

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income For Year Ended 31 December	2020 Kshs '000	2019 Kshs '000
Revenue	548,257	577,114
Interest income	85,138	89,109
Other income	36,544	49,415
Total income	669,939	715,638
Administrative expenses	(467,212)	(625,403)
Share of profit of associate	16,187	14,264
Profit before taxation	218,914	104,499
Taxation charge	(50,996)	(24,346)
Profit for the year	167,918	80,153
Other comprehensive loss	(5,865)	(17,223)
Total comprehensive income for the year	162,053	62,930
Earnings Per Share* Basic and diluted (Kshs)	0.65	0.30
*EPS based on no. of shares	259,500,791	259,500,791

Summary Consolidated Statement of Financial Position As at 31 December	2020 Kshs '000	2019 Kshs '000
Assets		
Non current assets	1,170,421	1,306,936
Current assets	1,142,725	935,465
Total assets	2,313,146	2,242,401
Equity and liabilities		
Share capital	1,038,003	1,038,003
Share premium	277,185	277,185
Revenue reserves	883,258	732,992
Non controlling interest	15,509	56,113
Other reserves	(23,752)	(18,093)
Non current liabilities	38,483	37,079
Current liabilities	84,460	119,122
Total shareholders' funds and liabilities	2,313,146	2,242,401

Summary Consolidated Statement of Cash Flows For The Year Ended 31 December	2020 Kshs '000	2019 Kshs '000
Cash flows from operating activities		
Cash generated from operations	181,307	100,717
Tax paid	(19,982)	(46,900)
Net cash generated from operating activities	161,325	53,817
Net cash (used in)/generated from investing activities	(81,849)	145,368
Net cash used in financing activities	(19,801)	(85,293)
Increase in cash and cash equivalents	59,675	113,892
Cash and cash equivalents at the beginning of the year	343,073	229,308
Cash and cash equivalents at the end of the year	402,748	343,200

Summary Consolidated Statement of Changes in Equity For The Year Ended 31 December	Share capital Kshs '000	Share premium Kshs '000	Revaluation and Other reserves Kshs '000	Retained earnings Kshs '000	Non controlling interest Kshs '000	Total Kshs '000
At 1 January 2019	1,038,003	277,185	(664)	781,224	-	2,095,748
Profit for the year	-	-	-	78,923	1,230	80,153
Other comprehensive income, net of tax	-	-	(17,429)	-	206	(17,223)
Non controlling interest on acquisition of subsidiary	-	-	-	-	54,677	54,677
2018 dividend declared in the year	-	-	-	(127,155)	-	(127,155)
At 31 December 2019	1,038,003	277,185	(18,093)	732,992	56,113	2,086,200
Profit for the year	-	-	-	167,801	117	167,918
Other comprehensive income, net of tax	-	-	(5,865)	-	-	(5,865)
Reduction of NCI on increase in shareholding in subsidiary	-	-	206	5,616	(40,721)	(34,899)
2019 dividend declared in the year	-	-	-	(23,151)	-	(23,151)
At 31 December 2020	1,038,003	277,185	(23,752)	883,258	15,509	2,190,203

SUMMARY OF DIRECTORS' REMUNERATION REPORT
During the year, the Group paid Kshs. 45,342,040 (2019: Kshs. 49,035,568) as Directors remuneration.

KEY AUDIT MATTERS
There are no key audit matters to report.

Explanatory Notes
The accounting policies used in preparing these financial statements are consistent with those used for the Group's 2019 annual financial statements. These audited financial statements are extracts from the books of accounts of the group and were approved by the Board of Directors on 26 March 2021.

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

Opinion
We have audited the summary financial statements of Nairobi Securities Exchange Plc, which comprise the summary consolidated statement of financial position at 31 December 2020 and the summary consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended which are derived from the audited financial statements of Nairobi Securities Exchange Plc and its subsidiaries and structured entities (together, the "Group") for the year ended 31 December 2020. The Group's financial statements are prepared in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

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

The summary directors' remuneration report is derived from the directors' remuneration report for the year ended 31 December 2020.

Summary financial statements and directors' remuneration report
The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. In addition, the summary directors' remuneration report does not contain all the disclosures required by the Companies (General) (Amendment) (No.2) Regulations, 2017.

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

The audited financial statements and our report thereon
We expressed an unmodified audit opinion on the audited financial statements in our audit report dated 26 March 2021 and also confirmed that the auditable part of the directors' remuneration report was prepared in accordance with the Kenyan Companies Act, 2015. That audit report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

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

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



Certified Public Accountants
Nairobi

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

OPERATING ENVIRONMENT AND MARKET PERFORMANCE – 2020
The outbreak and spread of the Covid-19 Pandemic and the ensuing containment measures had a negative systemic impact on the global economies. 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 estimated 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. All major economies contracted in 2020 except China which is estimated to have grown by 2.3 percent, a slowdown from a growth of 6.0 percent in 2019.

