective interest rate on the treasury bonds at fair value through profit or loss for year ended 31 December 2020 was 12.7% (2019: 12.1%).



Notes to the Financial Statements (continued)

19. Long-Term Restricted Investments

Fixed deposit and interest capitalized held with the Co-operative Bank of Kenya Limited and maturing within 180 days in the name of:

	Group		Company	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
NSE Clear Limited	20,022	20,025	-	-
NSE Derivatives Settlement Guarantee Fund	138,966	167,269	-	-
NSE Derivatives Investor Protection Fund	12,445	12,576	-	-
	171,433	199,870	-	-
Less: provision for expected credit losses	(495)	(572)	-	-
	170,938	199,298	-	-

The restricted investments relate to the seed capital contributions by the NSE on 19 August 2015 to the NSE Clear Limited, the NSE Derivatives Settlement Guarantee Fund (SGF) and the NSE Derivatives Investor Protection Fund (IPF) of Sh 20 million, Sh 100 million and Sh 10 million respectively towards their operations.

20. Deferred Income Tax

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30% (2019: 20%) The net deferred tax asset is attributable to the following items:

	Group		Company	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
Accelerated capital allowances	(1,639)	(1,623)	(1,639)	(1,623)
Straight-lined rental income	(985)	(887)	(985)	(887)
Unrealized foreign exchange loss/(gain)	(116)	20	(116)	20
Leave provision	329	592	329	592
Tax losses	4,747	2,814	476	-
Provision for expected credit losses	4,054	1,966	3,905	1,794
Deferred market access fees	-	1,667	-	1,667
Revaluation of investment property	-	(2,288)	-	(2,288)
Fair value loss on equity instruments at FVTOCI	-	4,604	-	4,604
Treasury bond amortization	(1,383)	-	(1,383)	-
	5,007	6,865	587	3,879

The movement in the deferred income tax asset is as follows:

At start of year	6,865	5,688	3,879	3,711
Credit/(charge) to profit or loss (note 11 a))	2,746	(3,427)	1,312	(4,436)
(Charge)/credit to other comprehensive income	(4,604)	4,604	(4,604)	4,604
At end of year	5,007	6,865	587	3,879

Notes to the Financial Statements (continued)

21. Trade and Other Receivables

	Group		Company	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
(a) TRADE AND OTHER RECEIVABLES				
Trade receivables	34,365	43,332	34,365	43,332
Prepayments and deposits	9,950	4,751	9,950	4,751
Other receivables	24,389	24,366	23,470	24,366
Due from trading members	9,300	189	9,300	-
Due from associate (note 30 (f))	-	1,399	-	1,399
Clearing balances	1,063	71	-	-
	79,067	74,108	77,085	73,848
Less: Provision for expected credit losses (note (b))	(9,413)	(6,644)	(9,413)	(6,644)
	69,654	67,464	67,672	67,204
(b) PROVISION FOR EXPECTED CREDIT LOSSES				
Movements in the provisions for expected credit losses were as follows:				
At start of year	6,644	1,579	6,644	1,579
Charge in the year	2,769	5,065	2,769	5,065
At end of year (note (a))	9,413	6,644	9,413	6,644

22. Cash And Cash Equivalents and Short-Term Restricted Cash & Investments

	Group		Company	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
Call deposits	113,242	29,927	113,242	29,927
Fixed deposits	650,149	689,185	650,149	689,185
Total short-term deposits (note 23)	763,391	719,112	763,391	719,112
Bank and cash balances	10,935	65,106	9,214	61,731
Total bank and cash balances and deposits	774,326	784,218	772,605	780,843
Less provision for expected credit losses on:				
Call and fixed deposits (note 23)	(1,565)	(1,098)	(1,565)	(1,098)
Bank and cash balances	(56)	(401)	(56)	(401)
	772,705	782,719	770,984	779,344
Split into:				
Short-term restricted investments (note 35)	243,488	289,910	243,488	289,910
Cash and cash equivalents	402,748	343,073	401,027	339,698
Fixed deposits – maturity of three months to six months (note 23)	126,469	149,736	126,469	149,736
	772,705	782,719	770,984	779,344
Cash and cash equivalents in the statement of cash flows is comprised of:				
Cash and cash equivalents in the financial position	402,748	343,073	401,027	339,698
Add back: Provision for expected credit losses on cash and cash equivalents	-	744	-	742
Cash equivalents acquired from subsidiary AKS Nominees Limited	-	(617)	-	-
	402,748	343,200	401,027	340,440



Notes to the Financial Statements (continued)

23. Short Term Deposits

	Group		Company	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
Maturing within three months:				
Fixed deposits	523,660	539,087	523,660	539,087
Call deposits	113,242	29,927	113,242	29,927
	636,902	569,014	636,902	569,014
Less: Provision for expected credit losses	(1,601)	(736)	(1,601)	(736)
	635,301	568,278	635,301	568,278
Maturing after three months to six months:				
Fixed deposits	126,489	150,098	126,489	150,098
Less: provision for expected credit losses	(20)	(362)	(20)	(362)
	126,469	149,736	126,469	149,736
Gross total - call and fixed deposits (note 22)	763,391	719,112	763,391	719,112
Total provision for expected credit losses	(1,565)	(1,098)	(1,565)	(1,098)
Net total - call and fixed deposits	761,826	718,014	761,826	718,014
The deposits are classified and measured at amortised cost.				
The gross carrying deposits were held at the following institutions:				
Co-operative Bank of Kenya Limited	224,581	165,967	224,581	165,967
Equity Bank Kenya Limited	122,034	136,494	122,034	136,494
Diamond Trust Bank Kenya Limited	148,240	8,674	148,240	8,674
Kenya Commercial Bank Limited	140,366	177,341	140,366	177,341
Stanbic Bank Kenya Limited	-	54,645	-	54,645
NCBA Bank Kenya PLC	128,170	175,991	128,170	175,991
	763,391	719,112	763,391	719,112

The weighted average effective interest rate on the deposits as at 31 December 2020 was 7.4%. (2019: 8.2%).

24. Share Capital

	Group		Company	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
Authorised share capital:				
At start and end of year:				
375,000,000 ordinary shares of Sh 4 each	1,500,000	1,500,000	1,500,000	1,500,000
Issued and fully paid up:				
At start and end of year:				
259,500,791 ordinary shares of Sh 4 each	1,038,003	1,038,003	1,038,003	1,038,003

Notes to the Financial Statements (continued)

25. Settlement Guarantee Fund - Member's Contributions

	Group		Company	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
Co-operative Bank of Kenya Limited	11,750	11,750	-	-
Stanbic Bank Kenya Limited	23,500	23,500	-	-
	35,250	35,250	-	-

The contributions were received in cash in 2019. These are refundable contributions made by clearing members to the Settlement Guarantee Fund to cover any claims arising from non-settlement of margins. Each clearing member's contribution is currently at Shs 23.5 million. The balance of Co-operative Bank of Kenya Limited contributions of Shs 11.75 million was provided through a bank guarantee of the same amount issued by KCB Bank Kenya Limited on 5th July 2020.

