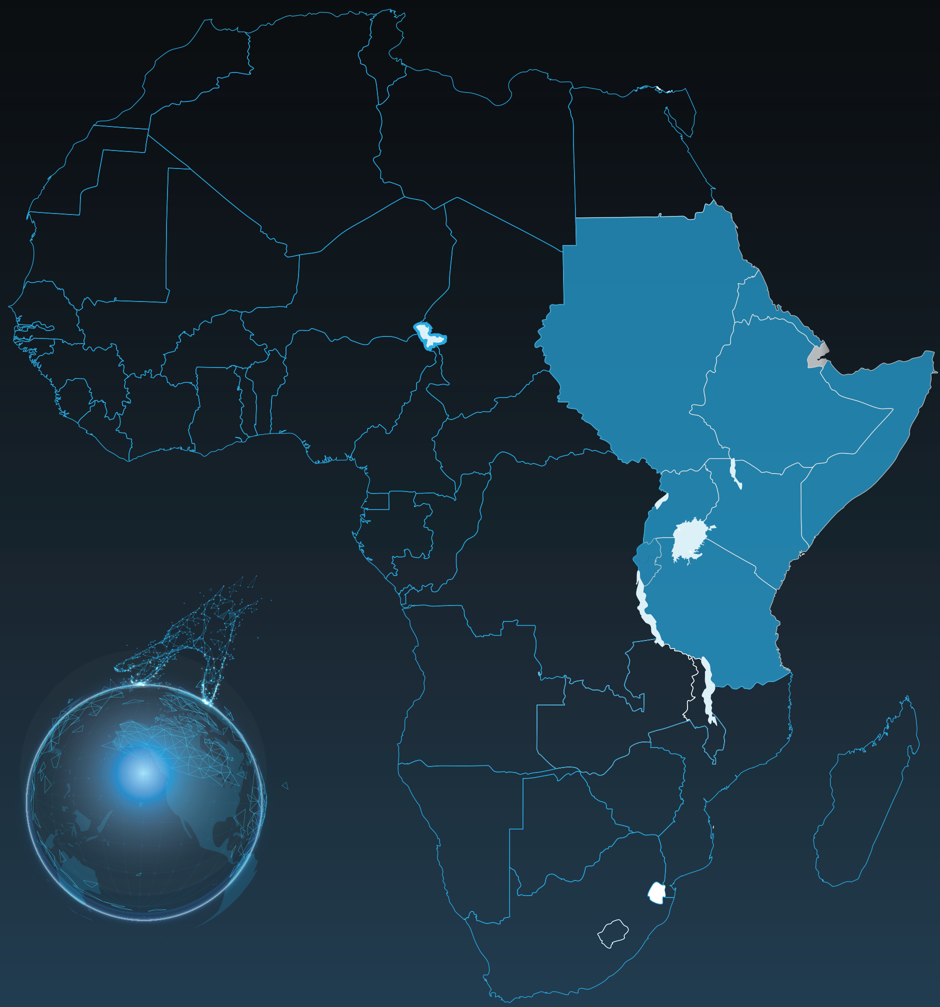
nairobi securities exchange
Discover Opportunity

Integrated Report & Financial Statements 2022

Looking Forward

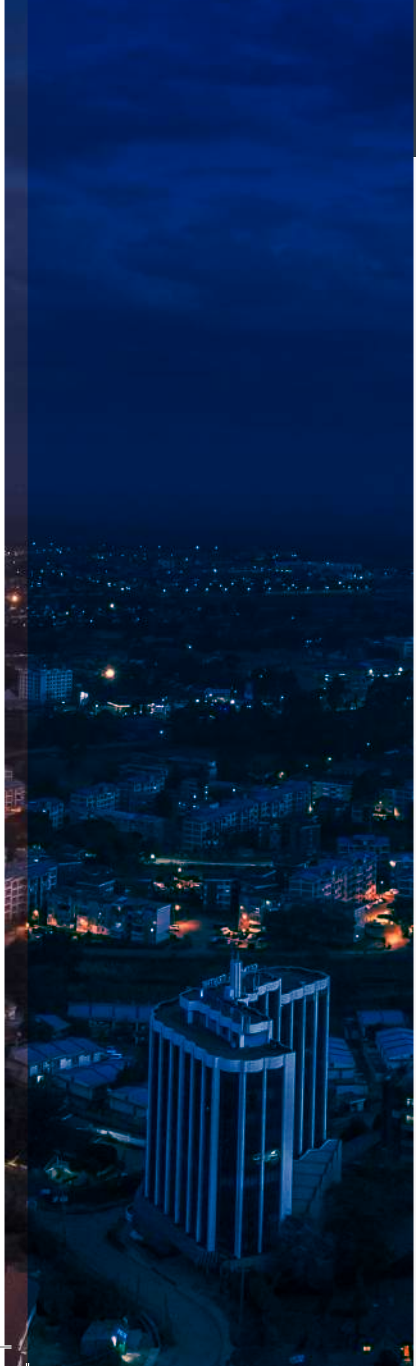


The leading Securities Exchange in East and Central Africa connecting capital to opportunities in the region through provision of a world class trading facility for local and international issuers and investors.

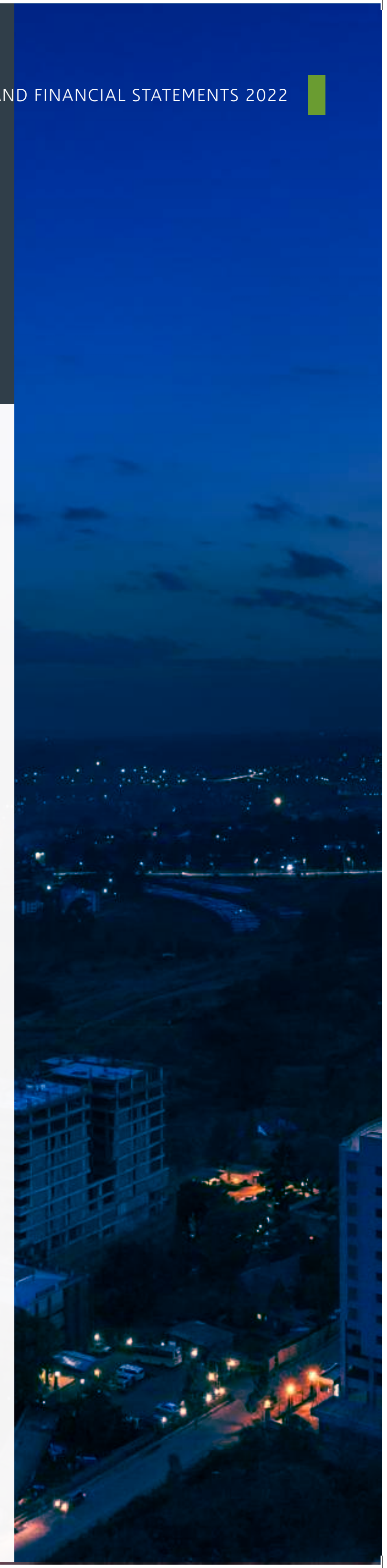
Nairobi Securities Exchange
55 Westlands Road,
P. O. Box 43633 - 00100
Nairobi, Kenya

Phone: +254 20 2831000 / +254 (020) 222 4200
Mobile: +254 0724 253 783 / +254 0733 222 007
Email: info@nse.co.ke


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.
www.nse.co.ke
NSE
nairobi securities exchange
Discover Opportunity



Contents



About this Report

The Nairobi Securities Exchange (NSE) Plc is pleased to present its Integrated Report and financial statements for the period 1 January 2022 to 31 December 2022. 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, 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 OF THE REPORT

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 its implications to the Group in the year under review.

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 business performance and other related investments. Any reference made to the Group will represent the NSE, its subsidiaries and associate investments. The report will however capture any material issues arising from any related transactions regarding the Group before the publication of this report.

PREPARATON & PRESENTATION

This integrated report has been prepared in accordance with the International Integrated Reporting Framework. The NSE Board of Directors have 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).

ASSURANCE

The Group's Financial Statements were audited by Deloitte and Touche LLP

Creating Investment Opportunities

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

www.nse.co.ke

nairobi securities exchange
Discover Opportunity

Corporate Information

DIRECTORS

Mr. Kiprono Kittony, EBS	Chairman
Mr. Paul Mwai	Vice Chairman
Mr. John Niepold	
Mr. Michael Turner	
Mr. Donald Wangunyu	
Mr. Stephen Chege	
Ms. Risper Alaro	
Ms. Isis Madison	
Ms. Carol Kariuki	
Mr. Geoffrey O. Odundo	Chief Executive

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

AUDITOR

Deloitte & Touche LLP
Deloitte Place
Off Waiyaki Way
P.O. Box 40092 - 00100
Nairobi, Kenya

BANKERS

KCB Bank Limited
Moi Avenue Branch
P.O. Box 30081 – 00100
Nairobi, Kenya

Standard Chartered Bank Kenya Limited
Chiromo Branch
P.O Box 3003 - 00100
Nairobi, Kenya

Co-operative Bank of Kenya Limited
Westlands Branch
P.O. Box 48231 – 00100
Nairobi, Kenya

LEGAL ADVISERS

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

Who we are

We are a leading African Securities Exchange based in Kenya, providing an avenue for capital raising anchored on a multi-asset class trading platform. We offer a broad range of products comprising of equities, bonds, Exchange Traded Funds (ETFs), Real Estate Investment Trusts (REITs), Derivatives, data and training services geared towards addressing investors' needs.

In addition, we also provide a platform for the trading and settlement of securities of unquoted companies called the Unquoted Securities Platform (USP). We equally support the growth and development of medium enterprises through the Ibuka program.

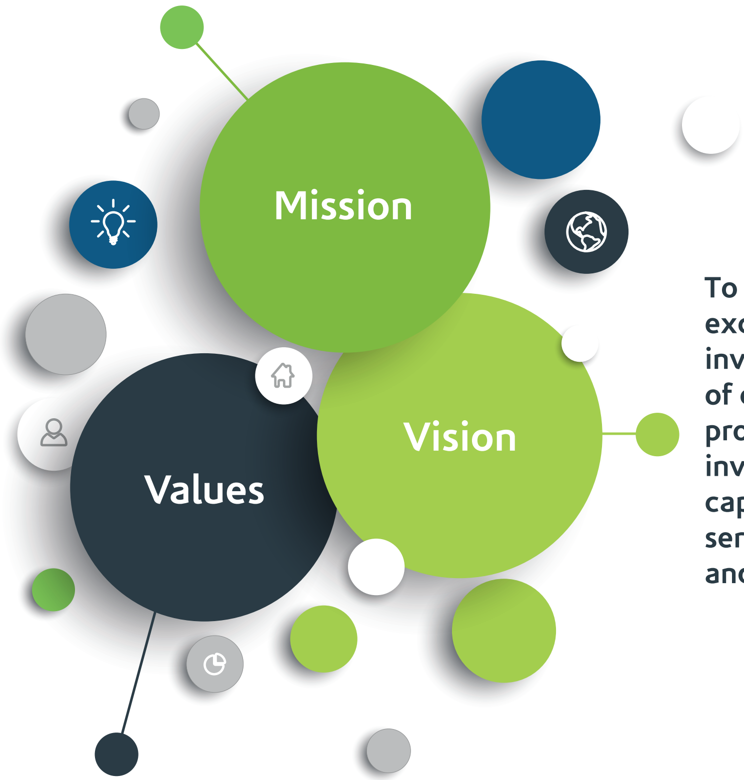
Our diverse blend of domestic and international investors enable companies and the Government to mobilize domestic resources and international capital to support economic growth in Kenya.

Our Purpose

The 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, bonds and derivatives. We offer data and analytics solutions to a wide array of investment clients both locally and internationally. NSE is the market of choice for local and international investors looking to gain exposure to the East African economies.

Linking capital to opportunity to enhance stakeholder value



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

- **Integrity**
- **Excellence**
- **Teamwork**
- **Sustainability**
- **Accountability**

Who We Serve

1 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.

2 Issuers

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

3 Government

We provide an avenue for the Government to list sovereign paper for secondary trading.

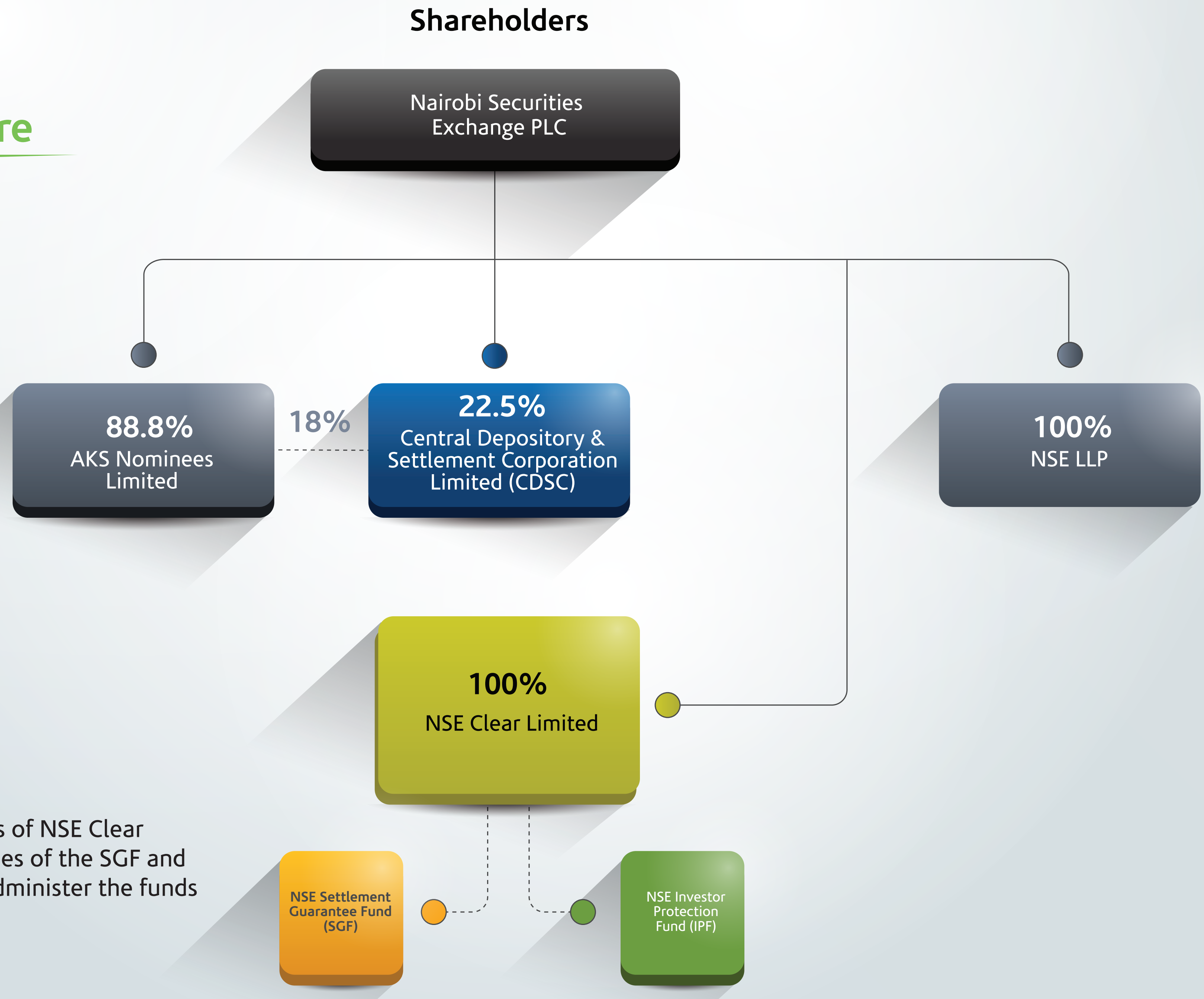
4 Data Clients

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 Index computing companies.

5 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.

NSE Structure



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


NSE Data Services
Access live or intra-day data on Equities,Fixed income and Equity Derivatives (single-stock futures (SSFs) and Index Futures) markets as well as market statistics data generated by the NSE
www.nse.co.ke
NSE nairobi securities exchange
Discover Opportunity

Our 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.

1921

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.

2011 – JULY

The Nairobi Stock Exchange Limited changed its name to the Nairobi Securities Exchange Limited. The change of name was a reflection of the 2010 – 2014 strategic plan of the NSE to evolve into a full service securities exchange, which supports trading, clearing and settlement of equities, debt, derivatives and other associated instruments.

2013 – JANUARY

The Nairobi Stock Exchange Limited changed its name to the Nairobi Securities Exchange Limited. The change of name was a reflection of the 2010 – 2014 strategic plan of the NSE to evolve into a full service securities exchange, which supports trading, clearing and settlement of equities, debt, derivatives and other associated instruments.

2014 – JUNE

The NSE received formal approval from the Capital Markets Authority (CMA) to operate as a demutualized entity. The NSE also received formal approval from the CMA to offer its shares to the public through an Initial Public offer (IPO) and to self list it shares

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.

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 – JANUARY
The NSE became the first Exchange in East and Central Africa to be admitted as a full member of the World Federation of Exchanges (WFE).

2018 – DECEMBER
The NSE launched its incubation and acceleration program dubbed Ibuka (meaning 'emerge' in Swahili) to offer companies the opportunity to grow their businesses and develop scalable and impactful business models.

2019 – FEBRUARY
The NSE launched revised listing rules incorporating listing requirements for Green Bonds enabling the NSE offer a new asset class to issuers and investors.

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 NEXT Derivatives Market, becoming the second Exchange in Africa to offer Exchange traded derivatives. The launch enabled the NSE commence the trading of Single Stock and Index Futures.

2019 – OCTOBER
The NSE launched a new trading system provided by millennium technologies, who are part of the London Stock Exchange group.

2020 – JUNE
Launched a dynamic and user-friendly mobile app, to enhance investors' participation in Kenya's capital market

2021 – MAY
Launched its unquoted Securities Platform

2021 – AUGUST
Safaricom and Nairobi securities Exchange announced their partnership to enable customers invest in stocks by redeeming their accrued Bonga points. Customers redeem their points at a rate of KES 1 for every 5 points.

2021 – NOVEMBER
NSE launched ESG Disclosures Guidance Manual.

2021 – DECEMBER
NSE launched Day Trading as part of its strategy to enhance market liquidity

nairobi securities exchange
Discover Opportunity


Creating Investment 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.
www.nse.co.ke
NSE
nairobi securities exchange
Discover Opportunity

Chairman's Statement

Overview

It gives me great pleasure to present to you the Nairobi Securities Exchange PLC (NSE) Integrated Report and Financial Statements for the period ended 31 December 2022. The year 2022 proved significantly challenging for economies both regionally and internationally.

The operating environment was drastically affected by domestic and international macro-economic developments that greatly impacted the Group's performance over the review period.

Despite the challenging environment, the Board remained committed to supporting the company make key strides towards the achievement of its strategic priorities as set out in its revised 2020-2024 strategy.

The achievement of key strategic priorities will enable us to solidify our mandate of offering a world-class market infrastructure that enables companies access and raise financing whilst providing investors an avenue to deploy capital and gain exposure to the country's economic growth.

Mr. Kiprono Kittony, EBS
Board Chairman

Operating Environment and Its Impact on Performance

During the year under review, the global economy experienced broad-based slowdown evidenced by the sharp reduction in economic activity from 6.1% to 3.2% in the year 2021 and 2022 respectively according to the International Monetary Fund.

The invasion of Russia into Ukraine and the ensuing war highly impacted economic growth globally leading to increased inflation, tightening financial conditions across the globe and slow demand for export products. Similarly, the expansive impacts of the COVID-19 continued to impact on growth.

Domestically, the protracted drought that characterised the better part of the year and political uncertainty heightened by Kenya's general elections held on August 2022 further impacted on the economy.

The lethargy in economic activity weighed heavily on investors sentiments resulting into capital outflows in major frontier and emerging markets as investors reallocated capital to near cash assets in developed economies as interest rates hiked in those markets.

Due to this, the performance of listed securities in our market remained subdued in the review period in congruence with global asset prices which were characterized by sharp price volatility.

The NSE continued to show resilience with the Board focused on ensuring the business remained profitable even in the challenging environment and spearheaded initiatives that will accelerate our growth over the next year.

Supporting Business Growth

During the year, we continued to accelerate initiatives sought to support business growth. Key to this is our continued effort to diversify the business to cushion it from constant revenue pressures arising from market volatility.

Over the last few years, revenue from trading activity accounted for over 70% of the Group's revenues. This posed critical revenue and business sustainability risks arising from market volatility that affected the growth of our revenues and profitability.

It is against this backdrop that we have accelerated growth from alternative revenue lines evidenced by a 78% growth in our data and information services revenues from Kshs. 52.5 Million to Kshs. 93.5 Million with other products such as training and consulting services also increasing profitability.

Renewed Commitment with Government

The performance and growth of frontier markets globally is heavily anchored on Government support and participation. I am pleased to inform our shareholders that the Kenya Kwanza Government has demonstrated significant interest to promote the growth and development of Kenya's capital market.

During the year, the NSE was privileged to host His Excellency Hon. Dr. William Samoei Ruto C.G.H. PhD, President of the Republic of Kenya for a Bell Ringing Ceremony to mark the launch of the enhanced NSE Market Place. During his visit H.E. committed to revitalize the capital markets by embarking on the privatization of state owned enterprises and divest up to ten State Owned Enterprises.

The President equally made a commitment to review of the existing privatization law with a view to replacing it with a legal, less inhibiting and more facilitative policy framework to steward a rapid privatization process. The proposed draft Bill has already been developed and exposed to the public for comments. It now awaits the approval of the Cabinet and the President.

As a market, we welcome this commitment by the new Government and have continued to work together with the relevant Government agencies to accelerate the Privatization of state corporation through the NSE.

This move by the Government will play a crucial role in enhancing our market's attractiveness to foreign investors as well as provide a sturdy boost to our equity market.

Financial Performance

As highlighted in the beginning of my statement, the performance of the business was greatly impacted by the macro-economic developments from a local and international level. Despite this challenges, the Board remained committed to ensuring the business continues to deliver sustainable returns to its shareholders.

During the year, the Group reported a revenue decline from Kshs. 714 Million in 2021 to Kshs. 642 Million in 2022 largely as a result of the reduced turnover in the equity trading business line. Equity levies reduced to Kshs. 225.8 Million from Kshs. 329.8 Million reported in 2021. Bond levies however increased by 18% to settle at Kshs. 79.4 Million in 2022 compared to Kshs. 66.9 Million reported in 2021.

Share of loss of associate (Central Depository & Settlement Corporation) increased from a loss of Kshs. 3.4 Million in 2021 to a loss of Kshs. 46.5 Million in 2022 on account of reduced equity and bonds trading in 2022 and a staff restructuring cost resulting from the voluntary early retirement program undertaken by the associate in 2022.

A comprehensive review of the 2022 financial performance is highlighted in the Chief Executive's review provided in this report.

Dividends

Our dividend policy places special focus on growing shareholder returns, maintaining strong capital ratios to support the company's take advantage of future growth opportunities and expansion strategies.

In line with our dividend policy and resilient financial performance, the Board of Directors is pleased to propose a first and final dividend of Kshs. 0.20 per share in relation to the financial year ended 31 December 2022.

Looking Ahead and Building for the Future

The operating environment over the last few years has proved to be quite uncertain. Despite our inability to control external macro-economic factors, there remains opportunities for us to explore to ensure the business continues to grow in a sustainable manner.

