

ANNUAL
REPORT &
FINANCIAL
STATEMENTS
2015



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

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

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

Our Vision

To be a leading securities exchange in Africa, with a global reach

Our Mission

To provide a world class securities trading facility

TABLE OF CONTENTS

PAGE

CORPORATE AND BUSINESS REVIEW

Corporate Information	02
Chairman's Statement	03 - 04
Board of Directors	05 - 07
Chief Executive's Statement	08 - 09
Executive Committee	10

GOVERNANCE

Report of the Directors	11
Corporate Governance Statement	12 - 18
Corporate Social Responsibility	19 - 21
Statement of Directors' Responsibilities	22
Independent Auditors' Report	23

FINANCIAL STATEMENTS

Statement of Profit or Loss and Other Comprehensive Income	24
Statement of Financial Position	25
Consolidated Statement of Changes in Equity	26
Company Statement of Changes in Equity	27
Statement of Cash Flows	28
Notes to the Financial Statements	29 - 60

OTHER INFORMATION

Notice of Annual General Meeting	61 - 62
Proxy Form	64

CORPORATE INFORMATION

DIRECTORS

Mr. Edward Njoroge	Chairman
Mr. Bob Karina	Vice Chairman
Mr. Jimnah Mbaru	
Dr. Winnie Nyamute	
Ms. Sharon Maviala	
Mr. Hosea K Kili	
Mr. Samuel N Kimani	
Ms. Nasim Devji	
Mr. Michael Turner	
Mr. James Mworio	
Mr. Geoffrey O Odundo	Chief Executive

SECRETARY

Mr. John Maonga
Maonga Ndonye Associates
Certified Public Secretaries (Kenya)
P. O. Box 73248 - 00200
Nairobi, Kenya

REGISTERED OFFICE

L.R. No 209/18851
The Exchange, 55 Westlands Road
P. O. Box 43633 - 00100
Nairobi, Kenya

AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
P. O. Box 40092 - 00100
Nairobi, Kenya

BANKERS

Kenya Commercial Bank Limited Moi Avenue Branch P. O. Box 30081 – 00100 Nairobi, Kenya	Co-operative Bank of Kenya Limited Westlands Branch P. O. Box 48231 – 00100 Nairobi, Kenya
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LEGAL ADVISOR

Hamilton Harrison & Mathews
Delta Offices Suite,
Waiyaki Way
P. O. Box 30333 - 00100
Nairobi, Kenya



Mr. Eddy Njoroge
Chairman

We are the fifth largest market in Africa with an average market capitalization of USD 20 Billion per Annum.

In October 2015, the Exchange launched the Real Estate Investment Trust (REITs).

DEAR SHAREHOLDERS

It is my pleasure to present to you the annual financial results of the Nairobi Securities Exchange (NSE) Limited. It is noteworthy that the company performed well given the prevailing operating environment and key macro-economic factors. The market experienced a surge in interest rates with the 91 day Treasury bill recording a year high of 21.52% during the year. The Kenyan shilling also remained volatile recording a peak of KShs.106.25 to the dollar. The agricultural sector reported increased marketed production of 11.3% from KShs. 333 billion in 2014 to KShs. 371 billion in 2015, influenced by abundant rainfall, while the cost of energy reduced by 68% from a high of KShs. 7.22/kWh in August 2014 to KShs.2.31/kWh in June 2015 owing to the impact of the shift to geothermal energy and the declining global oil prices.

During the year our markets recorded declined activity owing to the negative impact of the Capital Gains Tax that took effect during the year. The equity market recorded a marginal turnover decline of 3% from KShs. 215 Billion in 2014 to KShs. 209 Billion in 2015 due to reduced local and foreign investor participation while the fixed income market recorded a decline of 40% from KShs. 506 Billion in 2014 to KShs. 305 Billion in 2015 in secondary market

owing to the devaluation of portfolios as a result of the increased interest rates.

Globally, financial markets faced considerable challenges in 2015. Global growth slowed to 2.4% from 2.6% in 2014 due to weakening commodity prices, global trade, and capital flows. The growth divergence between various regions widened in 2015, owing to differing impacts from the recent decline in the prices of oil and other commodities.

Company Report

The NSE is the largest securities exchange in East and Central Africa. We are the fifth largest market in Africa with an average market capitalization of USD 20 Billion per annum.

The equity and fixed income markets performance declined, resulting in decreased revenue for the Company. We also recorded a reduced number of rights and corporate bond issues from firms seeking to raise funds through the Capital Markets as compared to 2014.

In line with our product diversification strategy, the Company in October 2015, launched the Real Estate Investment Trusts (REITs). This was a major step towards financial inclusion in our capital markets that will enable average investors to invest in large-scale commercial, residential and industrial properties, without requiring large sums of money.

The Company also received formal approval to launch the derivatives market that will provide a platform for introduction of tradable contracts. The NSE will be the third exchange in Africa with a derivatives offering after the Johannesburg Stock Exchange and the Lusaka Stock Exchange. NSE Clear was set up as a subsidiary to operate as a central counterparty for the derivatives market.

As part of our 2014-2019 strategy, the Company underwent a complete organization restructure to strengthen our organizational capabilities and our people value proposition with an aim of improving overall service delivery by attracting and retaining the best talent in the market.

The Company also applied for a recognition as a Self-Regulatory Organization function from the Capital Markets Authority, which aims to make the NSE a first line regulator of market participants. To enable this, the Company in 2015 set up a Regulatory Affairs Directorate whose scope includes regulatory oversight of trading participants and compliance of listed companies.

Corporate Sustainability

In March 2015, NSE joined the UN Sustainable Stock Exchange's Initiative as a partner exchange. Through this initiative, we hope to collaborate with peers to promote sustainable business practices and corporate transparency among our listed companies. The wider role our business plays in society remains a key focus of the company. In September 2015, we held the inaugural Charity Trading

Day where we raised over KShs. 7 million to go towards wildlife conservation and other charitable activities, including adopting a home in Meru County through the SOS Children's Villages.

The NSE promotes financial literacy through the annual NSE Investment Challenge, a virtual trading programme that focuses on empowering the youth on investments and related strategies. We continue to work with Smart Youth Investments Ltd and NIC Securities on this flagship programme. In 2015, over 13,000 students were trained under this initiative.

Governance and the Board of Directors

As a principal financial infrastructure provider, we must ensure that we continue to meet the highest standards of corporate governance. As reported last year, the Company appointed three new non-executive members, increasing the size of the Board from nine to eleven members.

We believe that an appropriate mix of skills and experience within the Board helps strengthen its effectiveness. Mr. James Mworira who has a wealth of experience in the financial industry, joined the Board as a Non-executive Director in June 2015. Mr. Mworira was appointed by the Board to fill the vacancy that arose upon the resignation of Dr. Jonathan Ciano. On behalf of the Board, I would like to thank Jonathan for his guidance and contributions to the Company during his service on the Board.

The Board remains focused on improving its effectiveness and efficiency in its governance, paying particular attention to enhancing the Group's risk management, structure and process. As such, the Board reconstituted the Board Committees and membership, establishing nine (9) Board Committees with delegated authority to assist the Board effectively carry out its mandate.

The Board further widened the mandate of the Audit, Risk & Corporate Governance Committee to be responsible for NSE's enterprise-wide risk management; including overseeing the relevant risk management systems and ensuring that they are compatible with the Company's strategy.

Financial Performance

The Group posted a profit before tax of KShs. 381.5 Million in 2015, a 13.6% decrease from KShs. 441.8 million posted in 2014. This marginal decline was as a result of the compounding macro effects in the economy especially in the second half of year as well as the impact of the Capital Gains Tax that took effect in January 2015. The Company also saw a commensurate rise in its expenses owing to organizational restructuring and product development. Details of the Company's performance in 2015 and new initiatives are set out in the Chief Executive's Report.

Dividend

In line with our progressive dividend policy and in continuing to improve shareholder value, the Directors have proposed a first and final dividend of KShs. 0.49 per share, an increase of 29% from the dividend paid of KShs. 0.38 per share in 2014.

Bonus Issue

The Company also seeks to recapitalize its business and the Directors will be proposing a bonus issue of one for every three shares held to the shareholders during the forthcoming Annual General Meeting.

Future Outlook

The global economic environment will remain challenging, deleveraging in both the public and private sectors. Monetary policy divergence and oil price volatility have created unprecedented risks. In the coming year, Financial markets will be susceptible to increased volatility, notwithstanding continuing accommodation by the European Central Bank and the Bank of Japan. In December 2015, the U.S. Federal Reserve launched a cycle of gradual interest-rate hikes and it will be critical how the Federal Reserve manages subsequent interest-rate increases during 2016.

However, Kenya's growth is projected to rise from 5.5% in 2015 to 6-7% by 2017, making it one of the fastest-growing economies in Sub-Saharan Africa. The Company is well-positioned to sustain the value of our core business through our continuous diversification strategy and strong stakeholder relationships. However, some of the factors like insecurity and infrastructure that constrained growth in 2015 are likely to persist into 2016.

As a key component of the capital markets ecosystem, the Company will be launching additional new products, upgrading its trading platform, increasing its visibility as well as adding access channels to improve investor participation in the capital markets. These will remain our priorities as we aim to deepen our shareholder value and business proposition to our clients and other stakeholders.

We look forward to a more promising year ahead.

Appreciation

On behalf of the Board, I would like to thank our Shareholders and other stakeholders for their unwavering confidence and support. I also wish to extend my appreciation to my fellow Board members for their guidance and wise counsel, our diligent and dedicated Management team and our staff at every level for their unyielding dedication to working collaboratively to achieve our strategic goals. As I step down from the Chair, I hope that this same cooperation will be extended to my successor.

I would also like to thank our listed companies who have demonstrated their faith in us by issuing their securities in our market, the investors (both local and foreign), and the trading participants for their support during the year.



EDDY NJOROGE
CHAIRMAN

21 April 2016



1. Mr. Eddy Njoroge

Mr. Njoroge is an experienced business man with rounded experience in the corporate and financial sector. He is the former CEO of Kenya Electricity Generating Company (KenGen), where he spearheaded the transformation of the company from a parastatal to a publicly listed company with a greater commercial and sustainability orientation. From 2008 to 2012, he was the President of the Union of Producers and Distributors of Electric Power in Africa, giving him a unique overview and perspective of Africa's Power sector. He currently serves as Chairman of Telkom Kenya and of the Nairobi Securities Exchange and is a board member of CFC Stanbic Bank, Britam Insurance Ltd and Proctor & Allan among other companies. He is also the Chairman of the Investment Committee of Aureos East Africa Fund and a Member of the Investment Committee of the Africa Renewable Energy Fund. He has recently been appointed to the board of Globeleq- a Pan- African power company. He is the recipient of several awards honouring his contribution to industry development, including the Ordre National du Mérite from the President of France, and a Life-time Award in recognition of his contribution to the transformation of the energy sector in Africa. He has a BSc. (Hons) degree in Chemistry/Biochemistry from Makerere University.



2. Mr. Bob Karina

Mr. Karina is the Founder and Chairman of Faida Investment Bank and the Vice Chairman of the Nairobi Securities Exchange (NSE) Ltd and a board member of the newly established NSE Clear. He is also the Vice Chairman of the Rwanda Stock Exchange (RSE), where he has played a key role in the set-up of the RSE and serves as the Chairman of the Trading Committee. He is the Managing Director of Faida Securities Rwanda. He is also a Board Member of the Central Depository and Settlement Corporation (CDSC), where he serves as the Chairman of the Finance Committee. He is a Non-Executive Director at the Kenya Industrial Estate (KIE) and serves as the Chairman of the Finance Committee. He is an accomplished stockbroker, an information technology professional and a successful businessman. He plays other roles including; Chairman of Asterisks Holdings, Chairman of Norwich Union Properties Ltd., Vice Chairman of Safari Holdings Ltd and a board member of Sigma Supplies Ltd. He is the Chairman of Association of Kenya Stockbrokers (AKS) Nominees Ltd and Founder Member of the Association of Financial Analysts (AFA), now the Institute of Certified Investment and Financial Analysts (ICIFA). He is a member of the Institute of Directors. He also served as a Governor and Director of the Kenya Private Sector Alliance (KEPSA) and as a Director of the National Chamber of Commerce and Industry (KNCCI) as the Chairman of the Finance Committee. Mr. Karina was instrumental in the establishment of the CDSC, the implementation of the NSE's Automated Trading System (ATS), the Wide Area Network (WAN), and the Broker Back Office (BBO) system, as the Chair of the implementation committees that spearheaded these developments in the Kenyan Capital Markets. He has broad experience in advising institutional and corporate investors, corporate finance consulting and research analysis. He is a Lecturer at the KCA University in Kenya. He holds a Master of Science (MSc) in Corporate Finance from the University of Liverpool, in the UK.



3. Mr. Jimnah Mbaru

Mr. Mbaru is the Chairman of Dyer & Blair Investment Bank and has over 30 years of experience in the financial services sector. He also serves as a Director of Britam Investments Company Limited; Occidental Insurance Company; Jitegemee Trust (Kenya); Pinebridge Investments East Africa Limited; Nairobi Securities Exchange Limited and Sanlam Africa Core Real Estate Investments Limited (SACREL), listed on the Mauritius Stock Exchange. Mr. Mbaru is also a member of the Investment Committee for the International Finance Corporation's Africa Capitalization Fund, which focuses on funding financial institutions in Africa. Mr. Mbaru served as the founding Chairman of the African Stock Exchanges Association (ASEA) and has also served as Chairman of the Nairobi Securities Exchange. Mr. Mbaru is currently the Chairman of Kenya Association of Stockbrokers and Investment Banks (KASIB). Mr. Mbaru holds a Bachelors of Commerce degree from University of Nairobi, a Masters of Business Administration degree from IMD, Lausanne, Switzerland and a Bachelor of Laws degree from University of Nairobi. He is an Advocate of the High Court of Kenya.



4. Ms. Sharon Maviala

Ms. Maviala qualified as an Advocate / Certified Public Secretary in 1998. She specialized in business law practicing first as an Associate in leading law firms in Nairobi and then as Company Secretary/Chief Legal Officer for an NSE Listed Insurance Group. In 2007 she left the Insurance Group for an eight month sabbatical in South Africa and since then moved into a general business environment as executive director and co-owner of small businesses in the real estate industry. In addition she is currently General Manager for an indigenous serviced office business with footprints in Kenya, Ghana and Nigeria. Ms Maviala has 17 years' experience as an in-house general counsel and business executive across a diverse range of industry sectors – legal services, financial services, insurance and real estate. Professionally she is a member of the Law Society of Kenya, Institute of Certified Public Secretaries of Kenya, Institute of Directors and Women on Boards Networks. She holds a Bachelors Degree in Law (LLB) from the University of Reading and a Masters in Business Administration (MBA) from USIU-Africa. She joined the NSE Board as an Independent Non - Executive Director in May 2014.