26. Trade and Payables

	Group		Company	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
(a) Non-current portion				
Tenant deposits	3,233	1,829	3,233	1,829
(b) Current portion				
Accrued expenses	31,499	36,829	29,887	34,911
Trade payables	5,283	21,706	5,283	21,706
Other payables	7,846	9,230	7,846	9,230
Staff leave accrual	1,098	2,960	1,098	2,960
Amount payable to Capital Markets Authority	1,773	1,839	1,773	1,839
Annual listing fees received in advance	-	3,190	-	3,190
Tenant deposits	-	1,693	-	1,693
Amount payable to associate (note 30 (f))	734	-	734	-
Deferred market access fees	-	8,334	-	8,334
Clearing balances	1,961	65	-	-
	50,194	85,846	46,621	83,863

27. Dividends Payable

	Group		Company	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
The dividends payable represent the first and final dividend for the years ended 31 December 2020, 2019, 2018, 2017, 2016, 2015, 2014 and 2013 respectively not paid at year end. The movement in dividends payable during the year was as follows: -				
At start of year	30,876	23,859	30,376	23,859
Declared amount for prior years	23,151	127,155	20,760	127,155
Paid during the year	(21,961)	(120,638)	(19,696)	(120,638)
Acquired from subsidiary	-	405	-	-
Dividends not paid reversed by AKS	-	95	-	-
At end of year	32,066	30,876	31,440	30,376



Notes to the Financial Statements (continued)

28. Cash Flows From Operating Activities

	Group		Company	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
Profit before income tax	218,914	104,499	240,935	82,074
Adjustments for:				
Depreciation (note 12)	33,559	27,758	33,558	27,758
Amortisation (note 14)	24,319	21,061	24,319	21,061
Share of results of associate (note 15 (b))	(16,187)	(14,264)	(8,930)	(10,424)
Interest income (note 9)	(85,138)	(89,109)	(68,195)	(73,641)
Gain on disposal of equipment	(1)	(1,511)	(1)	(1,511)
Gain on revaluation of investment property (note 13)	-	(3,218)	-	(3,218)
(Surplus)/deficit on revaluation of building (note 12)	(379)	10,952	(379)	10,952
Surplus distributed by SGF	(2,160)	-	-	-
Gain on bargain purchase (note 16 (b))	-	(8,922)	-	-
Working capital changes:				
Increase/(decrease) in trade and other receivables	(2,190)	13,262	(468)	10,922
Decrease in short-term restricted cash and investments	46,422	48,292	46,422	48,292
Decrease in trade and other payables	(35,652)	(8,083)	(37,242)	(8,254)
Movement in related party balances	-	-	(3,420)	917
Increase in trading members contributions	(200)	-	-	-
Cash generated from operations	181,307	100,717	226,599	104,928

29. Earnings Per Share - Basic and Diluted

Basic earnings per share has been calculated by dividing the net profit per year by the weighted average number of ordinary shares in issue during the year.

	Group		Company	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
Net profit attributable to owners of the Group (Sh'000)	167,801	78,923	191,373	60,837
Number of shares at 31 December (in thousands)	259,501	259,501	259,501	259,501
Basic and diluted earnings per share – Sh	0.65	0.30	0.74	0.23

The basic earnings per share is the same as the diluted earnings per share as there were no potentially dilutive shares at 31 December 2020 and 31 December 2019.

30. Related Party Transactions

The Group and Company are related to various parties by virtue of common shareholding. The shareholders exercise significant influence over the operations of the exchange.

At 31 December 2020, the Group had 9 stockbrokers (2019:10) and 6 licensed investment banks (2019:6) who are shareholders. The following transactions were carried out with related parties:

Notes to the Financial Statements (continued)

30. Related Party Transactions (continued)

	Group		Company	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
(a) Directors' emoluments				
Non – executive				
Directors fees and sitting allowances (including committees)	20,457	22,927	19,429	21,813
Executive	24,885	26,108	24,885	26,108

	Group and Company	
	2020	2019
	Sh' 000	Sh'000
(b) Key management compensation		
Salaries and other short-term employment benefits	65,137	77,539
Other long term benefits	3,971	4,728
	69,108	82,267

c) Transactions with shareholders

The transactions carried out during the year with the brokers and investment banks who are related parties by virtue of shareholding are disclosed below:

The Group charges investors, through the brokers, a transaction levy of 0.12% (31 December 2019: 0.12%) of the value of equity securities traded at the Exchange. During the 12 months period ended 31 December 2020, the total turnover was Sh 159,852 million (31 December 2019: Sh 140,943 million) resulting in a transaction levy of Sh 191 million (31 December 2019: Sh 169 million). NSE also charges investors, through brokers, a transaction levy of 0.0035% (31 December 2019 – 0.0035%) of the value of fixed income securities traded at the Exchange. The turnover for fixed income securities for the 12 months period ended 31 December 2020 was Sh 1,010 billion (31 December 2019: Sh 988,537 million), resulting in transaction levy of Sh 35 million (31 December 2019: Sh 35 million).

	Group		Company	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
Transaction levy on - equity securities	191,822	169,132	191,822	169,132
Transaction levy on - fixed income securities	35,363	34,599	35,363	34,599
Broker back office subscriptions	15,840	15,840	15,840	15,840
Data fee	1,929	1,424	1,929	1,424
Training	210	945	210	945
NOMAD fee	150	225	150	225
Annual membership fee	1,700	1,200	1,700	1,200
Sponsorship fees	300	300	300	300
Ibuka	-	70	-	70
	247,314	223,735	247,314	223,735

d) Transactions with companies related to directors

The Company's memorandum and articles of association requires that trading participants and listed companies to have two representatives each on the Board. The transactions listed below were carried out during the period with companies who the aforementioned representatives are directors.