The NSE is well positioned for future growth. We have made strategic investments in products and market infrastructure that will spearhead our next phase of the company's growth. Our technology is now able to support various products and trading capabilities such as day trading and securities lending and borrowing.

These capabilities are in addition to the extensive coverage through our multi-asset offering to investors that enables them deploy capital and manage risks.

Guided by our strategy, we will continue to pursue various opportunities to expand our revenue base whilst maintaining cost discipline at an enterprise wide level.

In order to achieve growth at scale and at cost, the Board will promote strategic partnerships that will ensure we create unique solutions to capital seekers and capital owners in our market.

Capital markets financing still remains a core business offering by the Exchange and we are able to support medium to long term financial requirements through our debt and equity market solutions.

We will continue to work closely with the Kenya kwanza Government to actualize the listing of State Owned Enterprises (SOEs) through the privatization program on the back of their commitment to bring on board six to ten SOEs. Equally, we have revitalized our listing program targeting corporates and SMEs through partnerships with other capital market stakeholders.

Appreciation

Our resilience in 2022 would not have been possible without the expertise and strategic guidance of the Board. I want to take this opportunity to express my gratitude to my colleagues on the Board for the unwavering support accorded to me and the company during the year.

I want to also sincerely thank the NSE staff and Management team for their tenacity, hard work and dedication in the fulfillment of the company's objectives. We will continue to drive a culture of innovation and excellence among our employees for business growth.

Finally, on behalf of the Board, I would like to thank our issuers, trading participants, domestic and international investors for supporting the market during the year. We look forward to a great year as we continue to offer a world class platform to investors looking to gain exposure to Kenya's and Africa's economic growth.

Kiprono Kittony, EBS
Board Chairman
Nairobi Securities Exchange


NSE Data Services
Access live or intra-day data on Equities,Fixed income and Equity Derivatives (single-stock futures (SSFs) and Index Futures) markets as well as market statistics data generated by the NSE
nairobi securities exchange
Discover Opportunity
www.nse.co.ke

Chief Executive's Review

Changing for Growth, Growing for Change

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 ended 31 December 2022. In the face of strong headwinds, we were guided by NSE's mission to link capital to opportunity to enhance stakeholder value. Leveraging our resilient infrastructure and business model, we continued to meet commitments to shareholders and advance with our strategic growth plans, while exuding resilient operating results this year again.

Operating Environment

After navigating unprecedented pandemic-related market impacts since 2020, our markets have faced new and complex challenges as a result of geopolitical, macroeconomic and environmental uncertainty in 2022. As ever, our priority in this context remained to be the investment partner of choice through providing efficient investments and capital raising services in Africa and globally.

Since the start of the Russia-Ukraine crisis in February 2022, resulting supply chain disruptions, ensuing food and energy crises, and concerns over potential global recession, contributed to a volatile and complex market and operating environment, compounding the effects of accelerating climate challenges and continued Covid-related impacts.

Mr. Geoffrey Odundo
Chief Executive

The high inflation, tightening monetary policy conditions and slow demand for export products, negatively impacted global and regional economic growth. The International Monetary Fund estimates that international and regional growth declined by 2.6% and 1.1% to settle at 3.2% and 3.6% respectively.

Domestically, the Kenyan economy remained resilient with the National Treasury estimating that the country would record a Gross Domestic Product (GDP) growth of 5.5% in the year under review, compared to 7.5% recorded in the year 2021. This reduction is largely attributable to a sharp increase in energy and food prices stemming from geo-political tensions in Eastern Europe and the prevailing drought situation.

The country also posted heightened inflation which averaged 7.65% throughout the year, exceeding the upper limit set by the Central Bank of Kenya of 7.5%. The Kenyan shilling depreciated against the US dollar closing the year at Kshs. 123.37 compared to Kshs. 113.14 at the beginning of the review period.

Market Performance

During the year, the equity market was negatively impacted by rising international and domestic interest rates, which resulted in capital outflows and a reallocation of capital towards fixed income assets.

The United States Federal Reserve Bank raised the Fed rate seven times in the year under review to settle at 4.50% at the close of the year up from 0.25% at the beginning of the year. The Central Bank of Kenya (CBK) raised the reserve rate (CBR) three times in the year to close at 8.75% up from 7% at the beginning of the year. Equity market turnover declined by 31%, to close the year at Kshs. 94.2 Billion from Kshs. 137.4 Billion in 2021. Bond turnover also recorded a decline of 21% to settle at Kshs. 741 Billion from Kshs. 956 Billion.

The NSE 20 Share Index declined by 11.9% to settle at 1,676.10 points in 2022 down from 1,902.57 points in 2021.

The Exchange Traded Fund (ETF) market recorded a turnover of Kshs. 1.28 Billion compared to Kshs. 139 Million recorded in the previous year supported by favorable gold prices.

The NSE Unquoted Securities Platform (USP) recorded a total turnover of Kshs. 647 Million, an increase of 67.2% compared to Kshs. 387 Million recorded in 2021. The USP Is increasingly becoming an attractive fundraising platform for unlisted companies.

The Derivatives Market recorded a turnover of Kshs. 125 Million representing a 57% decrease compared to Kshs. 289 Million in 2021. The total number of outstanding positions held by investors stood at 429 contracts worth approximately Kshs. 13.5 Million in 2022, down from 939 contracts worth Kshs. 36 Million in 2021. This decrease replicates the performance of the equity market

Financial Highlights

The Group reported a revenue decline from Kshs. 714 Million in 2021 to Kshs. 642 Million in 2022 largely as a result of the reduced turnover in the equity trading business line. Equity levies reduced to Kshs. 225.8 Million from Kshs. 329.8 Million reported in 2021.

Bond levies however increased by 18% to settle at Kshs. 79.4 Million in 2022 compared to Kshs. 66.9 Million reported in 2021.

Data business recorded tremendous growth with revenue increasing to Kshs. 93.5 Million from Kshs. 52.5 Million recorded in 2021 owing to improved product uptake, introduction of new data sets and our partnership with an international data consultant.

Total expenses increased by 13% from Kshs. 487.8 Million in 2021 to Kshs. 551 Million in 2022 on account of increased marketing expenses, cost of business support activities and revaluation loss incurred on the property.

Share of loss of associate (Central Depository & Settlement Corporation) increased from a loss of Kshs. 3.4 Million in 2021 to a loss of Kshs. 46.5 Million in 2022 on account of reduced equity and bonds trading in 2022 and staff restructuring costs resulting from the voluntary early retirement program undertaken by the associate in 2022.

Other comprehensive income in 2022 includes fair value gain of Kshs. 31.5 Million on share price appreciation in our equity investment in the Dar-es-salaam Stock Exchange.

Total assets decreased marginally by 8% from Kshs. 2.2 Billion in 2021 to Kshs. 2 Billion in 2022 on reduced profitability, a revaluation loss on our property asset and reduced cash reserves on 2021 special dividends paid in 2022.

Return on assets and return on equity reduced from 5.89% and 6.31% respectively in 2021 to 0.68% and 0.74% in 2022.Cash flow from investing activities in the year decreased on the purchase of additional Government bonds and investment in fixed deposits with maturities of more than three months.

Cash and cash equivalents reduced to Kshs. 251.7 Million in 2022 from Kshs. 613.1 Million in 2021 on account of additional investments made in Government securities of Kshs. 93.4 Million, fixed deposits of Kshs. 86.8 Million and dividend payment of Kshs. 243 Million. Total investable assets stood at Kshs. 841.2 Million, inclusive of the regulatory restricted funds amounting to Kshs. 296.5 Million.

Positive Group Outlook

The global economic outlook remains fragile on account of increasing interest rates, heightened inflation and reduced economic activity. The resultant impact is a reduction in trading activity in global equity markets and increased capital allocation to fixed income and alternative assets.

In line with this, the Exchange has positioned itself to mitigate the impact of these economic challenges through broadening of its product offering to include Derivatives, REITs, ETFs and the USP.

Capital markets financing still remains a core business offering by the Exchange and we are able to support medium to long term financial requirements through our debt and equity market solutions. We are now partnering with the Kenya Government to actualize the listing of State Owned Enterprises (SOEs) through its privatization program on the back of their commitment to bring on board six to ten SOEs in the ensuing period. Equally, we have revitalized our listing program targeting corporates and SMEs through partnerships with other capital market stakeholders.

The Exchange continues to play a leading role in providing a venue for capital raising financing.

Through our diversified product offering, we are now able to support capital requirements for the national Government, Corporate and SMEs businesses, real estate practitioners and portfolio managers seeking to de-risk their investments.

Our Ibuka Program and the Unquoted Securities Platform (USP) aim to promote capital raising by small and medium sized enterprises. The two offer enterprises flexible admission requirements for companies seeking access to affordable and competitive capital to fund their growth and expansion.

The Board has initiated strategic revenue diversification initiatives to ensure the business continues to grow shareholder value especially in a tough operating environment. Core to these initiatives is to increase revenue from alternative income lines such as data, ETFs and REITs which recorded an exceptional performance in 2022. The company targets to increase the attributions from these income lines.

To increase trading activity in the market, we will build on our day trading infrastructure which contributed to 2% of total turnover in 2022 with a target of 5% this year. The NSE in partnership with other stakeholders have launched a retail mobile application, named Dosikaa, which will support retail investors participation in our market.

New Strides For Sustainable Development

Sustainability remains a central focus for the Exchange. To this end, the NSE has established a green bond market and supported compliance to Environmental, Social and governance (ESG) through the NSE ESG Guidance and Disclosure Manual that is currently in use by companies seeking to comply with ESG standards.

We are also working towards the development of a carbon credits trading market. We have to date, listed the first green bond in the region. We will soon be providing ratings and assessment services for ESG for listed companies.

The market is currently undervalued hence providing a very good entry point for investors. This is in line with the Government's focus of enhancing savings among Kenyans. The capital markets remain an attractive investment opportunity for the attainment of this objective.

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.

Our work does not stop here, as we step up activation of our strategic plans to maintain the positive momentum we have built, adapting to the fundamental shifts we see playing out: evolving consumption trends toward alternative products, digitalization and disruptive innovation, and accelerating developments to address the increasingly urgent need for decarbonization and more sustainable capital markets amid global climate and macroeconomic uncertainty.

Our success in these endeavors will depend significantly on the ability of our talented teams to develop, embrace new ideas and skill sets, and work with one mind as we transform together for tomorrow in 2023 and beyond.

Geoffrey O. Odundo
Chief Executive

Directors' Report

www.nse.co.ke

Directors' 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 31 December 2022, 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 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.

The Company's holding in AKS Nominees Ltd (AKS) is 89% (2021: 89%). AKS holds an 18% shareholding in the ordinary shares of the Central Depository & Settlement Corporation (CDSC) (2021: 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).

In 2020, the Company incorporated the NSE Limited Liability Partnership (NSE LLP). The Partners of the NSE LLP are the NSE PLC, the Chief Executive and the Chief Operating Officer of the NSE PLC. The LLP 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 Securities Platform. As per the Partnership Deed, NSE PLC contributed 100% of the capital of the NSE LLP and is allocated all profits and losses of the NSE LLP.

Business Review

The Group reported a revenue decline from Kshs. 714 Million in 2021 to Kshs. 642 Million in 2022 largely as a result of the reduced turnover in the equity trading business line. Equity levies reduced to Kshs. 225.8 Million from Kshs. 329.8 Million reported in 2021. Bonds levies however increased by 18% to settle at Kshs. 79.4 Million in 2022 compared to Kshs. 66.9 Million reported in 2021.

Data business recorded tremendous growth with revenue increasing to Kshs. 93.5 Million from Kshs. 52.5 Million recorded in 2021 owing to improved product uptake, introduction of new data sets and our partnership with an international data consultant.

Total expenses increased by 13% from Kshs. 487.8 Million in 2021 to Kshs. 551 Million in 2022 on account of increased marketing expenses, cost of business support activities and revaluation loss incurred on the property.

Share of loss of associate (Central Depository & Settlement Corporation) increased from a loss of Kshs. 3.4 Million in 2021 to a loss of Kshs. 46.5 Million in 2022 on account of reduced equity and bonds trading in 2022 and staff restructuring costs resulting from the voluntary early retirement undertaken by the associate in 2022.

Other comprehensive income in 2022 includes fair value gain of Kshs. 31.5 Million following the appreciation of Dar-es-salaam Stock Exchange (DSE) share prices.

Total assets decreased marginally by 8% from Kshs. 2.2 Billion in 2021 to Kshs. 2 Billion in 2022. This was as a result of reduced profitability, a revaluation loss incurred on our property asset and reduced cash reserves on special dividends paid in 2022 for the year 2021.

Directors' Report (Continued)

Return on assets and return on equity reduced from 5.89% and 6.31% respectively in 2021 to 0.68% and 0.74% in 2022.

Cash flow from investing activities in the year was negative on the purchase of additional Government bonds and investment in fixed deposits with maturities of more than three months.

Our cash and cash equivalents reduced to Kshs. 251.7 Million in 2022 from Kshs. 613.1 Million in 2021 on account of additional investments made in Government securities of Kshs. 93.4 Million and fixed deposits of Kshs. 86.8 Million. Total investable assets stood at Kshs. 841.2 Million, inclusive of the regulatory restricted funds amounting to Kshs. 296.5 Million.

DIVIDEND

The Group profit for the year of Kshs 13,724,000 (2021: Kshs 132,534,000) has been added to retained earnings. The Directors recommend the approval of a first and final dividend of Kshs 0.20 per share amounting to Kshs 52 Million (2021: Kshs 1.40 per share amounting to Kshs 364 Million).

DIRECTORS

Mr. Paul Vollant retired as a Director on 3 June 2022. Mr. John Niepold and Ms. Carol Kariuki were appointed as Directors on the same date.

The current members of the Board of Directors are as shown on page 2.

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

Deloitte & Touche LLP, having expressed their willingness, continue in office in accordance with the provisions of section 719 (2) 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
30 March 2023

Directors Profiles

Mr. Kiprono Kittony, EBS

Independent Non-Executive Director

Mr. Kiprono Kittony is the Chairman of the Nairobi Securities Exchange. 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 & 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.

Mr. Paul Mwai

Non – Independent Director Representing Trading Participants

Mr. 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.

Mr. Mwai was appointed a Board Director of the NSE on May 30, 2018. He is the Chief Executive of AIB-AXYS Africa Ltd and the immediate former Chairman of the Kenya Association of Stockbrokers and Investment Banks (KASIB). He has over twenty 30 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-AXYS Africa Ltd in February 2012 from African Alliance Investment Bank where he was Chief Executive.

Mr. Geoffrey Odundo

Chief Executive

Mr. Odundo is the Chief Executive of the Nairobi Securities Exchange Plc (NSE) a position he has held for the last Eight (8) years. He is an accomplished Investment Banker and has been in the financial services sector for the last 30 years holding senior roles in the Asset Management, Corporate Finance and Securities Trading. Prior to this, he was the Managing Director of Kingdom Securities Limited and Chief Manager, Merchant and Investment Banking at the Co-operative Bank of Kenya Group.

Mr. Odundo is a Director of the Central Depository and Settlement Corporation Limited; NSE Clear Limited and Trustee of the NSE Fidelity Funds. He is the Vice Chairman of the REITs Association of Kenya (RAK) and a past Director of the Association of Stock Exchanges of Africa (ASEA).

Mr. Odundo is a Council Member of the Institute of Certified Financial Analysts (ICIFA), member of Working Committee of the World Federation of Exchanges (WFE) and a member of the Central Bank of Kenya's Consolidated Fund for Debt Management (CFDDM) Committee.

He holds a Masters Degree in Strategic Management and an undergraduate degree in Mathematics and Economics and is an Advanced Management Program (AMP) graduate from Strathmore/IESE (Spain) Business School.

Directors Profiles (Continued)

Mr. Donald Wangunyu

Non-Executive Director Representing Trading Participants

Donald serves as the Chairman of the Board of the Kenya Association of Stockbrokers and Investment Banks (KASIB).

Previously, he has served as the chairman of the KASIB committees overseeing the growth of long-term funding for KASIB, the industry committee that oversaw the removal of capital gains tax from listed market securities, the Broker Back Office System (BBO) Functionality Management Committee. BBO is the system used by all stock-brokers and investment bank in Kenya.

Donald further serves on the board of Standard Investment Bank and chairs the Risk and compliance board committee of the investment bank.

Donald is a member of the Planning and Economic Council of the Dominican Friars of East Africa and an Advisory Board member of the East Africa Forum for Alternative Investments. His broad experience further includes serving as a member of the Capital Markets Master Plan implementation group, the Central Depository and Settlement Corporate's (CDSC) Market Operations committee and the system selection committees of the CDSC.

Donald is the Founder and Chief Executive Officer of FourFront Management, the first and only Fully licensed Robo-Advisor in the Country.

Mr. Michael Turner

Independent Non-Executive 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.

Ms. Risper Alaro-Mukoto

Non-Executive Director Representing Listed Companies

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

Ms. Alaro was appointed as a Non-Executive Director on the Board of NSE on May 30, 2018. She also serves as a Non-Executive Director on the Boards of Bank of Kigali PLC, Kenya Climate Ventures Ltd and Population Services Kenya (PSK). She is currently serves as the Group Finance Director at Centum Group PLC.

Directors Profiles (Continued)

Ms. Isis Nyong'o

Independent Non-Executive Director

Isis brings deep experience in navigating the Africa business landscape. As a Partner at Asphalt & Ink, she advises leading global foundations, investors, and technology companies on their Africa strategies. She is well established in Africa's technology ecosystem having played an instrumental role in shaping Africa's digital economy through notable leadership positions at Google, InMobi, and MTV Networks. With a background that includes partnership development, early-stage venture building and board service (public and private), she possesses a nuanced understanding of how scale organizations across the continent. She is involved in various initiatives to improve gender equality including co-founding WomenWork, a digital network of entrepreneurial women through which she has a direct grasp of the challenges and opportunities in the women's entrepreneurship ecosystem in Africa. Isis is a graduate of Stanford University & Harvard Business School and also serves on the board of LGT Venture Philanthropy.

Mr. Stephen Chege

Non-Executive Director Representing Listed Companies

Mr. Stephen Chege is the Chief Regulatory & External Affairs Officer, Vodacom Group.

Stephen joined Vodacom as Chief External Affairs Officer: Vodacom Group in November 2021. Stephen has a deep background in Regulatory and Legal Affairs. He is responsible for Group Regulatory, External and Corporate Affairs, which includes Public Policy, Communications, Media Relations, Group Corporate Social Investment (CSI) and Sustainability. The role covers all the Vodacom Group markets: DRC, Egypt, Lesotho, Mozambique, Tanzania and South Africa. He will also support Safaricom PLC and Safaricom Telecommunications Ethiopia PLC.

He holds a Bachelor of Law, a Masters of Law in International Trade and Investment Law, and is an advocate of the High Court of Kenya, as well as a Notary Public and a Certified Public Secretary

Ms. Carole Kariuki

Independent Non-Executive Director

Carole Kariuki holds a Bachelor of Arts Degree in Economics and Sociology from the University of Nairobi and a Master's Degree in Public Administration from Bowling Green State University, Ohio, USA. She has also pursued several professional courses on Stakeholder Management, Leadership and Private Sector Development among others.

Carole before joining KEPSA did work briefly for Barclays Bank of Kenya, Nairobi Chapel and Sagamore Institute for Public Policy Research, Indianapolis – Indiana, where she acted as a liaison between Kenya Private Sector Alliance (KEPSA) and the Institute before formally joining KEPSA. She worked for several years at KEPSA before being appointed KEPSA CEO.

Ms. Kariuki is credited for transforming KEPSA from a little-known Business Organisation to one of the most influential Organisations in Kenya and Globally. KEPSA is the Apex body of the private sector in Kenya, galvanizing the private sector through public-private dialogue and influencing the economic and development agenda.

Mr. John Nieopold

Independent Non-Executive Director

Mr. Niepold has over 25 years of experience in frontier investing in Africa and the Middle East. In 2010, he founded SQM Frontier Management LLP and served as the Managing Partner and Portfolio Manager for the firm's Frontier Africa Fund. Prior to founding SQM, Mr. Niepold was a Portfolio Manager and Partner at Emerging Markets Management (EMM) where he launched and managed the first fund dedicated to investing in Africa's frontier stock markets among other achievements.

Mr. Niepold also served as an equity analyst in Southeast Asia for Crosby Securities and as an independent consultant covering frontier markets throughout the world. Mr. Niepold has a Bachelor of Arts degree in Economics from Davidson College and a Master of Business Administration degree from the Kenan-Flagler Business School at the University of North Carolina/Chapel Hill.

NSE Executive Committee Members

Geoffrey Odundo
Chief Executive

Kuria Waithaka
Company Secretary & Chief Legal Officer

David Wainaina
Chief Operating Officer

Jane Kiarie
Chief Finance Officer

Mbithe Muema
Chief Business Officer

Irungu Wagemma
Chief Officer, Strategy, Risk & Compliance

Fredrick Okong'o
Chief Internal Audit

Titus Kiilu
Chief Officer, Regulatory Affairs

Lucy Kamar
Chief Officer, HR & Admin

nairobi securities exchange
Discover Opportunity

Corporate Governance

Policy Statement

www.nse.co.ke

Corporate Governance Policy Statements

Code of Corporate Governance Principles

The Board and Management of the NSE have put in place deliberate effort towards full compliance with the Capital Markets Code of Corporate Governance Practice for Issuers of Securities to the Public 2015 (the "Code").

In compliance with the Code, NSE conducted a Governance Audit and the Legal & Compliance Audit in 2018 through Strategic Business Solutions International Limited (SBSIL). All recommendations made during the audit were fully implemented.

However, NSE is planning to do a Legal and Governance audit in 2023 in line with amendments to The Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 through circular no.1 of 2020 released by the Capital Markets Authority on January 2, 2020.

After further consultations & engagements with the stakeholders, taking into account the issues raised and wider stakeholders' interests, the Authority will be amending the Code in order to reschedule the governance audits to at least once in every 2 years with the option of the Authority increasing or decreasing the cycle based on a risk based approach. In all cases, in any period in which a governance audit has not been undertaken, the issuer will be required to detail the progress made in implementing prior audit recommendations.

Board Charter

The Board of Directors of the NSE regard corporate governance as key to the achievement of NSE's mission and vision, and is committed to applying the core governance principles.

The NSE Board Charter outlines the;

1. Roles, functions, responsibilities and powers of the Board, individual directors and the officials and executives of the NSE;
2. Powers delegated to various Board Committees of the NSE; and
3. Policies and practices of the Board in respect of matters such as corporate governance, trading by directors, declarations and conflicts of interest, Board meeting documentation and procedures and the nomination of directors, training and evaluation of directors and members of Board committees.

Whilst the Board Charter includes references to minimum acceptable standards of conduct, the Board embraces global best practices in this regard.

Board Diversity

The NSE Board has put in place a policy to ensure the achievement of diversity in its composition.

The Remuneration and Nominating Committee assess the required skills mix and expertise for the executive directors as well as Independent and Non-Executive Directors. The Board considers factors such as: size, qualifications, technical expertise, relevant industry knowledge, experience, nationality, age, gender and other demographics with a view to enhancing effectiveness.

NSE promotes diversity by championing Gender Equality, alongside other exchanges, investors, private sector and regulators.

The Board Profiles on pages 23-25 has more details on size, age, gender, qualifications among other factors.