5. Mr. Hosea Kili

Mr. Kili holds an M.B.A. in Strategic Management from the Management College of Southern Africa (MANCOSA). He is an Advocate of the High Court of Kenya, Fellow of the Institute of Certified Public Secretaries of Kenya, F(CPS(K) and Fellow Member of the Kenya Institute of Management. Mr. Kili is the Group Managing Director and CEO of CPF Financial Services Ltd. He is the former Chairperson of the East & Central African Social Security Association (ECASSA), a regional social security body. He has considerable training and experience in legal issues, corporate governance, management and investment of pension schemes. In 2011, Mr. Kili was conferred the Order of the Golden Warrior (O.G.W), a Head of State award for his exemplary service by H.E. the President of Kenya. He is also a Non- Executive Director of Nairobi Securities Exchange (NSE); currently Chairman of Association of Pension Administrators of Kenya (APAK) and Chairman of ICL, a subsidiary company of ICPSK. He is a Non-Executive Director of NSE.



6. Mr. James Mworira

Mr. Mworira is the Group Chief Executive Officer and Managing Director of Centum Investment Company Limited (Centum) a position he has held since 2008. During his tenure he has led Centum through a significant growth phase with assets under management increasing from USD 67 Million to more than USD 1.8 Billion and generated a total return to shareholders of over 600%. Mr. Mworira is the Chairman of Sidian Bank and Almasi Beverages. He has been a recipient of various national and international leadership awards including: The East Africa Business Leader of the year (2015) by All Africa Business Leaders Awards (AABLA) and The Africa CEO of the year award (2016) by the Wharton Club for Africa. Mr. Mworira is an Archbishop Tutu Fellow 2012, an Advocate of the High Court of Kenya, a Chartered Financial Analyst Charter Holder, and a Chartered Global Management Accountant (CGMA), a member of the Institute of Certified Public Accountants of Kenya and a Fellow of the Kenyan Institute of Management.



7. Mr. Samuel Kimani

Mr. Kimani holds a BSc (Civil engineering) and an MBA both from the University of Nairobi. He is a Certified Public Accountant of Kenya and alumnus of the Advanced Management Program of Harvard. He is currently the CEO, Jamii Bora Bank. Prior to this he served as Finance Director and later as the Deputy CEO, KCB Group.

He has also served at the Central Bank of Kenya in various capacities including: Deputy Chief Banking Manager and Deputy Director Financial Markets. He set up the National payments office at the Central Bank and was also the first Head of off- site Surveillance of the Deposit Protection Fund. He sits on the board of the Kenya Deposit Insurance Corporation and the advisory board of Stellenbosch Executive Development (VSB-ED).



8. Dr. Winnie Nyamute

Dr. Nyamute is a Certified Public Accountant (CPA) of Kenya. She serves on the Research and Education Committee of the Institute of Certified Public Accountants of Kenya (ICPAK).

Dr. Nyamute is a past member of the ICPAK's Audit Quality Assurance Committee and the Special Interest Group Committee, a panel member of the ICPAK/NSE/CMA Excellence in Financial Reporting (FiRe) Awards Scheme and a member of the Women Accountants of Kenya (AWAK). In 2003, she was involved in the Capital Markets Authority curriculum development for Financial Proficiency for market participants. She is a faculty advisor for the Certified Financial Analyst (CFA) Challenge, University of Nairobi (UON), as well as a board advisor for the Finance Students Association (FISA) of UON. Dr. Nyamute is a member of the Kenya Institute of Management (KIM). She is a Lecturer at the University of Nairobi's School of Business, the outgoing MBA coordinator and the current coordinator for partnerships and linkages, School of Business. She holds a BCom (Accounting), MBA (Finance) and a PhD (Business Administration).



9. Mrs. Nasim Devji

Mrs. Devji is currently the Managing Director and Group Chief Executive of Diamond Trust Bank Group. Mrs. Devji joined the DTB Group in 1996 following which she was appointed Group Chief Executive Officer of Diamond Trust Bank in East Africa in 2001.

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



10. Mr. Michael Turner

Mr. Michael Turner is the Managing Director of Actis in East Africa and is responsible for Actis's US\$300m Private Equity, Energy and Real Estate investments in East Africa. Prior to this, Michael was the manager of the Actis Africa Agribusiness Fund and the founder manager of the first SME PE fund in East Africa – the Acacia Fund. Based in Nairobi, Kenya Michael is an experienced private equity investor and has developed a deep understanding of PE 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. Michael holds a first class degree in Civil Engineering and is also a Fellow of the Institute of Chartered Accountants in England and Wales.



11. Mr. Geoffrey Odundo

Mr. Geoffrey Otieno Odundo is the Chief Executive of the Nairobi Securities Exchange Limited. Mr. Odundo, an accomplished Investment Banker has been in the financial services sector for the last 23 years, 17 of which have been in the Capital Markets in various senior roles in asset management, corporate finance and securities trading. Prior to his appointment, Mr. Odundo was the Managing Director and Chief Executive Officer of Kingdom Securities Limited. He was instrumental in the setting up of Co-op Trust Investment Services, Co-op Consultancy Services Limited and Kingdom Securities Limited. Mr Odundo has advised on a number of corporate finance transactions in both the public and private sectors, in addition to managing key mandates in the asset management industry. He has contributed to the growth of the Capital Markets in his previous roles in the Kenya Association of Stockbrokers and Investment Banks, the Kenya Bureau of Standards and on the Board of the Nairobi Securities Exchange. Mr. Odundo holds a Master's Degree in Strategic Management from United States International University (USIU) and an Undergraduate Degree in Mathematics and Economics from Egerton University.



Mr. Geoffrey O. Odundo
Chief Executive

The Exchange continues to deliver substantive value for our shareholders

DEAR SHAREHOLDERS

The year 2015 was a resilient one for the Company amidst a challenging business environment, which impacted on our business. The adverse macro effects of rising interest rates, the volatile currency and perennial effects as well as the introduction of the Capital Gains Tax impacted negatively on trading activity in the bond and equity markets. This notwithstanding our strong foundation and corporate strategy continued to support the company where we delivered value to our shareholders as evidenced in our good performance and progressive dividend pay-out.

Trading Performance

During the year, equity turnover decreased by 3% from Kshs. 215 Billion in 2014 to Kshs. 209 Billion in 2015. Foreign investor participation in this market averaged 61.63% over the same period, a 10.25% increase from 2014. In the same period, secondary trading activity in the Fixed Income Securities Market declined by 40% from Kshs. 506 Billion in 2014 to Kshs. 305 Billion in 2015. The NSE 20 Share Index recorded a decline of 20.9% from 5113 points on close of December 2014 to close at 4041 points at the close of trading in December 2015. The NSE All Share Index (NASI) shed off 10.4% from 163 in 2014 to close at 146 in 2015.

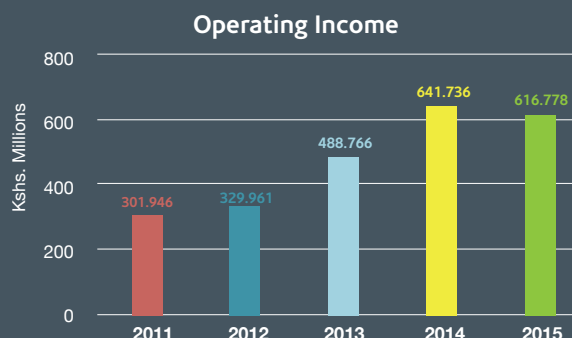
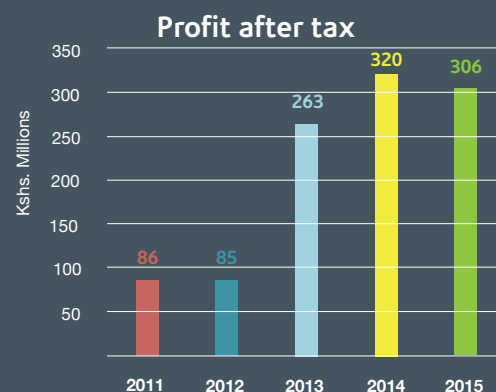
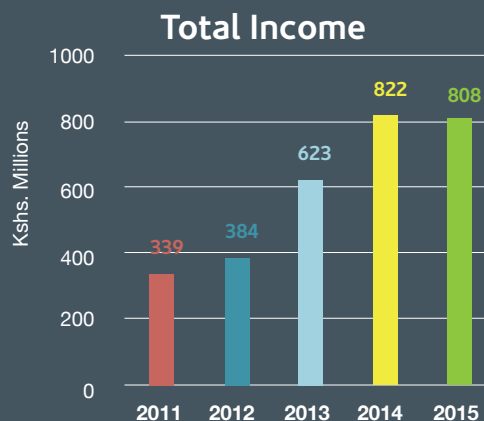
Issuers raised a total of Kshs. 192.8 Billion in the market through Corporate and Government of Kenya debt offerings. Market capitalization declined by 13.1% from Kshs. 2.3 Trillion in 2014 to Kshs. 2 Trillion in 2015.

Financial Performance

The NSE recorded a marginal decrease of Kshs. 13.6 Million (1.7%) in total income of Kshs. 808.3 Million compared to Kshs. 821.9 Million the previous year. Profit after tax stood at Kshs. 305.6 Million, a 4.5% decrease in net earnings from Kshs. 320 Million recorded in 2014.

Transaction levies stood at Kshs. 524 Million, a 5.2% decrease from Kshs. 553 Million in 2014. Annual listing fees increased by 3.8% from Kshs. 78 million to Kshs. 81 Million while interest income increased by 155.6% from Kshs. 39.5 Million to Kshs. 101 Million.

Data vending fees grew by 21.5% to Kshs. 22.6 Million in 2015 from Kshs. 18.6 Million in 2014. Total assets increased by 13.8% to Kshs. 1.918 Billion from Kshs 1.685 Billion in 2014.



Corporate Achievements

In 2015 the Company sustained the implementation of its five year corporate strategy focusing on revenue, product diversification, brand visibility and enhancement of its organizational capabilities, all aimed at positioning the NSE as a premier Company in Africa. The Company increased its product offerings, enhanced market access to its investors and finalized on its organizational review focusing on aligning its internal capacity to the corporate strategy.

Launch of Real Estate Investment Trusts (REITs) Market

I am pleased to report that we successfully launched a new product offering called the Real Estate Investment Trust (REIT) and concurrently listed the inaugural REIT - Stanlib Fahari I-REIT; contributing an aggregate value of Kshs. 3.8 Billion to overall market capitalization.

REITs enhance financial inclusion in our country while providing a channel to mobilize capital into the real estate sector and support the Government's initiative to provide quality shelter for all Kenyans.

Exchange Traded Funds

The Capital Markets Authority (CMA) put up a final guidance note on October 1, 2015. This paves the way for the licensing and approval of ETF stakeholders such as ETF promoters and market makers, leading to the eventual ETFs trading on the Nairobi Securities Exchange.

We are awaiting the approval of NSE Listing Rules and Trading Rules by the Regulator.

Derivatives Market

Following the licensing of NSE to operate a Derivatives Exchange, the Company is in the final stages of launching this key market with keen focus on final testing, simulations as well training and public education; a key phase for the success of this product. The derivative instruments will serve to deepen liquidity in the Kenyan markets expanding the Company's product offering.

Human Capital

The Company completed a comprehensive organization restructuring with an aim of improving its efficiency and aligning its capacity to the corporate strategy. Key focus was on performance management, skill alignment and talent management.

Charity Trading Day

The NSE launched its inaugural Charity Trading Day. The NSE Charity Trading Day is an annual event that brings together capital market participants, the financial community and celebrities to network have fun and raise funds towards charitable efforts. During the Charity day, celebrities and market participants make calls to clients on behalf of dealers and encourage them to trade on that day in support of charity. We raised over Kshs. 7 Million which was donated to wildlife conservation and other charitable activities.

Technology Advancement - Upgrade of the Automated Trading System

NSE is undergoing an upgrade of the Automated Trading System (ATS) on which cash equities and Exchange Traded Funds (ETFs) are listed and traded. The upgrade which commenced in Q3 2015 will better support mobile and internet trading.

The Company will continue to innovate, operating efficiently, reducing expenses while expanding our capital expenditure to grow our business as we gear towards our vision of becoming a leading securities exchange in Africa, with a global reach.

Appreciation

I wish to convey my gratitude and appreciation to every shareholder, employee and stakeholder for working with our leadership to move towards our vision.

We appreciate the support of the Board of Directors during the year and will continue to drive business performance while ensuring that we operate efficiently.

We equally appreciate the support of our Regulator, the Capital Markets Authority and other Regulators and will ensure we foster this engagement as we seek to bring on board financial solutions that ensure we remain sustainable while delivering our mandate of enhancing economic growth. We also wish to thank the Government for remaining steadfast in promoting the growth of the Capital Markets.

Thank you for your continued support.



GEOFFREY O. ODUNDO
CHIEF EXECUTIVE

21 April 2016

EXECUTIVE COMMITTEE



Mr. Geoffrey Odundo
Chief Executive Officer (CEO)



Mr. Andrew Wachira
*Business Development and
Commercial Director*



Mr. Kuria Waithaka
*Legal and Corporate Affairs
Director*



Ms. Jane Kiarie
*Finance and Administration
Director*



Mr. Caleb Musau
*Operations and Technology
Director*



Mr. Tom Kimaru
Regulatory Affairs Director



Mr. Terry Adembesa
Derivatives Market Director

REPORT OF THE DIRECTORS

The directors present their annual report together with the audited financial statements of Nairobi Securities Exchange Limited ("the Company") and its subsidiary and structured entities (together, "the Group") for the year ended 31 December 2015, which show the state of affairs of the company and of 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.

INCORPORATION OF A SUBSIDIARY AND STRUCTURED ENTITIES

NSE Clear Limited was incorporated as a limited liability company on 4 February 2014 under the Companies Act (Cap. 486). The principal objectives of the subsidiary are to carry on the business of a clearing house and as such, to provide clearing and settlement services for transactions in derivative securities whether carried out on or off a securities exchange, to act as a central counterparty in derivative securities transactions and to carry out all activities that pertain to a clearing house. The subsidiary was dormant in 2014 and 2015 as the license to operate a Derivatives Exchange was granted to the Nairobi Securities Exchange Limited on 19 October 2015.

The NSE Derivatives Settlement Guarantee Fund and the NSE Derivatives Investor Protection Fund are trusts established on 17 July 2015 under the Trustee Act (Cap. 167) pursuant to the Capital Markets (Derivatives Markets) Regulations, 2015. 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.

