2014 Annual Report

UGANDA SECURITIES EXCHANGE

GROWING YOUR INVESTMENT PORTFOLIO

GROWING your Investment PORTFOLIO

Table of Contents

Corporate PROFILE

SECRETARY

Peace Namara
UAP Nakawa Business Park
Plot 3-5, New Port Bell Road,
Block A, 4th Floor
P. O. Box 23552, Kampala

AUDITORS

KPMG Uganda
Certified Public Accountants (Uganda)
3rd Floor Rwenzori Courts Building
P. O. Box 3509, Kampala

BANKERS

Citibank Uganda Limited
Plot 4 Ternan Avenue
P. O. Box 7505, Kampala

Stanbic Bank Uganda Limited
City Branch
P. O. Box 7130, Kampala

Crane Bank Limited
Crane Chambers
Plot 38, Kampala Road
P O Box 22572, Kampala

Bank of Baroda (Uganda) Ltd
Plot 18, Kampala Road
P O Box 7197, Kampala

About the Exchange

The Uganda Securities Exchange (USE) was established in 1997 as a company limited by guarantee and incorporated in Uganda under the Ugandan Companies Act. The Uganda Securities Exchange was licensed to operate as an approved Stock Exchange in June 1997 by the Capital Markets Authority of Uganda under the Capital Markets (Licensing) Regulations 1996 and is governed by the Uganda Securities Exchange Limited Rules 2003.

The principal activity of the Exchange is to provide a central place for trading of securities and regulation of the licensed brokers/dealers. It provides a credible platform for raising capital through the issuance of appropriate debt, equity and other instruments to the investing public.

In this way, the Exchange provides essential facilities for the private sector and government to raise money for business expansion and enables the public to invest in companies listed on the Exchange.

Our Vision

"To develop and manage the most efficient, transparent securities market that matches international standards, and promotes a partnership with the general public, foreign investors, institutional investors, employees, the government and other stakeholders in the development of uganda's capital markets industry."

Our Mission Statement

"To create an efficient and secure East African market place that will enhance the competitive strength of the local capital market in Uganda".

Registered office

UAP Nakawa Business Park,
Plot 3-5, New Port Bell Road,
Block A, 4th Floor
P. O. Box 23552, Kampala

The Governing **COUNCIL**

CHARLES MBIRE

He is the Chairman of the Governing Council of the Exchange, a postion he has held since 2010. Mr. Mbire was appointed on 7th October 2010 as a representative of the investing public, on the USE Governing Council.

Charles has a Bachelor of Science in Economics from Essex University and MBA from Leicester University. He is also Chairman of the Board of MTN Uganda and Eskom Uganda.

PAUL BWISO

He has a Bachelor of Commerce Degree(Hons) Accounting from Makerere University and is a student of the Association of Certified Chartered Accountants(ACCA).

He has been the Chairman of the Finance and Compensation Committee and a member of the Audit and Risk Committee.

JULIUS KAKEETO

He is the Executive Director of Equity Stock Brokers,a member firm of the Exchange. Julius is a Fellow of the Association of Chartered Certified Accountants(FCCA), a member of the Institute of Certified Public Accountants and holds an MBA from Manchester Business School, United Kingdom.

Julius is a member of the Business Conduct Committee and a member of the Audit and Risk Committee.

RICHARD BYARUGABA

He is the Managing Director of the National Social Security Fund (NSSF) and represents listed entities on the USE Board.

Richard holds a Masters of Business Administration from Heriot Watt University. He is a Fellow of the Association of Certified Chartered Accountants of UK (FCCA) and a member of the Certified Public Accountants (ICPAU) of Uganda.He also has a Diploma in Management from Henley Business School, and a Bachelor of Science in Mathematics and Statistics. He is a member of the Business Conduct Committee as well as the Finance,HR & Compensation Committee of the Exchange.

VIVEK SHARMA

He is an Executive Director at Crane Bank and a Director at Crane Financial Services which is a member firm of the Exchange.

Vivek is a qualified Accountant with over 13 years of experience, holds a Masters in Economics, a Bachelor of Laws and Science. He is a member of the Finance and Compensation Committee and the Chairman of the Audit and Risk Committee of the Exchange.