Board Induction and Training

The NSE Board has established a formal induction program for the Board. All Board members receive induction on joining the Board and are updated on the various skills and knowledge at regular intervals.

Board members are provided with necessary orientation in the areas of the Company's business (the Company's operations, product offerings, regulatory framework and the business environment) in order to enhance their effectiveness. They are also introduced to their fiduciary duties and responsibilities.

The Board has also put in place training programs for the members.

Corporate Governance Policy Statements (Continued)

Board Remuneration

The NSE Board has established 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 practice. Non-Executive Directors are paid a sitting allowance for every meeting attended.

The Company does not grant any personal loans, guarantees, share options or long term incentives to its Non-Executive Directors. Neither are the Non-Executive Directors eligible for provident fund. 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.

Code of Ethics and Conduct

The Company has a Code of Ethics and Conduct Policy. All Board members and NSE employees are required to uphold the highest standards of integrity, ethical standards and excellence in line with NSE's core values of Integrity, Excellence, Teamwork, Sustainability, and Accountability. The performance on ethics has been good and is monitored periodically with all staff having to sign the Annual Code of Conduct Attestations.

NSE recognizes that ethical business brings sustainable business. We are committed to playing a proactive role in a globally competitive and prosperous nation operating on ethical business standards as evidenced by our involvement in various ethical and sustainable initiatives such as the UN Global Compact, being signatory the Code of Ethics for Business in Kenya among others.

Whistleblowing

The NSE Board has put in place a Whistleblowing Policy that recognizes the difficulty its stakeholders may face in raising their concerns with regards to the Company operations.

The Policy protects every employee and business partner who raises a concern in good faith.

The Company will treat every concern raised by an employee in good faith seriously and in a confidential manner and does not retaliate or allow any retaliation or discrimination by its employees of any kind against any employee who raises a concern in good faith.

Stakeholders can raise their concerns with the relevant Company officials and/or through the available reporting channels. Staff and other stakeholders are regularly sensitized on the need to report any suspected unethical business practices and procedures to make suchreports.

The summary of this policy is available in our website.

Insider Dealing

The NSE has an insider trading policy guided by Sections 32A – 33 of Part VI of the Capital Markets Act (Cap 485A) which prohibits insider trading. The policy provides procedures and guidelines with respect to transactions in the NSE securities, the protection of Insider Information and the standard of conduct expected of the NSE directors, officers and employees. Internal stakeholders are made aware that they ought not to trade in the Company's shares while in possession of any insider information that is not available to the public or during a closed period. NSE's closed period covers between 1st January until publication of full year results and 1st July until publication of half year results.

Corporate Governance Policy Statements (Continued)

Conflict of Interest

The Board has put in place a policy to manage conflict of interest. As a procedure, Directors declare any real or perceived conflict of interest with the Company and such disclosures are reflected in the Minutes of the Board and Committee's meeting. The Company Secretary maintains and updates the register of declared conflict of interest. The Board is appraised on the statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company.

All business transactions with Board members or their related parties are carried out at arms' length. In practice, there is an acknowledgement that if it comes to the attention of a Board member that a matter concerning the Company may result in a conflict of interest, the Board member is obligated to declare and exclude himself/herself from any deliberations, voting or decision over the matter in conflict.

Enterprise Risk Management

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 the applicable laws, regulations and guidelines.

(More notes on page 31 - 32)

Information and Communication Technology

The NSE leverages heavily on technology to deliver its core mandate of delivering a world class trading platform.

The NSE Board has prioritized cyber security and related Information Technology risks. To ensure confidentiality, integrity and availability of the various platforms, the Exchange has adopted the National Institute of Standards and Technology Cyber Security Framework as the back bone of its Information and Communication Technology (ICT) and Cyber Security policies. Being a full member of the World Federation of Exchange (WFE), the NSE is constantly benchmarking with international best practices as well and has tailored the policy framework relevant to securities trading.

The Exchange has in place relevant ICT policies, procedures as well as enforcing the practices that are congruent to these policies.

The Management and staff are actively driving a cyber security conscious culture within the organization. There is commensurate investment in setting up controls and monitoring tools to assure the various stakeholders of security in access and use of the ICT assets of the organization.

Procurement Policy

We have in place a robust Procurement Policy that ensures appropriate risk assurance, integrity in all procurement activities, consistency across the organizations purchasing practices and openness and transparency of decision making when dealings with suppliers/service providers.

The policy is based on notable principles: namely, value for money, open and fair competition, risk management, accountability and building mutually beneficial relationships with our suppliers. A Management Tender Committee oversees the award of tenders and reports to the Finance and Strategy Committee of the Board based on the limits as set out in the Procurement Policy and Procedures.

Enterprise Risk Management (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 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.

Enterprise Risk Management (ERM) Framework (Continued)

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:

- » Human capital related;
- » Technology and systems;
- » Information security;
- » Fraud and theft;
- » Procurement and third party;
- » Contracts management;
- » Legal and compliance;
- » Business disruption and continuity;
- » Regulation of markets;
- » Market operations;
- » NSE client concentration;
- » Strategic arrangements; and
- » 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.

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.

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

- » Business areas through the risk champions and risk owners are required to provide risk reporting to the risk team in the 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 31 December 2022, these stood at issued share capital of Sh. 1,041.57 million, share premium of Sh. 279 million and retained earnings of Sh. 540.78 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.

Strategic Partnerships and Relationships

NSE engages actively with key stakeholders in the Kenyan Capital Market in achieving its mission of linking capital to opportunity. These include; the Capital Markets Authority-Kenya, Kenya Association of Stock Brokers and Investment Banks (KASIB), the Kenyan Government, market participants, among others. On 11th October 2022, for example the NSE hosted the Bell ringing ceremony launching an enhanced Market Place, officiated by His Excellency Hon. William Samoei Ruto, Phd, C.G.H., President of the republic of Kenya and Commander-In-Chief of the Defence Forces, to mark the launch of the enhanced Nairobi Securities Exchange Market Place committed to 5-10 listings on the NSE.

Further to this, the Exchange maintains membership in key organizations such as the African Securities Exchanges Association (ASEA), East African Securities Exchanges Association (EASEA), World Federation of Exchanges, Association of Futures Market and the United Nations-led SSE initiative.

Additionally, through its Investment Challenge and Annual Charity Trading days the NSE is able to respond to the needs of the stakeholders and reinforce confidence in the its brand.

Our Innovation

NSE continues to look for new ways to handle its operations and promote product uptake in the market. During the period under review NSE championed the following innovations; trading of shares using Safaricom's bonga points, African Exchanges Linkage Programme, introduction of block trading, signing of an MOU between NIFCA (Nairobi International Finance Centre) on Carbon Trading Rating, held its AGM online, promotion of the uptake of day trading by extending the 100% waiver on all fees levied on such transactions and introduction of financial literacy programme for school going children.

The Exchange remains committed to exploring 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.

Our Talent (People)

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 = **44**

55% **45%**

Value Creation Schedule

	2022	2021	Variance
	Sh '000	Sh '000	%
Revenue	642,764	714,267	(10.01%)
Stakeholder contribution			
Taxes to Government	97,362	85,391	14.02%
Shareholders dividend paid	243,965	232,533	3.58%
Payment to suppliers	254,710	222,967	14.24%
Human capital	177,359	171,841	3.21%

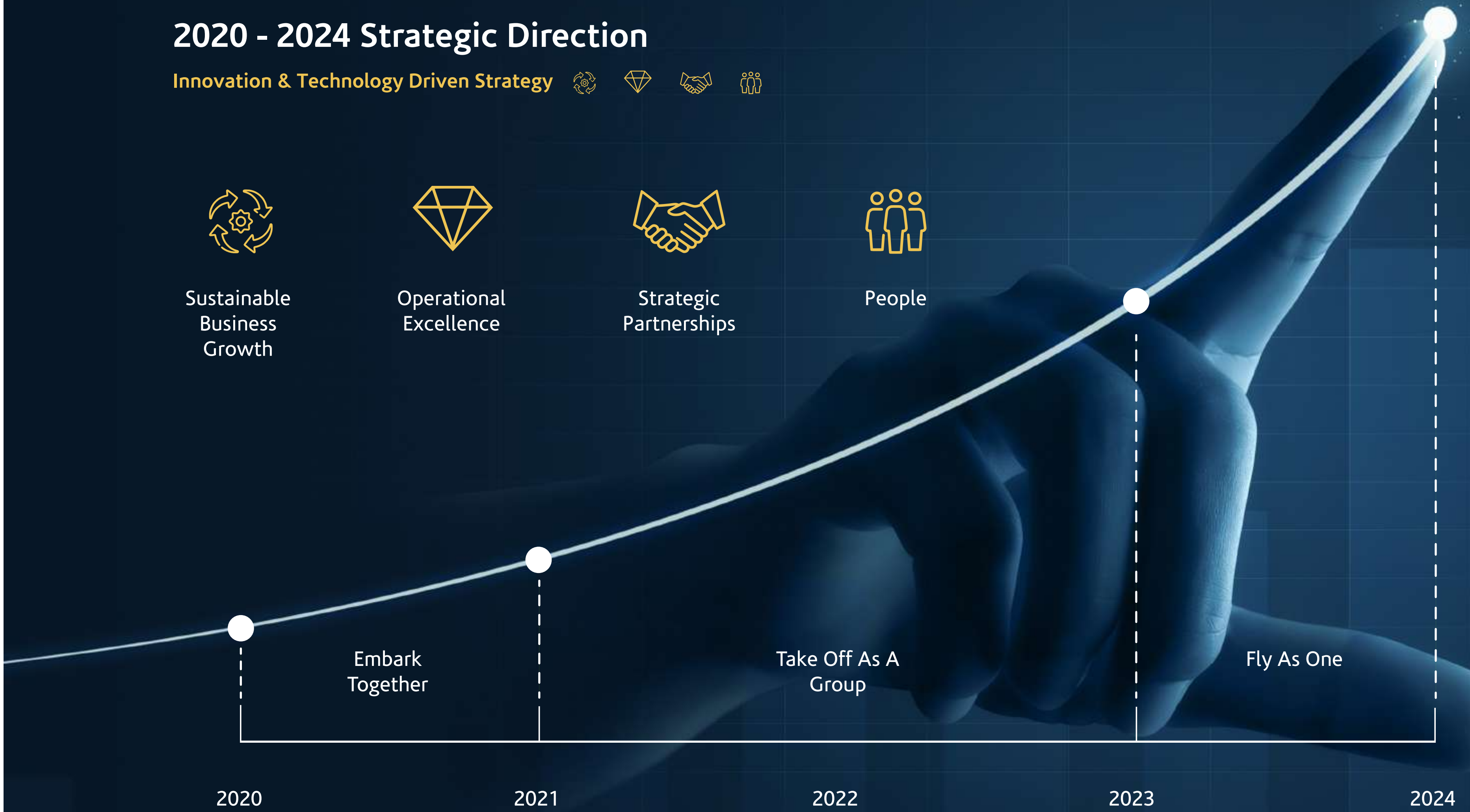
Note: Taxes to Government exclude VAT and withholding tax paid for supplier invoices

Strategy

2020 - 2024 Strategic Direction

Innovation & Technology Driven Strategy

- Sustainable Business Growth
- Operational Excellence
- Strategic Partnerships
- People



Vision

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

Mission

Linking capital to opportunity to enhance stakeholder value.

Our Core Values

Integrity
Excellence
Teamwork
Sustainability
Accountability

Taking off: NSE 2020 - 2024 Strategic Intent

An ambitious journey towards 2024

NSE 2020 - 2024 Strategy

Some of the key strategic achievements of the revised strategy in 2022 included:

The NSE successfully conducted a review of its mid-term strategy and was able to formulate the following thematic areas:

- **Market Capitalization:** For the market capitalization of equities, we achieved a KES 1.99 Tn cap vs a target of KES 3.79 Tn, on the other hand, we were able to surpass the revised KES 2.17 Tn to achieve a bonds market cap of KES 3.66 Tn.
- **Revenue:** Our total revenue for the year 2022 was KES 642 Million FY 2022 against a target of KES 726 Million.
- **Cost-To-Income Ratio:** The NSE Cost-To-Income ratio was at 83% at end of year 2022 against a target of 74%.
- **Diversify the non-trading to trading revenue:** Non-trading to trading income was edging closer to 55:45 ratio as it had progressed to a 41:59 ratio despite a challenging year.
- **Establish NSE as a listing authority by 2024:** We are currently engaged with the relevant stakeholders on the same to develop enhanced regulatory and in-house frameworks and capacity building.
- **Implementing the revise Public Offer Listings and Disclosure Regulations including powers to set its fees by 2024:** An ongoing engagement with Capital Markets Authority to delegate and transition the necessary powers to the mandate of the NSE.
- **Expand the business through strategic acquisitions which is ongoing.**
- **Improve our trading infrastructure by 2023 that was deferred to 2024 due to the current low market conditions.**

Some key market targets include:

1. An additional listing namely TransCentury – Rights Issue.
2. Ceabud enrolled in the Ibuka program.
3. Local Authorities Pension Trust and the Kenya Mortgage Refinance Company issued corporate bonds worth KES 6.9 Bn and KES 1.4 Bn respectively.
4. There were 7 government bonds raising KES 272 Bn by end of year 2022, from tap sales to re-opening of bonds.

NSE 2020 - 2024 Strategy (Continued)

2020 – 2024 Revised Strategy Implementation Status and the Key focus areas in 2023

1. We are in the fourth 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.
2. In the last year, 2022, we achieved an average implementation of 78% with significant improvements in Strategic Partnership and Operational Excellence pillars.
3. There is a great focus to build on our Sustainable Business Growth pillar through initiatives such as enhancing market liquidity, increasing number of listed companies, growth of derivatives market, diversification of revenues and improving local market participation through introduction and development of new and existing distribution channels.
4. The market performance has been experiencing a bear run in the recent year's due macroeconomic shocks, globally and locally such as inflation, currency fluctuations and geopolitical tensions. Additionally, the market fees have remained unchanged for the past 20+ years and are unequitable for the players but there are ongoing negotiations with the relevant authorities to address the same.
5. In 2023, we will lay focus on growing the market size through increasing the number of listed large state and corporate institutions, cross-listings, and growth of our SME segment. Although, no listing was done in the year 2022, in 2023 there is commitment and an active partnership with the Government of Kenya through the Privatization Bill 2023 to ensure that there are at least 3 listings by end of year 2023. This was affirmed by the Presidential visit to the exchange in October of 2022 where His Excellency President William Samoei Ruto EGH pledged to list 10 companies over the course of 2023.
6. 2023 will involve quality issuances for the market from the private sector as well as we are leveraging technology and innovative partnerships through our Ibuka platform as well as the unquoted securities platform that is set to provide great market liquidity.
7. With the current global depressed market conditions, we are awaiting publication of the new Privatization Bill 2023 by the National Treasury of Kenya that will unlock Government privatization and shareholding sell-down of State Owned Enterprises. This will allow us to leverage on the privatization effect to spur private listings in the market.
8. We seek to offer alternative routes of capital raising for the Government to reduce interest rates and explore different types of bond securities through the issuance and reissuance of bonds.
9. Affordable housing will deliver immense value to the Nairobi Securities Exchange as it promises to bring 4 listings to the market by the end of year. Already, 1 REIT by the lap-trust fund has already been onboarded and is set to be launched on the 22nd of March 2023.
10. In addition, we expect better uptake of our new products which includes derivatives, exchange traded, real estate instruments, unquoted securities platform and 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.
11. Our consistent and targeted advocacy has enabled us to onboard numerous technology partners with whom we are currently exploring ways to improve on current technology as well as discover new and innovative technologies. We are already setting up a framework for a special board for fintech's for Ibuka, to provide fresh value to our Ibukees.
12. NSE is leveraging on adoption of various technology-enabled platforms to widen its investor reach in order to grow our retail investor footprint. The NSE will also continue to diligently participate in several engagements through various platforms to enrich investor knowledge on opportunities in the market during this period.
13. Carbon credit trading is a major product that is set to be a major boost to the NSE through this year. Currently, we have signed an MOU with a technology partner to explore the carbon credit markets. Being in the market development phase, we are working with development partners to build capacity and skill of the organization.


The NSE Offers Premium Training & Consulting Services in:
Trading and investments
Trading Systems and Technology
Corporate Governance
Risk and compliance
ESG
www.nse.co.ke
NSE
nairobi securities exchange
Discover Opportunity

Cash and Derivatives Market Report for the Year Ended 31 December 2022

Mbithe Muema
Chief Business Officer

The NSE remained resilient despite tough global economic conditions occasioned by geo-political tensions in Europe which led to trade disruptions and increased supply chain constraints. The sanctions imposed on Russia had a major impact on global macros mainly exchange rates, supply chains, inflation and the capital markets.

Global economic activity experienced a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades tightening financial conditions in around the world, and the lingering COVID-19 pandemic all weigh heavily on the outlook.

Estimated GDP growth in 2022 was 6%. The Kenyan shilling continued to weaken in the year 2022 evidenced by erosion of the Kenyan shilling amongst major currencies. According to the IMF, Global growth was forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic. Global inflation was forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 but to decline to 6.5 percent in 2023 and to 4.1 percent by 2024.

The African Exchanges Linkages Project (AELP) in June 2022 admitted 2 exchanges - Bostwana Stock Exchange and Ghana Stock Exchange in addition to Egypt, Morocco, Mauritius Nigeria, Kenya, BVRM and South Africa. In November 2022, the project officially launched with cross-border trading going live.

In 2022, Management continued to prioritise key pillars on the Strategic plan. This report will aim to outline progress, achievements and innovative solutions under way during the period under review. Some of the initiatives employed during the year include the Inaugural NSE Chief Financial Officer (CFO) Conference, day trading and derivatives.

Main Board Listings

Management continued to engage both the private and public sector in an effort to seek new quality listings. Private sector pipeline for listing presented a promising outlook for 2023 based on ongoing engagements with multiple corporates and MSME's.

Management through continuous engagements with the National Treasury and County governments sought to support the government in meeting its funding obligations through the capital markets. Affordable housing presented abundant opportunities for investors to contribute to the growth of the housing market through issuances of REITS.

Corporate Bond Market

Appetite for corporate bonds was robust during the year 2021 following the success of the issuances in that year. However there were no new issuances in year 2022.

Capitalising on opportunities within the Unquoted Securities Market in Kenya

The Unquoted Securities Platform was launched in 2021 and has registered a cumulative turnover of Kshs. 1,035 Million since launch.

Cash and Derivatives Market Report for the Year Ended 31 December 2022 (Continued)

The year saw an improved turnover of Kshs. 647 Million compared to Kshs. 388 Million in the previous year indicating a growing appetite for private investments using the platform. The Acorn I-REIT saw a 1.3% net asset value growth since December 2021 while the Acorn D-REIT has saw a 15.8% jump in NAV over the same period. The property developer also held a rights issue adding an additional 8,401,245 units to their D-REIT and offered 134Million units to the I-REIT.

The platform has enabled issuers to unlock liquidity and raise private capital more easily. Issuer interest is growing on this platform with a healthy pipeline of new issuances expected in 2023

The Ibuka Program Strategy

In offering a capital markets governance and financing solution, the NSE developed Ibuka, an incubation and acceleration program to prepare companies for listing and access to other capital raising options available through the NSE.

The companies hosted on the Ibuka program enjoy tailor made advisory services targeted to restructure various aspects of their business as they prepare for future capital raises on the debt or equity markets at NSE.

In the financial year, Management admitted one company on the program i.e., Ceabud Engineering. Currently, the program has been restructured to ensure that a diagnostic process for purposes of evaluation of potential Ibuka companies is instituted this year to ease the administrative processes and accelerate uptake by more firms. The same platform will link financiers to the companies and give advisors opportunities to structure the deals

Exchange Traded Funds

The NewGold ETF saw sharp increases in trading activity in Q2 2022 as investors sought out gold as a safe haven. This reflects investor confidence in the asset's ability to support portfolio diversification and hedging amidst geo-political tensions in Europe.

As a result of the growing demand for the NewGold Etf the issuer listed an additional 400, 000 units in the year. This year, ETF has seen increased demand with a total of 827,400 units traded in 2022 compared to 75,800 units traded in the previous year, representing a 992% increase in volumes.

The NewGold ETF has equally gained a 15% in value between 2021 and 2022 tracking the global gold commodity prices registering a turnover of Kshs. 1,280 Million in 2022 compared to Kshs. 139 Million in 2021.

Real Estate Investment Trusts

Real Estate Investment Trusts (REITs) experienced momentum in the year under review with the CPF REIT releasing its offer memorandum in late 2022 with the expectation of coming to market in early 2023. Management continued to engage with property developers and pension funds to consider taking up REITs. Management also engaged with sector Associations and Regulators to consider the formation of a national REIT structure.

Derivatives

During the year Management was able to onboard Scopemarkets (SCFM) as a trading participant to open up the market to to additional investors. Management continues to engage both local and international participants with the addition of a new clearing member expected in 2023. The active members in the market include AIB-AXYS Africa Ltd (AIBC), Genghis Capital Ltd (GENC), Kingdom Securities Ltd (KING), Standard Investment Bank (STIB), Sterling Capital Ltd (STER), Faida Investment Bank Ltd (FINB), NCBA Investment Bank Ltd (NICS), EGM Securities Ltd (EGMS), and NCBA Custody (NICC) all trading under the Co-operative Bank (K) Ltd as their clearing bank. 2022 saw reduced market activity across the equities and derivatives markets due to ongoing geopolitical tensions as well as the rising cost of lending around the world.

Cash and Derivatives Market Report for the Year Ended 31 December 2022 (Continued)

The market turnover stood at Kshs. 125 Million with a total of 4,101 contracts traded compared to Kshs 289 Million and 7,354 contracts traded the previous year.

Management noted that the market follows the global trend where trading is heavily retail oriented with a strong preference for trading single stock futures. The majority of trades have also been speculative in nature with interest growing from investors looking to hedge their portfolios from increased volatility across the different asset classes.

Management has placed at the forefront of its strategy initiatives to grow capacity amongst investors by hosting virtual webinars, hosting investor and an professional training and producing training material to increase uptake in the Derivatives market as a core investment option.

Outlook for the year 2023

Management is keen on increasing the number of companies raising equity and debt capital through the market. Management will continue to work towards working with clients to close current transactions as well as continue to build a strong pipeline for business growth in the year 2023.


Creating
Investment
Opportunities
We offer Investors access to Kenya's and East Africa's economic growth through exposure to leading companies across various sectors of the economy.
www.nse.co.ke
NSE
nairobi securities exchange
Discover Opportunity

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 financial year under review presented a number of opportunities. It was the year that the Department activated its cloud strategy with one of the core systems i.e the broker back office being hosted in the cloud. This is aligned to our 2020-2024 strategic plan where operation excellence is a key focus.

From a system perspective the Department continued to manage a world class equities infrastructure provided by the millennium IT which is part of the London stock Exchange Group. The system was extremely resilient devoid of any system issues. It is worth noting that the market achieved 100% system availability though out the year. The system has a world class disaster recovery site guided by internal best standards expected of such a facility.

On the bonds section, the Department in liaison with the Central Bank of Kenya (CBK) was able to commence the implementation of an interface to support secondary trading of bonds in the new depository by the CBK. Once the new CDS is rolled out the NSE will continue supporting a transparent secondary market for fixed income securities including Government bonds. It is worth noting that in the year under review the government was able to access Kshs 511.37 Billion though domestic borrowing. The secondary market on the NSE was a critical facet to this success given that investors had the flexibility to exit or buy more at the Exchange.