NSE Clear Limited, the NSE Derivatives Settlement Guarantee Fund and the NSE Derivatives Investor Protection Fund have been consolidated into the Group's financial statements.

Kenya Futures and Commodities Exchange Limited was incorporated as a private company with limited liability on 9 December 2011. The Company's authorised share capital is Kenya Shillings 100,000/= only, divided into 1,000 shares of Kenya Shillings 100/= each. The NSE currently holds one (1) of the 5 issued shares in the Company, with the remaining four (4) being held in trust for NSE by various parties. The company's main objective is to "promote, establish, develop and carry on the business of a futures and commodities exchange." The company has been dormant since incorporation, and its financial information has not been incorporated in these financial statements.

RESULTS FOR THE YEAR

Sh'000

Group profit for the year before taxation
Taxation charge

381,494
(75,902)

Group profit for the year

305,592
=====

DIVIDENDS

The directors recommend the payment of a first and final dividend of Sh 0.49 per share amounting to Sh 95.4 million in respect of the year ended 31 December 2015 (2014: Sh 0.38 per share amounting to Sh 74 million).

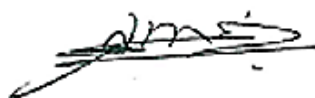
DIRECTORS

Mr. Geoffrey O Odundo was appointed as the Chief Executive effective 1 March 2015. Messrs. Michael Turner, Jimnah Mbaru and Ms. Nasim Devji were appointed as directors on 26 March 2015. Dr. Jonathan Ciano resigned as a director on 25 June 2015 and Mr. James Mworira was appointed as a director on the same date. The current members of the Board of Directors are as shown on page 2.

AUDITORS

Deloitte & Touche, having served the maximum period as provided by Section 55A (6) of the Capital Markets (Licensing Requirements) (General) Regulations, 2002, will retire at the conclusion of the Annual General Meeting for 2016.

By Order of the Board



John Maonga - Secretary

Nairobi
24 March 2016

OVERVIEW

Corporate governance refers to 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 Market Authority (CMA) rules, regulations and guidelines on Corporate Governance and the Nairobi Securities Exchange Management & Membership rules and policies and procedure.

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:

- a) To define and chart out the Group's vision and mission. The Board has ultimate responsibility for the attainment of the Group's vision.
- b) To set the strategy, approve business plans and annual budgets and of any subsequent material changes in strategic direction;
- c) To monitor management's implementation of the strategic plans and financial objectives as defined by the Board;
- d) To define levels of materiality, reserving specific powers to itself and delegating other matters with the necessary written authority to management;
- e) To ensure that the Group is managed with a view to ensuring that the Group is ethical in all its dealings and exercises corporate social responsibility;
- f) To ensure that procedures and processes are in place to protect the Group's assets and reputation;
- g) 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;
- h) 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;
- i) To identify key risks, opportunities and strengths relating to the Group;
- j) To set policies on internal controls and obtain regular assurance that the system is functioning effectively and is effective in managing risks;
- k) To appoint the Chief Executive, senior staff, external auditors and other consultants; and
- l) To exercise such other powers as are necessary to enforce the requirements of the Capital Markets Act, Articles of Association and the Rules governing the Group.

DIVISION OF RESPONSIBILITIES

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

The Chief Executive has overall responsibility for the business of the Group. The Chief Executive enforces the provisions of the Capital Markets Authority Act and the rules of the Group and immediately reports any violations to the Board and the 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 Capital Markets Authority 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, promotes the objectives and functions of the Group and liaises with the Capital Markets Authority and its representatives in respect of administrative 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 Annual Report, the Board of the Nairobi Securities Exchange is constituted as follows:

- a) Six (6) 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. Edward Njoroge	Chairman/Independent Non-Executive Director
Mr. Bob Karina	Vice Chairman/Trading Participant/Non-Executive Director
Mr. Jimnah Mbaru	Trading Participant/Non-Executive Director
Ms. Sharon Maviala	Independent Non-Executive Director
Mr. Hosea K. Kili	Independent Non-Executive Director
Mr. Samuel N. Kimani	Independent Non-Executive Director
Dr. Winnie Nyamute	Independent Non-Executive Director
Mr. Michael Turner	Independent Non-Executive Director
Ms. Nasim Devji	Listed Companies/Non-Executive Director
Mr. James Mworio	Listed Companies/Non-Executive Director
Mr. Geoffrey O. Odundo	Chief Executive

BOARD COMMITTEES

The Board reconstituted the Board Committees and membership on 26 March 2015, establishing nine (9) Board Committees with delegated authority to assist the Board effectively carry out its obligations. These Committees are:

- a) Finance, Strategy & Business Development Committee;
- b) Trading, Technology & Education Committee;
- c) Listing and Admissions Committee;

- d) Derivatives Market Oversight Committee;
- e) Disciplinary, Compliance & Surveillance/Self-Regulatory Committee;
- f) Human Capital;
- g) Audit, Risk & Corporate Governance Committee;
- h) Remuneration & Nominating Committee; and the
- i) Property Sub-Committee.

At each ordinary Board meeting, the chairpersons of the Board Committees are required to report to the Board on the highlights of the deliberations of the Committees and to escalate to the Board all matters requiring the Board's consideration and approval. Below is a summary of the roles, membership and activities of the various committees.

a) Finance, Strategy & Business Development Committee

The mandate of the Finance, Strategy & Business Development Committee is to review the economy, efficiency and effectiveness of operations including non-financial controls of the Group and make recommendations to the Board. The Committee also oversees the development of the strategic plans, facilitating new products, reviewing investment and business development opportunities and reviewing compliance with procurement and financial procedures.

b) Trading, Technology and Education Committee

The Trading, Technology and Education Committee is mandated to assist the Board in effective discharge of its responsibilities in aspects of trading on the listed securities, information technology and enhancement of information on securities exchange to the listed companies and the general public.

c) Listing and Admissions Committee

The Listings and Admissions Committee is mandated to review and recommend approval of applications for admission to listing of new equity securities in any of the market segment, to recommend approval of applications for admission of new Trading Participants, new listing of securities and/or recommending suspension of listing of securities for a predetermined period as may be necessary and restoration of such securities to listing in line with the laid out procedures.

d) Derivatives Market Oversight Committee

The Derivatives Market Oversight Committee is mandated to deal with strategic issues and oversight roles relating to the NSE's Derivatives Market (NEXT). The Committee has a key mandate to preserve healthy market order and create a secure market for investors by recommending preventative actions against unfair trading practices such as the manipulation of current values on the cash and derivatives markets.

BOARD COMPOSITION (Continued)

e) **Disciplinary, Compliance & Surveillance/Self-Regulatory Committee**

The general mandate of the Disciplinary, Compliance & Surveillance/Self-Regulatory Committee is to protect investors by monitoring and enforcing compliance of Capital Market Laws, Regulations, Rules, Guidelines and Directives by all Trading Participants and Issuers of Securities, to review compliance with continuing listing obligations by listed companies and to make recommendations to the Board on the necessary action for non-compliance which include imposing penalties and other sanctions.

f) **Human Capital Committee**

The mandate of the Human Capital Committee is to advise, implement and assist the Board in effective discharge of its responsibilities in relation to Human Resources Management.

g) **Audit, Risk & Corporate Governance Committee**

The mandate of the Audit, Risk & Corporate Governance Committee is to review the adequacy of internal audit programmes for the year and to monitor, review and make recommendations to the Board on the adequacy of the Group's internal control and risk management systems and to monitor, review and make recommendations to the Board on the process for monitoring compliance with relevant laws and regulations, and, with the Group's legal counsel if appropriate, any legal matters that could have a significant impact on the Group's financial statements.

h) **Remuneration & Nominating Committee**

The mandate of the Remuneration & Nominating Committee is to advise, implement and assist the Board in effective discharge of its responsibilities in relation to remunerations and the composition of the Board and to establish a plan of continuity for Executive officers and other members of senior management including the Chief Executive.

i) **Property Sub-Committee.**

The mandate of the Property Sub-Committee is to identify and advise the Board on all the issues relating to identifying, purchase, management and maintenance of the Group's properties.

CORPORATE GOVERNANCE STATEMENT (Continued)

BOARD & BOARD COMMITTEES MEMBERSHIP AND NUMBER OF MEETINGS HELD AND ATTENDED IN THE YEAR 2015

Director	Classification	Designation	Board	Finance, Strategy & Business Development	Trading, Technology & Education	Audit, Risk & Corporate Governance	Derivatives Market Oversight	Listings & Admissions	Disciplinary, Compliance & Surveillance/Self-Regulatory	Human Capital	Remuneration & Nominating	Property Sub-Committee
E. Njoroge	Non-executive	Chairman - Board Chairman - Listing & Admissions Committee Chairman - Remuneration & Nomination Committee	Membership Attendance 8/9					✓ 3/3		2/4	✓ 5/6	
B. Karina	Non-executive/ Trading participant	Vice Chairman - Board Chairman - Trading, Technology & Education Committee	Membership Attendance 9/9	✓ 4/6	✓ 5/5			✓ 2/3		✓ 4/4	✓ 6/6	
Dr. J. Ciano*	Non-executive		Membership Attendance 4/9	3/6				1/3			4/6	
S. Maviata	Non-executive	Chairperson - Human Capital Committee Chairperson - Property Sub-Committee	Membership Attendance 9/9				✓ 4/4	✓ 2/3	✓ 4/4	✓ 4/4	2/6	✓ 2/2
H. Kili	Non-executive	Chairman - Disciplinary, Compliance & Surveillance/Self-Regulatory Committee	Membership Attendance 9/9			✓ 4/6		✓ 2/3	✓ 4/4			
S. Kimani	Non-executive		Membership Attendance 6/9	1/6		✓	✓ 3/4	✓				
W. Nyamute	Non-executive	Chairperson - Audit, Risk & Corporate Governance Committee	Membership Attendance 9/9			✓ 6/6		✓ 2/3	✓ 3/4		2/6	
M. Turner**	Non-executive	Chairman - Finance, Strategy & Business Development Committee	Membership Attendance 5/9	✓ 4/6				✓ 1/3				
J. Mbari**	Non-executive/ Trading participant		Membership Attendance 6/9	✓ 2/6	✓ 1/5			✓ 1/3				
J. Mworira*	Non-executive/ Listed company		Membership Attendance 3/9	✓ 1/6	✓			✓ 1/3		✓	✓	
N. Devji**	Non-executive/ Listed company		Membership Attendance 5/9			✓ 3/6		✓ 1/3		✓ 2/4	✓ 3/6	
G. Odundo***	Chief Executive		Membership Attendance 8/9	6/6	5/5	6/6	4/4	3/3	4/4		5/6	4/4

✓ Member of respective Committee. Attendance reflects the changes in reconstitution and membership as approved by the Board on 26 March 2015.

* Dr. Jonathan Ciano resigned as a director on 25 June 2015 and Mr. James Mworira appointed as a director on the same date.

** Messrs. Michael Turner, Jimnah Mbari and Ms. Nasim Devji were appointed as directors on 26 March 2015.

*** Mr. Geoffrey Odundo was appointed as the Chief Executive on 1 March 2015. He is not a member of the Board Committees and attends by invitation.

CORPORATE GOVERNANCE STATEMENT (Continued)

BOARD COMMITTEES, MEMBERSHIP AND NUMBER OF MEETINGS HELD AND ATTENDED IN THE YEAR 2015

Name		Finance, Strategy & Business Development Committee	Trading, Technology & Education Committee	Audit, Risk & Corporate Governance Committee	Derivatives Market Oversight Committee	Disciplinary, Compliance & Surveillance/ Self-Regulatory Committee	Property Sub-Committee Committee
A. Desimone	Membership	4/6					
C. Mwet	Membership	1/6					
E. Burbidge	Membership	3/6					
J. Kihumba	Membership	1/6	4/5				
I. Nyakera	Membership	2/6					
E. Salins	Membership	1/6					
J. Kirimi	Membership		3/5				
J. Kahenya	Membership		1/5				
R. Mambo	Membership		1/5			2/4	
N. Mwebesa	Membership		1/5				
M. Lopokoiyit	Membership		3/5				
J. Odhiambo	Membership		3/5				
K. Senanu	Membership		2/5				
S. Ngaine	Membership		1/5				
I. Onyango	Membership			5/6			
L. Otieno	Membership			4/6			2/2
P. Mwai	Membership			2/6			
A. Gupta	Membership						1/2
S. Mwangi	Chairperson				√		
	Membership				3/4		
E. Kigen	Membership				4/4		
H. Muga	Membership				3/4		
A. Mulisa	Membership				3/4		
J. Swai	Membership				2/4		
F. Murimi	Membership						2/2

CORPORATE GOVERNANCE STATEMENT (Continued)

NAIROBI SECURITIES EXCHANGE CORPORATE GOVERNANCE FACTSHEET

Size of Board	11
Number of Independent Non-Executive Directors	6
Number of Trading Participant Non-Executive Directors	2
Number of Non-Executive Directors representing Listed Companies	2
Number of Executive Directors	1
Number of women on the Board	3
Separate Chairman and CEO	Yes
Terms of Reference for Board Committees	Yes
Independent Audit Committee	Yes
Number of Financial experts on Audit Committee	2
Number of Board Meetings held in 2015	9
Number of Annual General Meetings held in 2015	1
Re-election of Directors in accordance with Articles of Association	Yes
Board Induction programs conducted	Yes

CAPITAL STRUCTURE

a) Share Capital

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

b) Top Twenty Shareholders as at 31 December 2015

No	Shareholder	No. of Shares	%
1.	Standard Chartered Kenya Nominees Ltd A/C KE002374	31,323,300	16.09%
2.	Standard Chartered Kenya Nominees Ltd A/C KE22446	11,026,000	5.66%
3.	CFC Stanbic Nominees Ltd A/C NR1030823	8,056,400	4.14%
4.	CFC Stanbic Nominees Ltd A/C NR1030824	6,869,600	3.53%
5.	Investor Compensation Fund Board	6,562,500	3.37%
6.	The Permanent Secretary to the Treasury	6,562,500	3.37%
7.	Dyer & Blair Investment Bank	5,250,000	2.70%
8.	Nyaga Stockbrokers Limited	5,250,000	2.70%
9.	Shah Munge & Partners Limited	5,250,000	2.70%
10.	Discount Securities Limited	5,250,000	2.70%
11.	Francis Thuo & Partners Limited	5,250,000	2.70%
12.	ABC Capital Limited	5,250,000	2.70%
13.	Old Mutual Securities Limited	5,250,000	2.70%
14.	NIC Securities Limited	5,250,000	2.70%
15.	Faida Investment Bank Limited	5,250,000	2.70%
16.	Kingdom Securities Limited	5,250,000	2.70%
17.	Renaissance Capital (Kenya) Limited	5,250,000	2.70%
18.	Sterling Investment Bank Limited	5,250,000	2.70%
19.	Standard Chartered Kenya Nominees Ltd A/C KE002012	3,819,800	1.96%
20.	Standard Chartered Nominees Non-resident A/C 9661	3,402,600	1.74%
Top 20 Shareholders		140,622,700	72.26%
Others		54,002,300	27.74%
Total Issued Shares		194,625,000	100%
		=====	=====