PATRICK NDONYE

He is a General Manager of UAP Financial Services and has vast experience in fund management & financial investment advisory.

Patrick has a Masters in Business Administration in Marketing from United States International University, Bachelor of Commerce in Finance and is a Certified Public Accountant.

Patrick is a member of the Rules Committee and a member of the Audit and Risk Committee of the Exchange.

KENNETH KITARIKO

He is the Chief Executive Officer of African Alliance Uganda and a Director on the USE Governing Council as a representative of African Alliance Uganda. Kenneth is also the Chairman of the Business Conduct Committee and a member of the Rules Committee of the Exchange.

He holds a Bsc Hons (Criminal Justice) from Saint Joseph's University USA, a BA Law Honors (LLB) from University of Essex United Kingdom, Diploma in Financial Ananlysis from Johannesburg School of Finance South Africa.

BIRBAL S. DHAKA

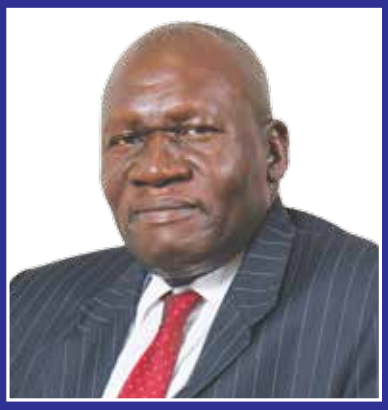
He is the Managing Director of Bank of Baroda and a Director on the USE Governing Council as a representative of Baroda Capital Markets.

He holds a Bachelor's degree in Agriculture with Honours and is a Law Graduate. Birbal is also a Certified Associate of the Indian Institute of Bankers. He is currently the Chairman of the Finance and Compensation Committee and a member of the Rules Committee of the Exchange.

ROBERT BALDWIN

He is the Chief Executive Officer of Crested Capital Uganda, a member firm of the Uganda Securities Exchange. Robert holds a BSBA, Marketing from Georgetown University-The McDonough School of Business.

He is also a member of the Business Conduct Committee and is the Chairman of the Uganda Securities Brokers and Dealers Association.He is also a member of the Rules Committee of the Exchange.



GEOFFREY ONEGI-OBEL

He has a Bachelor of Laws from Makerere University, Later Fulbright and Princeton University Albert Parvin Fellow, New York Institute of Finance Wall St.

He is a founding chairman and director of the Exchange.

GOVERNING COUNCIL KEY:

Charles Mbire-Chairman	Ugandan
Paul Bwiso	*Kenyan
Julius Kakeeto	** Indian
Richard Byarugaba	***American
Vivek Sharma**	
Patrick Ndonye*	
Kenneth Kitariko	
Bribal Singh Dhaka**	
Geoffrey Onegi-Obel	
Robert Baldwin***	

The Management **TEAM**

Innocent Dankaine
Acting Chief Executive Officer

Innocent holds a Bachelors degree in Commerce (accounting) from Makerere University with Honors. He is a member of the Institute of Certified Public Accountants of Uganda and is also a Certified Chartered Accountant (UK). Innocent is currently pursuing studies leading to the award of a Master of Science in Investment Management and Banking at Makerere University. Prior to joining the exchange, Innocent served as Finance and Investment Manager of National Housing & Construction Company Ltd, Assistant Manager – Financial Services Audit with PriceWaterhouseCoopers in Dublin, Ireland, and as an audit executive in the Financial Services department of the UK firm of Ernst & Young LLP.

Sophie Mwamula
Head of Finance, Human Resource and Administration

Sophie is a qualified professional accountant with vast experience in financial management, accounting, external audit and forensic consultancy. She is Fellow of the Association of Certified Chartered Accountants of UK (FCCA) and a member of the Certified Public Accountants (ICPAU) of Uganda. She holds a Bachelors Degree in Commerce from Makerere Univeristy, a Bachelors Degree in Applied Accounting from Oxford Brookes University,UK and currently pursuing a Masters in Business Administration from Edinburgh Business School. Prior to joining the Exchange in March 2014, Sophie worked with Deloitte & Touche as an Accountant, Auditor and Forensic Consultant.