Notes to the Financial Statements (continued)

30. Related Party Transactions (continued)

	Group and Company	
	2020	2019
	Sh'000	Sh'000
(d) Transactions with companies related to directors (continued)		
(i) Stockbrokers and investment bank representatives		
Transaction levy on - equity securities	27,671	16,165
Transaction levy on - fixed income securities	3,713	4,804
Broker back office subscriptions	2,880	2,880
Training	30	144
NOMAD fees	50	50
Annual fee	400	200
Sponsorship fees	300	-
Ibuka fees	-	70
	35,044	24,313
Allowances to broker company directors sitting on Committees but are not Group Directors	129	129
(ii) Listed companies related to directors		
Annual listing fees	4,500	4,500
Advertisement	-	52
Interest income on bank deposits	1,665	9,353
Purchase of data	213	112
Training	150	365
	6,528	14,382
(e) Transactions with associate		
During the period, transactions with CDSC Ltd were as follows:-		
Expenses relating to:		
Share registrar services and depository levies	3,319	3,027
Dividend processing	628	969
Joint Board meetings	-	366
	3,947	4,362
Net amounts (payable to)/due from associate (note 21 (a) and note 26 (b))	(734)	1,399

Notes to the Financial Statements (continued)

30. Related Party Transactions (continued)

	Group and Company	
	2020	2019
	Sh'000	Sh'000
(f) Transactions with subsidiary and structured entities		
(i) During the period, transactions with NSE Clear Limited were as follows:-		
Expenses paid by the Company relating to:		
Audit and tax fees	784	184
Secretarial services	-	277
Board allowances	457	457
Income tax	151	664
	1,392	1,582
Amounts due from NSE Clear Limited	6,524	3,306
(ii) During the period, transactions with NSE Derivatives Investor Protection Fund (IPF) were as follows:-		
Expenses paid by the Company relating to:		
Trustee allowances	457	486
Audit and tax fees	491	476
Secretarial fees	-	46
	948	1,008
IPF contributions received by NSE	-	200
Amounts due to IPF	-	200
(iii) During the period, transactions with NSE Derivatives Settlement Guarantee Fund (SGF) were as follows:-		
Expenses paid by the Company relating to:		
Income tax	1,021	1,983
Trustee allowances	457	486
Audit and tax fees	467	476
Secretarial fees	-	46
Other expenses	8	-
	1,953	2,991
Amounts due from the NSE Derivatives SGF	2	-
(g) Loans and advances to Executive Director		
At start of year	2,963	1,657
Advances made in the year	4,417	1,333
Loan made in the year	1,384	4,552
Repayments in the year	(5,105)	(4,579)
At end of year	3,659	2,963
Interest income earned on loan	386	269

The balances are included in note 21 (a) under Other receivables. The repayment period for the loans and advances are one year and three months respectively. Interest on the loans was at 10% p.a (2019 – 10% p.a). All terms are as per company policy.



Notes to the Financial Statements (continued)

31. Operating Lease Commitments (Group and Company)

The Group and Company as a lessor:

Lease rental income earned during the year was Sh 10 million (2019: Sh 10 million). At the end of the reporting period the Group and Company had existing contracts with tenants for the following minimum lease payments:

	2020 Sh'000	2019 Sh'000
Receivable within 1 year	10,182	9,941
Receivable after 1 year but within 5 years	32,310	19,217
Receivable after 5 years	3,525	-
	46,017	29,158

Rental income receivable relates to the lease rent receivable on the leased areas on the investment property.

32. Capital Commitments - Group and Company

Commitments at the end of the reporting period for which no provision had been made in these financial statements:

	2020 Sh'000	2019 Sh'000
Authorised but not yet contracted for	76,632	75,863

The capital commitments relate mainly to property improvements and other system infrastructure and support.

33. Risk Management Objectives and Policies

The main business risks faced by the Group and the Company in respect of its principal non-derivative financial instruments are market risk including interest rate risk and foreign currency risk, credit risk and liquidity risk. The directors review and determine policies for managing these risks.

(a) Market risk

The Group and the Company maintains a conservative policy regarding currency and interest rate risks and does not engage in speculation in the markets. In addition, the Group and the Company do not speculate or trade in derivative financial instruments.

(i) Interest rate risk (Group and Company)

The Group and Company's investment in interest earning investments are both at amortised cost and fair value through profit or loss. These comprise of treasury bonds and bank deposits which are at fixed interest rates hence not exposed to interest rate risk.

The fixed deposits are short-term in nature and the fair value risk is considered minimal. Treasury bonds held at fair value through profit and loss carry a fair value risk as these are long term.

The Group and Company's investments are at fixed interest rates and are therefore not exposed to interest rate risk for both 2020 and 2019.

Notes to the Financial Statements (continued)

33. Risk Management Objectives and Policies (continued)

(a) Market risk (continued)

(ii) Foreign currency exchange risk (Group and Company)

The Group and Company undertake certain transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations arise. Exchange rate exposures are however minimal as these only relate to income from data and interest income.

At 31 December, the carrying amounts of foreign currency denominated monetary assets and liabilities are as follows:

	2020 Sh'000	2019 Sh'000
Assets		
Cash and bank balances	2,283	550
Other receivables	313	705
Fixed deposit	11,799	8,652
	14,395	9,907
Liabilities		
Accrued expenses	(18,632)	(16,932)
Net position	(4,237)	(7,025)

At 31 December 2020, if the Shilling had weakened/strengthened by 10% against the US Dollar with all other variables held constant, the impact on pretax profit for the period would have been Sh 424,000 (2019: Sh 703,000) higher/lower mainly as a result of translation of US dollar denominated balances.

(iii) Price risk (Group and Company)

The Group and Company hold investments that would be subject to price risk.

At 31 December, the fair value of the investments that are subject to price risk are as follows:

	2020 Sh'000	2019 Sh'000
Quoted equity instrument	48,720	49,880

At 31 December 2020, if the price had weakened/strengthened by 10% against the market share price, the impact on other comprehensive income through revaluation reserve would have been Sh. 4,872,000 (2019 – Sh 4,988,000).

(b) Credit risk (Group and Company)

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a Group-wide basis.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held one institution.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting a credit limit and credit period for each customer. The utilization of the credit limits and the credit period is monitored by management on a monthly basis.

In assessing whether the credit risk on a financial asset has increased significantly, the Group compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date



Notes to the Financial Statements (continued)

33. Risk Management Objectives and Policies (continued)

(b) Credit risk (Group and Company) (continued)

of initial recognition. In doing so, the Group considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For this purpose, default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

The Group and Company do not hold collateral or security to mitigate credit risk.