Finally on the information services front the team embarked on marketing reliable and credible market data in NSE possession. This was done at local and international level resulting to a 78% growth in data revenue from Kshs 51 Million to Kshs 93 Million. We noted the increased appetite by data consumers to assist in making investment decisions. This was channeled through licensed data vendors as well as the NSE Website.

In conclusion the Department is bullish that building on the 2022 foundation we expect better performance in 2023 especially as the economy recovers from external shocks experienced in the year under review.

> **“The financial year presented a number of opportunities. It was the year that the Department activated its cloud strategy with one of the core systems. This is aligned to our 2020-2024 strategic plan where operation excellence is a key focus.”**

The NSE Sustainability Report

www.nse.co.ke

nairobi securities exchange

Discover Opportunity

SUSTAINABILITY AT THE EXCHANGE

GEOFFREY ODUNDO
Chief Executive, NSE

This year's sustainability statement showcases the Nairobi Securities Exchange's (NSE) commitment to a sustainable global economy and its progress in achieving long-term value through sustainable development. We have made significant strides in our sustainability journey, which is deeply embedded in our business model and transformation roadmap.

In 2022, we solidified our role as a regulator and standard-setter, guiding companies to comply with regulations that ensure stable, transparent, and fair markets. As the market grapples with emerging ESG disclosure and management requirements, the NSE plays a vital role in navigating these demands.

We recognize that collaboration with stakeholders is crucial to promoting responsible practices and driving lasting positive change throughout our value chain. Our continued collaboration on joint projects aims to engage, train, and empower the communities connected to our operations and activities in the region.

GRI Standards Alignment: The NSE has embraced the GRI Standards, which provide a robust framework for reporting economic, environmental, and social impacts. Our sustainability reporting adheres to the principles of materiality, stakeholder inclusiveness, sustainability context, and completeness.

Material Topics: After conducting a comprehensive assessment of our impacts and stakeholder expectations, we have identified the following material topics:

1. Environmental Stewardship (GRI 303, 305, 306): We are committed to minimizing our environmental footprint through energy-efficient measures, waste reduction strategies, and responsible resource consumption practices. Our focus areas include energy consumption, greenhouse gas emissions, waste management, and water conservation.

2. Social Responsibility (GRI 401, 403, 405): We prioritize the well-being of our employees by promoting diversity, equality, and professional growth. We engage in community development initiatives, supporting education, healthcare, and social progress. Our key areas of focus include employee well-being, diversity and inclusion, community investment, and philanthropic activities.

3. Ethical Governance (GRI 205, 206, 419): We uphold the highest standards of ethical conduct, transparency, and accountability. Our corporate governance practices ensure adherence to legal and regulatory requirements. Our focus areas include anti-corruption measures, board governance, stakeholder engagement, and compliance with applicable laws and regulations.

> **“We recognize that collaboration with stakeholders is crucial to promoting responsible practices and driving lasting positive change throughout our value chain.”**

4. Market Integrity (GRI 102, 205, 301): We maintain a fair, transparent, and efficient marketplace, upholding market integrity. Our key areas of focus include investor education, market regulations, listing standards, and surveillance mechanisms to prevent fraudulent activities.

Promoting Gender Equality and Women Empowerment

The NSE is at the forefront of promoting gender equality and women's empowerment in Kenya. We advocate for more women leaders in both boardrooms and management positions in the corporate sector. In 2022, we empowered women
In line with our commitment to sustainability and driving positive change, the Nairobi Securities Exchange (NSE) remains dedicated to promoting gender equality and empowering women in Kenya. We recognize the importance of ensuring women's full and effective participation and providing equal opportunities for leadership.

Throughout 2022, the NSE took significant steps to advance gender diversity and empower women in various sectors. One notable initiative was the annual "Ring the Bell for Gender Equality" event, which celebrated women in leadership roles and raised awareness about the significance of achieving gender equality, even in the face of the challenges posed by the COVID-19 pandemic.
Furthermore, the NSE implemented programs such as Ibuka and the Growth Enterprise Market Segment to enhance accessibility to capital market services for female entrepreneurs of all ages. By supporting and enabling women in entrepreneurship, we aim to foster economic growth, innovation, and inclusivity.

Commitment to De-carbonization

In pursuit of Sustainable Development Goal 9, which focuses on industry, innovation, and infrastructure, the NSE actively engaged in discussions surrounding green bond issuances by the Kenyan Government. We advocated for the listing of the government's debut Sovereign Green Bond and collaborated with County Governments to list social and green bonds to support various developmental projects. This approach emphasizes the importance of building resilient infrastructure, promoting sustainable industrialization, and fostering innovation.

To ensure sustainable consumption and production patterns, in line with Goal 12, the NSE offered sector-specific training on environmental, social, and governance (ESG) disclosures among listed companies. As a proud participant in the growing number of exchanges publishing ESG reporting guidance, we recognize the significance of comprehensive corporate information for investors seeking a holistic understanding of a company's material issues. By promoting sustainable practices and integrating sustainability information into reporting cycles, we contribute to creating a more sustainable business ecosystem.

Climate change remains a global challenge that requires urgent action. Aligned with Goal 13, the NSE has prioritized improving education, awareness, and capacity building on climate change mitigation, adaptation, impact reduction, and early warning. We have actively developed green finance initiatives within the market and raised awareness about the importance of a just transition toward a net-zero economy. By collaborating with stakeholders, we strive to drive meaningful change and contribute to global efforts aimed at addressing climate change.

Strategic partnerships

The NSE understands the importance of partnerships and collaboration in achieving the Sustainable Development Goals, as highlighted in Goal 17. As an active member of the Sustainable Stock Exchange Initiative's (SSE) network, we work towards enhancing the sustainability of financial markets. Our collaboration with the SSE and our contributions to the initiative demonstrate our commitment to building a new kind of finance that supports a new world view.

Additionally, we partnered with AIB-AXYS to launch the University Stock Market Challenge, an educational program that aimed to increase financial literacy among youth and enhance their knowledge of capital markets. Through these partnerships, we aim to mobilize and share knowledge, expertise, technologies, and financial resources to support the achievement of sustainable development goals in Kenya and beyond.

Our contribution to the SDGs

The NSE recognizes the interconnectedness between our sustainability efforts and the SDGs, a globally accepted framework for achieving a more sustainable future. We have aligned our sustainability initiatives with the following SDGs:

SDGs 5 GENDER EQUALITY	**GOAL 5:** Achieve gender equality and empower all women and girls. We remains committed to promoting gender equality and empowering women in the capital market and beyond. We recognize that gender equality is not only a fundamental human right but also a driver of social and economic progress. Through various initiatives and partnerships, we strive to create a more inclusive and equitable environment for women
SDGs 8 DECENT WORK AND ECONOMIC GROWTH	**SDG 8:** Decent Work and Economic Growth: We promote inclusive economic growth by providing a safe and inclusive work environment and supporting job creation through a vibrant capital market.
SDGs 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**SDG 9:** Industry, Innovation, and Infrastructure: We foster innovation and contribute to the development of robust financial infrastructure, enhancing Kenya's economic resilience.
SDGs 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**SDG12:** Responsible Consumption and Production: We actively encourage sustainable practices and responsible consumption within our operations and engage with our listed companies to integrate sustainability into their operations.
SDGs 13 CLIMATE ACTION	**SDG 13: Climate Action.** The Nairobi Securities Exchange recognizes the urgent need to address climate change and its impacts. We are committed to taking proactive measures to mitigate climate risks and promote climate action within our operations and across the capital market ecosystem. Our focus areas include reducing greenhouse gas emissions, promoting renewable energy investments, and encouraging climate-related disclosure and reporting by listed companies. Through collaboration with stakeholders, we aim to contribute to the global efforts of limiting global warming and building a more resilient and sustainable future
SDGs 17 PARTNERSHIPS FOR THE GOALS	**SDG 17:** Partnerships for the Goals The Nairobi Securities Exchange acknowledges the importance of partnerships and collaboration in achieving the Sustainable Development Goals. We actively engage with various stakeholders, including regulators, listed companies, investors, civil society organizations, and industry associations, to foster dialogue, exchange best practices, and drive collective action towards sustainable development.

By forging strong partnerships, we can leverage diverse expertise and resources to address common challenges, promote sustainable finance, and contribute to the broader socio-economic development goals of Kenya and the region.

Aligning our sustainability efforts with the SDGs 5, 8, 9, 12, 13 and 17 and adopting the Global Reporting Initiative (GRI) Standards, the NSE reaffirms its commitment to driving positive change and contributing to a sustainable future. We continue to work towards creating value for our stakeholders while advancing sustainability, resilience, and inclusive growth in the capital market ecosystem and broader society. Together, we can build a more sustainable and prosperous future for present and future generations.

The NSE acknowledges that sustainable development requires continuous monitoring, evaluation, and improvement of our own practices. We have established robust monitoring and evaluation mechanisms to assess our progress in implementing sustainable development initiatives. Through regular impact assessments and stakeholder engagement, we gain valuable insights and feedback that inform our future strategies and actions.

In our commitment to transparency and accountability, the NSE will publish an annual sustainability report, detailing our performance in environmental, social, and governance (ESG) areas.

This report serves as a comprehensive account of our sustainability efforts and provides a platform for stakeholders to assess our progress and hold us accountable. We actively engage with investors, regulators, civil society organizations, and other stakeholders to promote dialogue and gather diverse perspectives on sustainability matters. In addition to our internal initiatives, the NSE actively participates in collaborative platforms and industry-wide initiatives aimed at advancing sustainable development.

We engage with other stock exchanges, regulatory bodies, and international organizations to share best practices, leverage collective knowledge, and promote the adoption of sustainable business practices within the financial sector. Furthermore, the NSE recognizes the importance of fostering a culture of sustainability within our organization. We provide ongoing training and capacity building to our employees, enabling them to integrate sustainability principles into their day-to-day operations. By nurturing a sustainability mindset among our staff, we create a foundation for innovation, responsible decision-making, and long-term value creation.

Future outlook

Looking ahead, the NSE remains committed to driving sustainable development in Kenya's capital market ecosystem. We will continue to collaborate with stakeholders, explore innovative solutions, and advocate for policies that promote sustainability, inclusivity, and resilience. Our goal is to be a catalyst for positive change, supporting Kenya's sustainable development agenda and contributing to the achievement of the United Nations Sustainable Development Goals.

We invite all stakeholders, including investors, issuers, regulators, civil society organizations, and individuals, to join us on this journey towards a more sustainable and prosperous future. Together, we can make a meaningful difference and create a world where economic growth goes hand in hand with social progress and environmental stewardship.

Thank you for your continued support and partnership in our sustainability endeavors.

Geoffrey Odundo
Chief Executive, NSE

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 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 it's 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.

CORPORATE GOVERNANCE STATEMENT (Continued)

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.

Board Composition

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

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

Below is the current composition of the Board:

Mr. Kiprono Kittony, EBS	Chairman/Independent Non-Executive Director
Mr. Paul Mwai	Vice Chairman/Trading Participant/Non-Executive Director
Mr. John Niepold	Independent Non-Executive Director
Mr. Michael Turner	Independent Non-Executive Director
Mr. Stephen Chege	Listed Companies/Non-Executive Director
Mr. Donald Wangunyu	Trading Participant/Non-Executive Director
Ms. Risper Alaro	Listed Companies/Non-Executive Director
Ms. Isis Madison	Independent Non-Executive Director
Ms. Carol Kariuki	Independent Non-Executive Director
Mr. Geoffrey O. Odundo	Chief Executive

Board Committees

The Board established six (6) 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 and Technology Committee
c)	Audit, Risk and Compliance Committee
d)	Self-Regulatory Organization and Listing Committee (SROLC)
e)	Remuneration, Nominating and Human Capital Committee
f)	Derivatives Market Oversight Committee

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

CORPORATE GOVERNANCE STATEMENT (Continued)

Board Committees (Continued)

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 2022.

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 2022, took place in August 2022.

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, 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 and Technology Committee

The Trading and Technology 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 on the organization's operations

» 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.

» Self-Regulatory Organization and Listing Committee (SROLC)

The mandate of the Self-Regulatory Organization and Listing 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 SROLC function of the NSE.

CORPORATE GOVERNANCE STATEMENT (Continued)

Board Committees (Continued)

- **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.

- **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.

CORPORATE GOVERNANCE STATEMENT (Continued)

BOARD & BOARD COMMITTEES' MEMBERSHIP AND NUMBER OF MEETINGS HELD AND ATTENDED IN 2022

Director	Classification	Designation		Board	Finance & Strategy Committee	Trading and Technology Committee	Audit, Risk & Compliance Committee	Self-Regulatory Organization and Listing Committee	Remuneration, Nominating & Human Capital Committee	Derivatives Market Oversight Committee
K Kittony, EBS	Non-executive	Chairman - Board	Membership	✓						
			Attendance	7/7						
P Mwai	Non-executive	Vice Chairman - Board	Membership	✓	✓	✓	*			✓
			Attendance	7/7	4/4	4/4	3/3			4/4
J Niepold**	Non-executive	Chairman - Audit, Risk & Compliance Committee	Membership	✓	✓ ***		✓ ***	✓ ***		
			Attendance	3/3	2/2		2/2	2/2		
M Turner	Non-executive	Chairman - Finance & Strategy Committee	Membership	✓	✓		✓	✓		
			Attendance	6/7	4/4		5/5	4/4		
D Wangunyu	Non-executive	Chairman – Trading and Technology Committee	Membership	✓		✓			✓ ***	✓
			Attendance	6/7		4/4			2/2	4/4
S Chege	Non-executive		Membership	✓	✓	✓			✓	
			Attendance	5/7	4/4	2/4			4/6	

* Stepped down from the Committee on 3rd June 2022
** Appointed to the Board on 3rd June 2022
*** Appointed to the Committee on 3rd June 2022

CORPORATE GOVERNANCE STATEMENT (Continued)

BOARD & BOARD COMMITTEES' MEMBERSHIP AND NUMBER OF MEETINGS HELD AND ATTENDED IN 2022 (Continued)

Director	Classification	Designation		Board	Finance & Strategy Committee	Trading and Technology Committee	Audit, Risk & Compliance Committee	Self-Regulatory Organization and Listing Committee	Remuneration, Nominating & Human Capital Committee	Derivatives Market Oversight Committee
C Kariuki*	Non-executive	Chairperson -Remuneration Nominating & Human Capital Committee	Membership	✓	✓**			✓**	✓**	
			Attendance	2/3	2/2			2/2	2/2	
P Vollant***	Non-executive		Membership		****			****	****	
			Attendance	4/4	2/2			1/2	3/3	
R Alaro	Non-executive		Membership	✓			✓	****	✓	
			Attendance	6/7			5/5	2/2	6/6	
I Madison	Non-executive	Chairperson – Self-Regulatory Organization & Listing Committee	Membership	✓	****		✓	✓	✓	
			Attendance	7/7	2/2		5/5	4/4	6/6	
G Odundo		Chief Executive	Membership							
			Attendance	7/7	4/4	4/4	5/5	4/4	6/6	4/4

* Appointed to the Board on 3rd June 2022
** Appointed to the Committee on 3rd June 2022
*** Stepped down from the Board on 3rd June 2022
**** Stepped down from the Committee on 3rd June 2022
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 THE YEAR 2022

BOARD COMMITTEES WITH EXTERNAL RESOURCE PERSONS

1. Derivatives Market Oversight Committee

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

2. Trading and Technology Committee

Name	Nature of participation	Attendance
J Waiguru	Member	4/4
E Kihanda	Member	4/4

NAIROBI SECURITIES EXCHANGE CORPORATE GOVERNANCE FACT SHEET

Number of Board Members	10
Number of Independent Non-Executive Directors	5
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	3
Number of Board Meetings held in 2022	7
Number of Annual General Meetings in 2022	1
Re-election of Directors in accordance with Articles of Association	YES
Board Induction Programs conducted	YES

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 2022

No	Shareholder	Number of shares	%
1.	Standard Chartered Kenya Nominees Ltd A/C KE004468	41,764,400	16.04
2.	Standard Chartered Kenya Nominees Ltd A/C KE22446	27,115,973	10.41
3.	Standard Chartered Kenya Nominees Ltd A/C KE003414	14,356,494	5.51
4.	Stanbic Nominees Ltd A/C NR1030823	12,523,399	4.81
5.	Stanbic Nominees Ltd AC NR1031436	12,071,233	4.64
6.	The Investor Compensation Fund Board	8,750,000	3.36
7.	The Permanent Secretary to The Treasury	8,750,000	3.36
8.	Standard Chartered Kenya Nominees Ltd A/C KE22816	7,247,499	2.78
9.	Sterling Capital Limited	7,000,000	2.69
10.	Nyaga Stock Brokers Ltd	7,000,000	2.69
11.	Discount Securities Limited	7,000,000	2.69
12.	ABC Capital Limited	7,000,000	2.69
13.	Kingdom Securities Limited	7,000,000	2.69
14.	Renaissance Capital (Kenya) Limited	7,000,000	2.69
15.	Stanbic Nominees Ltd A/C NR1031142	6,879,090	2.64
16.	Stanbic Nominees Ltd A/C NR1030824	4,567,600	1.75
17.	Dyer & Blair Investment Bank Limited	4,300,000	1.65
18.	Africa Allied investors Ltd	4,236,300	1.63
19.	NCBA Investment Bank	3,500,000	1.34
20.	Old Mutual Securities Ltd	2,215,700	0.85
Top 20 shareholders		200,277,688	76.91
Others		60,114,033	23.09
Total issued shares		260,391,721	100
		==========	========

CORPORATE GOVERNANCE STATEMENT (Continued)

CAPITAL STRUCTURE (Continued)

c) Distribution of Shareholders at 31 December 2022

	Number of Shareholders	Number of shares	%
Less than 500	3,217	553,063	0.21
501 – 5,000	9,207	12,348,595	4.74
5,001 – 10,000	649	4,713,076	1.81
10,001 – 100,000	673	17,287,955	6.64
100,001 – 1,000,000	54	14,742,711	5.66
Above 1,000,000	27	210,746,321	80.93
Total	13,827	260,391,721	100

d) Shareholder Analysis by Domicile at 31 December 2022

Individual investors	Number of Shareholders	Number of shares	%
Local	13,015	37,681,045	14.47
East African	88	282,271	0.11
Foreign	110	5,355,031	2.06
	13,213	43,318,347	16.64

Institutional investors	Number of Shareholders	Number of shares	%
Local	595	86,839,817	33.35
East African	5	3,768	-
Foreign	14	130,229,789	50.01
	614	217,073,374	83.36
Total	13,827	260,391,721	100

e) Directors Holding Shares at 31 December 2022

	Number of shares	%
Mr. Geoffrey Odundo	154,482	0.00
Mr. Stephen Chege	15,467	0.00
Total	169,949	0.00

Highlights

NSE introduces New Single Stock Futures on the NEXT Derivatives Market

The NSE introduced additional single stock futures on the NSE Derivatives Market on May 19th 2022. The addition brings the total number of single stock futures offered on the market to ten.

The addition expands the range of securities offered and provides investors with a broader universe of single stock futures to trade. The new single stock futures added to the derivatives market are;

1. NCBA Group Plc (NCBA)
2. The Co-operative Bank of Kenya
3. Standard Chartered Bank Kenya
4. I&M Group Plc (IMHP)

The addition of new single stock futures is a significant step in the development of the NEXT Derivatives Market and the advancement of the Capital Markets ecosystem in Kenya. The NEXT Derivatives Market represents our continued commitment to offering investors a wide range of innovative solutions that provide new avenues for the efficient deployment of capital and enhancement of returns.

Single stock futures give investors exposure to the price movements of specific stocks and can be used to protect existing stock portfolios (hedging) or to speculate and profit from market movements. Single stock futures only require a small deposit upfront equivalent to 10% to 20% of the value of the transaction and also attract low trading fees (0.17%) thus giving investors maximum capital efficiency and flexibility.

NSE Hosts Inaugural Conference for Finance Leaders in Kenya

The NSE hosted the inaugural NSE CFO Conference on June 21, 2022. The conference brought together finance leaders from leading companies in Kenya and the region to deliberate on equity and debt financing opportunities provided by public capital markets to fund the growth and expansion of companies in Kenya and the region.

The NSE CFO conference enlightened finance leaders on favourable funding models that Kenyan companies can adopt to accelerate their growth whilst cushioning themselves from the challenging operating environment.

The conference equally offered insights on emerging issues such as Environmental, Social and Governance (ESG) matters that continue to influence capital allocation decisions by investors as well as other developments including Green Bonds, Real Estate Investment Trusts and the Unquoted Securities Platform.

Finance leaders have a more critical role to play in preparing for short-term and long-term financing related needs of companies in order to mitigate risks and propel growth.

NSE Chief Executive Mr. Geoffrey Odundo (Left) and NSE Vice Chairperson Mr. Paul Mwai (Right:) makes remarks during the NSE CFO conference

Highlights (Continued)

NSE partners with Risk Insights to enhance Sustainability

The NSE PLC and Risk Insights announced launch of their partnership to enhance sustainability among Kenyan companies on September 15th 2022 through provision of Environmental, Social and Governance (ESG) .

Sustainability has undoubtedly become a business imperative: from strategy to transformation to reporting. Investors and other stakeholders are looking for companies with a robust approach to ESG which makes credible ESG ratings across the African continent important to assist stakeholders in their sustainability decision making.

NSE PLC through its strategy aims to create value through ESG initiatives and green investments and is well-placed to support businesses and other organizations with their ESG efforts and initiatives, unlocking value for clients, shareholders, stakeholders, and the wider society.

Through this partnership, the NSE PLC will be using Risk Insights' ESG GPS suite of products to access the underlying ESG GPS ratings reports and leverage ESG GPS database to support companies on their ESG journey to improve their ESG transformation strategies, disclosure and performances.

The partnership will also enable listed companies align as much as possible with existing sustainability standards enabling them with global standards and metrics. The advanced data analytics now available at NSE will help companies know if they are meeting their ESG goals and make necessary interventions.

NSE Admits Private Wealth Limited as an Authorised Securities Dealer

The NSE admitted Private Wealth Capital Limited (PWCL) as an Authorized Securities Dealer (ASD) for fixed income securities listed on September 19th , 2022.The admission followed the firm's approval to operate as an ASD by the Capital Markets Authority.

The admission makes PWCL the first non-bank ASD in Kenya and subsequently enabled the firm provide domestic and international institutional and individual investors with bond brokerage services and market liquidity in the secondary bond market for Kenya shilling Government Bonds, Kenya Government Eurobonds and listed corporate bonds.

PWCL is a leading investment advisory firm offering services in public and private equity and debt capital markets. The PWCL team, which is a blend of veteran fixed income market dealers and new entrants, has extensive and diverse experience spanning over 55 years.

His Excellency Hon. Dr. William Samoei Ruto PhD, C.G.H. makes his Maiden Visit to the NSE

His Excellency Hon. Dr. William Samoei Ruto PhD, C.G.H. President of the republic of Kenya made his maiden visit to the NSE during the Bell ringing Ceremony to mark the launch of the enhanced NSE Market Place held on 11th of October 2022.

During his visit, H.E the President committed to revitalize the capital markets by embarking on the privatization of between five to ten State Owned Enterprise.

The President equally made the following key pronouncements and orders that seek to accelerate the growth of Kenya's Capital market.