CORPORATE GOVERNANCE STATEMENT (Continued)

CAPITAL STRUCTURE (Continued)

c) Distribution of Shareholders as at 31 December 2015

	No. of Shareholders	No. of Shares	%
Less than 500	4,942	2,207,290	1.13%
501 – 5,000	7,147	9,739,778	5.00%
5,001 – 10,000	450	3,142,091	1.62%
10,001 – 100,000	396	10,390,814	5.34%
100,001 – 1,000,000	53	13,209,094	6.79%
Above 1,000,000	30	155,935,933	80.12%
	=====	=====	=====
Total	13,018	194,625,000	100%
	=====	=====	=====

d) Shareholder Analysis by Domicile

	No. of shareholders	No. of shares	%
Individual investors			
Local	12,159	24,125,548	12.39%
East African	92	323,000	0.17%
Foreign	99	1,806,700	0.93%
	=====	=====	=====
	12,350	26,255,248	13.49%
	=====	=====	=====
Institutional investors			
Local	640	91,289,434	46.90%
East African	9	230,200	0.12%
Foreign	19	76,850,118	39.49%
	=====	=====	=====
	668	168,369,752	86.51%
	=====	=====	=====
Total	13,018	194,625,000	100%
	=====	=====	=====

e) Directors Holding Shares as at 31 December 2015

Name	No. of shares	%
Ms. Nasim Devji	34,200	0.018%
Mr. Geoffrey O. Odundo	24,500	0.013%
Mr. Edward Njoroge	24,100	0.012%
Mr. Samuel N. Kimani	6,000	0.003%
Mr. Hosea K. Kili	3,300	0.002%
Dr. Winnie Nyamute	1,500	0.001%
	=====	=====
Total	93,600	0.049%
	=====	=====

1



NSE Chief Executive Mr. Geoffrey Odundo (left), NSE Vice Chairman Mr. Bob Karina (2nd Right) and NSE Director Mr. Michael Turner hand over a dummy cheque to Borana Ranch Managing Director, Mr. Michael Dyer during the NSE Charity Trading Day.

2



NSE Chief Executive Mr. Geoffrey Odundo (Left), Mr. Rogito Nyangeri Head of Strategy and Mr. Terry Adembesa (Right) hand over a dummy cheque to Joy Childrens Home during the NSE Charity Trading Day

3



NSE Board members pose for a photo with celebrities during the NSE Charity Trading Day

4



NSE Trading participants and celebrities make calls to clients during the NSE Charity Trading Day

5



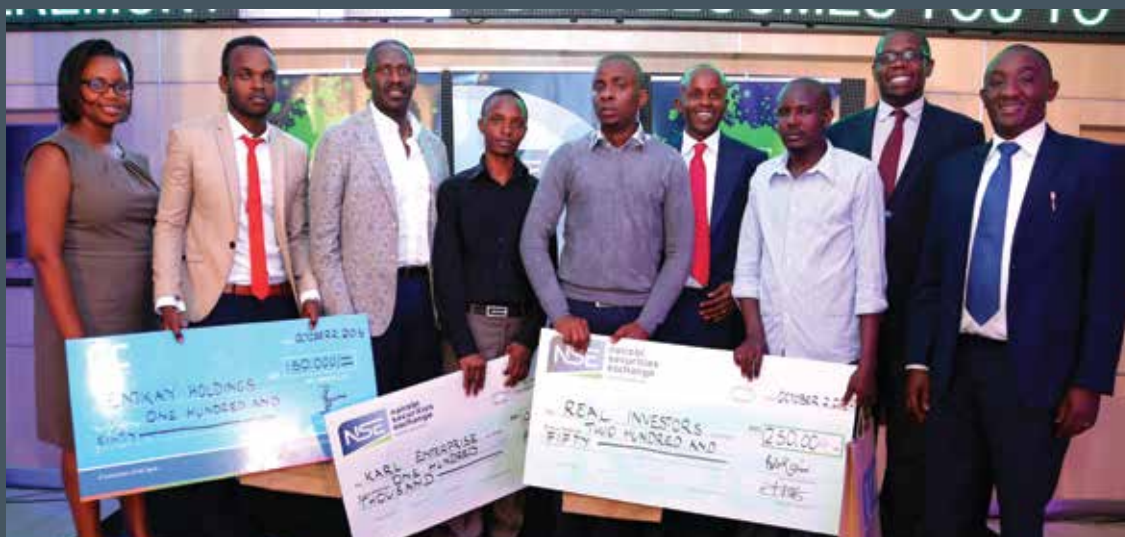
Faulu Microfinance Bank Limited officials receive their trophy from NSE Vice Chair Mr. Bob Karina (left) after being declared the winners in the Micro Finance Institution category during the Financial Reporting (FiRe) Award

6



NSE Chief Executive Mr. Geoffrey Odundo (Right) hands over a trophy to winners of the Top 100 mid-sized companies during the 2015 Top 100 Gala dinner

7



Smart Youth CEO Ms. Catherine Gitonga, Nairobi Securities Exchange (NSE) Vice Chairman Mr. Bob Karina Kenya, Centum Investment CEO Mr. James Mworira, NSE CEO Mr. Geoffrey Odundo handing over a dummy cheque to the winners of the 2015 NSE Investment Challenge

8



Former first lady of Republic of South Africa, founder and patron of new faces new voices Ms. Graca Machel (4th left) and NSE Chairman Mr. Eddy Njoroge (3rd left) pose for a photo with the best performing listed companies in the area of board diversity

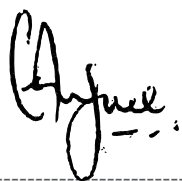
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the operating results of the Group for that year. It also requires the directors to ensure that the company, its subsidiary and structured entities keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company. They are also responsible for safeguarding the assets of the Group.

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, and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Company, its subsidiary and structured entities will not remain going concerns for at least the next twelve months from the date of this statement.



Mr. Edward Njoroge
Chairman



Dr. Winnie Nyamute
Director



Mr. Geoffrey O. Odundo
Chief Executive

24 March 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NAIROBI SECURITIES EXCHANGE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Nairobi Securities Exchange Limited and its subsidiary and structured entities, set out on pages 24 to 60 which comprise the consolidated and company statement of financial position as at 31 December 2015, and the consolidated and company statements of profit or loss and other comprehensive income, consolidated and company statement of changes in equity and consolidated and company statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of financial affairs of the Group and of the Company as at 31 December 2015 and of their profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report on other Legal Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion, proper books of account have been kept by the Group and company, so far as appears from our examination of those books; and
- iii) the Group's and company's statement of financial position (balance sheet) and statement of profit or loss and other comprehensive income (profit and loss account) are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditors' report is CPA Anne Muraya – P/No 1697.



Certified Public Accountants (Kenya)
Nairobi, Kenya
24 March 2016

NAIROBI SECURITIES EXCHANGE LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

		Group		Company	
	Notes	2015 Sh'000	2014 Sh'000	2015 Sh'000	2014 Sh'000
OPERATING INCOME	6	616,778	641,736	616,778	641,736
INTEREST INCOME	9	101,010	39,514	93,911	39,514
OTHER INCOME	10	90,469	140,651	91,418	140,651
TOTAL INCOME		808,257	821,901	802,107	821,901
ADMINISTRATIVE EXPENSES		(448,323)	(389,541)	(446,789)	(389,541)
FINANCE COSTS	11	-	(14,290)	-	(14,290)
SHARE OF PROFIT OF ASSOCIATE	16	21,560	23,741	21,560	23,741
PROFIT BEFORE TAXATION		381,494	441,811	376,878	441,811
TAXATION CHARGE	12(a)	(75,902)	(121,770)	(74,257)	(121,770)
PROFIT FOR THE YEAR		305,592	320,041	302,621	320,041
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified to profit or loss					
Share of exchange differences from associate arising from translation of foreign operation	16(b)	61	26	61	26
OTHER COMPREHENSIVE INCOME FOR THE YEAR		61	26	61	26
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		305,653	320,067	302,682	320,067
		Sh	Sh	Sh	Sh
EARNINGS PER SHARE					
- Basic and diluted	30	1.57	2.13	1.55	2.13

NAIROBI SECURITIES EXCHANGE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		Group		Company	
	Notes	2015 Sh'000	2014 Sh'000	2015 Sh'000	2014 Sh'000
ASSETS					
Non current assets					
Property and equipment	13	164,369	179,571	164,369	179,571
Investment property	14	307,705	307,705	307,705	307,705
Intangible assets	15	157,048	135,216	157,048	135,216
Investment in associate	16(a)	100,703	82,457	100,703	82,457
Investment in subsidiary and structured entities	17	-	-	130,000	-
Corporate bonds	18	15,277	35,509	15,277	35,509
Government securities	19	109,799	156,579	109,799	156,579
Long-term restricted investments	20	135,921	-	-	-
		990,822	897,037	984,901	897,037
Current assets					
Trade and other receivables	21(a)	76,533	147,412	76,533	147,412
Due from related company	31(f)	-	-	1,362	-
Tax recoverable	12(c)	73,345	-	73,210	-
Short-term restricted cash and investments	22	333,500	-	333,500	-
Cash and cash equivalents	22	444,035	640,655	441,741	640,655
		927,413	788,067	926,346	788,067
TOTAL ASSETS		1,918,235	1,685,104	1,911,247	1,685,104
EQUITY AND LIABILITIES					
Equity					
Share capital	24	778,500	778,500	778,500	778,500
Share premium	25	277,185	277,185	277,185	277,185
Retained earnings		718,753	487,107	715,782	487,107
Other reserves		(185)	(246)	(185)	(246)
Revaluation reserve		504	516	504	516
Shareholders' funds		1,774,757	1,543,062	1,771,786	1,543,062
Non current liabilities					
Deferred tax liability	26	5,364	5,419	5,364	5,419
Tenant deposits	27(a)	6,255	8,117	6,255	8,117
		11,619	13,536	11,619	13,536
Current liabilities					
Trade and other payables	27(b)	115,470	105,072	114,355	105,072
Dividends payable	28	13,287	13,188	13,287	13,188
Tax payable	12(c)	902	10,246	-	10,246
Due to structured entity	31(f)	-	-	200	-
Investor Protection Fund contributions	31(f)	2,200	-	-	-
		131,859	128,506	127,842	128,506
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		1,918,235	1,685,104	1,911,247	1,685,104

The financial statements on pages 24 to 60 were approved and authorised for issue by the Board of Directors on 24 March 2016 and were signed on its behalf by:

Mr. Edward Njoroge
Chairman

Dr. Winnie Nyamute
Director

Mr. Geoffrey O Odondo
Chief Executive

NAIROBI SECURITIES EXCHANGE LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital Sh'000	Share premium Sh'000	Other reserves Sh'000	Retained earnings Sh'000	Revaluation reserve Sh'000	Total Sh'000
At 1 January 2014	24,500	-	(272)	706,054	528	730,810
Bonus issue	490,000	-	-	(490,000)	-	-
Shares issued	264,000	363,000	-	-	-	627,000
Share issue costs	-	(85,815)	-	-	-	(85,815)
Total comprehensive income for the year	-	-	26	320,041	-	320,067
Transfer of excess depreciation	-	-	-	17	(17)	-
Deferred tax on transfer of excess depreciation	-	-	-	(5)	5	-
2013 dividend declared in the year	-	-	-	(49,000)	-	(49,000)
At 31 December 2014	778,500	277,185	(246)	487,107	516	1,543,062
At 1 January 2015	778,500	277,185	(246)	487,107	516	1,543,062
Total comprehensive income for the year	-	-	61	305,592	-	305,653
Transfer of excess depreciation	-	-	-	17	(17)	-
Deferred tax on transfer of excess depreciation	-	-	-	(5)	5	-
2014 dividend declared in the year	-	-	-	(73,958)	-	(73,958)
At 31 December 2015	778,500	277,185	(185)	718,753	504	1,774,757

NAIROBI SECURITIES EXCHANGE LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital Sh'000	Share premium Sh'000	Other reserves Sh'000	Retained earnings Sh'000	Revaluation reserve Sh'000	Total Sh'000
At 1 January 2014	24,500	-	(272)	706,054	528	730,810
Bonus issue	490,000	-	-	(490,000)	-	-
Shares issued	264,000	363,000	-	-	-	627,000
Share issue costs	-	(85,815)	-	-	-	(85,815)
Total comprehensive income for the year	-	-	26	320,041	-	320,067
Transfer of excess depreciation	-	-	-	17	(17)	-
Deferred tax on transfer of excess depreciation	-	-	-	(5)	5	-
2013 dividend declared in the year	-	-	-	(49,000)	-	(49,000)
At 31 December 2014	778,500	277,185	(246)	487,107	516	1,543,062
At 1 January 2015	778,500	277,185	(246)	487,107	516	1,543,062
Total comprehensive income for the year	-	-	61	302,621	-	302,682
Transfer of excess depreciation	-	-	-	17	(17)	-
Deferred tax on transfer of excess depreciation	-	-	-	(5)	5	-
2014 dividend declared in the year	-	-	-	(73,958)	-	(73,958)
At 31 December 2015	778,500	277,185	(185)	715,782	504	1,771,786

NAIROBI SECURITIES EXCHANGE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

		Group		Company	
	Notes	2015 Sh'000	2014 Sh'000	2015 Sh'000	2014 Sh'000
Cash flows from operating activities					
Cash generated from operations	29(a)	49,595	317,277	47,601	317,277
Tax paid	12(c)	(158,646)	(160,417)	(157,768)	(160,417)
Net cash (used in)/generated from operating activities		(109,051)	156,860	(110,167)	156,860
Cash flows from investing activities					
Purchase of property and equipment	13	(9,070)	(10,923)	(9,070)	(10,923)
Purchase of intangible assets	15	(40,116)	(41,416)	(40,116)	(41,416)
Interest received		95,089	39,824	93,911	39,824
Proceeds of disposal of equipment		-	2,607	-	2,607
Dividend received from associate	16(a)	3,375	2,250	3,375	2,250
Proceeds on maturity of corporate and treasury bonds		67,012	-	67,012	-
Investment in restricted investments		(130,000)	-	-	-
Investment in NSE Clear Limited	17	-	-	(20,000)	-
Investment in NSE Derivatives Settlement Guarantee Fund	17	-	-	(100,000)	-
Investment in NSE Derivatives Investor Protection Fund	17	-	-	(10,000)	-
Net cash used in investing activities		(13,710)	(7,658)	(14,888)	(7,658)
Cash flows from financing activities					
Net proceeds from issue of shares	29(b)	-	541,185	-	541,185
Borrowings paid		-	(163,954)	-	(163,954)
Interest paid on borrowings		-	(14,964)	-	(14,964)
Dividends paid	28	(73,859)	(40,862)	(73,859)	(40,862)
Net cash (used in)/generated from financing activities		(73,859)	321,405	(73,859)	321,405
(Decrease)/increase in cash and cash equivalents		(196,620)	470,607	(198,914)	470,607
Cash and cash equivalents at the beginning of the year		640,655	170,048	640,655	170,048
Cash and cash equivalents at the end of the year	22	444,035	640,655	441,741	640,655
		=====	=====	=====	=====

NAIROBI SECURITIES EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1. REPORTING ENTITY

The Nairobi Securities Exchange Limited (the "NSE", the "Group" or the "Exchange") is a Group 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 2015 comprise the company and its subsidiary and controlled Structured Entities (collectively referred to as the "Group") and reflect the Group's interest in an associate company.