Kenneth Ssenyondwa
Head of Internal Audit

He is a member of the Association of Certified Chartered Accountants of UK (ACCA), holds a Masters in Business Administration from Heriot Watt Univeristy and a Bachelor of Commerce(Accounting) from Makerere University. Prior to joining the Exchange in August 2007, Kenneth worked with CIDI as Head of Finance and Administration and Kawacom (U) ltd as an Exports Manager.

Namara Peace
Manager, Legal & Compliance

As the Manager Legal and Compliance, her duties are to develop and draft rules for the Exchange and products listed on the various markets segments as well as overseeing the compliance function of member firms and entities listed on the Exchange. She graduated with a Bachelor of Laws Degree from Uganda Christian University Mukono and holds a Diploma in Legal Practice from the Law Development Centre of Uganda.

Report from the **Chairman**

On behalf of the Governing Council, Management and Staff, I am pleased to present this report on our performance in 2014. Without a doubt, the financial results delivered by the Company were solid and I believe that the Uganda Securities Exchange is well placed to continue to reward both its members and other stakeholders.

Economy

The Central Bank Rate which opened the year at 11.5% was revised at half year to 11.1% until end year as government sought to signal prevailing stability and stimulate private sector credit growth.The Uganda Shilling depreciation has been attributed to the global strengthening of the US Dollar, lower export earnings and increase in demand for imports. GDP growth projections for 2014/2015 are set at 6% - 6.5%, up from 4.7% in 2013/2014.

This growth is mainly supported by foreign direct investment flows, infrastructure investment and improved private sector performance.The sectors exhibiting growth in 2014 included public infrastructure, manufacturing, electricity, water supply activities and trade.

Company Performance

Despite the tough economic enviroment, I am pleased to report that USE posted commendable results for the year ended 31 December 2014. The company recorded an 81% growth in profit after tax - Ush1,743 million (2013: 964 million). The underlying drivers were the Umeme Secondary offer, DFCU bonus issue and management's efforts to reduce on the operating expenses. The result reflects the underlying strength and resilience of our business and an ability to deliver solid results against a backdrop of broader economic and market uncertainty that prevailed throughout the year.

Relocation of USE

The Uganda Securities Exchange moved to a new location at the UAP Nakawa Business Park. The new spacious office not only boosts the image of the Exchange but provides a convenient space for staff and the general public to freely interact with each other.

USE Staff

Automation of the USE

The Uganda Securities Exchange in 2014 acquired and begun the process of installing the software for an Automated Trading System (ATS). The ATS will enhance trading efficiency and improve liquidity on the Exchange through providing easy access to the trading platform for users all over the globe. The ATS will enable clients worlwide to achieve direct order routing based on a multiple asset class that will engender product diversification, among many other attributes of the new system.

Demutualization of the USE

The Uganda Securities Exchange was incorporated as a mutual association of members who at the 8th Annual General Meeting held on 18th November 2014, unanimously agreed on a resolution to demutualize the Exchange. The main objective of demutualizing the Exchange is to improve the governance structure by separating ownership from the right to trade which will in turn trigger improvement in service delivery and enhance the regulatory responsibilities over trading participants.

Changes in the USE Governing Council

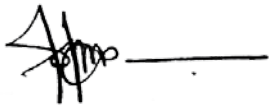
Mr. Vivek Sharma was appointed to the Governing Council as an alternate director representing Crane Financial Services. His appointment took effect on 22nd September 2014.

Appreciation

On behalf of the Governing Council, I would like to commend Management and Staff for successfully navigating the business through 2014.

Conclusion

Finally, I take this opportunity to express my gratitude and appreciation to the Government of Uganda, Ministry of Finance, Bank of Uganda, Capital Markets Authority, Brokers, SCD Agents and stakeholders for the continued support of the Capital Markets Industry.