The amount that best represents the Group and Company's maximum exposure to credit risk as at 31 December 2020 and 2019 is made up as follows:

(i) The gross carrying amount of financial assets with exposure to credit risk at balance sheet date was as follows:

	12 – month expected credit losses	Lifetime expected credit losses		Total
	Sh'000	(a) Sh'000	(b) Sh'000	Sh'000
Group				
At 31 December 2020				
Government securities	283,126	-	-	283,126
Long-term restricted investments	171,433	-	-	171,433
Trade receivables	29,312	5,053	-	34,365
Other receivables	20,135	4,254	-	24,389
Short-term restricted cash and investments	243,488	-	-	243,488
Cash, cash equivalents and fixed deposits	530,838	-	-	530,838
Gross carrying amount	1,278,332	9,307	-	1,287,639
Loss allowance	(4,204)	(9,307)	-	(13,511)
Exposure to credit risk	1,274,128	-	-	1,274,128
At 31 December 2019				
Government securities	112,678	-	-	112,678
Long-term restricted investments	199,870	-	-	199,870
Trade receivables	41,017	2,315	-	43,332
Other receivables	22,683	1,683	-	24,366
Short-term restricted cash and investments	289,910	-	-	289,910
Cash, cash equivalents and fixed deposits	494,308	-	-	494,308
Gross carrying amount	1,160,466	3,998	-	1,164,464
Loss allowance	(5,547)	(3,998)	-	(9,545)
Exposure to credit risk	1,154,919	-	-	1,154,919

Notes to the Financial Statements (continued)

33. Risk Management Objectives and Policies (continued)

(b) Credit risk (Group and Company) (continued)

(i) The gross carrying amount of financial assets with exposure to credit risk at balance sheet date was as follows – (continued):

	12 – month expected credit losses	Lifetime expected credit losses		Total
	Sh'000	(a) Sh'000	(b) Sh'000	Sh'000
Company				
At 31 December 2020				
Government securities	283,126	-	-	283,126
Trade receivables	29,312	5,053	-	34,365
Other receivables	19,216	4,254	-	23,470
Short-term restricted cash and investments	243,488	-	-	243,488
Cash, cash equivalents and fixed deposits	529,117	-	-	529,117
Gross carrying amount	1,104,259	9,307	-	1,113,566
Loss allowance	(3,709)	(9,307)	-	(13,016)
Exposure to credit risk	1,100,550	-	-	1,100,550
At 31 December 2019				
Government securities	112,678	-	-	112,678
Trade receivables	41,017	2,315	-	43,332
Other receivables	22,683	1,683	-	24,366
Short-term restricted cash and investments	289,910	-	-	289,910
Cash, cash equivalents and fixed deposits	490,933	-	-	490,933
Gross carrying amount	957,221	3,998	-	961,219
Loss allowance	(4,975)	(3,998)	-	(8,973)
Exposure to credit risk	952,246	-	-	952,246

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk ratings as follows:

- financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired
- financial assets that are credit impaired at the balance sheet date

The above represents the worst-case scenario of credit exposure for both years.



Notes to the Financial Statements (continued)

33. Risk Management Objectives and Policies (continued)

(b) Credit risk (Group and Company) (continued)

(ii) The loss allowances at end of each year relate to the following

	12-month expected credit losses	Lifetime expected credit losses		Total
		(a)	(b)	
	Sh'000	Sh'000	Sh'000	Sh'000
Group				
At 31 December 2020				
Government securities	1,982	-	-	1,982
Long-term restricted investments	495	-	-	495
Trade receivables	28	5,053	-	5,081
Other receivables	78	4,254	-	4,332
Cash, cash equivalents and fixed deposits	1,621	-	-	1,621
Total	4,204	9,307	-	13,511
At 31 December 2019				
Government securities	830	-	-	830
Long-term restricted investments	572	-	-	572
Trade receivables	2,127	2,315	-	4,442
Other receivables	519	1,683	-	2,202
Cash, cash equivalents and fixed deposits	1,499	-	-	1,499
Total	5,547	3,998	-	9,545
Company				
At 31 December 2020				
Government securities	1,982	-	-	1,982
Trade receivables	28	5,053	-	5,081
Other receivables	78	4,254	-	4,332
Cash, cash equivalents and fixed deposits	1,621	-	-	1,621
Total	3,709	9,307	-	13,016
At 31 December 2019				
Government securities	830	-	-	830
Trade receivables	2,127	2,315	-	4,442
Other receivables	519	1,683	-	2,202
Cash, cash equivalents and fixed deposits	1,499	-	-	1,499
Total	4,975	3,998	-	8,973

Notes to the Financial Statements (continued)

33. Risk Management Objectives and Policies (continued)

(b) Credit risk (Group and Company) (continued)

(iii) The changes in the loss allowance during the year were as follows

	12-month expected credit losses	Lifetime expected credit losses		Total
	Sh'000	(a) Sh'000	(b) Sh'000	Sh'000
Group				
Year ended 31 December 2020				
At start of year	6,050	3,495	-	9,545
Additions in the year	(1,846)	5,812	-	3,966
At end of year	4,204	9,307	-	13,511
Year ended 31 December 2019				
At start of year	3,792	1,479	-	5,271
Additions in the year	2,258	2,016	-	4,274
At end of year	6,050	3,495	-	9,545
Company				
Year ended 31 December 2020				
At start of year	5,478	3,495	-	8,973
Additions in the year	(1,769)	5,812	-	4,043
At end of year	3,709	9,307	-	13,016
Year ended 31 December 2019				
At start of year	3,257	1,479	-	4,736
Additions in the year	2,221	2,016	-	4,237
At end of year	5,478	3,495	-	8,973

(c) Liquidity risk - Group and Company

Prudent liquidity risk management includes maintaining sufficient cash to meet the Group and Company's obligations. The Group and Company manage this risk by maintaining adequate cash balances in the bank, banking facilities and by continuously monitoring forecast and actual cash flows.

The table below analyses the Group and Company's financial liabilities that will be settled on a net basis into relevant maturity grouping's based on the remaining period at the reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.



Notes to the Financial Statements (continued)

33. Risk Management Objectives and Policies (continued)

(c) Liquidity risk - Group and Company (continued)

	Up to 1 year Sh'000	1 – 5 years Sh'000	Total Sh'000
Group			
At 31 December 2020			
Financial liabilities			
Tenant deposits	-	3,233	3,233
Trade and other payables	50,194	-	50,194
Dividends payable	32,066	-	32,066
Trading members' contributions	2,200	-	2,200
Settlement Guarantee Fund members contributions	-	35,250	35,250
Total financial liabilities	84,460	38,483	122,943
At 31 December 2019			
Financial liabilities			
Tenant deposits	-	1,829	1,829
Trade and other payables	85,846	-	85,846
Dividends payable	30,876	-	30,876
Trading members' contributions	2,400	-	2,400
Settlement Guarantee Fund members contributions	-	35,250	35,250
Total financial liabilities	119,122	37,079	156,201
Company			
At 31 December 2020			
Financial liabilities			
Tenant deposits	3,233	-	3,233
Trade and other payables	46,621	-	46,621
Dividends payable	31,440	-	31,440
Total financial liabilities	81,294	-	81,294
At 31 December 2019			
Financial liabilities			
Tenant deposits	-	1,829	1,829
Trade and other payables	83,863	-	83,863
Dividends payable	30,376	-	30,376
Due to NSE Investment Protection Fund	200	-	200
Total financial liabilities	114,439	1,829	116,268

Notes to the Financial Statements (continued)

33. Risk Management Objectives and Policies (continued)

(d) Fair value of financial assets and liabilities

IFRS 7 specifies a hierarchy of valuation techniques based on whether inputs used in the valuation techniques of financial instruments are observable or unobservable. Financial instruments are grouped into 3 levels based on the degree to which fair value data / input is observable.