For the Kenyan Companies Act reporting purposes, in these financial statements, the balance sheet is represented by the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

2. STANDARDS AND INTERPRETATIONS AFFECTING THE REPORTED RESULT 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 in accordance with International Financial Reporting Standards (IFRS), IFRS Interpretations Committee (IFRIC) applicable to companies reporting under IFRS, the Capital Markets Act (Cap 485A), the Capital Markets (Derivatives Markets) Regulations, 2015, the NSE Listing Rules 2014 and the Companies Act (Cap. 486).

b) Basis of preparation

The financial statements are prepared under the historical cost basis of accounting as modified to include revaluation of certain assets.

c) 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 Group'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.

d) Changes in accounting policies and disclosures

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

(i) *New standards and amendments to published standards effective for the year ended 31 December 2015*

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify the accounting treatment for contributions from employees or third parties to a defined benefit plan.

According to the amendments, discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plan specify contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they affect the remeasurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. If the amount of contribution is dependent on the number of years of service, the entity should reduce service cost by attributing it to the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 (for the gross benefits). If the amount of contribution is independent of the number of years of service, the entity is permitted to either reduce service cost in the period in which the related service is rendered, or reduce service cost by attributing the contributions to the employees' periods of service in accordance with IAS 19 paragraph 70. The amendment requires retrospective application.

The directors of the group do not anticipate that the application of the standard will have a significant impact on the group's financial statements since the group doesn't have a defined benefit plan.

Annual Improvements 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

d) Changes in accounting policies and disclosures

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

(i) New standards and amendments to published standards effective for the year ended 31 December 2015

Annual Improvements 2011-2013 Cycle (Continued)

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) The property meets the definition of investment property in terms of IAS 40; and
- (b) The transaction meets the definition of a business combination under IFRS 3.

The directors of the Group do not anticipate that the application of these amendments will have a significant impact on the group's financial statements.

Annual Improvements 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below:

The amendment to IFRS 2 is to clarify the definition of vesting condition and market condition to ensure the consistent classification of conditions attached to a share-based payment. It also adds definitions for 'performance condition' and 'service condition' which were previously included as part of the definition of 'vesting condition'. The amendment requires prospective application.

The amendment to IFRS 3 clarifies that contingent consideration should be measured at fair value at each reporting date, irrespective of whether or not the contingent consideration falls within the scope of IFRS 9 or IAS 39. Changes in fair value (other than measurement period adjustments as defined in IFRS 3) should be recognised in profit and loss. The amendment to IFRS 3 requires prospective application.

The amendment to IFRS 8(i) requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a brief description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments share similar economic characteristics; and (ii) clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if information about the amount of segment assets are regularly provided to the chief operating decision-maker.

The amendment to IFRS 13 clarifies that the issuance of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. This amendment does not include any effective date because this is just to clarify the intended meaning in the basis for conclusions.

The amendment to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendment to IAS 24 clarifies that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of compensation to key management personnel that is paid by the management entity to the management entity's employees or directors is not required.

(ii) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2015

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 9	1 January 2018
IFRS 15	1 January 2018
IFRS 16	1 January 2019
Amendments to IFRS 11	1 January 2016
Amendments to IAS 16 and IAS 38	1 January 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

d) Changes in accounting policies and disclosures (Continued)

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

(ii) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2015 (Continued)

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- The directors of the group anticipate that the application of IFRS 9 in the future will not have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities.

IFRS 15 Revenue from Contracts with Customers

In May 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The standard is not likely to have any material impact to the group's financial statements.

IFRS 16 Leases

IFRS 16 specifies how an entity will recognise, measure, present and disclose leases. The standard provides a single lease accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance lease, with IFRS 16 approach to lessor accounting unchanged from its predecessor, IAS 17.

IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019. The directors anticipate that the adoption of IFRS 16 will not have a significant impact on the group's financial statements.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

d) Changes in accounting policies and disclosures (Continued)

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

(iii) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2015 (Continued)

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (Continued)

business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 Income Taxes regarding recognition of deferred taxes at the time of acquisition and IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

Entities should apply the amendments prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016.

The directors of the group do not anticipate that the application of the standard will have a significant impact on the group's financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- when the intangible asset is expressed as a measure of revenue; or
- when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

Currently, the group and the company use the straight line basis method for depreciation and amortisation for its property, and equipment, and intangible assets respectively. The amendments are not likely to have any material impact on the group's financial statements.

(iii) Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2015 and future annual periods

Annual Improvements 2012-2014 Cycle

The amendments to IFRS 5 adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

The amendments to IFRS 7 add additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. This amendment clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.

The amendments to IAS 19 clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

The amendment to IAS 34 clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

The directors of the group do not anticipate that the application of these amendments will have a significant impact on the group's financial statements.

(iv) Early adoption of standards

The group did not early-adopt any new or amended standards in 2015.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Nairobi Securities Exchange Limited and its subsidiary, controlled structured entities and interest in associate company made up to 31 December 2015. The subsidiary and structured entities undertakings have been fully consolidated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of consolidation (Continued)

(i) Subsidiary

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 IAS 39 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. Investments in subsidiaries are carried at cost less accumulated impairment losses. Details of NSE's subsidiary are set out in Note 17.

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

(ii) Structured Entities

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

Management and administration of the assets and operations of these trusts is done by a management committee formed by the NSE Clear Board of Directors. The Trustees of the funds act as the custodians and trustees of the assets of these Funds as defined in the trust deeds and rules of these Funds. The Fund's assets are segregated from the assets of the NSE and the NSE Clear Limited but 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.

(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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of consolidation (Continued)

(iii) Investment in associate (Continued)

holds between 20% to 50% of the voting power of another entity. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

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

3.2 Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised 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. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.3 Revenue recognition

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

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

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

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

3.4 Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Monetary assets and liabilities at the date of reporting that are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

3.5 Property and equipment

The building is carried at valuation less any subsequent accumulated depreciation. The frequency of valuation is every five years.

Equipment is stated at cost less accumulated depreciation and any impairment losses.

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Property and equipment (Continued)

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

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

3.6 Intangible assets

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

3.7 Impairment of tangible and intangible assets

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

3.8 Investment property

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

3.9 Restricted cash and investments

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

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. As of 31 December 2015, this amount was KSh. 333.5 million (2014 – KSh. Nil). The amounts are reflected as short-term restricted cash and investments (note 22).

Long-term restricted cash and investments

The NSE has contributed KSh. 20 million, KSh. 100 million and KSh. 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 (note 20).

3.10 Financial instruments

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss; loans and receivables; held to maturity investments and available for sale assets. Management determines appropriate classification for its investments at initial recognition.

Receivables

Receivables are financial assets with fixed or determinable payments and are not quoted in an active market. After initial measurement at cost, receivables are subsequently remeasured to amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss are those which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. Investments classified as fair value through profit or loss are initially recognised at cost and subsequently re-measured to fair value based on quoted bid prices or dealer price quotations, without any deduction for transaction costs. All related realised and unrealised gains and losses are included in the profit or loss. Interest earned whilst holding held for trading investments is reported as investment income.

Held to maturity investments

Held to maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Group has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less any allowances for impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial instruments (Continued)

Held to maturity investments (Continued)

The amortisation and losses arising from impairment of such investments are recognised in the profit or loss.

Available for sale financial assets

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity, or changes in interest rates, exchange rates or equity prices are classified as available for sale and are initially recognised at cost. Available for sale investments are subsequently re-measured to fair value, based on quoted bid prices or amount derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses, interest calculated using effective interest method, and foreign exchange gains and loss on monetary assets which are recognized in profit or loss. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

Derecognition of financial assets

Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or where the Group has transferred substantially all risks and rewards of ownership.

Other financial liabilities

Other financial liabilities (including borrowings and trade payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where applicable) a shorter period, to the net carrying amount on initial recognition.

3.11 Cash and cash equivalents

For the purposes of the statement of cash flows, cash equivalents include 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 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.

3.13 Segmental reporting

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

3.14 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current 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.

Deferred tax

Deferred 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 liabilities are generally recognised for all taxable temporary differences.

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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Taxation (Continued)

Deferred 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 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.

3.15 Retirement benefit obligations

The Group operates a defined contribution provident scheme for all its employees. The scheme is administered by Britam Life Assurance Company (Kenya) Limited and is funded by contributions from both the Group and employees.

The Group also contributes to a statutory contribution pension scheme, the National Social Security Fund (NSSF). The Group's obligations under the scheme are limited to specific contributions legislated from time to time. The Group's contributions to these schemes are charged to the profit or loss in the year in which they relate.

3.16 Dividends payable

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

3.17 Earnings per share

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

3.18 Shares reserves and share premium

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

3.19 Minimum liquid net worth requirement

The Capital Markets (Derivatives Markets) Regulations, 2015 Regulations 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 38.

3.20 Fair value of financial assets and liabilities

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

This note provides information about how the Group determines fair values of various financial assets and liabilities.

3.21 Comparatives

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management has made 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 in applying the entities accounting policies are dealt with below:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)
(a) Critical judgements in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see (b) below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Held-to-maturity financial assets

The directors have reviewed the Group's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity financial assets is Sh 825.945 million (31 December 2014: Sh 770.359 million). Details of these assets are set out in note 18, 19 and 22.

(b) Key sources of estimation uncertainty
Impairment losses

At each date of reporting, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Property, equipment and software

The Group reviews the estimated useful lives of equipment and software at the end of each reporting period.

5. OPERATING SEGMENTS

The Group entities are all domiciled in Kenya. The Group has four reportable segments, as stated below. Each business unit 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 Board. The segment results were as follows:

Information about reportable segments

	Cash equities and interest rate market Sh'000	Derivatives Sh'000	Interest income Sh'000	Other income Sh'000	Total Sh'000
Group					
For the year ended 31 December 2015					
External revenues	616,778	-	101,010	90,469	808,257
	=====	=====	=====	=====	=====
For the year ended 31 December 2014					
External revenues	641,736	-	39,514	140,651	821,901
	=====	=====	=====	=====	=====
Company					
For the year ended 31 December 2015					
External revenues	616,778	-	93,911	91,418	802,107
	=====	=====	=====	=====	=====
For the year ended 31 December 2014					
External revenues	641,736	-	39,514	140,651	821,901
	=====	=====	=====	=====	=====

Cash equities and interest rate market comprises equities and bond trading fees, annual listing fees, initial listing fees and application and additional listing fees. Derivatives income comprises of income earned from futures trading. This line of income has a nil balance because futures trading is yet to commence.

Other income comprises broker back office income, rental income, data fees and other incomes.

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.

6. OPERATING INCOME

	Group		Company	
	2015 Sh'000	2014 Sh'000	2015 Sh'000	2014 Sh'000
Transactions levy	523,939	553,178	523,939	553,178
Annual listing fees	81,428	78,256	81,428	78,256
Initial listing fees	10,125	8,217	10,125	8,217
Application and additional listing fees	1,286	2,085	1,286	2,085
	=====	=====	=====	=====
	616,778	641,736	616,778	641,736
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Group		Company	
	2015	2014	2015	2014
	Sh'000	Sh'000	Sh'000	Sh'000
7. PROFIT BEFORE TAXATION				
The profit before taxation is arrived at after charging:				
Staff costs (note 8)	152,646	117,320	152,646	117,320
Depreciation on equipment (note 13)	24,272	25,578	24,272	25,578
Amortisation of intangible assets (note 15)	18,284	13,104	18,284	13,104
Directors' emoluments:				
- Executive	18,154	11,124	18,154	11,124
- Non – executive	13,633	13,954	13,633	13,954
Auditors' remuneration	3,254	1,900	2,424	1,900
(Recovery)/write off of doubtful debts (note 21(c))	(100)	75	(100)	75
Gain on disposal of equipment	-	(2,449)	-	(2,449)
	=====	=====	=====	=====
8. STAFF COSTS				
Salaries and wages	116,354	95,144	116,354	95,144
Staff bonus	23,149	10,520	23,149	10,520
Leave pay expense	1,331	1,893	1,331	1,893
Provident fund contribution	11,266	9,443	11,266	9,443
Social security costs (NSSF)	546	320	546	320
	=====	=====	=====	=====
	152,646	117,320	152,646	117,320
	=====	=====	=====	=====
The staff numbers as at 31 December 2015 were 48 (2014 - 37).				
9. INTEREST INCOME				
Held to maturity investments - interest on treasury bonds	9,404	11,473	9,404	11,473
- interest on corporate bonds	2,802	2,825	2,802	2,825
- interest on term deposits	88,417	24,951	81,318	24,951
Interest on staff loans and advances	387	265	387	265
	=====	=====	=====	=====
	101,010	39,514	93,911	39,514
	=====	=====	=====	=====
10. OTHER INCOME				
Data vending	22,645	18,639	22,645	18,639
Broker back office subscription	24,480	23,762	24,480	23,762
Sale of publications and merchandising items	4,293	2,563	4,293	2,563
Rental income	26,027	25,046	26,027	25,046
Miscellaneous income	1,510	3,300	1,510	3,300
Private transfer fee	1,125	1,194	1,125	1,194
Surplus on revaluation of investment property	-	13,077	-	13,077
Market access fee	1,000	50,000	1,000	50,000
Gain on disposal of equipment	-	2,449	-	2,449
Exchange gain	4,789	621	4,789	621
Derivatives application & annual fees	4,600	-	4,600	-
Management services income	-	-	949	-
	=====	=====	=====	=====
	90,469	140,651	91,418	140,651
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Group		Company	
	2015 Sh'000	2014 Sh'000	2015 Sh'000	2014 Sh'000
11. FINANCE COSTS				
Interest expense on borrowings	-	14,290	-	14,290
	=====	=====	=====	=====
12. TAXATION				
(a) Taxation charge				
Current taxation charge				
Based on adjusted profit for the year at 20% and 30% (2014 - 30%)	75,957	120,584	74,312	120,584
Prior year over provision	-	(19,381)	-	(19,381)
	=====	=====	=====	=====
	75,957	101,203	74,312	101,203
Deferred taxation (credit)/charge				
Current year (credit)/charge (note 27)	(55)	5,483	(55)	5,483
Prior year under provision (note 27)	-	15,084	-	15,084
	=====	=====	=====	=====
	(55)	20,567	(55)	20,567
	=====	=====	=====	=====
	75,902	121,770	74,257	121,770
	=====	=====	=====	=====
(b) Reconciliation of taxation charge to the expected tax based on accounting profit				
Profit before tax	381,494	441,811	376,878	441,811
	=====	=====	=====	=====
Tax calculated at a tax rate of 20%	75,376	-	75,376	-
Tax calculated at a tax rate of 30% (2014 – 30%)	1,645	132,543	-	132,543
Tax effects on expenses not deductible for tax	5,146	4,543	5,146	4,543
Tax effect on revenues not allowable for tax	(4,697)	(11,019)	(4,697)	(11,019)
Prior year current tax under provision	-	(19,381)	-	(19,381)
Deferred taxation charge prior year under provision	-	15,084	-	15,084
Deferred taxation charge reversal on change of tax rates	(1,568)	-	(1,568)	-
	=====	=====	=====	=====
Taxation charge	75,902	121,770	74,257	121,770
	=====	=====	=====	=====
(c) Tax movement				
Balance at 1 January	10,246	69,460	10,246	69,460
Charge to profit or loss	75,957	101,203	74,312	101,203
Tax paid	(158,646)	(160,417)	(157,768)	(160,417)
	=====	=====	=====	=====
Balance at 31 December	(72,443)	10,246	(73,210)	10,246
	=====	=====	=====	=====
Made up of:				
Tax recoverable	(73,345)	-	(73,210)	-
Tax payable	902	10,246	-	10,246
	=====	=====	=====	=====
	(72,443)	10,246	(73,210)	10,246
	=====	=====	=====	=====