Charles Mbire
Chairman

Report from the
Chief Executive Officer

Dear Members

On behalf of the Management and Staff of the Uganda Securities Exchange (USE), I am delighted to share with you highlights on the operational and financial performance of your company for the year ending December 31, 2014

FINANCIAL PERFORMANCE

I am pleased to report that the Exchange made a net profit of Ushs.1.74 Billion; this reflected a 81% increase from 2013's Ushs.964 Million. The Exchange's total income was Ushs.4.3 Billion, a 16% increase over the previous year's Ushs.3.7 Billion. Total equity listing fees decreased 15% to Ushs.986 Million from Ushs.1.16 Billion in 2013. Brokerage commission increased 90% to Ushs.1.3 Billion from Ushs.689 Million in 2013 and other operating income which increased 38% to Ushs.1.12 Billion from Ushs.811 Million. Total revenue got a significant boost from the Umeme Holdings Limited's secondary offer. The Exchange strategically aims to diversify income away from the traditional transaction levies and listing fees. Data vending and publications are some of the new revenue streams being pursued.

Table 1: Selected Historical Financial Information

	2014	2013	2012	2011	2010
	Ush '000	Ush '000	Ush '000	Ush '000	Ush '000
Fees and Commissions	3,029,667	2,710,031	2,164,471	990,116	1,044,805
Grant Income	125,000	162,500	311,844	311,845	399,345
Other Income	891,312	814,045	485,300	365,317	243,097
Expenses	(1,736,343)	(2,311,643)	(2,319,473)	(2,263,498)	(1,930,242)
Profit before tax	**2,535,574**	**1,374,933**	**642,142**	**(596,216)**	**(242,995)**
Taxation	(792,180)	(410,895)	(184,791)	-	-
Profit after Tax	**1,743,394**	**964,038**	**457,351**	**(596,216)**	**(242,995)**
Non Current Assets	780,103	266,762	314,427	422,780	565,243
Current Assets	4,934,581	3,883,410	2,578,178	1,986,428	2,339,629
Total Assets	5,714,684	4,150,177	2,892,605	2,409,208	2,904,872
Equity	4,986,124	3,242,730	2,278,692	1,958,186	2,691,247
Non Current Liabilities	10,826	11,294	21,636	-	-
Current Liabilities	717,734	896,163	592,277	451,022	213,625

TRADING PERFORMANCE

In 2014, equity turnover rose by 75% from Ushs. 267 Billion (2013) to Ushs. 466 Billion. The proportion of equity transactions executed by foreign investors averaged 81%. The number of Security Central Depository accounts opened during the year was 2,502 bringing the total opened to 25,309. The category with most accounts was the local investor category (53%) while foreign accounts opened were 20%.

USE ACHIEVEMENTS

The Exchange listed the first market secondary offering by Umeme, Uganda's power distributor. The amount of capital raised was Ushs.232.5 Billion.

The Exchange also listed two bonus issues for DFCU Bank and National Insurance Corporation amounting to Ushs.161.5 Billion (1:1) and 16.4 Billion (1:5).

We also relocated the Exchange to a more spacious and modern building at the Nakawa Business Park.

OUR PRIORITIES FOR 2015

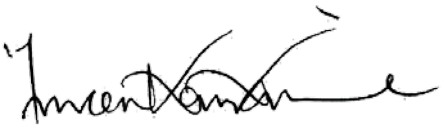
We will enhance our trading platform technology with an automated trading system (ATS) provided by Securities Trading Technology (STT) of South Africa. The ATS is a web-based software that shall offer online trading and mobile phone capabilities to our investing public.

We will reduce our settlement and delivery time from five (5) working days to three (3) working days to match international standards. We will kick start the process of demutualizing the Exchange by working with all relevant stakeholders to achieve this objective.

We will undertake investor education and market development activities to increase awareness of the capital markets and promote both the Growth Enterprises Market Segment, the Main Market Segment and the Fixed Income market Segment

We will train our staff and members in the new technology and new products and services we develop in addition to financial matters

On behalf of the Management and Staff of the Exchange, I would like to extend my appreciation and gratitude to the Governing Council for their guidance, the staff for their loyalty and hard work and our listed companies, Broker/Dealers and service providers for their unwavering support.



Innocent D. Dankaine
Acting Chief Executive Officer

African Alliance is a leading provider of Advisory, Asset Management and Capital Markets services in East Africa.