1. Review of the privatization law to facilitate the efficient listing of State Owned Enterprises.
2. Ordered the development of a framework that places investor protection - including the enhancement of the investor compensation fund, investor education and strict enforcement of compliance by market intermediaries - at the centre of the re-energized capital market.
3. Ordered the NSE to invest in developing a mobile application to help Kenyans participate in the capital markets with greater convenience, thereby making the Nairobi Securities Exchange a Securities Exchange of the people, by the people and for the people.
4. Challenged the private sector to reciprocate the Government's efforts to accelerate privatization and deepen the capital markets by offering more companies to be listed.

HE Hon. Dr. William Samoei Ruto PhD, (centre) Receives a gift from the NSE Chief Executive, Mr. Geoffrey Odundo (Right) Joined by the NSE Chairman Mr. Kiprono Kittony (Left) during the launch of the Enhanced NSE market place

HE Hon. Dr. William Samoei Ruto PhD, (2nd Right) participates in a panel discussion with other industry leaders during the launch of the Enhanced NSE market place

HE Hon. Dr. William Samoei Ruto PhD, (3rd right) together with HE Hon. Deputy President Rigathi Gachagua (Right) enjoys a light moment as he observes execution of a live trade during the launch of the Enhanced NSE market place

HE Hon. Dr. William Samoei Ruto PhD, (Centre) is joined by HE Hon. Rigathi Gachagua, (Left) and NSE Chairman Mr. Kiprono Kittony (Right) as he rings the bell to mark the launch of the Enhanced NSE market place.

NSE Hosts a Roundtable Forum with Moodys

The NSE and Moody's Investors Services hosted an exclusive roundtable event at the NSE. The event brought together business leaders to exchange alongside Moody's analyst's and Senior Management from the NSE on various issues including financing options and liquidity risk ahead of the 2024 Eurobond maturity, fiscal risks and debt sustainability, the impact of higher rates and inflation for Kenyan banks, ESG reports and ratings among others

Participants from the NSE Plc and Moodys during the round table forum

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 2022.

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 2022.

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 2022.

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.

DIRECTORS' REMUNERATION REPORT (Continued)

INFORMATION NOT SUBJECT TO AUDIT (Continued)

Contract of service (Continued)

a) Nairobi Securities Exchange PLC (Continued)

Two Directors are elected by the members from among or to represent the trading participants and a further two 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) year's period running from 1 March 2020. 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. The Chief Executive's contract was renewed for one more year from 2 March 2023.

b) NSE Clear Limited

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 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.

DIRECTORS' REMUNERATION REPORT (Continued)

INFORMATION NOT SUBJECT TO AUDIT (Continued)

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 3rd June 2022, the shareholders approved the fees paid to the Directors fees for the year ended 31st December 2021 by show of hands.

At the Annual General Meeting to be held on 30th May 2023, approval will be sought from shareholders for the fees paid to the Directors for the financial year ended 31st December 2022.

b) NSE Clear Limited

During the Annual General Meeting held on 21st March 2022, the shareholders approved the fees paid to the Directors for the year ended 31st December 2021 by show of hands.

At the Annual General Meeting to be held on 10th May 2023, approval will be sought from shareholders for the fees paid to the Directors for the financial year ended 31st December 2022.

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 31st December 2022 together with the comparative figures for 2021.

Year ended 31 December 2022

Name	Category	Fees Kshs	Sitting allowances Kshs	Gross pay + other allowances Kshs	Provident scheme contribution Kshs	Total Kshs
Kiprono Kittony, EBS	Non-Executive	1,200,000	660,000	-	-	1,860,000
Paul Mwai*	Non-Executive	960,000	1,450,000	-	-	2,410,000
Isis Nyongo	Non-Executive	720,000	1,335,714	-	-	2,055,714
Michael Turner	Non-Executive	720,000	1,085,714	-	-	1,805,714
Risper Alaro	Non-Executive	720,000	1,128,571	-	-	1,848,571
Paul Vollant	Non-Executive	360,000	571,429	-	-	931,429
Donald Wangunyu	Non-Executive	720,000	957,143	-	-	1,677,143
Stephen Chege	Non-Executive	720,000	821,429	-	-	1,541,429
John Niepold	Non-Executive	360,000	521,429	-	-	881,429
Carole Kariuki	Non-Executive	360,000	442,857	-	-	802,857
Geoffrey Odundo	Executive	-	-	28,913,130	2,561,435	31,474,565
		6,840,000	8,974,286	28,913,130	2,561,435	47,288,851
		=======	========	=========	========	========

*Included in the Director's fees for the year ended 31 December 2022 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
Paul Mwai	85,714	85,714	85,714	257,143
	85,714	85,714	85,714	257,143
	=======	========	========	=======

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 2021

Name	Category	Fees Kshs	Sitting allowances Kshs	Gross pay + other allowances Kshs	Provident scheme contribution Kshs	Total Kshs
Kiprono Kittony	Non-Executive	1,200,000	565,714	-	-	1,765,714
Bob Karina*	Non-Executive	480,000	821,429	-	-	1,301,429
Hosea Kili	Non-Executive	360,000	564,286	-	-	924,286
Isis Madison	Non-Executive	720,000	1,257,142	-	-	1,977,142
Nasim Devji	Non-Executive	360,000	328,571	-	-	688,571
Michael Turner	Non-Executive	720,000	1,042,857	-	-	1,762,857
Paul Vollant	Non-Executive	720,000	942,857	-	-	1,662,857
Paul Mwai*	Non-Executive	840,000	1,371,429	-	-	2,211,429
Risper Alaro	Non-Executive	720,000	1,214,286	-	-	1,934,286
Samuel Kimani*	Non-Executive	360,000	678,571	-	-	1,038,571
Donald Wangunyu	Non-Executive	360,000	435,714	-	-	795,714
Stephen Chege	Non-Executive	360,000	371,428	-	-	731,428
Geoffrey Odundo	Executive	-	-	24,589,136	2,222,400	26,811,536
		7,200,000	9,594,284	24,589,136	2,222,400	43,605,820
		=======	========	=========	========	========

DIRECTORS' REMUNERATION REPORT (Continued)

INFORMATION SUBJECT TO AUDIT (Continued)

*Included in the Director's fees for the year ended 31 December 2021 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	57,143	57,143	57,143	171,429
Bob Karina	57,143	57,143	57,143	171,429
Paul Mwai	57,143	57,143	57,143	171,429
	171,429	171,429	171,429	514,287

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

Mr. Kuria Waithaka
Secretary

30 March 2023

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:

1. 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;
2. Selecting suitable accounting policies and then apply them consistently; and
3. 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 30 March 2023 and signed on its behalf by:

Mr. Kiprono Kittony, EBS
Chairman

Mr. John Niepold
Director

Mr. Geoffrey O. Odundo
Chief Executive

Deloitte.

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 73 to 146, which comprise the consolidated statement of financial position at 31 December 2022 and the consolidated statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, together with the separate statement of financial position of the Company at 31 December 2022, the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of 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 2022 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 consolidated and company 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 consolidated and company 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.

Report on the financial statements (Continued)

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 consolidated and company 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.

Auditors' responsibilities for the audit of the consolidated and company 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.

Report on the financial statements (Continued)

Auditors' responsibilities for the audit of the consolidated and company financial statements (Continued)

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.

Report on the financial statements (Continued)

Auditors' responsibilities for the audit of the consolidated and company financial statements (Continued)

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 isclosure 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 directors' report on page 21 to 22 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 65 to 67 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Freda Mitambo,** Practising certificate **No. 2174.**

Freda Mitambo

For and on behalf of Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Nairobi
30 March 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Group 2022 Sh'000	Group 2021* Sh'000	Company 2022 Sh'000	Company 2021* Sh'000
Transaction levy - equities	6	225,838	329,777	225,838	329,777
Transaction levy - bonds	6	79,380	66,988	79,380	66,988
Data vending income	6	93,548	52,452	93,548	52,452
Annual, initial and additional listing fees	6	71,175	72,041	71,175	72,041
Interest income computed on effective interest rate	9	104,376	105,752	90,300	93,880
Broker back-office subscription	6	29,656	23,377	29,656	23,377
Capital gain on trading book		-	28,451	-	26,634
Unquoted securities platform fees	6	6,463	5,958	-	-
Dividend from equity investment		6,047	6,500	6,047	6,500
Market access fees	6	694	-	694	-
Other income	10	25,587	22,971	32,470	31,403
Share of surplus - NSE LLP		-	-	7,154	-
Total income		642,764	714,267	636,262	703,052
Staff costs	8	177,359	171,841	177,359	171,841
System maintenance costs		56,001	54,636	56,001	54,636
Depreciation and amortization	12,14	48,512	54,915	48,511	54,914
Building and office costs		43,193	43,818	41,473	40,889
Directors' emoluments	32(a)	47,289	43,606	47,032	43,092
Revaluation loss on property		17,222	-	17,222	-
Other expenses		161,413	119,036	153,447	110,176
Total expenses		550,989	487,852	541,045	475,548
Profit before expected credit loss (ECL) and fair value movements		91,775	226,415	95,217	227,504
Provision for expected credit loss (ECL)	35(b)(iii)	62	5,846	929	4,658
Unrealised loss on bond mark to market valuation		7,370	6,312	7,370	6,312
Share of loss of associate	15(b)	46,544	3,389	25,806	1,910
Profit before income tax	7	37,799	210,868	61,112	214,624
Tax expense	11(a)	(24,075)	(78,334)	(21,791)	(71,305)
Profit after tax for the year		13,724	132,534	39,321	143,319

* Change in presentation of comparatives (Refer Note 3.21)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Group 2022 Sh'000	Group 2021* Sh'000	Company 2022 Sh'000	Company 2021* Sh'000
Profit after tax for the year		13,724	132,534	39,321	143,319
		=======	=======	=======	=======
Items that will not be reclassified to profit or loss					
Fair value gain on equity instruments at fair value through other comprehensive income		31,496	26,613	31,496	26,613
Fair value adjustment from associate on investment in Government securities		(1,933)	_	(1,074)	-
Total items that will not be reclassified to profit or loss		29,563	26,613	30,422	26,613
Items that may be reclassified to profit or loss					
Share of exchange differences from associate arising from translation of foreign operation	15(b)	-	108	-	60
Total other comprehensive income		29,563	26,721	30,422	26,673
Total comprehensive income for the year		43,287	159,255	69,743	169,992
		=======	=======	=======	=======
Profit for the year attributable to:					
Ordinary equity holders of the parent	31	13,876	130,525	39,321	143,319
Non-controlling interest	16(e)	(152)	2,009	-	-
		13,724	132,534	39,321	143,319
		=======	=======	=======	=======
Total comprehensive income for the year attributable to:					
Ordinary equity holders of the parent		43,439	157,246	69,743	169,992
Non-controlling interest	16(e)	(152)	2,009	-	-
		43,287	159,255	69,743	169,992
		=======	=======	=======	=======
		Sh	Sh	Sh	Sh
Earnings per share - Basic and diluted	31	0.05	0.51	0.15	0.55
		=======	=======	=======	=======

* Change in presentation of comparatives (Refer Note 3.21)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022

	Notes	2022	2021*
ASSETS		**Sh'000**	**Sh'000**
Non-current assets			
Property and equipment	12	141,837	171,382
Investment property	13	305,791	313,100
Intangible assets	14	108,360	126,217
Investment in associate	15(b)	188,275	236,752
Financial assets at fair value through other comprehensive income – Quoted equity instruments	17	106,829	75,333
Long-term restricted investments	18	145,314	144,333
Government securities at amortised cost	19(a)	202,615	-
Deferred income tax	20	10,438	-
		1,209,459	1,067,117
Current assets			
Trade and other receivables	21(a)	91,489	92,393
Financial assets at fair value through profit or loss - Government securities	19(b)	256,375	365,598
Tax recoverable	11(c)	94,135	32,423
Fixed deposits	22	6,964	43,766
Short-term restricted cash and investment	22	296,470	238,652
Cash and cash equivalents	22	78,797	374,443
		824,230	1,147,275
TOTAL ASSETS		2,033,689	2,214,392

* Change in presentation of comparatives (Refer Note 3.21)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued) AT 31 DECEMBER 2022

	Notes	2022	2021*
		Sh'000	Sh'000
EQUITY AND LIABILITIES			
Equity			
Share capital	24	1,041,567	1,040,017
Share premium	25	279,459	278,579
Revaluation reserve		33,929	2,433
Other reserves		(1,933)	536
Retained earnings		526,654	746,246
Equity attributable to the owners of the parent		1,879,676	2,067,811
Non-controlling interest	16(e)	17,366	17,518
Total equity		1,897,042	2,085,329
Non-current liabilities			
Settlement Guarantee Fund members contributions	27	11,750	11,750
Tenant deposits	28(a)	2,215	2,216
Deferred income tax	20	-	1,137
		13,965	15,103
Current liabilities			
Trade and other payables	28(b)	63,573	44,490
Dividends payable	29	57,109	67,070
Trading members' contributions		2,000	2,400
		122,682	113,960
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		2,033,689	2,214,392
		========	========

* Change in presentation of comparatives (Refer Note 3.21)

The financial statements on pages 73 to 146 were approved and authorised for issue by the Board of Directors on 30 March 2023 and were signed on its behalf by:

------------------------------------	------------------------------------	------------------------------------
Mr. Kiprono Kittony, EBS Chairman	Mr. John Niepold Director	Mr. Geoffrey O. Odundo Chief Executive

COMPANY STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022

	Notes	2022 Sh'000	2021* Sh'000
ASSETS			
Non-current assets			
Property and equipment	12	141,836	171,380
Investment property	13	305,791	313,100
Intangible assets	14	108,360	126,217
Investment in associate	15 (b)	85,739	112,619
Investment in subsidiaries and structured entities	16	241,899	241,899
Investment in NSE LLP		5,842	-
Financial assets at fair value through other comprehensive income – Quoted equity instrument	17	106,829	75,333
Government securities at amortised cost	19 (a)	202,615	-
Deferred income tax	20	10,433	-
		1,209,344	1,040,548
Current assets			
Trade and other receivables	21 (a)	89,931	89,409
Due from related party		12,913	12,913
Financial assets at fair value through profit or loss - Government securities	19 (b)	256,375	365,598
Tax recoverable	11 (c)	87,888	27,248
Fixed deposits	22	-	27,933
Short-term restricted cash and investments	22	296,470	238,652
Cash and cash equivalents	22	57,091	362,860
		800,668	1,124,613
TOTAL ASSETS		2,010,012	2,165,161
		========	========

* Change in presentation of comparatives (Refer Note 3.21)

COMPANY STATEMENT OF FINANCIAL POSITION (Continued)
AT 31 DECEMBER 2022

	Notes	2022	2021*
		Sh'000	Sh'000
EQUITY AND LIABILITIES			
Equity			
Share capital	24	1,041,567	1,040,017
Share premium	25	279,459	278,579
Revaluation reserve		33,929	2,433
Other reserves		(1,074)	3
Retained earnings		540,785	735,465
Shareholders' funds		1,894,666	2,056,497
Non-current liabilities			
Tenant deposits	28 (a)	2,215	2,216
Deferred income tax	20	-	1,719
		2,215	3,935
Current liabilities			
Trade and other payables	28 (b)	55,947	38,285
Dividends payable	29	57,109	66,444
Due to NSE LLP		75	-
		113,131	104,729
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		2,010,012	2,165,161

* Change in presentation of comparatives (Refer Note 3.21)

The financial statements on pages 73 to 146 were approved and authorised for issue by the Board of Directors on 30 March 2023 and were signed on its behalf by:

-- | ---------------------------------- | ---------------------------------
Mr. Kiprono Kittony, EBS
Chairman

Mr. John Niepold
Director

Mr. Geoffrey O. Odundo
Chief Executive

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	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 Sh'000
Year ended 31 December 2021								
At start of year	1,038,003	277,185	428	(24,180)	883,258	2,174,694	15,509	2,190,203
Profit for the year	-	-	-	-	130,525	130,525	2,009	132,534
Other comprehensive income for the year	-	-	108	26,613	-	26,721	-	26,721
Total comprehensive income for the year	-	-	108	26,613	130,525	157,246	2,009	159,255
2020 dividend declared in the year	-	-	-	-	(137,535)	(137,535)	-	(137,535)
2021 first special dividend declared in the year	-	-	-	-	(130,002)	(130,002)	-	(130,002)
Issue of shares to employees share ownership plan (note 26)	2,014	1,394	-	-	-	3,408	-	3,408
At end of year	1,040,017	278,579	536	2,433	746,246	2,067,811	17,518	2,085,329
Year ended 31 December 2022								
At start of year	1,040,017	278,579	536	2,433	746,246	2,067,811	17,518	2,085,329
Profit for the year	-	-	-	-	13,876	13,876	(152)	13,724
Other comprehensive income for the year	-	-	(2,469)	31,496	536	29,563	-	29,563
Total comprehensive income for the year	-	-	(2,469)	31,496	14,412	43,439	(152)	43,287
2021 second special dividend declared in the year	-	-	-	-	(130,002)	(130,002)	-	(130,002)
2021 final dividend declared in the year	-	-	-	-	(104,002)	(104,002)	-	(104,002)
Issue of shares to employees share ownership plan (note 26)	1,550	880	-	-	-	2,430	-	2,430
At end of year	1,041,567	279,459	(1,933)	33,929	526,654	1,879,676	17,366	1,897,042

The revaluation reserve relates to the valuation of equity instruments through other comprehensive income.
Other reserves relate to the Company's share of the fair value adjustments of the associate through other comprehensive income.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital Sh'000	Share premium Sh'000	Other reserves Sh'000	Revaluation reserve Sh'000	Retained earnings Sh'000	Total Sh'000
Year ended 31 December 2021						
At start of year	1,038,003	277,185	(57)	(24,180)	859,683	2,150,634
Profit for the year	-	-	-	-	143,319	143,319
Other comprehensive income for the year	-	-	60	26,613	-	26,673
Total comprehensive income for the year	-	-	60	26,613	143,319	169,992
2020 dividend declared in the year	-	-	-	-	(137,535)	(137,535)
2021 first special dividend declared in the year	-	-	-	-	(130,002)	(130,002)
Issue of shares to employee share ownership plan (note 26)	2,014	1,394	-	-	-	3,408
At end of year	1,040,017	278,579	3	2,433	735,465	2,056,497
Year ended 31 December 2022						
At start of year	1,040,017	278,579	3	2,433	735,465	2,056,497
Profit for the year	-	-	-	-	39,321	39,321
Other comprehensive income for the year	-	-	(1,077)	31,496	3	30,422
Total comprehensive income for the year	-	-	(1,077)	31,496	39,324	69,743
2021 second special dividend declared in the year	-	-	-	-	(130,002)	(130,002)
2021 final dividend declared in the year	-	-	-	-	(104,002)	(104,002)
Issue of shares to employee share ownership plan (note 26)	1,550	880	-	-	-	2,430
At end of year	1,041,567	279,459	(1,074)	33,929	540,785	1,894,666

The revaluation reserve relates to the valuation of equity instruments through other comprehensive income.
Other reserves relate to the Company's share of the fair value adjustments of the associate through other comprehensive income.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Group 2022 Sh'000	Group 2021* Sh'000	Company 2022 Sh'000	Company 2021* Sh'000
Cash flows from operating activities					
Profit before income tax		37,799	210,868	61,112	214,624
Adjustments totals	30	9,589	(46,670)	(2,916)	(36,278)
Working capital changes totals	30	19,586	(24,311)	17,214	(32,641)
Cash generated from operations	30	66,974	139,887	75,410	145,705
Tax paid	11(c)	(97,362)	(85,391)	(94,583)	(80,842)
Net cash (used in)/generated from operating activities		(30,388)	54,496	(19,173)	64,863
Cash flows from investing activities					
Purchase of property and equipment	12	(7,564)	(5,528)	(7,564)	(5,528)
Purchase of intangible assets	14	(5,201)	(3,648)	(5,201)	(3,648)
Interest received		104,376	105,752	90,300	93,880
Dividend received from associate	15(b)	-	47,634	-	26,436
Proceeds on disposal of equipment		1,098	4,117	1,098	4,117
Investment in treasury bonds		(93,392)	(84,567)	(93,392)	(84,454)
Investment in fixed deposits		(86,791)	82,703	(95,660)	98,536
Investment in long term restricted investments		(981)	26,605	-	-
Cash (used in)/generated from investing activities		(88,455)	173,068	(110,419)	129,339
Cash flows from financing activities					
Dividends paid	29	(243,965)	(232,533)	(243,339)	(232,533)
Contributions from clearing members		-	(23,500)	-	-
Cash used in financing activities		(243,965)	(256,033)	(243,339)	(232,533)

* Change in presentation of comparatives (Refer Note 3.21)

STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

		Group		Company	
	Notes	2022	2021*	2022	2021*
		Sh'000	Sh'000	Sh'000	Sh'000
Decrease in cash and cash equivalents		(362,808)	(28,469)	(372,931)	(38,331)
Cash and cash equivalents at the start of year		613,095	641,400	601,512	639,679
Effect of foreign exchange rate changes		1,387	164	1,387	164
Cash and cash equivalents at the end of year		251,674	613,095	229,968	601,512
Consisting of:					
Cash and bank balances		10,591	26,480	9,849	14,897
Fixed deposits – maturity within three months					
- Restricted funds	37	172,877	210,719	172,877	210,719
- Unrestricted funds		68,206	375,896	47,242	375,896
Cash and cash equivalents at the end of year	22	251,674	613,095	229,968	601,512

* Change in presentation of comparatives (Refer Note 3.21)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 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) 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. Reclassification adjustments are amounts reclassified to the profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the Company in their capacity as owners are recognised in the statement of changes in equity

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 STANDARDS AND INTERPRETATIONS AFFECTING THE REPORTED RESULTS OR FINANCIAL POSITION (Continued)

b) Basis of preparation (Continued)

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.

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

i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2022

Several new and revised standards and interpretations became effective during the year. The Directors have evaluated the impact of the new standards and interpretations and none of them had a significant impact on the Group's financial statements.

The following revised IFRSs were effective in the current year and the nature and the impact of the relevant amendments are described below:

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to the following Standards:

IFRS 1 First-time Adoption of new and revised International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 STANDARDS AND INTERPRETATIONS AFFECTING THE REPORTED RESULTS OR FINANCIAL POSITION (Continued)

c) Adoption of new and revised International Financial Reporting Standards (IFRS) (Continued)

i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2022 (Continued)

Annual Improvements to IFRS Standards 2018–2020 (Continued)

IFRS 1 First-time Adoption of International Financial Reporting Standards (Continued)

translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

Amendments to IFRS 3 business combinations - Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2019 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to IAS 37 – Onerous Contracts - Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

ii) Impact of new and amended standards and interpretations in issue but not yet effective

At the date of authorization of these financial statements, the Group has not yet applied the following new and revised IFRS Standards that have been issued but are not yet effective. The Directors do not expect any significant impact on the Group's financial statements.

New and Amendments to standards	*Effective for annual periods beginning on or after*
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of accounting policies	Annual periods beginning on or after 1 January 2023
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023
Amendments to IAS 8 - Definition of accounting estimates	Annual periods beginning on or after 1 January 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 STANDARDS AND INTERPRETATIONS AFFECTING THE REPORTED RESULTS OR FINANCIAL POSITION (Continued)

c) Adoption of new and revised International Financial Reporting Standards (IFRS) (Continued)

ii) Impact of new and amended standards and interpretations in issue but not yet effective (Continued)

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'.

Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 STANDARDS AND INTERPRETATIONS AFFECTING THE REPORTED RESULTS OR FINANCIAL POSITION (Continued)

c) Adoption of new and revised International Financial Reporting Standards (IFRS)(Continued)

ii) Impact of new and amended standards and interpretations in issue but not yet effective (Continued)

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

» A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:

- Right-of-use assets and lease liabilities
- Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset

» The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

Amendments to IAS 8 - Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

» A change in accounting estimate that results from new information or new developments is not the correction of an error

» The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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, a limited liability partnership and interest in associate company made up to 31 December 2022. These have all been fully consolidated.

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 Limited. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of consolidation (Continued)

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 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.

iv) Partnerships

In 2021, the Company incorporated a Limited Liability Partnership namely NSE LLP. The Partners of the NSE LLP are the NSE PLC, Chief Executive and the Chief Operating Officer of the NSE PLC. The NSE LLP also has a Management Committee that oversees the day to day activities of the NSE LLP. The Management Committee of the LLP reports to the Board of Directors of NSE PLC. The principal activity of the NSE LLP is to run the recently launched Unquoted Securities Platform. As per the Partnership Deed, NSE PLC contributed 100% of the capital of the NSE LLP and is allocated all profits and losses of the NSE LLP.

NSE LLP is stated at cost less accumulated impairment losses in the separate financial statements of the Company. The results of NSE LLP are incorporated in the statements of profit or loss in the Company's financial statements. Separate financial statements are prepared for the Partnership, and independent external audits performed.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 financial assets through other comprehensive income are included in other comprehensive income.

3.4 Total income recognition

The Group recognises income as and when it satisfies a performance obligation by transferring control of a service to a customer. The amount of income recognised is the amount the Group expects to receive in accordance with the terms of the contract, and excludes discounts and 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. The transaction levy on equity is computed at the rate of 0.12% of the value of all equity transactions executed while that for bonds is computed at a rate of 0.0035% of the value of all fixed income transactions executed. The levy fees are computed on both the buy and sell side.

Data vending income is fees charged for the sale of trading data statistics. This is charged either on a lumpsum, monthly, quarterly or annual basis depending on the contract provision and how the performance obligation is satisfied throughout the contract.

Data vending income that is not charged on a monthly but on a lump sum basis is recognized in income based on the contract value. Where the contract value is below 5% of the budgeted total data vending income for that year, then all the data income is booked in full within the year the income is contracted. Where the contract value is above 5% of the budgeted total data income then only the portion for the year is recognized within income for that year.

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. This fee is generally paid in advance on the first day of the membership or subscription period. The Group recognises revenue on a straight-line basis over the period to which the fee relates, as this reflects the extent of the Group's progress towards completion of the performance obligation under the contract.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Total income recognition (Continued)

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. The initial listing and additional listing fees represent one performance obligation and are billed to the issuing company at the time of admission to trading and become payable when invoiced.

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.

The Unquoted Securities Platform (USP) is an automated solution for the issuance and trading of securities of unquoted companies. The platform offers world class trading infrastructure and information services as well as enables company's access capital markets for long term funding through private placements and restricted offers. Unquoted securities platform fee is charged on the issuer application fees based on the approved rates for initial admission, annual service, secondary transfer per transaction, fund raising fee, financier admission fee and settlement custodian fee and is recognized in income on the date of the transaction.

Dividend income is recognised in profit or loss when the right to receive payment is established, which is the date the dividend is declared.

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. Other income comprises income charged on the broker back office, rental income, net foreign exchange gains, profit on sale of property and equipment, investor protection levy, management fee, surplus distribution by Settlement Guarantee Fund, training fee and other sundry income.

Broker back office (BBO) subscription is the fee charged on a monthly basis to trading firms that have signed on to use the BBO trading system as provided in the contract.

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

Management fee is charged by the NSE to the subsidiaries and structured entities to cater for expenses attributable to investment and treasury management services, staff costs and other general and administrative overheads.

Surplus distributed by the Settlement Guarantee Fund (SGF) is income charged to compensate the Clearing Members who have contributed to the SGF. This is computed at 80% of the total surplus for the year for SGF and distributed to the members based on their capital contributions. Since contributions from the clearing members are refundable at any point on exit of the member, the computed surplus for the clearing members is expensed while that of the NSE is offset against retained earnings.

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 revaluation 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Property and equipment (Continued)

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.

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 and fittings	8 years
Office equipment	4 years
Computer equipment	4 years
Buildings	46 years

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 purchased computer software and is initially recognised at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. 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 review the useful lives and 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2022, this amount was Sh 296 million (2021: Sh 239 million). The amounts are reflected as short-term restricted cash and 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 18).

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) a when those investments are held for purposes other than to generate investment returns.

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:

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)

- **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 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial instruments (Continued)

(ii) Debt instruments (Continued)

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 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.

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 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.

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

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.

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.

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

ECL = PD x LGD x 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 SIICR has occurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial instruments (Continued)

(ii) Debt instruments (Continued)

c) Modification of contracts (Continued)

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 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Taxation (Continued)

Deferred income tax (Continued)

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 Executive Committee. 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.

3.15 Retirement benefit obligations

The Group operates a defined contribution provident scheme for all its employees. The scheme is administered by CPF Financial Services 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.

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 Share capital and share premium

The share capital and premium of the Company includes balances relating to the Company's ordinary equity shares and own shares held by the Employee Share Ownership Plan (ESOP).

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Employee Shares Ownership Plan (ESOP)

The Nairobi Securities Exchange Plc ESOP - Unit Trust (the "ESOP") was established by Nairobi Securities Exchange Plc, the sponsor, on 25 June 2019 to enable participation of its employees in the ownership of the Company. The ESOP was set up as a Unit Trust with the principal objective or acquiring and holding shares of the Company for the benefit of its employees as governed by the Trust Deed. The ESOP commenced operations on 24 May 2021.

Allocation of shares to the ESOP is subject to the Company's bonus scheme policy where part of the eligible employees' bonuses are used to purchase the shares at a discount to the prevailing market price of the shares with a discount of 20%. The shares so purchased are settled in the ESOP and corresponding units are created and allocated to the eligible employees. The units have a three year vesting period. Upon vesting, the unitholders are entitled the full economic benefits relating to the vested units and can take the following actions with respect to the shares corresponding to the units that have vested:

- Sell the shares in the open market;
- Transfer the shares from the ESOP to their respective Central Depository System (CDS) account; or
- Leave the shares within the ESOP and enjoy the economic benefits of those shares as any other shareholder.

When the Company issues new shares to the ESOP to satisfy vesting of specific employee share schemes, the share capital of the Company is increased by the par value of these own shares. These shares may be issued at a subscription price above par value, reflecting the premium payable by the participant in the ESOP. The subscription price is the quoted closing market price of the NSE share on the day of issuing the shares. In such instances, the share capital of the Company is increased by the par value of these own shares and the difference between the subscription price and the par value of the own share is recorded in share premium. The total value of the shares issued at subscription price is purchased by employees using bonus and is therefore included in expenses.

3.20 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 37.

3.21 Comparatives

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

In accordance with IAS 1 Section 41 and 46, the Group has made changes to the presentation of its financial statements to provide information that is reliable and more relevant to users of the financial statements and the revised structure is likely to continue, so comparability is not impaired. Comparative amounts have been reclassified and changes in presentation of the comparative figures have been made to:

i. The face of the profit or loss statement where a more detailed breakdown of the major items of revenues and expenses have been provided.
ii. Impairment losses determined in accordance with IFRS 9 ECL model and bonds mark to market valuation have been presented separately on the face of the statement of profit or loss as it is material.
iii. Statement of cashflows - the group presents its statement of cash flows in accordance with the indirect method. However, the face of the statement of cash flows had been presented to include a gross total cash flow from operating activities from a note reference which outlined the detail. The group has therefore enhanced the current year's presentation to align the presentation with the requirements of IAS 7: 18(b) in which the directors have included additional line items to the face of the statement of cash flows in order to meet this requirement. In addition, the statement of cash flows has been amended to align with IAS 7 on the classification of cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY

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 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 2022 and 2021 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 based on the net income approach. 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 based at Group level and company:

» 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.

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 the Executive Committee and the Board. The segment results were as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 OPERATING SEGMENTS (Continued)

Statement of financial position

	Cash equities and interest rate market Sh'000	Derivatives market Sh'000	Total Sh'000
2022			
ASSETS			
Government securities	458,990	-	458,990
Long-term restricted investments	-	145,314	145,314
Short-term restricted cash and investments	296,470	-	296,470
Cash, cash equivalents and fixed deposits	85,748	13	85,761
Other assets	1,039,135	8,019	1,047,154
	1,880,343	153,346	2,033,689
LIABILITIES			
Settlement Guarantee Fund members contribution	-	11,750	11,750
Trade and other payables	59,210	4,363	63,573
Dividends payable	57,109	-	57,109
Tenant deposits	2,215	-	2,215
Trading members' contributions	-	2,000	2,000
	118,534	18,113	136,647
2021			
ASSETS			
Government securities	365,598	-	365,598
Long-term restricted investments	-	144,333	144,333
Short-term restricted cash and investments	238,652	-	238,652
Cash, cash equivalents and fixed deposits	416,354	1,855	418,209
Other assets	1,039,794	7,806	1,047,600
	2,060,398	153,994	2,214,392

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 OPERATING SEGMENTS (Continued)

	Cash equities and interest rate market Sh'000	Derivatives market Sh'000	Total Sh'000
LIABILITIES			
Settlement Guarantee Fund members contribution	-	11,750	11,750
Trade and other payables	42,041	4,186	46,227
Dividends payable	67,070	-	67,070
Tenant deposits	2,216	-	2,216
Trading members' contributions	-	1,800	1,800
	111,327	17,736	129,063
2022			
Additions to non-current assets	141,356	986	142,342
Non-current assets	1,064,140	145,319	1,209,459
2021			
Additions to non-current assets	(72,279)	(31,025)	(103,304)
Non-current assets	922,784	144,333	1,067,117

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 OPERATING SEGMENTS (Continued)

Statement of profit or loss and other comprehensive income

	Cash equities and interest rate market Sh'000	Derivatives market Sh'000	Total Sh'000
2022			
Revenue (Note 6)	506,754	-	506,754
Interest income	92,248	12,128	104,376
Other income	31,538	96	31,634
Total income	630,540	12,224	642,764
Administrative expenses	554,615	3,806	558,421
Share of loss of associate	46,544	-	46,544
Profit before income tax	29,381	8,418	37,799
	=======	=======	=======
2021			
Revenue (Note 6)	550,593	-	550,593
Interest income	94,078	11,674	105,752
Other income	55,934	1,988	57,922
Total income	700,605	13,662	714,267
Administrative expenses	489,022	10,988	500,010
Share of loss of associate	3,389	-	3,389
Profit before income tax	208,194	2,674	210,868
	=======	=======	=======

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	
	2022	2021	2022	2021
	Sh'000	Sh'000	Sh'000	Sh'000
6 REVENUE				
Revenue recognized at a point in time				
Transaction levy - equities	225,838	329,777	225,838	329,777
Transaction levy - bonds	79,380	66,988	79,380	66,988
Initial listing fees	5,175	5,300	5,175	5,300
Application and additional listing fees	1,505	981	1,505	981
Unquoted securities platform fees	6,463	5,958	-	-
	318,361	409,004	311,898	403,046
Revenue recognized over time				
Annual listing fees	64,495	65,760	64,495	65,760
Broker back-office subscription	29,656	23,377	29,656	23,377
Market access fees	694	-	694	-
Data vending income	93,548	52,452	93,548	52,452
	188,393	141,589	188,393	141,589
	506,754	550,593	500,291	544,635
	======	======	======	======
7 PROFIT BEFORE INCOME TAX				
The profit before income tax is arrived at after charging/(crediting):				
Employee benefits (note 8)	177,359	171,841	177,359	171,841
Depreciation of property and equipment (note 12)	26,214	29,512	26,213	29,511
Amortisation of intangible assets (note 14)	22,298	25,403	22,298	25,403
Directors' emoluments:				
- Executive (note 32 (a))	31,475	26,812	31,475	26,812
- Non–executive (note 32 (a))	15,814	16,794	15,557	16,280
Auditor's remuneration	4,914	4,841	3,866	3,671
(Loss)/gain on disposal of equipment	(644)	1,443	(644)	1,443
Employee staff ownership plan expenses	1,811	1,030	1,811	1,030
Increase in impairment of financial assets measured at amortised cost (note 35 (b) (iii))	62	5,846	929	4,658
	======	======	======	=======

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Group 2022 Sh'000	Group 2021 Sh'000	Company 2022 Sh'000	Company 2021 Sh'000
8 EMPLOYEE BENEFITS				
Salaries and wages	151,514	142,604	151,514	142,604
Bonus	7,508	11,647	7,508	11,647
Leave pay expense	4,661	3,511	4,661	3,511
Provident fund contribution	13,575	13,842	13,575	13,842
Social security costs (NSSF)	101	237	101	237
	177,359	171,841	177,359	171,841

The staff numbers as at 31 December 2022 were 44 (2021: 49).

	Group 2022 Sh'000	Group 2021 Sh'000	Company 2022 Sh'000	Company 2021 Sh'000
9 INTEREST INCOME				
Interest on term deposits	46,666	55,834	32,590	43,962
Interest on treasury bonds	56,828	48,953	56,828	48,953
Interest on staff loans and advances	882	965	882	965
	104,376	105,752	90,300	93,880
10 OTHER INCOME				
Rental income	6,337	9,069	6,337	9,069
Miscellaneous income	1,376	1,071	1,376	1,071
Training fees	6,580	2,479	6,580	2,480
Private transfer fee	1,146	931	1,146	931
Nomad fees	350	375	350	375
Gain on disposal of equipment	-	2,458	-	2,458
Annual members fees	4,450	3,350	4,450	3,350
Ibuka fees	50	1,670	50	1,670
Surplus distributed by SGF	-	-	5,691	7,277
Management fees	2,005	-	3,293	1,325
IPF levy	25	58	-	-
Margin interest	71	113	-	-
Exchange gain	3,134	500	3,134	500
Derivatives fees	63	142	63	142
Equity levies market making	-	755	-	755
	25,587	22,971	32,470	31,403

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 TAXATION

	Group 2022 Sh'000	Group 2021 Sh'000	Company 2022 Sh'000	Company 2021 Sh'000
a) Taxation charge				
Current income tax				
Current year expense	35,572	72,190	32,986	68,999
Prior year tax under provision	78	-	957	-
	35,650	72,190	33,943	68,999
Deferred income tax (note 20)				
Current year (credit)/charge	(11,969)	854	(12,152)	2,306
Potential deferred tax asset not recognized	680	5,290	-	-
Prior year deferred tax under provision	(286)	-	-	-
	(11,575)	6,144	(12,152)	2,306
	24,075	78,334	21,791	71,305
b) Reconciliation of taxation charge to the expected tax based on accounting profit				
Profit before income tax	37,799	210,868	61,112	214,624
Tax calculated at a tax rate of 30% (2021: 30%)	11,340	63,260	18,334	64,387
Expenses not deductible for tax purposes	18,756	10,913	13,074	8,047
Net tax effects on items not deductible for tax	(11,783)	(1,129)	(10,574)	(1,129)
Potential deferred tax asset not recognized	5,970	5,290	-	-
Prior year deferred tax under provision	(286)	-	-	-
Prior year tax under provision	78	-	957	-
Income tax expense	24,075	78,334	21,791	71,305

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 TAXATION (Continued)

	Group 2022 Sh'000	2021 Sh'000	Company 2022 Sh'000	2021 Sh'000
c) Current income tax movement				
At start of year	(32,423)	(19,222)	(27,248)	(15,405)
Charge to profit or loss	35,650	72,190	33,943	68,999
Tax paid	(97,362)	(85,391)	(94,583)	(80,842)
At end of year	(94,135)	(32,423)	(87,888)	(27,248)
Made up of:				
Current income tax recoverable	(94,432)	(32,511)	(87,888)	(27,248)
Current income tax payable	297	88	-	-
	(94,135)	(32,423)	(87,888)	(27,248)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 PROPERTY AND EQUIPMENT - GROUP

	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
COST OR VALUATION							
At 1 January 2021	126,900	17,392	89,399	41,472	89,695	-	364,858
Additions	-	-	-	1,367	500	3,661	5,528
Disposals	-	(4,620)	-	(1,948)	(19,020)	-	(25,588)
At 1 January 2022	126,900	12,772	89,399	40,891	71,175	3,661	344,798
Additions	-	-	82	1,561	5,921	-	7,564
Disposals	-	-	(2,298)	(1,647)	(1,482)	-	(5,427)
Transfer from WIP	-	-	-	-	3,661	(3,661)	-
Revaluation loss	(12,691)	-	-	-	-	-	(12,691)
At 31 December 2022	114,209	12,772	87,183	40,805	79,275	-	334,244
Comprising:							
At valuation	114,209	-	-	-	-	-	114,209
At cost	-	12,772	87,183	40,805	79,275	-	220,035
Cost or valuation	114,209	12,772	87,183	40,805	79,275	-	334,244
DEPRECIATION							
At 1 January 2021	-	9,415	71,171	26,227	61,606	-	168,419
Charge for the year	-	3,578	8,871	6,745	10,318	-	29,512
Eliminated on disposal	-	(3,946)	-	(1,623)	(18,946)	-	(24,515)
At 1 January 2022	-	9,047	80,042	31,349	52,978	-	173,416
Charge for the year	2,778	3,193	2,561	6,473	11,209	-	26,214
Eliminated on disposal	-	-	(2,298)	(705)	(1,442)	-	(4,445)
Reversal on revaluation	(2,778)	-	-	-	-	-	(2,778)
At 31 December 2022	-	12,240	80,305	37,117	62,745	-	192,407
NET BOOK VALUE							
At 31 December 2022	114,209	532	6,878	3,688	16,530	-	141,837
At 31 December 2021	126,900	3,725	9,357	9,542	18,197	3,661	171,382

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 PROPERTY AND EQUIPMENT - COMPANY

	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
COST OR VALUATION							
At 1 January 2021	126,900	17,392	89,399	41,468	89,695	-	364,854
Additions	-	-	-	1,367	500	3,661	5,528
Disposals	-	(4,620)	-	(1,948)	(19,020)	-	(25,588)
At 1 January 2022	126,900	12,772	89,399	40,887	71,175	3,661	344,794
Additions	-	-	82	1,561	5,921	-	7,564
Disposals	-	-	(2,298)	(1,647)	(1,482)	-	(5,427)
Transfer from WIP	-	-	-	-	3,661	(3,661)	-
Revaluation loss	(12,691)	-	-	-	-	-	(12,691)
At 31 December 2022	114,209	12,772	87,183	40,801	79,275	-	334,240
Comprising:							
At valuation	114,209	-	-	-	-	-	114,209
At cost	-	12,772	87,183	40,801	79,275	-	220,031
Cost or valuation	114,209	12,772	87,183	40,801	79,275	-	334,240
DEPRECIATION							
At 1 January 2021	-	9,415	71,171	26,226	61,606	-	168,418
Charge for the year	-	3,578	8,871	6,744	10,318	-	29,511
Eliminated on disposal	-	(3,946)	-	(1,623)	(18,946)	-	(24,515)
At 1 January 2022	-	9,047	80,042	31,347	52,978	-	173,414
Charge for the year	2,778	3,193	2,561	6,472	11,209	-	26,213
Eliminated on disposal	-	-	(2,298)	(705)	(1,442)	-	(4,445)
Reversal on revaluation	(2,778)	-	-	-	-	-	(2,778)
At 31 December 2022	-	12,240	80,305	37,114	62,745	-	192,404
NET BOOK VALUE							
At 31 December 2022	114,209	532	6,878	3,687	16,530	-	141,836
At 31 December 2021	126,900	3,725	9,357	9,540	18,197	3,661	171,380

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 PROPERTY AND EQUIPMENT (Continued) - GROUP AND COMPANY

No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated equipment with a cost of Sh 117.6 million (2021: Sh 115.9 million).

The building has been stated at its revalued amounts, being the fair value at 31 December 2022 less any subsequent depreciation. The revaluation was done on the basis of net income approach reflecting the highest and best use by Tysons Limited, an independent registered valuer.

13 INVESTMENT PROPERTY - GROUP AND COMPANY

	2022 Sh'000	2021 Sh'000
VALUATION		
At 1 January	313,100	313,100
Revaluation loss	(7,309)	-
	______	______
At 31 December	305,791	313,100
	======	======

The fair value of the Group's investment property at 31 December 2022 and 31 December 2021 have been arrived at on the basis of a valuation carried out at 31 December 2022 and 31 December 2021 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 net income approach. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The valuation for 2021 was based on the market approach while 2022 is based on net income approach.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 INVESTMENT PROPERTY - GROUP AND COMPANY(Continued)

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).

	Sh'000	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
At 31 December 2022					
Buildings	114,209	Level 2	Income capitalization method - Highest and best use	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 7.5%	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa
Investment property	305,791	Level 2			
Total	**420,000**				
At 31 December 2021					
Buildings	126,900	Level 2	Market comparable approach - Highest and best use	Market prices for undeveloped land, taking into account the differences in location and individual factors, such as frontage and size, between the comparables and the property, of Shs 450 million - Shs 680 million weighted average per acre.	A slight increase in the market price used would result in a significant increase in fair value, and vice versa
Investment property	313,100	Level 2			
Total	**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 2021	80,016	43,414	75,195	38,191	54,338	1,671	292,825
Additions	63	513	2,756	-	-	316	3,648
Disposals	-	(8,521)	-	-	-	-	(8,521)
Transfer from WIP	-	1,672	-	-	-	(1,672)	-
At 1 January 2022	80,079	37,078	77,951	38,191	54,338	315	287,952
Additions	211	2,910	-	-	-	2,080	5,201
Disposals	-	(1,257)	-	-	-	-	(1,257)
At 31 December 2022	80,290	38,731	77,951	38,191	54,338	2,395	291,896
AMORTISATION							
At 1 January 2021	9,327	30,205	58,552	38,191	8,000	-	144,275
Amortisation for the year	8,006	4,352	7,611	-	5,434	-	25,403
Eliminated on disposal	-	(7,943)	-	-	-	-	(7,943)
At 1 January 2022	17,333	26,614	66,163	38,191	13,434	-	161,735
Amortisation for the year	8,027	4,466	4,371	-	5,434	-	22,298
Eliminated on disposal	-	(497)	-	-	-	-	(497)
At 31 December 2022	25,360	30,583	70,534	38,191	18,868	-	183,536
NET BOOK VALUE							
At 31 December 2022	54,930	8,148	7,417	-	35,470	2,395	108,360
At 31 December 2021	62,746	10,464	11,788	-	40,904	315	126,217

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 INTANGIBLE ASSETS - GROUP AND COMPANY (Continued)

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 Kshs. 120.6 million (2021: Kshs. 53.9 million).

The WIP at the end of the year comprises mainly work done on automation processes (Kshs. 1.86 million) and interface with Central Bank of Kenya bond system (Kshs. 0.54 million).

Key intangibles not fully amortised in the year includes: ATS costs of Kshs. 68.3 million (remaining useful life of 6.7 years), other software costs of Kshs. 5.1 million (remaining useful life of 5.8 years), BBO software cost of Kshs. 14 million (remaining useful life of 3.5 years) and derivatives software cost of Kshs. 54.3 million (remaining useful life of 6.5 years).