NAIROBI SECURITIES EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. PROPERTY AND EQUIPMENT (Group and 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							
At 1 January 2014	90,372	8,871	72,096	19,657	77,538	2,040	270,574
Additions	-	8,992	342	168	3,058	-	12,560
Disposals	-	(6,868)	-	(826)	(4,941)	-	(12,635)
Adjustments	-	-	(1,637)	-	-	-	(1,637)
Transfers	-	-	-	2,040	-	(2,040)	-
At 1 January 2015	90,372	10,995	70,801	21,039	75,655	-	268,862
Additions	-	-	212	1,758	6,996	104	9,070
At 31 December 2015	90,372	10,995	71,013	22,797	82,651	104	277,932
COMPRISING							
Cost	-	10,995	71,013	22,797	82,651	104	187,560
Valuation	90,372	-	-	-	-	-	90,372
	90,372	10,995	71,013	22,797	82,651	104	277,932
DEPRECIATION							
At 1 January 2014	-	8,871	2,936	7,686	56,919	-	76,412
Charge for the year	1,978	1,311	8,980	3,759	9,550	-	25,578
Eliminated on disposal	-	(6,868)	-	(744)	(4,865)	-	(12,477)
Adjustments	-	-	(222)	-	-	-	(222)
At 1 January 2015	1,978	3,314	11,694	10,701	61,604	-	89,291
Charge for the year	1,978	2,248	8,826	3,926	7,294	-	24,272
At 31 December 2015	3,956	5,562	20,520	14,627	68,898	-	113,563
NET BOOK VALUE (Revaluation basis)							
At 31 December 2015	86,416	5,433	50,493	8,170	13,753	104	164,369
At 31 December 2014	88,394	7,681	59,107	10,338	14,051	-	179,571
NET BOOK VALUE (Cost basis)							
At 31 December 2015	85,694	5,433	50,493	8,170	13,753	104	163,647
At 31 December 2014	87,656	7,681	59,107	10,338	14,051	-	178,833

NOTES TO THE FINANCIAL STATEMENTS (Continued)
13. PROPERTY AND EQUIPMENT (Group and Company) (Continued)

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 65.7 million (2014 - Sh 45.1 million) which are still in use. If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to Sh 16.4 million (2014 – Sh 10.5 million).

The building is stated at its revalued amounts, being the fair value as at 31 December 2013 less any subsequent depreciation. The revaluation was done on the basis of the highest and best use by Tysons Ltd, an independent registered valuer. The frequency of valuation of the building is every 5 years.

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).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31/12/15 Sh'000	31/12/14 Sh'000				
Buildings	86,416	88,394	Level 2	Market comparable approach- Highest and best use	N/A	N/A

There were no transfers between levels 1, 2 and 3 in the period (2014: none).

14. INVESTMENT PROPERTY (Group and Company)

	Total Sh'000
COST	
At 1 January 2014	294,628
Revaluation surplus	13,077
At 1 January 2015 and 31 December 2015	307,705
	=====

The fair value of the Group's investment property as at 31 December 2015 and 31 December 2014 has been arrived at on the basis of a valuation carried out on the 14 December 2015 and 26 February 2015 respectively by Tysons Limited, an independent registered valuer. The fair value was adjusted for in the books of the Group and Company as at 31 December 2014. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the property's current use is considered to be its highest and best. There has been no change to the valuation technique during the year.

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31/12/15 Sh'000	31/12/14 Sh'000				
Investment Property	307,705	307,705	Level 2	Market comparable approach- Highest and best use	N/A	N/A

There were no transfers between levels 1, 2 and 3 in the period (2014: none).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. INTANGIBLE ASSETS (Group and Company)

	Automated trading system software Sh'000	Other software Sh'000	Broker back office software Sh'000	Bond software license Sh'000	WIP Sh'000	Total Sh'000
COST						
At 1 January 2014	61,169	27,446	67,931	-	34,963	191,509
Additions	-	209	-	35,079	6,128	41,416
Disposal	-	-	-	3,112	(3,112)	-
At 1 January 2015	61,169	27,655	67,931	38,191	37,979	232,925
Additions	-	3,383	-	-	36,733	40,116
At 31 December 2015	61,169	31,038	67,931	38,191	74,712	273,041
AMORTISATION						
At 1 January 2014	54,122	20,210	10,273	-	-	84,605
Amortisation for the year	2,160	2,409	6,793	1,742	-	13,104
At 1 January 2015	56,282	22,619	17,066	1,742	-	97,709
Amortisation for the year	1,354	2,499	6,793	7,638	-	18,284
At 31 December 2015	57,636	25,118	23,859	9,380	-	115,993
NET BOOK VALUE						
At 31 December 2015	3,533	5,920	44,072	28,811	74,712	157,048
At 31 December 2014	4,887	5,036	50,865	36,449	37,979	135,216

The work in progress relates to costs incurred on futures software and costs incurred to date on the ATS upgrade.

No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated intangible assets with a cost of Sh 67.5 million (2014 - Sh 65.8 million) which are still in use. If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to Sh 9.7 million (2014 - Sh 9.3 million).

16. INVESTMENT IN ASSOCIATE (Group and Company)

The investment in associate represents an investment in Central Depository and Settlement Corporation (CDSC) Limited. The Group held an ownership percentage of 22.5% as at 31 December 2015 (2014 - 22.5%). The proportion of the voting rights in the associate held by the parent Group does not differ from the proportion of ordinary shares held.

	2015 Sh'000	2014 Sh'000
(a) The movement in the balance is as follows:		
At 1 January	82,457	60,940
Share of total comprehensive income for the year	21,621	23,767
Dividends received	(3,375)	(2,250)
At 31 December	100,703	82,457

16. INVESTMENT IN ASSOCIATE (Group and Company) (Continued)

	2015 Sh'000	2014 Sh'000
(b) Summarised financial information in respect of the associate is set out below:		
Total assets	618,500	412,915
Total liabilities	(170,932)	(46,438)
	-----	-----
Net assets	447,568	366,477
	-----	-----
Group's share of net assets of associate	100,703	82,457
	=====	=====
Total revenue for the year	315,038	332,350
	=====	=====
Total profit for the year	95,406	105,516
	=====	=====
Group's share of profit of associate	21,560	23,741
Group's share of other comprehensive income of associate	61	26
	-----	-----
	21,621	23,767
	=====	=====

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

Name of associate	Country of incorporation and operation	Number of shares held by Nairobi Securities Exchange @ Sh 100 per share		Proportion of ownership interest and voting power held by Nairobi Securities Exchange	
		2015	2014	2015	2014
Central Depository and Settlement Corporation (CDSC) Limited	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 Limited.

			Company	
			2015 Sh'000	2014 Sh'000
17. INVESTMENT IN SUBSIDIARY AND STRUCTURED ENTITIES (Company)	Principal activity	Holding		
Investment in subsidiary (note 17a):				
Investment in NSE Clear Limited	Clearing House	100%	20,000	-
			-----	-----
Investment in structured entities (note 17b):				
NSE Derivatives Settlement Guarantee Fund	Settlement Guarantee Fund		100,000	-
NSE Derivatives Investor Protection Fund	Investor Protection Fund		10,000	-
			-----	-----
			110,000	-
			-----	-----
			130,000	-
			=====	=====

17. INVESTMENT IN SUBSIDIARY AND STRUCTURED ENTITIES (Company) (Continued)

a) Investment in subsidiary

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 (Kshs 100,000) divided into One Hundred (100) ordinary shares of Kenya Shillings One Thousand (Kshs 1,000) each. It is a wholly owned subsidiary of the Nairobi Securities Exchange Limited.

The principal objectives of the subsidiary are to carry on the business of a clearing house and as such, to provide clearing and settlement services for transactions in derivative securities whether carried out on or off a securities exchange, to act as a central counterparty in derivative securities transactions and to carry out all activities that pertain to a clearing house. The subsidiary was dormant in 2014 and 2015 as the license to operate a Derivatives Exchange was granted to the Nairobi Securities Exchange Limited on 19 October 2015.

Set out below is the summarised financial information for the subsidiary:

	2015 Sh'000	2014 Sh'000
Summarised statement of financial position		
Total assets	21,085	-
Total liabilities	(1,953)	-
Net assets	19,132	-
Summarised statement of profit and loss and other comprehensive income		
Net interest income	1,089	-
Loss before income tax	(868)	-
Income tax charge	-	-
Other comprehensive income	-	-
Total comprehensive loss for the year	(868)	-
Summarised statement of cash flows		
Net cash generated from operating activities	950	-
Net cash used in investing activities	(20,854)	-
Net cash generated from financing activities	20,000	-
Net increase in cash and cash equivalents	96	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	96	-

b) 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 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 Ltd (NSE) Compensation Rules and Procedures. The main purpose for the Investor Protection Fund is 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 trading members.

The two Funds are managed by a management committee formed by the NSE Clear Board of Directors which is responsible for their affairs.

Investment in the subsidiary and Funds are all classified as con-current. None of these financial assets are impaired.

17. INVESTMENT IN SUBSIDIARY AND STRUCTURED ENTITIES (Company) (Continued)

b) Investment in structured entities (Continued)

The subsidiary and the Funds are all domiciled in Kenya.

Set out below is the summarised financial information for the structured entities:

	2015 Sh'000	2014 Sh'000
NSE Derivatives Settlement Guarantee Fund		
Summarised statement of financial position		
Total assets	104,791	-
Total liabilities	(1,147)	-
Net assets	103,644	-
	=====	=====
Summarised statement of profit and loss and other comprehensive income		
Net interest income	5,468	-
	=====	=====
Profit before income tax	5,205	-
Income tax charge	(1,561)	-
Other comprehensive income	-	-
Total comprehensive income for the year	3,644	-
	=====	=====
Summarised statement of cash flows		
Net cash generated from operating activities	4,791	-
Net cash used in investing activities	(104,692)	-
Net cash generated from financing activities	100,000	-
Net increase in cash and cash equivalents	99	-
Cash and cash equivalents at establishment	-	-
Cash and cash equivalents at end of year	99	-
	=====	=====
NSE Derivatives Investor Protection Fund		
Summarised statement of financial position		
Total assets	12,674	-
Total liabilities	(2,479)	-
Net assets	10,195	-
	=====	=====
Summarised statement of profit and loss and other comprehensive income		
Net interest income	542	-
	=====	=====
Profit before income tax	279	-
Income tax charge	(84)	-
Other comprehensive income	-	-
Total comprehensive income for the year	195	-
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. INVESTMENT IN SUBSIDIARY AND STRUCTURED ENTITIES (Company) (Continued)

b) Investment in structured entities (Continued)

NSE Derivatives Investor Protection Fund

Summarised statement of cash flows

Net cash generated from operating activities
Net cash used in investing activities
Net cash generated from financing activities

Net increase in cash and cash equivalents

Cash and cash equivalents at establishment

Cash and cash equivalents at end of year

2015
Sh'000

2014
Sh'000

2,474
(10,375)
10,000

2,099

-

2,099

=====

-
-
-

-

-

-

=====

18. CORPORATE BONDS – held to maturity

Safaricom Limited
Housing Finance Company of Kenya Limited

2015
Sh'000

Group

2014
Sh'000

2015
Sh'000

Company

2014
Sh'000

-
15,277

20,232
15,277

-
15,277

20,232
15,277

15,277
=====

35,509
=====

15,277
=====

35,509
=====

Maturity analysis:

Maturing within one year
Maturing within 5 years

-
15,277

20,232
15,277

-
15,277

20,232
15,277

15,277
=====

35,509
=====

15,277
=====

35,509
=====

The effective interest rate on the corporate bonds as at 31 December 2015 was 8.1% p.a. (2014 - 8.1% p.a.).

19. GOVERNMENT SECURITIES – held to maturity

Treasury bonds maturing:

Within one year
After 1 to 10 years

-
109,799

46,384
110,195

-
109,799

46,384
110,195

109,799
=====

156,579
=====

109,799
=====

156,579
=====

The weighted average interest rate on the treasury bonds was 7.9% p.a (2014 - 7.7% p.a.).

	Group		Company	
	2015 Sh'000	2014 Sh'000	2015 Sh'000	2014 Sh'000
20. LONG-TERM RESTRICTED INVESTMENTS				
Fixed deposit and interest capitalized held with the Co-operative Bank of Kenya and maturing within 180 days in the name of the:				
NSE Clear Limited	20,854	-	-	-
NSE Derivatives Settlement Guarantee Fund	104,692	-	-	-
NSE Derivatives Investor Protection Fund	10,375	-	-	-
	<u>135,921</u>	<u>-</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====

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 KSh 20 million, KSh 100 million and KSh 10 million respectively towards their operations.