Talk to us about:

1. Buying and selling shares
2. Corporate finance
3. Pension fund management
4. Individual savings products
5. Corporate cash management
6. Advisory services
7. Private equity

For further information, contact:

Doreen Mugisha, Head of Asset Management Client Servicing (Uganda)
Tel: +256 417 777 716
Email: mugishad@africanalliance.co.ug

Dan Edoma, Head of Corporate Finance (Uganda)
Tel: +256 417 777 720
Email: edomad@africanalliance.co.ug

Rose Limo, Business Development Manager (Kenya)
Tel: +254 20 2777 012
Email: limor@africanalliance.co.ke

Iza Irame, Chief Executive Officer (Rwanda)
Tel: +250 785 694 490
Email: iramei@africanalliance.com

www.africanalliance.com

EUROMONEY AFRICA RESEARCH SURVEY 2014

WINNER OF THE EUROMONEY AFRICA RESEARCH SURVEY, BEST RESEARCH HOUSE IN SUB-SAHARA AFRICA 2012, 2013 and 2014.

AFRICAN BANKER AWARDS 2013

BROKERAGE HOUSE OF THE YEAR – African Banker Awards 2013

Licensed by the Capital Markets Authority in Uganda, Kenya and Rwanda.
Member of the Securities Exchange in Uganda, Kenya and Rwanda.
Licensed by the Retirement Benefits Regulatory Authority in Uganda and Kenya.

AFRICAN ALLIANCE

BUY SHARES

BUY SHARES

BUY SHARES

BUY SHARES

grow YOUR WEALTH THROUGH

INVESTMENTS

BUY BONDS

BUY BONDS

BUY BONDS

BUY BONDS

COMING SOON!

THE AUTOMATED TRADING SYSTEM (ATS)

MAKING TRADING EASIER BY THE CLICK OF A BUTTON

Business Review

NIC Bonus Issue 2014(Chairman NIC Martin Aliker ringing the bell)

Charles Chapman - Managing Director

As an Exchange, our goal is to provide investment products or market opportunities that meet the diverse needs of our customers. We do this by offering liquid markets for our products, which trade on our platform. Our operations aim towards efficiently facilitating the equity transactions, ensuring efficient and timely trade reporting, clearing and settlement, market data dissemination, market surveillance and market regulation.

MARKET DEVELOPMENTS DURING THE YEAR

FIXED INCOME SEGMENT

Primary market fixed income activity

i) **Government Bond listings:**
Three treasury bonds with a total value of Ushs 240bn were listed on the bourse, although secondary market trading was mainly effected by the primary dealers.

ii) **Corporate Bond listings**
Kakira Sugar Ltd a leading manufacturer of sugar issued a bond worth Ush75.4 billion on 6th February 2014.

Secondary market trading in Fixed Income Securities
During the period, there was no turnover in corporate bonds on the secondary market.

EQUITY MARKET SEGMENT (MIMS)

Appointment of 2 additional SCD Agents/ Custodians.

Management received, considered and approved applications from Kenya Commercial Bank and Housing Finance Bank to operate as a Security Central Depository Agents/Custodians of the Uganda Securities Exchange. This brings the number of custodians to four.

NIC Rights Issue;

In September 2014, National Insurance Corporation (NIC) raised Shs7.04 billion from the Rights Issue it offered in 2013. The rights issue, in which 11 shares were offered for every 8 shares generated Ushs 7.04bn (83.8% of the targeted performance).

NIC Bonus Issue

In September 2014, NIC carried out a bonus issue of 13 shares for every 10.

USE introduces new trading spreads;

With effect from August 2014, the USE amended its trading rules changing spreads from Ush5 to Ush1. There was also an amendment in the limits allowed for trading shares. Limit orders were also introduced in addition to the market orders that were already existing.

at the Umeme Secondary Listing 2014

Elly Karuhanga - Chairman and Jimmy Mugerwa the DFCU Bonus Issue - 2014

Umeme Holdings Limited exit transaction:

On 30th May 2014, USE witnessed yet another development, with Umeme Holdings, the then majority shareholder in Umeme Limited, a listed company on the bourse, offering part of its shareholding (733,510,604 shares) to the investing public through a special lot of shares at Ushs340 per share to the public which was completed successfully in May with several institutional and individual investors taking up the block that was offered.