15 INVESTMENT IN ASSOCIATE

The investment in associate represents an investment in Central Depository & Settlement Corporation Limited (CDSC). The Group held an ownership percentage of 40.5% at 31 December 2022 (2021: 40.5%). The proprotion 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	2022	2021	2022	2021
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.

The Group's shareholding in AKS Nominees Ltd is 88.8% (2021: 88.8%) as disclosed in note 16. AKS Nominees holds an 18% shareholding in the ordinary shares of the CDSC in 2022 (2021: 18%).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 INVESTMENT IN ASSOCIATE (Continued)

	Group 2022 Sh'000	Group 2021 Sh'000	Company 2022 Sh'000	Company 2021 Sh'000
b) The movement in the balance is as follows:				
At start of year	236,752	287,667	112,619	140,905
Share of loss for the year (note 15 (e))	(46,544)	(3,389)	(25,806)	(1,910)
Share of other comprehensive (loss)/Income for the year (note 15(e))	(1,933)	108	(1,074)	60
Dividends received	-	(47,634)	-	(26,436)
At end of year	188,275	236,752	85,739	112,619
c) Summarised financial information in respect of the associate is set out below :				
Non current assets	344,738	249,575	344,738	249,575
Current assets	146,822	365,628	146,822	365,628
Total assets	491,560	615,203	491,560	615,203
Non current labilities	(53,207)	(64,245)	(53,207)	(64,245)
Current liabilities	(57,290)	(50,428)	(57,290)	(50,428)
Total liabilities	(110,497)	(114,673)	(110,497)	(114,673)
Net assets	381,063	500,530	381,063	500,530
Group's share of net assets of associate (note 15 (d))	154,331	202,715	85,739	112,619
Total revenue for the year	241,422	316,724	241,422	316,724
Other comprehensive loss for the year	(108,083)	(8,217)	(108,083)	(8,217)
Total comprehensive loss for the year	(112,855)	(7,949)	(112,855)	(7,949)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 INVESTMENT IN ASSOCIATE (Continued)

	Group 2022 Sh'000	Group 2021 Sh'000	Company 2022 Sh'000	Company 2021 Sh'000
d) Reconciliation of share of net assets of associate to investment in associate				
Share of net assets (note 15(c))	154,331	202,715	85,739	112,619
Goodwill	33,944	34,037	-	-
Balance on statement of financial position	188,275	236,752	85,739	112,619
e) Share of loss of associate:				
Company				
Being the direct shareholding at 22.5% (2021 – 22.5%)				
Share of loss of associate	(24,202)	(1,910)	(24,202)	(1,910)
Adjustment of share of gain to associate on sale of subsidiary	(1,604)	-	(1,604)	-
Share of other comprehensive (loss)/income	(1,074)	60	(1,074)	60
	(26,880)	(1,850)	(26,880)	(1,850)
Group				
Being the direct shareholding at 22.5% (2021: 22.5%) (as computed for Company above) and the indirect shareholding at 18% from the acquisition date (2021 – 18%)				
Indirect shareholding at 18% (2021 – 18%)				
Share of loss of associate	(19,455)	(1,479)	-	-
Adjustment of share of gain to associate on sale of subsidiary	(1,283)	-	-	-
Share of other comprehensive (loss)/income	(859)	48	-	-
	(21,597)	(1,431)	-	-
Total group share of loss and OCI at 40.5% (2021 – 40.5%)				
Total share of loss of associate	(46,544)	(3,389)	(25,806)	(1,910)
Total share of other comprehensive (loss)/ income	(1,933)	108	(1,074)	60
	(48,477)	(3,281)	(26,880)	(1,850)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 INVESTMENT IN SUBSIDIARIES AND STRUCTURED ENTITIES - COMPANY

	Principal activity	Holding	2022 Sh'000	2021 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	111,899
			131,899	131,899
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	241,899

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.

b) Investment in subsidiary – AKS Nominees Ltd

The Group shareholding in AKS Nominees Ltd (AKS) is 88.8% (2021: 88.8%) for a total consideration paid to date of Sh 112 million. AKS holds an 18% shareholding in the ordinary shares of the CDSC in 2022 (2021 – 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).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 INVESTMENT IN SUBSIDIARIES AND STRUCTURED ENTITIES - COMPANY (Continued)

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 (Cap.167) 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.

d) Non-controlling interest (NCI)

The total NCI at 31 December 2022 is Sh 17,366,000 (2021: Sh 17,518,000) all of which relates to AKS Nominees Limited at 11% shareholding (2021: 11%).

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

	2022	2021
e) Investment in subsidiary and structured entities - Group	**Sh'000**	**Sh'000**
Total assets	158,714	160,406
Total liabilities	(1,202)	(1,535)
Net assets	157,512	158,871
Revenue	1,567	21,346
(Loss)/profit before tax	(889)	20,367
Taxation	(470)	(59)
Total comprehensive (loss)/income	(1,359)	20,308
Reconciliation of NCI		
Movement in the non-controlling interest is as follows:		
At start of the year	17,518	15,509
NCI's share of (loss)/profit	(152)	2,009
At end of the year	17,366	17,518

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - QUOTED EQUITY INSTRUMENTS – GROUP AND COMPANY

	2022	2021
	Sh'000	Sh'000
At start of year	75,333	48,720
Fair value gain through other comprehensive income	31,496	26,613
	______	______
At end of year	106,829	75,333
	======	======

Quoted ordinary shares at fair 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 LONG-TERM RESTRICTED INVESTMENTS – GROUP

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

	2022	2021
	Sh'000	Sh'000
NSE Clear Limited	20,011	20,005
NSE Derivatives Settlement Guarantee Fund	113,954	114,064
NSE Derivatives Investor Protection Fund	11,389	11,879
	______	______
	145,354	145,948
Less: provision for expected credit losses (note 35 (b)(ii))	(40)	(1,615)
	______	______
	145,314	144,333
	=======	=======

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. The funds are invested in a fixed deposit on a rolling basis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 GOVERNMENT SECURITIES – GROUP AND COMPANY

	2022	2021
	Sh'000	Sh'000
a) At amortised cost – maturing over one year		
Treasury bonds held at amortised cost	201,431	-
Less: provision for expected credit losses (note 35 (b)(ii))	(2,753)	-
Unamortised balance	3,937	-
	202,615	-
	=======	=======

The weighted average effective interest rate on the treasury bonds at amortised cost for the year ended 31 December 2022 was 13.7% (2021: Nil).

	2022	2021
	Sh'000	Sh'000
b) At fair value through profit or loss – maturing over one year		
Treasury bonds held for trading	265,971	375,627
Less: provision for expected credit losses (note 35 (b)(ii))	(3,562)	(6,386)
Unamortised balance	1,653	2,708
Unrealised fair value loss at year end	(7,687)	(6,351)
	256,375	365,598
	=======	=======

The weighted average effective interest rate on the treasury bonds at fair value through profit or loss for the year ended 31 December 2022 was 8.2% (2021: 14.4%).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 DEFERRED TAX

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30% (2021: 30%) The net deferred tax asset is attributable to the following items:

	Group		Company	
	2022	2021	2022	2021
	Sh'000	Sh'000	Sh'000	Sh'000
Accelerated capital allowances	2,982	(4,399)	2,982	(4,399)
Straight-lined rental income	(660)	(693)	(660)	(693)
Unrealized foreign exchange gain	782	65	782	65
Leave provision	798	441	798	441
Tax losses	5,968	5,710	-	-
Provision for expected credit losses	4,232	4,095	4,225	3,934
Fair value loss on bond instruments at FVTPL	2,306	1,894	2,306	1,895
Treasury bond amortization	-	(2,960)	-	(2,960)
Potential deferred tax asset not recognized	(5,970)	(5,290)	-	-
	10,438	(1,137)	10,433	(1,719)
	======	=====	======	======
The movement in the deferred income tax asset is as follows:				
At start of year	(1,137)	5,007	(1,719)	587
Credit/(charge) to profit or loss (note 11 (a))	11,969	(854)	12,152	(2,306)
Potential deferred tax asset not recognized (note 11 (a))	(680)	(5,290)	-	-
Prior year deferred tax under provision (note 11 (a))	286	-	-	-
At end of year	10,438	(1,137)	10,433	(1,719)
	======	======	======	======

The deferred tax asset has been recognised in the year as it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. There are no tax laws which restrict the sources of taxable profits against which the Group may make deductions on the reversal of that deductible temporary difference.

The potential deferred tax asset not recognized relates to the tax losses incurred by the subsidiaries and Funds as it is not probable that taxable profit will be available in the short term against which the unused tax losses or unused tax credits can be utilized.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	Sh'000	Sh'000	Sh'000	Sh'000
a) Trade and other receivables				
Trade receivables	26,201	42,228	26,201	42,228
Prepayments and deposits	29,582	22,478	29,582	22,478
Staff loans and advances	12,374	8,594	12,374	8,594
Due from African Securities Exchange Association	1,130	4,855	1,130	4,855
Other receivables	11,711	4,110	10,946	4,110
Due from trading member on the market making fund	8,026	10,012	8,026	10,012
Amount due from associate (note 32 (e))	7,140	-	7,140	-
Clearing balances	1,550	2,984	-	-
	97,714	95,261	95,399	92,277
Less: Provision for expected credit losses (note (b))	(6,225)	(2,868)	(5,468)	(2,868)
	91,489	92,393	89,931	89,409
b) Provision for expected credit losses				
Movements in provisions for expected credit losses were as follows:				
At start of the year	2,868	9,413	2,868	9,413
Charge in the year	3,357	458	2,600	458
Recovered in the year	-	(2,845)	-	(2,845)
Written off in the year	-	(4,518)	-	(4,518)
At end of year (note a)) and note (35 (b)(ii))	6,225	2,868	5,468	2,868

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 CASH AND CASH EQUIVALENTS AND SHORT-TERM RESTRICTED CASH & INVESTMENTS

	Group		Company	
	2022	2021	2022	2021
	Sh'000	Sh'000	Sh'000	Sh'000
Call deposits	83,138	32,714	83,138	32,714
Fixed deposits	290,695	601,297	262,749	585,409
Total short-term deposits (note 23)	373,833	634,011	345,887	618,123
Bank and cash balances	10,720	26,821	9,976	15,223
Less provision for expected credit losses on: (note 35 (b)(ii))				
Call and fixed deposits (note 23)	(2,193)	(3,630)	(2,175)	(3,575)
Bank balances	(129)	(341)	(127)	(326)
	382,231	656,861	353,561	629,445
Split into:				
Short-term restricted investments (note 37)	296,470	238,652	296,470	238,652
Cash and cash equivalents	78,797	374,443	57,091	362,860
Fixed deposits – maturity of three months to six months	6,964	43,766	-	27,933
	382,231	656,861	353,561	629,445
For purposes of statement of cashflows, cash and cash equivalents is made up as follows:				
Cash and bank balances	10,591	26,480	9,849	14,897
Fixed deposits – maturity within three months (note 23)	241,083	586,615	220,119	586,615
Total cash and cash equivalents	251,674	613,095	229,968	601,512
Fixed deposits – maturity of three months to six months (note 23)	130,557	43,766	123,593	27,933
	382,231	656,861	353,561	629,445

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 SHORT TERM DEPOSITS

	Group 2022 Sh'000	Group 2021 Sh'000	Company 2022 Sh'000	Company 2021 Sh'000
Maturing within three months:				
Fixed deposits	158,166	557,382	137,189	557,382
Call deposits	83,138	32,714	83,138	32,714
	241,304	590,096	220,327	590,096
Less: Provision for expected credit losses	(221)	(3,481)	(208)	(3,481)
	241,083	586,615	220,119	586,615
Maturing after three months to six months:				
Fixed deposits	132,529	43,915	125,560	28,027
Less: provision for expected credit losses	(1,972)	(149)	(1,967)	(94)
	130,557	43,766	123,593	27,933
Gross total - call and fixed deposits (note 22)	373,833	634,011	345,887	618,123
Total provision for expected credit losses	(2,193)	(3,630)	(2,175)	(3,575)
Net total - call and fixed deposits	371,640	630,381	343,712	614,548
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	98,588	139,886	70,642	124,669
Equity Bank Kenya Limited	9,093	167,957	9,093	172,082
Diamond Trust Bank Kenya Limited	30,034	151,486	30,034	151,486
KCB Bank Kenya Limited	43,360	-	43,360	-
NCBA Bank Kenya PLC	125,721	174,682	125,721	169,886
Family Bank Limited	30,020	-	30,020	-
ABSA Bank Kenya Plc	30,016	-	30,016	-
Standard Chartered Bank Kenya Limited	7,001	-	7,001	-
	373,833	634,011	345,887	618,123

The weighted average effective interest rate on the deposits as at 31 December 2022 was 8.1%. (2021: 8.3%).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 SHARE CAPITAL

	Group		Company	
	2022	2021	2022	2021
	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 of the year:				
260,004,320 ordinary shares (2021 - 259,500,791 ordinary shares) of Sh 4 each	1,040,017	1,038,003	1,040,017	1,038,003
Issue of 387,401 shares to the employees share ownership plan (2021 – 503,529 shares) of Sh 4 each (note 26)	1,550	2,014	1,550	2,014
At end of year:				
260,391,721 ordinary shares (2021 - 260,004,320 ordinary shares) of Sh 4 each	1,041,567	1,040,017	1,041,567	1,040,017
	========	========	=======	========

25 SHARE PREMIUM

At start of the year	278,579	277,185	278,579	277,185
Issue of shares at a premium to the employees share ownership plan (note 26)	880	1,394	880	1,394
At end of year:	279,459	278,579	279,459	278,579
	======	======	======	=======

The Board approved the allotment and issue of 387,401 ordinary shares (2021 – 503,529) at a market price of Sh 6.27 (2021- Sh 6.77) to the Employee Share Ownership Plan (ESOP). A share premium of Kshs 880,000 (2021 – Kshs 1,394,000) has been recognised in share premium in the year in respect of these shares.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)

During the year ended 31 December 2022, the activities in the ESOP were as follows:

	Group 2022 Sh'000	Group 2021 Sh'000	Company 2022 Sh'000	Company 2021 Sh'000
Number of units				
Units in the ESOP – at start of year	503,529	-	503,529	-
Units granted during the year	387,401	503,529	387,401	503,529
Vested units sold during the year	(31,715)	-	(31,715)	-
Vested units transferred to unitholder	(29,140)	-	(29,140)	-
	830,075	503,529	830,075	503,529
Total units vested in the year	127,854	-	127,854	-
Market price of units at date of grant - Sh	7.84	8.46	7.84	8.46
Purchase price – Sh	6.27	6.77	6.27	6.77
Issue of units to ESOP at par – Sh'000 (note 24)	1,550	2,014	1,550	2,014
Issue of units to ESOP at premium – Sh'000 (note 25)	880	1,394	880	1,394
	2,430	3,408	2,430	3,408

27 SETTLEMENT GUARANTEE FUND - MEMBER'S CONTRIBUTIONS

	Group 2022 Sh'000	Group 2021 Sh'000	Company 2022 Sh'000	Company 2021 Sh'000
Co-operative Bank of Kenya Limited	11,750	11,750	-	-

The contribution was received in cash in 2019. This is a refundable contribution 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 7th July 2022.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 TRADE AND OTHER PAYABLES

	Group 2022 Sh'000	2021 Sh'000	Company 2022 Sh'000	2021 Sh'000
a) Non-current portion				
Tenant deposits	2,215	2,216	2,215	2,216
	=====	======	=====	=====
b) Current portion				
Accrued expenses	27,974	18,937	22,468	14,707
Trade payables	12,849	11,524	12,849	11,524
Other payables*	14,126	8,797	14,126	8,797
Staff leave provision	2,660	1,469	2,660	1,469
Amount payable to Capital Markets Authority	2,249	1,688	2,249	1,688
Amount payable to associate (note 32(e))	95	100	95	100
Annual listing fees paid in advance	1,500	-	1,500	-
Clearing balances	1,520	1,975	-	-
Contributions due to former trading members	600	-	-	-
	63,573	44,490	55,947	38,285
	======	======	======	======

* Other payables includes amounts paid in advance on broker back office fees, salary deductions and other miscellaneous payables due.

29 DIVIDENDS PAYABLE

The dividends payable represent the first and final dividend for the year ended 31 December 2011 up to 31 December 2022 not paid at year end for former brokers now under statutory management. The movement in dividends payable during the year was as follows: -

	Group 2022 Sh'000	2021 Sh'000	Company 2022 Sh'000	2021 Sh'000
At start of year	67,070	32,066	66,444	31,440
Declared amount for prior years	130,002	137,535	130,002	137,535
Special dividend declared in the year	104,002	130,002	104,002	130,002
Paid during the year	(243,965)	(232,533)	(243,339)	(232,533)
At end of year	57,109	67,070	57,109	66,444
	=======	=======	======	======

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 CASH FLOWS FROM OPERATING ACTIVITIES

	Group 2022 Sh'000	Group 2021 Sh'000	Company 2022 Sh'000	Company 2021 Sh'000
Profit before income tax	37,799	210,868	61,112	214,624
Adjustments for:				
Depreciation (note 12)	26,214	29,512	26,213	29,511
Amortisation (note 14)	22,298	25,403	22,298	25,403
Share of loss of associate (note 15 (b))	46,544	3,389	25,806	1,910
Interest income (note 9)	(104,376)	(105,752)	(90,300)	(93,880)
Loss/(gain) on disposal of equipment	644	(2,957)	644	(2,957)
Loss on disposal of intangible assets	-	491	-	491
Change in net assets of NSE LLP	-	-	(5,842)	-
Issue of ESOP shares (note 26)	2,430	3,408	2,430	3,408
Effect of foreign exchange rate changes	(1,387)	(164)	(1,387)	(164)
Revaluation loss on property	17,222	-	17,222	-
Working capital changes:				
Decrease/(increase) in trade and other receivables	904	(22,741)	(522)	(21,737)
Decrease in short-term restricted cash and investments	-	4,836	-	4,836
Increase/(decrease) in trade and other payables	19,083	(5,589)	17,662	(8,336)
Decrease in tenant deposits	(1)	(1,017)	(1)	(1,017)
Movement in related party balances	-	-	75	(6,387)
(Decrease)/increase in trading members contributions	(400)	200	-	-
Cash generated from operations	66,974	139,887	75,410	145,705

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 EARNINGS PER SHARE - BASIC AND DILUTED

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

	Group		Company	
	2022	2021	2022	2021
	Sh'000	Sh'000	Sh'000	Sh'000
Net profit attributable to owners of the Group (Sh'000)	13,876	130,525	39,321	143,319
	======	======	======	======
Number of shares at 31 December (in thousands)	260,391	260,004	260,391	260,004
	======	======	======	======
Basic and diluted earnings per share – Sh	0.05	0.51	0.15	0.55
	======	======	======	======

32 RELATED PARTY TRANSACTIONS

The following transactions were carried out by the Group and Company with related parties at market rates.

	Group		Company	
	2022	2021	2022	2021
	Sh'000	Sh'000	Sh'000	Sh'000
a) Directors' emoluments				
Non – executive				
Directors fees and sitting allowances (including committees)	15,814	16,794	15,557	16,280
Executive	31,475	26,812	31,475	26,812
Total directors' remuneration	47,289	43,606	47,032	43,092
	======	=====	=====	=====

b) Key management compensation

	Group and Company	
	2022	2021
	Sh'000	Sh'000
Salaries and other short-term employment benefits	71,993	61,969
Other long term benefits	6,571	3,907
	78,564	65,876
	======	======

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 RELATED PARTY TRANSACTIONS (Continued)

c) Transactions with shareholders

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. As at 31 December 2022, the Group had 9 stockbrokers (2021:9) and 6 licensed investment banks (2021:6) who are 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 2021: 0.12%) of the value of equity securities traded at the Exchange. During the 12 months period ended 31 December 2022, the total turnover was Sh 89,758 million (31 December 2021: Sh 154,292 million) resulting in a transaction levy of Sh 108 million (31 December 2021: Sh 185 million). NSE also charges investors, through brokers, a transaction levy of 0.0035% (31 December 2021 – 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 2022 was Sh 979 billion (31 December 2021: Sh 1,302 billion), resulting in transaction levy of Sh 34 million (31 December 2021: Sh 45 million).

	2022 Sh'000	2021 Sh'000	2022 Sh'000	2021 Sh'000
Transaction levy on - equity securities	107,710	185,151	107,710	185,151
Transaction levy on - fixed income securities	34,272	45,563	34,272	45,563
Broker back office subscriptions	15,840	15,840	15,840	15,840
Data fee	1,778	1,766	1,778	1,766
Training	626	653	626	653
NOMAD fee	150	150	150	150
Annual membership fee	1,800	1,700	1,800	1,700
Ibuka	40	80	40	80
	162,216	250,903	162,216	250,903

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 RELATED PARTY TRANSACTIONS (Continued)

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.

	Group and Company	
	2022	2021
	Sh'000	Sh'000
i) Stockbrokers and investment bank representatives		
Transaction levy on - equity securities	31,343	32,218
Transaction levy on - fixed income securities	7,717	8,344
Broker back office subscriptions	2,880	4,320
Training	40	380
NOMAD fees	50	75
Annual fee	400	600
Sponsorship fees	-	300
Ibuka fees	-	40
	42,430	46,277
	=====	=====
Allowances to broker company directors sitting on Committees but are not Group Directors	-	43
	=====	=====
ii) Listed companies related to directors		
Annual listing fees	4,500	4,500
Interest income on bank deposits	-	5,182
Purchase of data	213	213
Training	210	200
	4,923	10,095
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 RELATED PARTY TRANSACTIONS (CONTINUED)

	Group and Company 2022 Sh'000	2021 Sh'000
e) Transactions with associate		
During the year, transactions with CDSC Ltd were as follows:		
Transaction levy on fixed income securities	27,451	-
	=====	=====
Net amounts receivable from associate (note 21 (a))	7,140	-
	=====	=====
Net amounts payable to associate (note 28 (b))	(95)	(100)
	=====	=====
f) Transactions with subsidiary and structured entities		
i) During the year, transactions with NSE Clear Limited were as follows:		
Expenses paid by the Company relating to:		
Audit and tax fees	836	781
Board allowances	314	400
Income tax	389	241
Derivatives platform	-	921
CMA fees	500	500
Management fees	198	209
Other expenses	121	421
	2,358	3,473
	======	======
Amounts due from NSE Clear Limited	9,290	8,506
	======	======
ii) During the year, transactions with NSE Derivatives Investor Protection Fund (IPF) were as follows:		
Expenses paid by the Company relating to:		
Trustee allowances	314	400
Audit and tax fees	445	472
Income tax	246	9
Management fees	112	128
CMA fees	500	500
Other expenses	77	129
	1,694	1,638
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 RELATED PARTY TRANSACTIONS (CONTINUED)

	Group and Company	
	2022	2021
	Sh'000	Sh'000
f) Transactions with subsidiary and structured entities (Continued)		
ii) During the year, transactions with NSE Derivatives Investor Protection Fund (IPF) were as follows (Continued) :		
IPF contributions received by the company	400	200
	=====	=====
Amounts due to NSE Derivatives Investor Protection Fund	-	2
	=====	=====
iii) During the period, transactions with NSE Derivatives Settlement Guarantee Fund (SGF) were as follows:		
Expenses paid by the Company relating to:		
Income tax	968	1,814
Trustee allowances	314	400
Audit and tax fees	445	472
CMA fees	500	500
Management fees	1,184	1,471
Other expenses	160	130
	3,571	4,787
	====	====
Distribution of surplus to NSE	5,691	7,277
	====	====
Amounts due from the NSE Derivatives SGF	3,623	4,401
	====	====
iv) During the period, transactions with NSE LLP were as follows:		
Expenses paid by the Company relating to:		
Income tax	263	1,000
Share of USP fees	2,912	1,113
Audit and tax fees	372	-
Other expenses	248	313
	3,795	2,426
	=====	====
Surplus for the year to the NSE	4,029	3,125
	=====	======
Amounts due (to)/from the NSE LLP	(75)	8
	=====	======

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 RELATED PARTY TRANSACTIONS (CONTINUED)

	Group and Company	
	2022	2021
	Sh'000	Sh'000
g) Loans and advances to Executive Director		
At start of year	3,155	3,659
Advances made in the year	1,509	2,166
Loan made in the year	5,992	2,771
Repayments in the year	(5,703)	(5,441)
At end of year	4,953	3,155
Interest income earned on loan	348	295

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 9% p.a (2021 – 10% p.a). All terms are as per company policy.