- (i) **Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active trading markets for identical assets or liabilities.
- (ii) **Level 2** fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices). Input data for this category is sourced mainly from the Nairobi Securities Exchange. The external valuation of buildings and investment property has been performed using a sales comparison approach.
- (iii) **Level 3** fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

The table below shows an analysis of the fair value of financial instruments that are carried at fair value by level of the fair value hierarchy.

	2020 Sh'000	2019 Sh'000
Group and Company		
Level 1		
<i>Financial assets</i>		
Quoted equity instrument	48,720	49,880
Level 2		
<i>Financial assets</i>		
Government securities	281,144	32,300



Notes to the Financial Statements (continued)

33. Risk Management Objectives and Policies (continued)

(d) Fair value of financial assets and liabilities (continued)

There were no transfers between levels 1, 2 and 3 in the period and for level 3, there was no movement.

- (i) **Level 1** – We have determined the fair value using quoted prices (unadjusted) from the Dar Es Salaam Stock Exchange.
- (ii) **Level 2** – We have determined the fair value using the implied yield curve for the bond published by the Nairobi Securities Exchange.

The table below shows an analysis of the fair value of financial instruments that are not carried at fair value by level of the fair value hierarchy.

	2020	2019
	Sh'000	Sh'000
Group		
Level 1		
<i>Financial assets</i>		
Government securities	-	79,548
Level 2		
<i>Financial assets</i>		
Long-term restricted investments	170,938	199,298
Short-term restricted cash and investments	243,488	289,910
Cash, cash equivalents and fixed deposits	529,217	492,809
	943,643	982,017

The table below shows an analysis of the fair value of financial instruments that are not carried at fair value by level of the fair value hierarchy.

	2020	2019
	Sh'000	Sh'000
Company		
Level 1		
<i>Financial assets</i>		
Government securities	-	79,548
Level 2		
<i>Financial assets</i>		
Short-term restricted cash and investments	243,488	289,910
Cash, cash equivalents and fixed deposits	527,496	489,434
	770,984	779,344

There were no transfers between levels 1, 2 and 3 in the period and for level 3, there was no movement.

- (i) **Level 1** – We have determined the fair value using quoted prices (unadjusted) from the Nairobi Securities Exchange.
- (ii) **Level 2** – The fair value of these balances is equal to their amortised cost.

Notes to the Financial Statements (continued)

34. Capital Management

The Group and Company manage its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

At 31 December 2020 and 31 December 2019, the Group and Company did not have any borrowings.

35. Minimum Liquid Net-Worth Requirements (Company)

	2020 Sh'000	2019 Sh'000
Estimated twelve months operating costs	486,976	579,820
Required minimum liquid net-worth at one half of estimated operating costs	243,488	289,910
Cash and cash equivalents and fixed deposits	527,496	489,434

To ensure that there is no significant risk that liabilities may not be met as they fall due, the Capital Markets (Derivatives Markets) Regulations, 2015 requires a futures exchange to maintain minimum liquid net-worth requirements equal to one half of the estimated gross operating costs of the futures exchange for the next twelve (12) month period or such other liquid net-worth amount as may be prescribed by the Authority. This has been met based on the above.

36. Contingent Liability

- This is a suit against the NSE that was filed in July 2019 by seven (7) of the former employees of the NSE who were declared redundant following the restructuring process. The Claimants allege wrongful termination of their employment contracts. The suit is for Kshs. 40,256,024 plus general damages to be assessed by the Court. The matter is still pending in Court and has not been provided for in this financial statements.
- This is a suit filed in 2010 by Mercy Nyambura Kanyara & Another against Nyaga Stockbrokers (Under Statutory Management), NSE and other Defendants on assertions that they were in breach of contractual, fiduciary and statutory duties owed to the Plaintiff. The claim is for Kshs. 95,199,711 in respect of accrued shares and dividends and the costs of the suit. A ruling was delivered on 5th October 2017 striking out the suit and the Plaintiff filed an appeal against the ruling.



Notice of the 67th Annual General Meeting

NOTICE is hereby given that the **67th Annual General Meeting** of the Nairobi Securities Exchange PLC ("**NSE**") will be held by **electronic communication**, on **Thursday 3rd June 2021 at 11.00 a.m.** to transact the following business:

ORDINARY BUSINESS

1. To read the notice convening the meeting, table the proxies received and confirm the presence of a quorum.
2. To confirm and adopt the Minutes of the Annual General Meeting held on 9th July 2020.
3. To receive the Chairman's Statement and the Chief Executive's Report.
4. To receive, consider and, if thought fit, adopt the Audited Financial Statements for the year ended 31st December 2020 together with the reports of the Directors and Auditors thereon.
5. To approve a first and final dividend of Kshs. 0.53 per ordinary share in respect of the Financial Year ended 31st December 2020 and to approve the closure of the Register of Members at the close of business on 4th June 2021 for one day for the purpose of determining the qualifying members entitled to dividends.
6. To approve the Remuneration Report of the Board as detailed in the Annual Report for the Financial Year ended 31st December 2020.
7. Election of Directors:
 - (a) In accordance with Articles 94 and 95 of the Company's Articles of Association, Ms. Risper Alaro-Mukoto (an Independent Non-Executive Director) retires by rotation and, being eligible, offers herself for re-election;
 - (b) In accordance with Articles 94 and 95 of the Company's Articles of Association, Mr. Paul Mwai (a Director representing the Trading Participants) retires by rotation and, being eligible, offers himself for re-election;
 - (c) In accordance with Articles 94 and 95 of the Company's Articles of Association, Ms. Nasim Devji (a Director representing the Listed Companies) retires by rotation and, although eligible, does not offer herself for re-election;
 - (d) In accordance with Clause 2.4.2 of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, and the Board Charter, Mr. Samuel Njuguna Kimani, (an Independent Non-Executive Director), having served for nine years, retires from the Board at the conclusion of the 67th Annual General Meeting; and
 - (e) In accordance with the Board Charter, Mr. Bob Karina, (a Director representing the Trading Participants), having served for nine years, retires from the Board at the conclusion of the 67th Annual General Meeting; and
 - (f) In accordance with Clause 2.4.2 of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, and the Board Charter, Mr. Hosea Kimutai Kili (an Independent Non-Executive Director), having served for nine years, retires from the Board at the conclusion of the 67th Annual General Meeting.
8. In accordance with the provisions of Section 769 of the Companies Act, 2015, the following directors, being members of the Board Audit, Risk and Compliance Committee, be appointed individually to continue to serve as members of the said Committee:
 - (a) Ms. Risper Alaro-Mukoto (subject to re-election); and
 - (b) Ms. Isis Nyong'o Madison.
9. To note the retirement of PricewaterhouseCoopers (PwC) as the Auditor of the Company and to appoint Deloitte & Touche as the new auditor, for the Financial Year ending 31st December 2021 in accordance with the provisions of Section 721 of the Companies Act, 2015 and to authorize the Directors to fix their remuneration for the ensuing Financial Year in accordance with the provisions of Section 724 of the Companies Act, 2015.