	Group		Company	
	2015 Sh'000	2014 Sh'000	2015 Sh'000	2014 Sh'000
21. TRADE AND OTHER RECEIVABLES				
(a) TRADE AND OTHER RECEIVABLES				
Trade receivables	56,658	121,589	56,658	121,589
Prepayments and deposits	12,092	23,727	12,092	23,727
Other receivables	19,901	14,314	19,901	14,314
Receivable from non- trading brokers	141,938	141,938	141,938	141,938
	<u>230,589</u>	<u>301,568</u>	<u>230,589</u>	<u>301,568</u>
Provision for doubtful debts (note 21(b))	(154,056)	(154,156)	(154,056)	(154,156)
	<u>76,533</u>	<u>147,412</u>	<u>76,533</u>	<u>147,412</u>
	=====	=====	=====	=====
(b) PROVISION FOR DOUBTFUL DEBTS				
Movements in the provisions for bad debts were as follows:				
At 1 January	154,156	154,398	154,156	154,398
Recoveries in the year (note 21(c))	(100)	-	(100)	-
Write back during the year	-	(242)	-	(242)
	<u>154,056</u>	<u>154,156</u>	<u>154,056</u>	<u>154,156</u>
At 31 December (note 21(a))	154,056	154,156	154,056	154,156
	=====	=====	=====	=====
(c) CREDIT/(CHARGE) TO PROFIT OR LOSS				
Recoveries in the year (note 21(b))	100	-	100	-
Write offs during the year	-	(75)	-	(75)
	<u>100</u>	<u>(75)</u>	<u>100</u>	<u>(75)</u>
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Group		Company	
	2015 Sh'000	2014 Sh'000	2015 Sh'000	2014 Sh'000
22. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:-				
Call deposits	54,721	85,549	54,721	85,549
Fixed deposits – maturing within three months	230,825	255,403	230,825	255,403
Fixed deposits – maturing within three months to six months	415,323	237,319	415,323	237,319
	=====	=====	=====	=====
Total short-term deposits (note 23)	700,869	578,271	700,869	578,271
Bank and cash balances	76,666	62,384	74,372	62,384
	=====	=====	=====	=====
Total bank and cash balances and deposits	777,535	640,655	775,241	640,655
	=====	=====	=====	=====
Split into:				
Short-term restricted cash and investments (note 37)	333,500	-	333,500	-
Cash and cash equivalents	444,035	640,655	441,741	640,655
	=====	=====	=====	=====
	777,535	640,655	775,241	640,655
	=====	=====	=====	=====

23. SHORT TERM DEPOSITS
Maturing within three months:

Fixed deposits	230,825	255,403	230,825	255,403
Call deposits	54,721	85,549	54,721	85,549

285,546

340,952

285,546

340,952

Maturing after three months to six months:

Fixed deposits	415,323	237,319	415,323	237,319
----------------	---------	---------	---------	---------

700,869

578,271

700,869

578,271

The deposits are held to maturity and measured at amortised cost.

The deposits were held at the following institution:

Kenya Commercial Bank Limited	96,716	31,156	96,716	31,156
Co-operative Bank of Kenya	604,153	547,115	604,153	547,115

700,869

578,271

700,869

578,271

The effective interest rate on the deposits as at 31 December 2015 was 10.4% p.a. (2014 - 10% p.a.).

	2015 Sh'000	Group 2014 Sh'000	2015 Sh'000	Company 2014 Sh'000
24. SHARE CAPITAL				
Authorised share capital:				
At 1 January 212,500,000 ordinary shares of Sh 4 each (2014 - 25,000,000 ordinary shares of Sh 1 each)	850,000	25,000	850,000	25,000
Increase in shares 2015 – nil (2014 - 825,000,000 ordinary shares of Sh 1 each)	-	825,000	-	825,000
	850,000	850,000	850,000	850,000
At 31 December 212,500,000 ordinary shares of Sh 4 each	850,000	850,000	850,000	850,000
Issued and fully paid up:				
At 1 January 194,625,000 ordinary shares of Sh 4 each (2014 - 24,500,000 ordinary shares of Sh 1 each)	778,500	24,500	778,500	24,500
Consolidation into 6,125,000 ordinary shares of Sh 4 each	-	24,500	-	24,500
Issue of 122,500,000 bonus shares of Sh 4 each	-	490,000	-	490,000
Sale of 66,000,000 ordinary shares of Sh 4 each	-	264,000	-	264,000
As at 31 December 194,625,000 ordinary shares of Sh 4 each	778,500	778,500	778,500	778,500
25. SHARE PREMIUM				
At 1 January	277,185	-	277,185	-
Issue of 66,000,000 ordinary shares at a premium of Sh 5.50 each	-	363,000	-	363,000
Costs of floatation	-	(85,815)	-	(85,815)
At 31 December	277,185	277,185	277,185	277,185

26. DEFERRED TAX LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 20% (2014 - 30%) except for deferred tax on revaluation of buildings which is calculated using the capital gains tax rate of 5%. The net deferred tax liability is attributable to the following items:

	Group		Company	
	2015 Sh'000	2014 Sh'000	2015 Sh'000	2014 Sh'000
Accelerated capital allowances	(4,973)	(6,283)	(4,973)	(6,283)
Leave provision	487	1,182	487	1,182
Bonus provision	1,633	2,303	1,633	2,303
Straight-lined rental income	(1,349)	(1,623)	(1,349)	(1,623)
Deferred tax on revaluation surplus on buildings	(144)	(222)	(144)	(222)
Unrealized foreign exchange loss	(304)	(62)	(304)	(62)
	<u>(4,650)</u>	<u>(4,705)</u>	<u>(4,650)</u>	<u>(4,705)</u>
Deferred tax on revaluation of investment property	(714)	(714)	(714)	(714)
	<u>(5,364)</u>	<u>(5,419)</u>	<u>(5,364)</u>	<u>(5,419)</u>
	=====	=====	=====	=====
The movement in the deferred tax liability is as follows:				
At 1 January	(5,419)	15,148	(5,419)	15,148
Credit/(charge) to profit - current year (note 12(a))	55	(5,483)	55	(5,483)
Charge to profit – prior year under provision (note 12(a))	-	(15,084)	-	(15,084)
	<u>(5,364)</u>	<u>(5,419)</u>	<u>(5,364)</u>	<u>(5,419)</u>
	=====	=====	=====	=====
At 31 December	(5,364)	(5,419)	(5,364)	(5,419)
	=====	=====	=====	=====

27. TRADE AND OTHER PAYABLES
a) Non-current portion

Tenant deposits	6,255	8,117	6,255	8,117
	=====	=====	=====	=====

b) Current portion

Trade payables	9,670	15,874	9,670	15,874
Annual listing fees received in advance	16,193	1,957	16,193	1,957
Accrued expenses	52,777	52,761	51,662	52,761
Staff leave provision	2,437	3,941	2,437	3,941
Capital Markets Authority	1,759	2,113	1,759	2,113
Tax penalties payable	19,585	17,359	19,585	17,359
Other payables	8,519	6,245	8,519	6,245
Amounts payable to associate company (note 31(e))	4,530	4,822	4,530	4,822
	<u>115,470</u>	<u>105,072</u>	<u>114,355</u>	<u>105,072</u>
	=====	=====	=====	=====

	Group		Company	
	2015 Sh'000	2014 Sh'000	2015 Sh'000	2014 Sh'000
28. DIVIDENDS PAYABLE				
The dividends payable represents the first and final dividend for the years ended 31 December 2014, 2013 and 2012 respectively not paid as at year end. The movement in dividends payable during the year was as follows:-				
At 1 January	13,188	5,050	13,188	5,050
Declared amount for prior years	73,958	49,000	73,958	49,000
Paid during the year	(73,859)	(40,862)	(73,859)	(40,862)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December	13,287	13,188	13,287	13,188
	=====	=====	=====	=====

29. NOTE TO THE STATEMENT OF CASHFLOWS
a) Cash flows from operating activities

Profit before tax	381,494	441,811	376,878	441,811
Adjustments for:				
Depreciation (note 13)	24,272	25,578	24,272	25,578
Amortisation (note 15)	18,284	13,104	18,284	13,104
Share of results of associate (note 16)	(21,560)	(23,741)	(21,560)	(23,741)
Interest income (note 9)	(101,010)	(39,514)	(93,911)	(39,514)
Interest expense (note 11)	-	14,290	-	14,290
Gain on disposal of equipment	-	(2,449)	-	(2,449)
Gain on revaluation of investment property	-	(13,077)	-	(13,077)
Write off of equipment	-	(222)	-	(222)
Working capital changes:				
Decrease/(increase) in trade and other receivables	70,879	(32,516)	70,879	(32,516)
Increase in short-term restricted cash and investments (note 22)	(333,500)	-	(333,500)	-
Increase/(decrease) in trade and other payables	8,536	(65,987)	7,421	(65,987)
Movement in related party balances	-	-	(1,162)	-
Increase in Investor Protection Fund contributions	2,200	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash generated from operations	49,595	317,277	47,601	317,277
	=====	=====	=====	=====

b) Net proceeds from issue of shares

Proceeds on sale of shares at cost of Ksh. 4.00 each	-	264,000	-	264,000
Net proceeds on sale of shares at premium	-	277,185	-	277,185
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net proceeds from issue of shares	-	541,185	-	541,185
	=====	=====	=====	=====

	Group		Company	
	2015	2014	2015	2014
	Sh'000	Sh'000	Sh'000	Sh'000
30. EARNINGS PER SHARE				
Profit attributable to owners of the Group (Sh'000)	305,592	320,041	302,621	320,041
	=====	=====	=====	=====
Weighted average number of shares during the year (in thousands)	194,625	150,021	194,625	150,021
	=====	=====	=====	=====
Basic earnings per share – Sh	1.57	2.13	1.55	2.13
	=====	=====	=====	=====

The basic earnings per share is the same as the diluted earnings per share as there were no potentially dilutive shares as at 31 December 2015 and 31 December 2014.

31. RELATED PARTY TRANSACTIONS

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

As at 31 December 2015, the Group had 8 (31 December 2014:13) Trading Participants and 5 (31 December 2014:6) licensed investment banks who are shareholders. The following transactions were carried out with related parties:

	Group and Company	
	2015	2014
	Sh'000	Sh'000
(a) Directors' emoluments		
Non – executive		
Directors sitting allowance (including committees)	13,633	13,954
	=====	=====
Executive	18,154	11,124
	=====	=====
(b) Key management compensation		
Salaries and other short-term employment benefits	36,154	22,814
Other long term benefits	3,003	2,114
	=====	=====
	39,157	24,928
	=====	=====
(c) Transactions with shareholders		

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

The Group charges investors, through the brokers, a transaction levy of 0.12% (31 December 2014: 0.12%) of the value of equity securities traded at the Exchange. During the 12 month period, the total turnover was Sh 231,038 million (31 December 2014: Sh 411,901 million) resulting in a transaction levy of Sh 277 million (31 December 2014: Sh 494 million). NSE also charges investors through brokers a transaction levy of 0.0035% (31 December 2014: 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 2015 was Sh 474,202 million (31 December 2014: Sh 1,002,657 million), resulting in transaction levy of Sh 16.6 million (31 December 2014: Sh 35.1 million).

31. RELATED PARTY TRANSACTIONS (Continued)
(c) Transactions with shareholders (Continued)

	Group and Company	
	2015 Sh'000	2014 Sh'000
Transaction levy on - equity securities	277,246	494,281
Transaction levy on - fixed income securities	16,597	35,093
Broker back office subscriptions	17,280	21,601
NOMAD fees	153	200
Data fees	2,008	-
Derivatives application and annual fees	1,600	-
	<u>314,884</u>	<u>551,175</u>
	=====	=====

(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	
	2015 Sh'000	2014 Sh'000
(i) Stockbrokers and investment bank representatives		
Transaction levy on - equity securities	42,206	35,390
Transaction levy on - fixed income securities	4,863	3,495
Broker back office subscriptions	2,880	2,880
NOMAD fees	50	50
Purchase of data	449	120
Derivative application and annual fees	400	-
	<u>50,848</u>	<u>41,935</u>
	=====	=====
Allowances to broker company directors sitting on Committees but are not Group Directors	371	1,257
	=====	=====
(ii) Listed companies related to directors		
Annual listing fees	3,000	1,500
Purchase of date	52	-
	<u>3,052</u>	<u>1,500</u>
	=====	=====
Allowances to listed companies directors sitting on Committees but are not Group Directors	-	114
	=====	=====

	Group and Company	
	2015 Sh'000	2014 Sh'000
31. RELATED PARTY TRANSACTIONS (Continued)		
(e) Transactions and balances with associate		
During the period, transactions with CDSC Ltd were as follows:-		
Committee sitting allowance paid to CDSC director	114	86
	=====	=====
Expenses relating to:		
Share registrar services and depository levies	3,937	5,160
Joint Board meetings	532	322
M-Akiba - logo, branding & publicity	871	-
Dividend processing	943	-
	-----	-----
	6,283	5,482
	=====	=====
Amounts payable to associate	4,530	4,822
	=====	=====

	Company	
	2015 Sh'000	2014 Sh'000
(f) Transactions and balances with subsidiary and structured entities		
<i>(i) During the period, transactions with NSE Clear Limited were as follows:-</i>		
Management services income	949	-
	=====	=====
Expenses relating to:		
NSE Clear Limited set up cost	277	-
Group secretarial services	136	-
	-----	-----
	413	-
	=====	=====
Amounts due from NSE Clear Limited	1,362	-
	=====	=====

	Group		Company	
	2015 Sh'000	2014 Sh'000	2015 Sh'000	2014 Sh'000
<i>ii) During the period, transactions with NSE Derivatives Investor Protection Fund were as follows:-</i>				
Contributions received from trading members	2,200	-	-	-
	=====	=====	=====	=====
Amounts due to the NSE Derivatives IPF	-	-	200	-
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. OPERATING LEASE COMMITMENTS (Group and Company)

The Group and Company as a lessor:

Lease rental income earned during the year was Sh 26 million (2014 - Sh 25 million). At the end of the reporting period the Group and Company had existing contracts with tenants for the following minimum lease payments:

	2015 Sh'000	2014 Sh'000
Receivable within 1 year	21,079	25,433
Receivable after 1 year but within 5 years	28,383	60,370
	49,462	85,803
	=====	=====

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

33. CAPITAL COMMITMENTS (Group and Company)

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

	2015 Sh'000	2014 Sh'000
Authorised but not yet contracted for	605,135	511,542
	=====	=====

The capital commitments relate mainly to planned property and ATS acquisition and other system infrastructure and support.