33 OPERATING LEASE COMMITMENTS (GROUP AND COMPANY)

The Group and Company as a lessor:

Lease rental income earned during the year was Sh 9 million (2021: 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:

	Group and Company	
	2022	2021
	Sh'000	Sh'000
Receivable within 1 year	7,438	9,909
Receivable after 1 year but within 5 years	18,488	25,926
	25,926	35,835

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34 CAPITAL COMMITMENTS - GROUP AND COMPANY

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

	2022	2021
	Sh'000	Sh'000
Authorised but not yet contracted for	102,240	47,529
	======	======

The capital commitments relate mainly to system infrastructure and support.

35 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 2022 and 2021.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a) Market risk (Continued)

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

At 31 December, the carrying amounts of foreign currency denominated monetary assets and liabilities which were all held in US Dollar currency are as follows:

	2022 Sh'000	2021 Sh'000
Assets		
Cash and bank balances	1,246	247
Other receivables	2,523	19
Fixed deposit	42,472	13,837
	46,241	14,103
Liabilities		
Accrued expenses	(6,521)	(3,541)
Net position	39,720	10,562

At 31 December 2022, 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 3,972,000 (2021: Sh 1,056,000) 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:

	2022 Sh'000	2021 Sh'000
Quoted equity instrument	106,828	75,333

At 31 December 2022, 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 10,683,000 (2021 – Sh 7,533,000).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 in 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 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 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:

The amount that best represents the Group and Company's maximum exposure to credit risk as at 31 December 2022 and 2021 is made up as follows:

	12-month expected credit losses	Lifetime expected credit losses (a)	(b)	Total
	Sh'000	Sh'000	Sh'000	Sh'000
Group				
At 31 December 2022				
Government securities	467,402	-	-	467,402
Long-term restricted investments	145,354	-	-	145,354
Trade receivables	24,772	1,462	-	26,234
Other receivables	37,984	3,947	-	41,931
Short-term restricted cash and investments	296,470	-	-	296,470
Cash, cash equivalents and fixed deposits	88,083	-	-	88,083
Gross carrying amount	1,060,065	5,409	-	1,065,474
Loss allowance	(9,493)	(5,409)	-	(14,902)
Exposure to credit risk	1,050,572	-	-	1,050,572
	=======	=======	=======	=======
At 31 December 2021				
Government securities	375,627	-	-	375,627
Long-term restricted investments	145,948	-	-	145,948
Trade receivables	40,955	1,273	-	42,228
Other receivables	29,471	1,084	-	30,555
Short-term restricted cash and investments	238,652	-	-	238,652
Cash, cash equivalents and fixed deposits	422,180	-	-	422,180
Gross carrying amount	1,252,833	2,357	-	1,255,190
Loss allowance	(12,483)	(2,357)	-	(14,840)
Exposure to credit risk	1,240,350	-	-	1,240,350
	=======	=======	=======	=======

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 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 (a)	(b)	Total
	Sh'000	Sh'000	Sh'000	Sh'000
Company				
At 31 December 2022				
Government securities	467,402	-	-	467,402
Trade receivables	24,739	1,462	-	26,201
Other receivables	36,426	3,190	-	39,616
Short-term restricted cash and investments	296,470	-	-	296,470
Cash, cash equivalents and fixed deposits	59,393	-	-	59,393
Gross carrying amount	884,430	4,652	-	889,082
Loss allowance	(9,433)	(4,652)	-	(14,085)
Exposure to credit risk	874,997	-	-	874,997
	=======	=======	=======	=======
At 31 December 2021				
Government securities	375,627	-	-	375,627
Trade receivables	40,955	1,273	-	42,228
Other receivables	26,487	1,084	-	27,571
Short-term restricted cash and investments	238,652	-	-	238,652
Cash, cash equivalents and fixed deposits	394,695	-	-	394,695
Gross carrying amount	1,076,416	2,357	-	1,078,773
Loss allowance	(10,799)	(2,357)	-	(13,156)
Exposure to credit risk	1,065,617	-	-	1,065,617
	=======	=======	=======	=======

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)

35 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

ii) The loss allowance at end of each year relates to the following:

	12-month expected credit losses	Lifetime expected credit losses (a)	(b)	Total
	Sh'000	Sh'000	Sh'000	Sh'000
Group				
At 31 December 2022				
Government securities (note 19)	6,315	-	-	6,315
Long-term restricted investments (note 18)	40	-	-	40
Trade receivables (note 21 (b))	116	1,462	-	1,578
Other receivables (note 21 (b))	700	3,947	-	4,647
Cash, cash equivalents and fixed deposits (note 22)	2,322	-	-	2,322
Total	9,493	5,409	-	14,902
At 31 December 2021				
Government securities (note 19)	6,386	-	-	6,386
Long-term restricted investments (note 18)	1,615	-	-	1,615
Trade receivables (note 21 (b))	155	1,273	-	1,428
Other receivables (note 21 (b))	356	1,084	-	1,440
Cash, cash equivalents and fixed deposits (note 22)	3,971	-	-	3,971
Total	12,483	2,357	-	14,840

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

ii) The loss allowance at end of each year relates to the following (Continued)

	12-month expected credit losses	Lifetime expected credit losses (a)	(b)	Total
Company				
At 31 December 2022				
Government securities (note 19)	6,315	-	-	6,315
Trade receivables (note 21 (b))	116	1,462	-	1,578
Other receivables (note 21(b)))	700	3,190	-	3,890
Cash, cash equivalents and fixed deposits (note 22)	2,302	-	-	2,302
Total	9,433	4,652	-	14,085
	=======	=======	=======	=======
At 31 December 2021				
Government securities (note 19)	6,386	-	-	6,386
Trade receivables (note 21 (b))	155	1,273	-	1,428
Other receivables (note 21(b))	356	1,084	-	1,440
Cash, cash equivalents and fixed deposits (note 22)	3,902	-	-	3,902
Total	10,799	2,357	-	13,156
	=======	=======	=======	=======

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 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 expectedcredit losses (a)	(b)	Total
	Sh'000	Sh'000	Sh'000	Sh'000
Group				
Year ended 31 December 2022				
At start of year	12,483	2,357	-	14,840
(Reversals)/additions in the year (note 7)	(2,990)	3,052	-	62
At end of year	9,493	5,409	-	14,902
Year ended 31 December 2021				
At start of year	4,205	9,307	-	13,512
Written off in the year	-	(4,518)	-	(4,518)
Recoveries in the year (note 7)	-	(2,485)	-	(2,485)
Additions in the year (note 7)	8,278	53	-	8,331
At end of year	12,483	2,357	-	14,840
Company				
Year ended 31 December 2022				
At start of year	10,799	2,357	-	13,156
(Reversals)/additions in the year (note 7)	(1,366)	2,295	-	929
At end of year	9,433	4,652	-	14,085
Year ended 31 December 2021				
At start of year	3,709	9,307	-	13,016
Written off in the year	-	(4,518)	-	(4,518)
Recoveries in the year (note 7)	-	(2,485)	-	(2,485)
Additions in the year (note 7)	7,090	53	-	7,143
At end of year	10,799	2,357	-	13,156

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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.

	Up to 1 year	1 – 5 years	Total
	Sh'000	Sh'000	Sh'000
Group			
At 31 December 2022			
Financial liabilities			
Tenant deposits	-	2,215	2,215
Trade and other payables	63,573	-	63,573
Dividends payable	57,109	-	57,109
Trading members' contributions	2,000	-	2,000
Settlement Guarantee Fund members contributions	-	11,750	11,750
Total financial liabilities	122,682	13,965	136,647
	=======	=======	=======
At 31 December 2021			
Financial liabilities			
Tenant deposits	-	2,216	2,216
Trade and other payables	44,490	-	44,490
Dividends payable	67,070	-	67,070
Trading members' contributions	2,400	-	2,400
Settlement Guarantee Fund members contributions	-	11,750	11,750
Total financial liabilities	113,960	13,966	127,926
	=======	=======	======

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 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
Company			
At 31 December 2022			
Financial liabilities			
Tenant deposits	-	2,215	2,215
Trade and other payables	55,947	-	55,947
Dividends payable	57,109	-	57,109
Due to NSE LLP	75	-	75
Total financial liabilities	113,131	2,215	115,346
	=======	=======	======
At 31 December 2021			
Financial liabilities			
Tenant deposits	-	2,216	2,216
Trade and other payables	38,285	-	38,285
Dividends payable	66,444	-	66,444
Total financial liabilities	104,729	2,216	106,945
	=======	=======	======

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).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

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.

	2022	2021
	Sh'000	Sh'000
Group and Company		
Level 1		
Financial assets		
Quoted equity instrument	106,829	75,333
	=======	=======
Level 2		
Financial assets		
Government securities	265,375	365,598
	=======	=======

There were no transfers between levels 1, 2 and 3 in the period and for level 3, there was no movement.
Level 1 – We have determined the fair value using quoted prices (unadjusted) from the Dar Es Salaam Stock Exchange
Level 2 – We have determined the fair value using the implied yield curve for the bond published by the Nairobi Securities Exchange. The fair value for the investment property is based on a valuation report.

36 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 2022 and 31 December 2021, the Group and Company did not have any borrowings.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 MINIMUM LIQUID NET-WORTH REQUIREMENTS (GROUP AND COMPANY)

	2022	2021
	Sh'000	Sh'000
Estimated twelve months operating costs	592,940	477,304
	=======	=======
Required minimum liquid net-worth at one half of estimated operating costs	296,470	238,652
	=======	=======
Cash and cash equivalents and fixed deposits	296,470	238,652
	=======	=======
Maturing within 3 months	172,877	210,719
Maturing after 3 months	123,593	27,933
	296,470	238,652
	=======	=======

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.

38 CONTINGENT LIABILITY

a) This is a suit against the NSE that was filed in July 2021 by 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 Sh 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 these financial statements.

b) 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 Sh 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

nairobi securities exchange
Discover Opportunity

NOTICE OF THE 69TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the **69th Annual General Meeting** of the Nairobi Securities Exchange Plc will be held by **electronic communication**, on **Tuesday 30th May 2023** 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 receive the Chairman's Statement and the Chief Executive's Report.
3. To receive, consider and, if thought fit, adopt the Audited Financial Statements for the year ended 31st December 2022 together with the reports of the Directors and Auditors thereon.
4. To approve a final dividend of Kshs. 0.20 per ordinary share, in respect of the Financial Year ended 31st December 2022 and to approve the closure of the Register of Members at the close of business on 30th May 2023 for one day for the purpose of determining the qualifying members entitled to dividends.
5. To approve the Remuneration Report of the Board as detailed in the Annual Report for the Financial Year ended 31st December 2022 and to authorize the Directors to fix their remuneration.
6. Election of Directors:

   (a) In accordance with Articles 94 and 95 of the Company's Articles of Association, Mr. Michael Turner (an Independent, Non-Executive Director) retires by rotation, and, being eligible, offers himself for re-election;
   (b) In accordance with Articles 94 and 95 of the Company's Articles of Association, Ms. Risper Alaro - Mukoto (a Non-Executive Director representing Listed Companies) retires by rotation, and, being eligible, offers herself for re-election; and
   (c) In accordance with Articles 94 and 95 of the Company's Articles of Association, Mr. Paul Mwai (a Non-Executive Director representing Trading Participants) retires by rotation, and, being eligible, offers himself for re-election.

7. 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) Mr. John Niepold;
   (b) Ms. Risper Alaro-Mukoto (subject to re-election);
   (c) Ms. Isis Nyong'o Madison; and
   (d) Mr. Michael Turner (subject to re-election).

8. To reappoint Messrs Deloitte & Touche LLP as the Auditors of the Company, in accordance with the provisions of Section 721(4) 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.

ANY OTHER BUSINESS

10. 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: 8th May 2023

Notes:

1. Nairobi Securities Exchange Plc has convened and will conduct a Virtual Annual General Meeting ("AGM") pursuant to section 283 of the Companies Act and Article 79 of the Company's Articles of Association.

2. The Company, pursuant to Section 283(3) of the Companies Act has made available the following documents on the Company's website www.nse.co.ke for Shareholder access:
   (a) A copy of this Notice and the Proxy form;
   (b) The Company's Financial Statements and reports for the year 2021;
   (c) Amended Articles of Association;
   (d) Nomination Form; and
   (e) Consent Form.

3. Shareholders wishing to participate in the meeting should register for the AGM by dialing ***483*560#** on their mobile telephone and follow the various prompts on the registration process or click on the following link https://escrowagm.com/nse/signup.aspx and filling in the registration form. In order to complete the registration process, the shareholder will need to have their ID/Passport Numbers that were used to purchase their shares and/or their CDSC Account Number at hand.

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) 0710888000** from 8.00 a.m. to 5.00 p.m. (EAT) from Monday to Friday.

   A Shareholder domiciled outside of Kenya can send an email to CDSC Registrars via eagm@cdscregistrars.com providing their details i.e. Name, Passport/ID Number, CDS Number and Mobile telephone number requesting to be registered. CDSC Registrars shall register the shareholder and send them an email notification once registered.

5. Registration for the AGM opens on **Friday 12th May 2023 at 8.00 a.m. (EAT)** and will close on **Friday 26th May 2023 at 5.00 p.m. (EAT)**. Shareholders will not be able to register after this time.

6. 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 CDSC Registrars email address eagm@cdscregistrars.com;
   (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 CDSC Registrars Limited, 1st Floor, Occidental Plaza, Muthithi Road, Westlands; or
   (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 CDSC Registrars address - P.O. Box 6341-00100, 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 **Monday, 29th May 2023 at 1.00 p.m (EAT).**

   Following receipt of the questions and clarifications, the Company shall provide written responses to the questions received to the return physical address or e-mail address provided by the Shareholder before the start of the general meeting.

7. 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: CDSC Registrars, 1st Floor, Occidental Plaza, Muthithi Road, Westlands. To be valid, a Proxy Form must be duly completed by the member and must be returned to CDSC Registrars on the above address or through their email address eagm@cdscregistrars.com 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.

8. 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 ceoffice@nse.co.ke copy to kwaithaka@nse.co.ke), by **Monday 22nd May 2023 at 1.00 p.m.,** a 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.

9. 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.

10. 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.

11. 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 CDSC Registrars eagm@cdscregistrars.com providing their details i.e. Name, Passport/ID Number, and Mobile telephone number requesting to be registered.
   (b) CDSC 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.

11. Results of the AGM shall be published on the Company's website within twenty four (24) hours following conclusion of the AGM.

In case of any changes to the above, Shareholders will be updated through the registered contact details and through the Company's website www.nse.co.ke.

PROXY FORM

Discover Opportunity

I/We,………...................…......................……,………. of… ……………………………………..., being a shareholder/shareholders of the above-named Company, hereby appoint………………………….……………….., of……………………………….., or failing him/her ……………...…….…….....……........ of … ……………………..….. as my/our proxy to attend and vote for me/us/on my/our behalf at the Annual General Meeting (AGM) of the Company to be held on 30th May 2023 and at any adjournment thereof.

As witness my/our hand this………… day of ……………..………..2023

SIGNED…………………………………………..

SIGNED…………………………………………..

This Form is for purposes of voting **for** or **Against** any resolutions here below. Please mark as appropriate. Unless otherwise instructed, the proxy shall vote as he/she thinks fit.

AGENDA ITEM	RESOLUTION	FOR	AGAINST
	ORDINARY BUSINESS		
4.	To adopt the audited Financial Statements for the Financial Year ended 31st December 2022		
5.	To approve a final dividend of Kshs. 0.20 per share and to approve the closure of the Register of Members at the close of business on 30th May 2023 for one day for the purpose of determining the qualifying members entitled to dividends.		
6.	To approve the Remuneration Report of the Board in respect of the Financial Year ended 31st December 2022 and to authorize the Directors to fix their remuneration.		
7 (a)	To re-elect Mr. Michael Turner (an Independent Non-Executive Director) in accordance with Articles 94 and 95.		
7 (b)	To re-elect Ms. Risper Alaro-Mukoto (a Non-Executive Director representing Listed Companies) in accordance with Articles 94 and 95.		

AGENDA ITEM	RESOLUTION	FOR	AGAINST
7 (c)	To re-elect Mr. Paul Mwai (a Non-Executive Director representing Trading Participants) in accordance with Articles 94 and 95.		
8 (a)	To appoint Mr. John Niepold to continue serving as a member of the Board Audit, Risk and Compliance Committee.		
8 (b)	To appoint Ms. Risper Alaro-Mukoto to continue serving as a member of the Board Audit, Risk and Compliance Committee.		
8(c)	To appoint Ms. Isis Nyongo - Madison to continue serving as a member of the Board Audit, Risk and Compliance Committee.		
8 (d)	To appoint Mr. Michael Turner to continue serving as a member of the Board Audit, Risk and Compliance Committee.		
9.	To reappoint Deloitte & Touche LLP as the auditors for the Company for the Financial Year ending 31st December 2023 and to authorize the Directors to fix their remuneration.		

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: CDSC Registrars, 1st Floor, Occidental Plaza, Muthithi Road, Westlands

Approval of Registration

I/We approve to register to participate in the virtual AGM to be held on 30th May 2023. ☐

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:

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 CDSC Registrars, 1st Floor, Occidental Plaza, Muthithi Road, Westlands, or through their email address eagm@cdscregistrars.com, to arrive not later than **11.00 a.m. (EAT)** on **28th May 2023** i.e. 48 hours before the meeting or any adjournment thereof.

In case of a member being a corporate body, the Proxy Form must be signed under the hand of an officer or duly authorized attorney of such corporate body.

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.

CONSENT FORM FOR INDEPENDENT NON-EXECUTIVE DIRECTOR

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 an Independent , Non-Executive Director of the Nairobi Securities Exchange Plc at the Annual General Meeting to be held on Tuesday 30th May 2023, do hereby notify you of my willingness to be so elected.

SIGNED this ……… day of………………. 2023.

....

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. To be valid, this Consent Form must be received by the Company Secretary; **E-mail:** kwaithaka@nse.co.ke (copy to ceoffice@nse.co.ke) by **1.00 p.m. on Monday 22nd May 2023.**

CONSENT FORM FOR 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 (representing listed companies) of the Nairobi Securities Exchange Plc at the Annual General Meeting to be held on Tuesday 30th May 2023, do hereby notify you of my willingness to be so elected.

SIGNED this ……… day of……………….. 2023.

………………………………………………………

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) To be valid, this Consent Form must be received by the Company Secretary; **E-mail: kwaithaka@nse.co.ke (copy to ceoffice@nse.co.ke)** by **1.00 p.m. on Monday, 22nd May 2023.**

NOMINATION FORM FOR INDEPENDENT NON-EXECUTIVE DIRECTOR

NOTICE OF INTENTION TO PROPOSE A CANDIDATE FOR ELECTION AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR

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 Tuesday 30th May 2023, do hereby give notice of my/our intention to propose ……………… ……………….……………………….. of P.O. Box ……………………………………….. for election as an Independent Non-Executive Director of the Company at the meeting.

SIGNED this ………….. day of…………………………………2023.

SIGNED BY:

NAME …………………………………………………………………….

SIGNATURE(S)…………………………………………………………….

Nairobi Securities Exchange | 55 Westlands Road, P. O. Box 43633 - 00100 Nairobi, KENYA
Tel: +254 20 2831000 Mobile: +254 724 253783 / +254 733 222007 | info@nse.co.ke | www.nse.co.ke

CONSENT FORM FOR 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 (representing Trading Participants) of the Nairobi Securities Exchange Plc at the Annual General Meeting to be held on Tuesday 30th May 2023, do hereby notify you of my willingness to be so elected.

SIGNED this ……… day of………………. 2023.

....
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) To be valid, this Consent Form must be received by the Company Secretary; **E-mail: kwaithaka@nse.co.ke (copy to ceoffice@nse.co.ke)** by **1.00 p.m. on Monday, 22nd May 2023.**

NOMINATION FORM FOR NON-EXECUTIVE DIRECTOR (REPRESENTING LISTED COMPANIES)

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

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 Tuesday 30th May 2023, do hereby give notice of my/our intention to propose ……………………………..…………………….. of P.O. Box...............for election as a Non-Executive Director (representing listed companies) of the Company at the meeting.

SIGNED this ………….. day of…………………………………2023.

SIGNED BY:

NAME………………………………………………………………..

SIGNATURE(S) ………………………………………………………

PLEASE NOTE:

1) The Articles of Association of Nairobi Securities Exchange Plc define a **"Non-Executive Director"** as a Director who is not an Executive Director;

2) To be valid, this Nomination Form must be received by the Company Secretary; **E-mail: kwaithaka@nse.co.ke (copy to ceoffice@nse.co.ke)** by **1.00 p.m. on Monday, 22nd May 2023.**

Nairobi Securities Exchange | 55 Westlands Road, P. O. Box 43633 - 00100 Nairobi, KENYA
Tel: +254 20 2831000 Mobile: +254 724 253783 / +254 733 222007 | info@nse.co.ke | www.nse.co.ke

NOMINATION FORM FOR NON-EXECUTIVE DIRECTOR (REPRESENTING TRADING PARTICIPANTS)

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

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 Tuesday 30th May 2023, do hereby give notice of my/our intention to propose ……………………………….……………………... of P.O. Box…………………………………………. for election as a Non-Executive Director (representing Trading Participants) of the Company at the meeting.

SIGNED this ………….. day of…………………………………2023.

SIGNED BY:

NAME ……………………………………………………………………

SIGNATURE(S) ……………………………………………………………

PLEASE NOTE:

1) The Articles of Association of Nairobi Securities Exchange Plc define a **"Non-Executive Director"** as a Director who is not an Executive Director;

2) To be valid, this Nomination Form must be received by the Company Secretary; **E-mail: kwaithaka@nse.co.ke (copy to ceoffice@nse.co.ke)** by **1.00 p.m. on Monday, 22nd May 2023.**

NOTES

NOTES

NOTES


The NSE Offers Premium Training & Consulting Services in:
Trading and investments
Trading Systems and Technology
Corporate Governance
Risk and compliance
ESG
www.nse.co.ke
NSE
nairobi securities exchange
Discover Opportunity

nairobi securities exchange
Discover Opportunity

Nairobi Securities Exchange PLC
The Exchange, 55 Westlands Road
P. O. Box 43633 - 00100 Nairobi, Kenya

Tel: +254 20 2831000
Mobile: +254 724 253783
+254 733 222007

Email: info@nse.co.ke
Website: www.nse.co.ke