SPECIAL BUSINESS

10. To consider and, if thought fit, to pass the following Special Resolution for Amendment of the Articles of Association:

THAT subject to regulatory approval and legislative amendment, Article 126 of the Company's Articles of Association of the Company be amended to read as follows:

126. Without prejudice to any provision of these Articles providing for the rotation, disqualification or removal of Directors, the Chairman shall hold office for a maximum of two consecutive terms of three years each or such other periods as may be provided under the Capital Markets Act or any other written law.
11. To consider and, if thought fit, to pass the following **Ordinary Resolutions**:
 - (a) **THAT** the Directors of the NSE be authorized to incorporate the Nairobi Securities Exchange Limited as a wholly owned subsidiary company of the NSE.
 - (b) **THAT** subject to obtaining all regulatory approvals including from the Capital Markets Authority, the exchange business of the NSE be carried on by the newly incorporated Nairobi Securities Exchange Limited and the NSE operates as a non-operating holding company.
 - (c) **THAT** the Directors of the NSE be authorized to execute all such documents and do all things that are necessary to

Notice of the 67th Annual General Meeting

implement the corporate reorganization of the NSE referred to in Resolution 11 (b) above.

12. To consider and, if thought fit, to pass the following **Special Resolutions:**

- (a) **THAT** subject to obtaining all regulatory approvals for the Nairobi Securities Exchange Limited to operate the exchange business, a new set of Articles of Association of the Company, be and is hereby approved and adopted as the new Articles of Association of the NSE in place of the existing Articles of Association.
- (b) **THAT** subject to obtaining all regulatory approvals for the Nairobi Securities Exchange Limited to operate the exchange business and approval of the Registrar of Companies, the change of the name of the NSE from 'Nairobi Securities Exchange Plc' to 'NSE Group Plc' be and is hereby approved to take effect from the date of completion of the corporate reorganization.

ANY OTHER BUSINESS

13. To consider any other business of which due notice has been received.

BY ORDER OF THE BOARD



KURIA K. WAITHAKA
COMPANY SECRETARY & CHIEF LEGAL OFFICER

DATE: 12th May 2021

Notes:

1. In view of the ongoing COVID-19 pandemic and the related Public Health Regulations and directives passed by the Government of Kenya restricting public health gatherings, it is impractical, as provided in the Companies Act, 2015, for NSE to hold a physical Annual General Meeting (AGM) in the manner prescribed in its Articles of Association. Though shareholders will not be able to attend the AGM in person they will be able to register for, access information pertaining to the Integrated Report and Audited Consolidated Financial Statements of NSE for the year ending 31st December 2020, follow the meeting in the manner detailed below and vote electronically. Shareholders may ask questions in advance of the meeting as detailed in the instructions below.
2. Article 79 of the Company's Articles of Association provides for the holding of, a general meeting by means of audio or audio and visual communication by which all Members constituting the quorum, can hear each other throughout the meeting, subject to the provisions of the Companies Act, 2015.
3. Shareholders wishing to participate in the meeting should register for the AGM by dialing ***483*816#** on their mobile telephone and follow the various prompts on the registration process.
4. To complete the registration process, shareholders will need to provide their National ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number. For assistance, shareholders should dial the following helpline number: **(+254) 709 170 000** from 8.00 a.m. to 5.00 p.m. from Monday to Friday.
A Shareholder domiciled outside of Kenya can send an email to Image Registrars via NSEagm@image.co.ke or info@image.co.ke providing their details i.e. Name, Passport/ID no., CDS no. and Mobile telephone number requesting to be registered. Image Registrars shall register the shareholder and send them an email notification once registered.
5. Registration for the AGM opens on **Saturday 15th May 2021** at 8.00 a.m. (EAT) and will close on **Tuesday 1st June 2021** at 5.00 p.m. (EAT). Shareholders will not be able to register after this time.
6. In accordance with the provisions of Section 670 of the Companies Act, 2015 and Article 159 of the Articles of Association of the Company, a copy of the Integrated Report and Audited Accounts may be viewed at the Company's website www.nse.co.ke.
7. A copy of this Notice together with the Proxy Form may also be viewed on the Company's website.
8. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:
 - (a) Sending their written questions by email to the Company's email address info@nse.co.ke or Image Registrars' address NSEagm@image.co.ke;
 - (b) To the extent possible, physically delivering the written questions with a return physical address or email address to the Registered Office of the Company at The Exchange Building, 5th Floor, 55 Westlands Road, Nairobi or to Image Registrars Limited, Absa Towers (formerly Barclays Plaza), 5th Floor, Loita Street, Nairobi; or



Notice of the 67th Annual General Meeting

Notes (continued):

- (c) Sending their written questions with a return physical address or email address by registered post to the Company's address at P.O. Box 43633 - 00100, Nairobi, or to Image Registrars' address - P.O. Box 9287 - 00100, Nairobi.

Shareholders must provide their full details (full name, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

All questions and clarifications must reach the Company on or before **Tuesday 1st June 2021 at 5.00 p.m.** (EAT).

Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return physical address or e-mail address provided by the Shareholder no later than twelve (12) hours before the start of the general meeting. A full list of all questions received and the answers thereto will be published on the Company's website no later than twelve (12) hours before the start of the AGM.

9. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company but if not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone. A Proxy Form is available on the Company's website via this link: www.nse.co.ke. Physical copies of the Proxy Form are also available at the following address: Image Registrars Limited, Absa Towers (formerly Barclays Plaza), 5th Floor, Loita Street, Nairobi. To be valid, a Proxy Form must be duly completed by the member and must be returned to Image Registrars on the above address or through their email address NSEagm@image.co.ke so as to arrive not later than forty eight (48) hours before the time fixed for the meeting, failing which, it will be invalid. In the case of a corporate body, the Proxy Form must be executed under its common seal or under the hand of duly authorised officer or an attorney of such corporation. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than forty eight (48) hours before the time fixed for the meeting. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than twenty four (24) hours after receipt to allow time to address any issues.
10. In accordance with the provisions of Article 96 of the Articles of Association of the Company, a person seeking election as a Director at the Annual General Meeting should deliver to the Company Secretary, through the Company's physical, postal or email address info@nse.co.ke (copy to kwaithaka@nse.co.ke), at least seven (7) days prior to the day of the meeting, notice in writing signed by a shareholder duly qualified to attend and vote at the meeting, of his intention to propose such person for election and notice in writing signed by the person to be proposed of his willingness to be elected as per the nomination papers which may be accessed on the Company's website www.nse.co.ke. The person so nominated will be required to send a Consent in the format also available on the Company's website.
11. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, twenty four (24) hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the live stream.
12. Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted by the chairman) via the USSD prompts.
13. Results of the AGM shall be published within twenty four (24) hours following conclusion of the AGM.
14. For shareholders residing outside Kenya and wishing to participate in the AGM, the following procedure shall apply:
 - (a) The Shareholder domiciled outside of Kenya will send an e-mail to Image Registrars via NSEagm@image.co.ke providing their details i.e. Name, Passport/ID no., and Mobile telephone number requesting to be registered.
 - (b) Image Registrars shall register the shareholder and send them an email notification once registered.
 - (c) A notification (email and SMS) shall be sent to them as well as all shareholders an hour before the AGM notifying them about the AGM. This notification will also include the link to stream the proceedings.
 - (d) For voting, the shareholder will receive a verification Code via the Mobile telephone number provided.
 - (e) The link shared to stream the meeting contains a voting tab. Once the shareholder selects to vote, he/she shall key in the code received via SMS and proceed to follow the prompts.
 - (f) A shareholder may also ask questions via the Questions Tab.

Proxy Form

I/We,.....of.....,
being a shareholder/shareholders of the above-named Company, hereby appoint, of.....
....., or failing him....., of....., as my/our proxy
to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company (AGM) to be held on 3rd June 2021
and at any adjournment thereof.

As witness my/our hand this..... day of 2020

Signed

Signed

This Form is to be used in for or against any resolutions here below. Please mark as appropriate. Unless otherwise instructed, the proxy shall vote as he thinks fit.

AGENDA ITEM	RESOLUTION	FOR	AGAINST
ORDINARY BUSINESS			
4.	To adopt the audited Financial Statements for the Financial Year ended 31 December 2020.		
5.	To approve a first and final dividend of Kshs. 0.53 per share in respect of the Financial Year ended 31 December 2020.		
6.	To approve the Remuneration Report of the Board in respect of the Financial Year ended 31 December 2020.		
7 (a)	To re-elect Ms. Risper Alaro-Mukoto (an Independent Non-Executive Director) in accordance with Articles 94 and 95.		
7 (b)	To re-elect Mr. Paul Mwai (a Non-Executive Director representing the Trading Participants) in accordance with Articles 94 and 95.		
8 (a)	To appoint Ms. Risper Alaro-Mukoto to continue serving as a member of Board Audit, Risk and Compliance Committee		
8 (b)	To appoint Ms. Isis Nyong'o Madison to continue serving as a member of the Board Audit, Risk and Compliance Committee		
9.	To appoint Deloitte & Touche as the auditors for the Company for the Financial Year ending 31 December 2021 and to authorize the Directors to fix their remuneration.		
SPECIAL BUSINESS			
10.	<p>To approve the amendment of Article 126 of the Articles of Association of the Company to read as follows:</p> <p>"Without prejudice to any provision of these Articles providing for the rotation, disqualification or removal of Directors, the Chairman shall hold office for a maximum of two consecutive terms of three years each or such other periods as may be provided under the Capital Markets Act or any other written law."</p>		



Proxy Form

AGENDA ITEM	RESOLUTION	FOR	AGAINST
SPECIAL BUSINESS			
11.	<p>To consider and, if thought fit, to pass the following Ordinary Resolutions:</p> <p>(a) THAT the Directors of the NSE be authorized to incorporate the Nairobi Securities Exchange Limited as a wholly owned subsidiary company of the NSE.</p> <p>(b) THAT subject to obtaining all regulatory approvals including from the Capital Markets Authority, the exchange business of the NSE be carried on by the newly incorporated Nairobi Securities Exchange Limited and the NSE operates as a non-operating holding company.</p> <p>(c) THAT the Directors of the NSE be authorized to execute all such documents and do all things that are necessary to implement the corporate reorganization of the NSE referred to in Resolution 11 (b) above.</p>		
12.	<p>To consider and, if thought fit, to pass the following Special Resolutions:</p> <p>(a) THAT subject to obtaining all regulatory approvals for the Nairobi Securities Exchange Limited to operate the exchange business, a new set of Articles of Association of the Company, be and is hereby approved and adopted as the new Articles of Association of the NSE in place of the existing Articles of Association.</p> <p>(b) THAT subject to obtaining all regulatory approvals for the Nairobi Securities Exchange Limited to operate the exchange business and approval of the Registrar of Companies, the change of the name of the NSE from 'Nairobi Securities Exchange Plc' to 'NSE Group Plc' be and is hereby approved to take effect from the date of completion of the corporate reorganization.</p>		

Proxy Form

Electronic Communications Consent Form Please Complete In Block Capitals

Full
name of
Proxy(ies):

Address:

Mobile
Number:

Date:

Signature:

Please tick ONE of the boxes below and return to Image Registrars Limited at P.O. Box 9287- 00100 Nairobi, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street, Nairobi:

Approval of Registration

I/We approve to register to participate in the virtual AGM to be held on 3rd June 2021.

☐

Consent for use of the Mobile Number provided

I/We would give my/our consent for the use of the mobile number provided for purposes of voting at the virtual AGM.

☐

Notes:

1. If a member is unable to attend personally, this Proxy Form should be completed and returned (together with a power of attorney or other authority (if any) under which it is assigned or a notarized certified copy of such power or authority) to Image Registrars Limited, Barclays Plaza, 5th Floor, Loita Street and address P.O. Box 9287-00100 Nairobi, or through their email address **NSEagm@image.co.ke** to arrive not later than **11.00 a.m. (EAT) on 1st June 2021** i.e. 48 hours before the meeting or any adjournment thereof.
2. In case of a member being a corporate body, the Proxy Form must be under its common seal or under the hand of an officer or duly authorized attorney of such corporate body.
3. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. A proxy need not to be a shareholder of the Company.



Nomination Form for Director Representing Trading Participants

NOTICE OF INTENTION TO PROPOSE A CANDIDATE FOR ELECTION AS A NON-EXECUTIVE DIRECTOR REPRESENTING TRADING PARTICIPANTS

I /We..... of P. O. Box being a shareholder/shareholders of the Nairobi Securities Exchange Plc and duly qualified to attend and vote at the Company's Annual General Meeting to be held on 3rd June 2021, do hereby give notice of my/our intention to propose of P.O. Box for election as a Non-Executive Director of the Company representing Trading Participants.