34. CONTINGENT LIABILITIES (Group and Company)

During the year ended 31 December 2012, the Kenya Revenue Authority (KRA) carried out Corporation tax, Withholding tax, Value Added Tax (VAT) and Pay As You Earn (PAYE) tax audits covering the years 2008 to 2011 on the Nairobi Securities Exchange Limited and issued a tax assessment for additional tax payable, penalties and interest. The principal tax balances were agreed with KRA at Sh 19,565,930 and which was settled in full on various dates in 2012. The only non-agreed issue related to VAT on data vending income as assessed by KRA which was in dispute.

50% of the total penalties and arrears of Sh 19,309,624 assessed then and amounting to Sh 9,654,812 was provided for in 2012 financial statements. In 2014, a final assessment by KRA was made on data vending income and other incomes resulting in additional VAT payable of Sh 9,947,804 and penalties of Sh 4,803,392 all of which has been provided for in 2014 financial statements.

The VAT principal tax of Sh 9,947,804 was settled in June 2015 and the additional penalty and interest of Sh 2,901,240 was fully provided for in 2015.

Following this, an application for waiver of all the interest of Sh 16,446,811 and penalties of Sh 2,870,203 totalling to Sh 19,317,014 that arose from the audit was lodged with KRA in September 2015. An amount of Sh 17,359,444 has already been provided for in these financial statements.

An additional amount of Ksh 2,225,893 was assessed by KRA in 2015 arising from a review of the waiver and has been fully provided for in these financial statements.

In the opinion of the directors, the Group has good grounds for the waiver of the penalties and interest and expect it be resolved and a waiver given.

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 does not speculate or trade in derivative financial instruments.

(i) Interest rate risk (Group and Company)

Interest rate risk arises primarily from investments in interest securities. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

This risk has been managed by negotiating interest rates on the deposits with the Group resulting in consistent earnings during the duration of the deposits.

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

	2015 Sh'000	2014 Sh'000
Assets		
Cash and bank balances	18,070	22,063
Trade receivables	287	2,348
	18,357	24,411
Liabilities		
Trade payables	(5,753)	(2,791)
Net position	12,604	21,620

At 31 December 2015, 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 1,260,000 (2014 – Sh 2,162,000) higher/lower mainly as a result of translation of US dollar denominated balances.

(iii) Price risk (Group and Company)

The Group and Company do not hold investments that would be subject to price risk; hence this risk is not relevant.

(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 to the Group and the Company. Credit risk arises from deposits with banks, as well as trade receivables. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by the banking regulatory authority.

Bank balances and term deposits are fully performing. Balances under the fully performing category are expected to be recovered in full as the debtors are paying their debts as they continue trading. Balances in the past due category are partly impaired. Balances under the impaired category are long overdue debts that have been fully provided for.

The amount that best represents the Group and Company's maximum exposure to credit risk as at 31 December 2015 and 2014 is made up as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

Group	Fully performing Sh'000	Past due Sh'000	Impaired Sh'000	Total Sh'000
31 December 2015				
Trade receivables	44,540	-	12,118	56,658
Due from non-trading brokers	-	-	141,938	141,938
Short term deposits	700,869	-	-	700,869
Bank and cash balances	76,666	-	-	76,666
	<u>822,075</u>	<u>-</u>	<u>154,056</u>	<u>976,131</u>
31 December 2014				
Trade receivables	109,371	-	12,218	121,589
Due from non-trading brokers	-	-	141,938	141,938
Short term deposits	578,271	-	-	578,271
Bank and cash balances	62,384	-	-	62,384
	<u>750,026</u>	<u>-</u>	<u>154,156</u>	<u>904,182</u>
Company				
31 December 2015				
Trade receivables	44,540	-	12,118	56,658
Due from non-trading brokers	-	-	141,938	141,938
Short term deposits	700,869	-	-	700,869
Bank and cash balances	74,372	-	-	74,372
	<u>819,781</u>	<u>-</u>	<u>154,056</u>	<u>973,837</u>
31 December 2014				
Trade receivables	109,371	-	12,218	121,589
Due from non-trading brokers	-	-	141,938	141,938
Short term deposits	578,271	-	-	578,271
Bank and cash balances	62,384	-	-	62,384
	<u>750,026</u>	<u>-</u>	<u>154,156</u>	<u>904,182</u>

(c) Liquidity risk (Group and Company)

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Group and Company) (Continued)

	Up to 1 month Sh'000	1-3 months Sh'000	3-12 months Sh'000	1-5 years Sh'000	Total Sh'000
Group					
At 31 December 2015					
Trade payables	9,670	-	-	-	9,670
Investor Protection Fund contributions	-	-	-	2,200	2,200
Due to associate company	4,530	-	-	-	4,530
	<u>14,200</u>	<u>-</u>	<u>-</u>	<u>2,200</u>	<u>16,400</u>
	=====	=====	=====	=====	=====
At 31 December 2014					
Trade payables	15,874	-	-	-	15,874
Due to associate company	4,822	-	-	-	4,822
	<u>20,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,696</u>
	=====	=====	=====	=====	=====
Company					
At 31 December 2015					
Trade payables	9,670	-	-	-	9,670
Due to associate company	4,530	-	-	-	4,530
	<u>14,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,200</u>
	=====	=====	=====	=====	=====
At 31 December 2014					
Trade payables	15,874	-	-	-	15,874
Due to associate company	4,822	-	-	-	4,822
	<u>20,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,696</u>
	=====	=====	=====	=====	=====

36. CAPITAL RISK MANAGEMENT (Group and Company)

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

As at 31 December 2015 and 31 December 2014, the Group and Company did not have any borrowings.

	2015 Sh'000	2014 Sh'000
37. MINIMUM LIQUID NET-WORTH REQUIREMENTS (Company)		
Estimated twelve months operating costs	667,000 =====	- =====
Required minimum liquid net-worth at one half of estimated operating costs	333,500 =====	- =====
Cash and cash equivalents (note 22)	444,035 =====	640,655 =====

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. COUNTRY OF INCORPORATION

The entities within the Group are incorporated in Kenya and are domiciled in Kenya.

39. CURRENCY

These financial statements are presented in Kenya Shillings thousands (Sh'000).

NOTICE OF THE 62ND ANNUAL GENERAL MEETING

NOTICE is hereby given that an **Annual General Meeting** of the Nairobi Securities Exchange Limited (**NSE**) shall be held at the **Kenyatta International Conference Center, Tsavo Ball Room Nairobi** on **Thursday, 2 June 2016** at **10.00 a.m.** to transact the following business:-

ORDINARY BUSINESS

1. To read the notice convening the meeting.
2. To table the proxies and to confirm the presence of a quorum.
3. To confirm and adopt the minutes of the Annual General Meeting held on 25 June 2015.
4. To receive the Chairman's Statement and the Chief Executive's Report.
5. To receive, consider and, if thought fit, adopt the Audited Financial Statements for the year ended 31 December 2015 together with the reports of the Directors and Auditors thereon.
6. To approve a first and final dividend of Kshs 0.49 per ordinary share in respect of the Financial Year ended 31 December 2015 and to approve the closure of the Register of Members for one day on 3 June 2016 for the purpose of determining the qualifying members entitled to dividends.
7. To approve the Directors' fees paid in respect of the Financial Year ended 31 December 2015.
8. Election of Directors
 - a) In accordance with Articles 95 and 96 of the Company's Articles of Association, Ms. Sharon Maviala (an Independent Director) retires by rotation and, being eligible, offers herself for re-election;
 - b) In accordance with Articles 95 and 96 of the Company's Articles of Association, Mr. Hosea Kimutai Kili (an Independent Director) retires by rotation and, being eligible, offers himself for re-election;
 - c) In accordance with Articles 95 and 96 of the Company's Articles of Association, Mr. Edward Njoroge (an Independent Director) retires by rotation and, although eligible, he does not offer himself for re-election.
9. To note that in accordance with Regulation 55A (6) of the Capital Markets (Licensing Requirements) (General) Regulations, 2002, Messrs Deloitte & Touche shall retire as auditors of the Company at the conclusion of this meeting. Consequently and, as recommended by the Directors, to appoint Messrs PricewaterhouseCoopers (PwC) as the auditors of the Company for the Financial Year ending 31 December 2016 and to authorize the Directors to fix the Auditors' remuneration.

SPECIAL BUSINESS

10. To consider and, if thought fit, to pass the following Ordinary Resolutions:

a) Increase in Share Capital

"THAT subject to approval by the Capital Markets Authority, the authorized share capital of the Company be and is hereby increased from Kenya Shillings Eight Hundred and Fifty Million (Kshs 850,000,000.00) divided into Two Hundred and Twelve Million, Five Hundred Thousand (212,500,000) ordinary shares of Kenya Shillings Four (Kshs 4.00) each to Kenya Shillings One Billion, Five Hundred Million (Kshs 1,500,000,000.00) divided into Three Hundred and Seventy Five Thousand (375,000,000) ordinary shares of Kenya Shillings Four (Kshs 4.00) each by the creation of One Hundred and Sixty Two Million, Five Hundred Thousand (162,500,000) new ordinary shares of Kenya Shillings Four (Kshs 4.00) each, ranking pari passu in all respects with the existing ordinary shares of the Company."

b) Listing of Additional Shares

"THAT subject to the Company receiving all regulatory approvals, the new additional One Hundred and Sixty Two Million, Five Hundred Thousand (162,500,000) ordinary shares of Kenya Shillings Four (Kshs 4.00) each in the capital of the Company be and are hereby approved for listing on the Main Segment of the Nairobi Securities Exchange."

c) Approval of Bonus Issue of Shares

"THAT subject to the passing of the above resolutions by the shareholders and receiving of all regulatory approvals, the Directors be and are hereby authorised to capitalize the sum of Kenya Shillings Two Hundred and Fifty Nine Million, Five Hundred Thousand (Kshs 259,500,000.00) being part of the sum standing to the credit of the Company's revenue reserve account as at 31 December 2015, and that the same be applied in making payment in full and at par Sixty Four Million, Eight Hundred and Seventy Five Thousand (64,875,000) ordinary shares of Kenya Shillings Four (Kshs 4.00) each in the capital of the Company. Such shares to be distributed as fully paid up to the persons registered as holders of the ordinary shares in the capital of the Company at the close of business on 2 June 2016 in the proportion of One (1) ordinary share of Kenya Shillings Four (Kshs 4.00) each for every three (3) fully paid up ordinary shares of Kenya Shillings Four (Kshs 4.00) each then held in the capital of the Company by such persons and that the Directors be and are hereby authorized to round off the

fractions in such manner as they shall think fit. The Bonus shares shall rank pari passu in all respect with the existing shares in the capital of the Company except for the first and final dividend for the financial year 2015 of Kshs 0.49 per ordinary share."

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

Amendment to the Articles of Association of the Company

- a) "THAT in accordance with Section 22 of the Companies Act 2015, Article 6 of the Company's Articles of Association be amended to reflect the new share capital of the Company."
- b) "THAT Article 157 of the Company's Articles of Association be and is hereby amended by replacing the words 'two consecutive days' appearing on the fourteenth line thereof with the words 'one day'."

ANY OTHER BUSINESS

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

BY ORDER OF THE BOARD



Mr. John Maonga
COMPANY SECRETARY

DATE: 21 April 2016

Note:

1. In accordance with Section 298 of the Companies Act, 2015, a member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company.

A Proxy Form may be obtained from the Company's website www.nse.co.ke, the Registered Office of the Company, Exchange Building, 5th Floor, 55 Westlands Road, P O Box 43633 – 00100, Nairobi, or from the offices of the Company's Share Registrars, CDSC Limited, Nation Centre, 10th Floor, Kimathi Street, Nairobi.

To be valid, a Form of Proxy must be duly completed by the member and must be either returned to the Company Secretary, P O Box 73248 – 00200 Nairobi, email: jmaonga@maongandonye.com or the Shares Registrars on the above address so as to arrive not later than 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 hand of an officer or duly authorised attorney of such corporation.

2. In accordance with Article 157 of the Articles of Association of the Company, a copy of the entire Annual Report and Accounts may be viewed at the Company's website at www.nse.co.ke or a printed copy may be obtained from the Registered Office of the Company at the Exchange Building, 5th Floor, 55 Westlands Road, P.O. Box 43633 – 00100, Nairobi.
3. In accordance with Article 97 of the Company's Articles of Association, a person seeking election at the Annual General Meeting should deliver to the Secretary at least seven (7) days prior to the day of the meeting, notice in writing signed by a shareholder duly qualified to attend and vote at the meeting, of his intention to propose such person for election and notice in writing signed by the person to be proposed of his willingness to be elected.

63

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Nairobi Securities Exchange Limited

PROXY FORM

I/We,, of, being a shareholder/ shareholders of the above-named Company, hereby appoint, of, or failing him of as my/our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the **2nd** day of **June 2016** and at any adjournment thereof.

As witness my/our hand this day of 2016

Signed.....

Signed.....

This Form is to be used *in favour of/against the resolutions. Unless otherwise instructed, the proxy will vote as he thinks fit.

**Strike out whichever is not desired.*

AGENDA ITEM	RESOLUTION	FOR	AGAINST
5.	To adopt the audited Financial Statements for the Financial Year ended 31 December 2015.		
6.	To approve a first and final dividend of Kshs 0.49 per share in respect of the Financial Year ended 31 December 2015.		
7.	To approve Directors' Fees paid in respect of the Financial Year ended 31 December 2015.		
8. (a)	To re-elect Ms. Sharon Maviala (an Independent Director) in accordance with Articles 95 and 96 of the Company's Articles of Association.		
8. (b)	To re-elect Mr. Hosea Kimutai Kili (an Independent Director) in accordance with Articles 95 and 96 of the Company's Articles of Association.		
9.	To appoint Messrs PricewaterhouseCoopers (PwC) as the auditors for the Financial Year ending 31 December 2016 and to authorize the Directors to fix their remuneration.		
10. (a)	To approve increase in Share Capital.		
10. (b)	To approve listing of additional shares.		
10. (c)	To approve bonus issue of shares.		
11. (a)	To approve the amendment of Article 6 of the Company's Articles of Association to reflect the new share capital.		
11. (b)	To approve the amendment of Article 157 of the Company's Articles of Association by replacing the words "two consecutive days" appearing on the fourteenth line thereof with the words "one day."		

Note:

- To be valid, a Proxy Form must be duly completed by the member and must be either returned to the Company Secretary, P. O. Box 73248 – 00200 Nairobi, email: jmaonga@maongandonye.com or the Shares Registrars, CDSC Limited, Nation Centre, 10th Floor, Kimathi Street, Nairobi so as to arrive not later than 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.

NOTES

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66

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