The Sub-Saharan African region equally experienced the negative impact of the pandemic with the region estimated to have contracted by 2.6 percent in 2020 from a growth of 3.2 percent in 2019. Key sectors such as Tourism and Manufacturing sectors that saw travel restrictions and interrupted supply chains were heavily affected. Growth in the East African Community (EAC) region is estimated to slow down to 0.3 percent in 2020 compared to a growth of 6.0 percent in 2019. This growth was supported by positive growths in Kenya, Tanzania and Rwanda. Economic activities in Burundi and Uganda contracted in 2020.

Prior to the outbreak of Covid-19 pandemic, Kenya's economy was strong and resilient despite the challenging global environment. The broad-based economic growth for 2018 and 2019 averaged 5.9 percent outperforming the 5.5 percent for the previous 5 years (2013 to 2017) and the average growth rate of 4.7 percent in the period 2008 to 2012. In 2020, the Kenyan economy was adversely affected by the Pandemic and the swift containment measures, which have not only disrupted the normal lives and livelihoods, but also to a greater extent businesses and economic activities. As a result, our economy is estimated to slow down to around 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.

MARKET PERFORMANCE IN THE WAKE OF COVID-19
The international markets recorded fair performance albeit lower than the previous years largely a reflection of the market correction as a result of the pandemic impact. The performance of listed securities on the NSE were characterized by high levels of volatility, erratic demand and forecast challenges. The NSE-20 index closed the year at 1,868.39 points, a 29.6 per cent drop from the 2,654.39 points recorded at the beginning of the year, as both local and foreign investors shifted their investments away from listed equity to other asset classes, seeking to mitigate against the declining value of their portfolios. However, alternative asset classes listed at the NSE such as Real Estate Investment Trusts (REITs) and Exchange Traded Funds (ETFs) recorded a substantial rise in activity. The Derivatives contracts presented a huge hedging opportunity for equity portfolios.

During the year, net foreign outflow in the bourse was Kshs.28.63 billion compared to a net foreign inflow of Kshs.1.38 billion in 2019, as foreign investors exited. As would be expected, there was increased participation in other asset classes in the capital markets with total bond turnover totalling Kshs.691.83 Billion, a 6 per cent increase from the Kshs.651.68 Billion recorded in 2019 and the highest annual bond turnover yet in the history of the Kenyan capital markets.

For the year ended December 31 2020, equities turnover decreased by 3% to Kshs. 149 Billion from Kshs. 154 Billion recorded over the same period last year. The period witnessed decreased participation by foreign investors which declined by 4.25% which was compensated by the local investors participation with the same value. 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.

FINANCIAL HIGHLIGHTS

- The Group reported an increase in profit after tax of Kshs. 87.7 Million or over 100% for the year ended 31 December 2020 from Kshs. 80.1 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 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 31 December 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 26% from Kshs. 49.4 Million in 2019 to Kshs. 36.5 Million in 2020 mainly due to 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 a 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 31 December 2019 to Kshs. 2.31 Billion as at 31 December 2020 on the back of the Group's improved performance.
- Noncurrent liabilities as at 31 December 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 31 December 2019 to Kshs. 161.3 Million as at 31 December 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.

OUTLOOK – 2021
Our expectation for economic and market performance in 2021 is stable driven by prospects of a gradual economic recovery, effectiveness of the Government's post Covid recovery strategic programs as well as efforts to contain the COVID-19 pandemic both in Kenya and across global markets. The commencement of the vaccine roll out globally is expected to provide further impetus to a resumption of economic activities. Kenya's positive outlook will be underpinned by favorable weather, increased exports, continued foreign direct investment, the benefits of the African Continental Free Trade Agreement, and the Government's commitment to the Big Four Agenda.

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 funds, real estate instruments and our recently launched Unquoted Securities platform.

In addition we will focus on building our international investor participation through deepening liquidity levels through day trading, securities lending and borrowing and making market initiatives.

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.

We will 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.

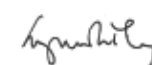
The Group is leveraging on adoption of various technology enabled platforms to reach out to more investors during this period as we seek to grow our retail investor footprint. The NSE will also continue participating in a number of engagements through various online platforms to enhance investor knowledge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


ANNUAL GENERAL MEETING
Notice is hereby given that the Annual General Meeting of the Nairobi Securities Exchange Plc will be held virtually on 3rd June 2021.

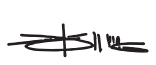
DIVIDENDS
The Directors recommend the payment of a first and final dividend for the year 2020 of Sh.0.53 per share (2019: Sh.0.08 per share). The dividend is subject to shareholders' approval at the Annual General Meeting. The payment is subject to withholding tax, where applicable and will be paid by 30th August 2021 to members on the register at the close of business on 4th June 2021.

MESSAGE FROM THE DIRECTORS
These are extracts from the financial statements of the Group which have been audited by PricewaterhouseCoopers and have received an unqualified opinion. A full set of these financial statements will be available at our registered office at The Exchange, 55 Westlands Road and online at www.nse.co.ke for inspection after approval by shareholders at the Annual General Meeting.

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


Mr. Kiprono Kittingo, EBS
Chairman


Ms. Risper Alaro
Director


Mr. Geoffrey O. Odundo
Chief Executive