SIGNED this day of..... 2021.

BY:

DIRECTOR

DIRECTOR/SECRETARY

PLEASE NOTE:

1. The Articles of Association of Nairobi Securities Exchange Plc defines a "Trading Participant" as a licensee of the Capital Markets Authority with Rights to Trade at the Nairobi Securities Exchange.
2. Article 93 of the Articles of Association of Nairobi Securities Exchange Plc provides that: -

"A maximum of two (2) Directors shall be elected by the members from among or to represent the Trading Participants"
3. To be valid, this Nomination Form must be received by the Company Secretary; Email: kwaithaka@nse.co.ke c.c. ceoffice@nse.co.ke by **12.00 p.m. (EAT) on Wednesday 26th May 2021.**

Nairobi Securities Exchange

55 Westlands Road, P O Box 43633 Nairobi, 00100 KENYA

Phone: +254 20 2831000 | Mobile: +254 0724 253 783 / +254 0733 222 007 | Email: info@nse.co.ke | www.nse.co.ke

Consent Form for Director Representing Trading Participants

CONSENT TO ACT AS NON-EXECUTIVE DIRECTOR REPRESENTING TRADING PARTICIPANTS

I of P.O.Box being the
person in respect of whom of P.O.Box
has given notice of intention to propose me as a candidate to be elected as a Non-Executive Director of the Nairobi Securities Exchange Plc, representing Trading Participants, at the Annual General Meeting to be held on 3rd June 2021, do hereby notify you and confirm my willingness to be so elected.

SIGNED this day of 2021.

.....SIGNATURE

PLEASE NOTE:

1. Article 96 of the Articles of Association of Nairobi Securities Exchange PLC provides as follows:

“No person, other than a Director retiring at a meeting, shall be eligible for appointment as a Director at any General Meeting, **unless not less than seven (7) nor more than twenty one (21) days before the day appointed for the meeting**, there shall have been delivered to the Secretary of the Company notice in writing signed by a shareholder duly qualified to attend and vote at the meeting for which the notice has been given, of his intention to propose such person for election, and **notice in writing, signed by the person to be proposed of his willingness to be elected.**”

2. The Articles of Association of Nairobi Securities Exchange PLC defines “Non-Executive Director”, “Executive Director” and “Trading Participant” as follows:

“**Non-Executive Director**” means a Director who is not an Executive Director;

“**Executive Director**” means a Director who is appointed to be the holder of a full-time office of the Company pursuant to a contract of service with the Company, such office being one that entails involvement in the day to day management of the Company;

“**Trading Participant**” means a licensee of the Capital Markets Authority with Rights to Trade at the Nairobi Securities Exchange;

3. To be valid, this Consent Form must be received by the Company Secretary; E-mail: kwaithaka@nse.co.ke c.c. ceoffice@nse.co.ke by **12.00 p.m. (EAT) on Wednesday, 26th May 2021.**

Nairobi Securities Exchange

55 Westlands Road, P O Box 43633 Nairobi, 00100 KENYA

Phone: +254 20 2831000 | Mobile: +254 0724 253 783 / +254 0733 222 007 | Email: info@nse.co.ke | www.nse.co.ke



Nomination Form for Director Representing Listed Companies

NOTICE OF INTENTION TO PROPOSE A CANDIDATE FOR ELECTION AS A NON-EXECUTIVE DIRECTOR REPRESENTING LISTED COMPANIES

I /We..... of P. O. Box

Nairobi Securities Exchange PLC and duly qualified to attend and vote at the Company's Annual General Meeting to be held on 3rd

June 2021, do hereby give notice of my/our intention to propose of P.O. Box

..... for election as a Non-Executive Director representing listed companies in the Company

at the meeting.

SIGNED this day of..... 2021.

BY:

DIRECTOR

DIRECTOR/SECRETARY

PLEASE NOTE:

- Article 93 of the Articles of Association of Nairobi Securities Exchange Plc provides that:
“... two Directors shall be elected by the members from among nominees of companies listed on the Nairobi Securities Exchange to represent the listed companies.”

“Non-Executive Director” means a Director who is not an Executive Director;

“Executive Director” means a Director who is appointed to be the holder of a full-time office of the Company pursuant to a contract of service with the Company, such office being one that entails involvement in the day to day management of the Company;

- To be valid, this Nomination Form must be received by the Company Secretary; Email: kwaithaka@nse.co.ke c.c. ceoffice@nse.co.ke by **12.00 p.m. (EAT) on Wednesday 26th May 2021.**

Nairobi Securities Exchange

55 Westlands Road, P O Box 43633 Nairobi, 00100 KENYA

Phone: +254 20 2831000 | Mobile: +254 0724 253 783 / +254 0733 222 007 | Email: info@nse.co.ke | www.nse.co.ke

Consent Form For Director Representing Listed Companies

CONSENT TO ACT AS NON-EXECUTIVE DIRECTOR REPRESENTING LISTED COMPANIES

I of P.O. Box being the
person in respect of whom of P.O. Box
has given notice of intention to propose me as a candidate to be elected as a Non-Executive Director of the Nairobi Securities Exchange Plc representing listed companies, at the Annual General Meeting to be held on 3rd June 2021, do hereby notify you and confirm my willingness to be so elected.

SIGNED this day of 2021.

..... SIGNATURE

PLEASE NOTE:

1. Article 96 of the Articles of Association of Nairobi Securities Exchange Plc provides as follows:

“No person, other than a Director retiring at a meeting, shall be eligible for appointment as a Director at any General Meeting, **unless not less than seven (7) nor more than twenty one (21) days before the day appointed for the meeting**, there shall have been delivered to the Secretary of the Company notice in writing signed by a shareholder duly qualified to attend and vote at the meeting for which the notice has been given, of his intention to propose such person for election, and **notice in writing, signed by the person to be proposed of his willingness to be elected.**”

2. The Articles of Association of Nairobi Securities Exchange Plc defines “Non-Executive Director”, “Executive Director” and “Trading Participant” as follows:

“**Non-Executive Director**” means a Director who is not an Executive Director;

“**Executive Director**” means a Director who is appointed to be the holder of a full-time office of the Company pursuant to a contract of service with the Company, such office being one that entails involvement in the day to day management of the Company;

“**Trading Participant**” means a licensee of the Capital Markets Authority with Rights to Trade at the Nairobi Securities Exchange;

3. To be valid, this Consent Form must be received by the Company Secretary; E-mail: kwaithaka@nse.co.ke c.c. ceoffice@nse.co.ke by **12.00 p.m. (EAT) on Wednesday, 26th May 2021.**

Nairobi Securities Exchange

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