This offer reinforced the USE's prime position as a capital raising platform as well as publicizing the growth story of Uganda's capital markets. In addition, this offer introduced several quality institutions as well as East African Retail Investors to the Uganda Securities Exchange and has also had a positive impact on the overall liquidity of shares of Umeme Limited.

The Inter Depository Transfer Process

The USE in collaboration with other members of the East African Securities Exchanges, (EASEA) developed the inter depository transfer framework. This framework was developed in recognition of the challenges faced by investors when transacting in cross listed securities. A total of 50,598,824 shares have been transferred through this mechanism as at 31 December 2014.

Secondary market activity

The secondary market performed much better this year compared to 2013, with turnover in 2014 increasing from Ushs 245bn in the previous year to Ushs466bn in 2014. The number of shares traded rose to 2.35bn compared to 345 million shares traded in 2012 while the total number of deals recorded was 6,147 up from 5,205 in 2013.

Table 2: Equities Trading by Quarter

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Total 2014
Volume	158,108,931	816,629,836	192,928,305	949,235,617	**2,116,902,689**
Turnover	16,876,649,182	243,879,916,645	42,844,541,016	162,796,766,201	**466,397,873,044**
Daily avg TO	276,666,380	276,666,380	661,837,499	661,837,499	**469,251,940**
Trades	1,276	2,095	1,308	1,468	**1,537**
Daily avg Trades	21	35	21	71	**37**
Trading days	61	60	63	62	**246**

Source: USE Product Markets Department

Table 3: Equities Trading by Quarter by listed Issuer

Issuer	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Total 2014
UCL	49,248,297	25,346,500	80,453,249	26,338,300	**181,386,346**
DFCU	2,184,695,090	1,126,016,195	14,442,606,663	63,660,909,067	**81,414,227,015**
CENT	11,753,850	0	8,348,820	2,048,592	**22,151,262**
UMEM	8,422,367,075	236,947,730,515	22,837,203,982	74,358,193,062	**342,565,494,634**
BOBU	487,029,775	230,002,575	1,767,990,800	631,827,238	**3,116,850,388**
BATU	1,863,271,900	2,004,284,120	452,456,315	25,029,175	**4,345,041,510**
NVL	47,039,985	3,295,600	9,500,170	120,572,090	**180,407,845**
SBU	3,789,027,650	3,499,780,470	3,212,291,147	23,961,972,411	**34,463,071,678**
EBL	0	0	15,305,220	0	**15,305,220**
UCHM	0	0	2,134,000	0	**2,134,000**
NMG	0	1,812,000	0	0	**1,812,000**
NIC	22,215,560	41,648,670	16,260,650	9,876,266	**90,001,146**
Total	**16,876,649,182**	**243,879,916,645**	**42,844,551,016**	**162,796,766,201**	**466,397,883,044**

Source: USE Product Markets Department

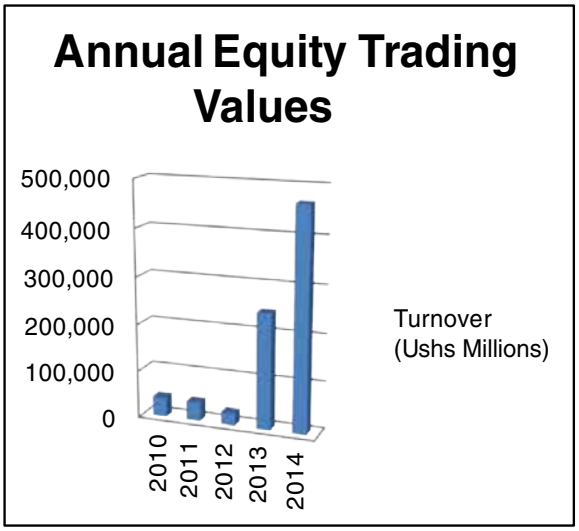
The above growth in trading volumes and values was achieved as a result of synergy (i.e "working together" and the implication is that the whole is greater than the sum of its parts) between our Issuers, the Capital Markets Authority, the USE and its member firms which helps increase liquidity. This is a key component to attracting customers and ensuring the success of the market, because it is evidence that transactions can be concluded with minimum hassle. When markets are liquid, they tend to attract additional customers, which in turn further enhances liquidity. The need to continue devoting efforts on synergy is illustrated in the table below:

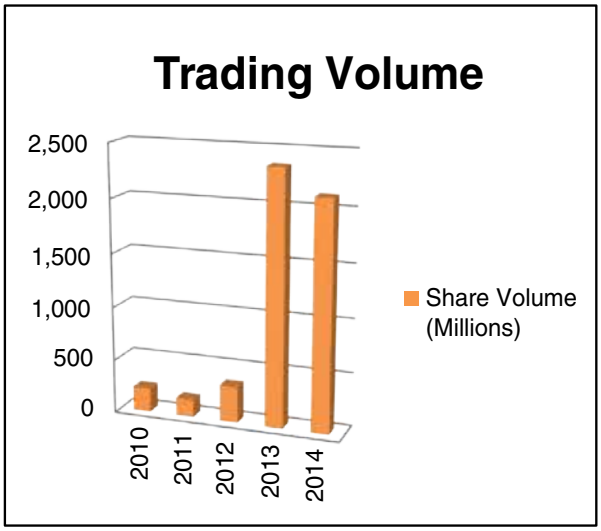
Table 4: Annual Trading Volume and Value Comparison

Year	Turnover (Ushs)	Volume	Deals
2009	19,739,110,145	123,231,889	5,698
2010	42,047,148,495	226,537,341	4,960
2011	40,784,908,620	168,299,763	4,748
2012	26,440,318,825	345,054,996	3,668
2013	245,126,132,490	2,353,987,917	5,205
2014	466,397,873,044	2,116,902,689	6,147

Source: USE Product Markets Department

In 2014, we traded an average of 8.6 million shares per day, an increase of 32% from 6.5 million shares per day 2013 and significantly higher than an average of 350,000 in 2009. Trading volume is a major component of our financial performance. Management will therefore look to maintain and improve our transaction volumes in a bid to grow the proportion of net revenues generated by fees assessed on transactions executed through the Exchange.

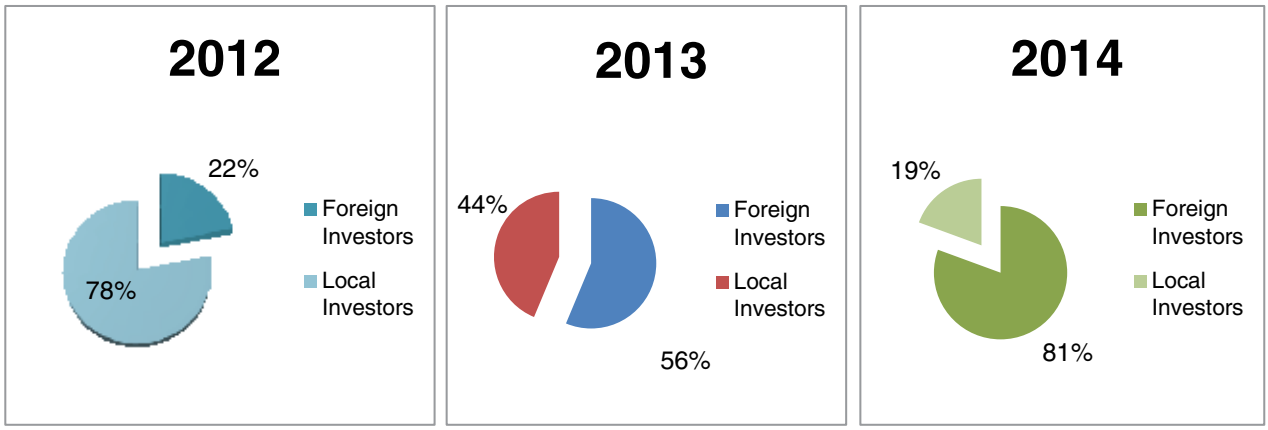




Investor Categories Performance Analysis

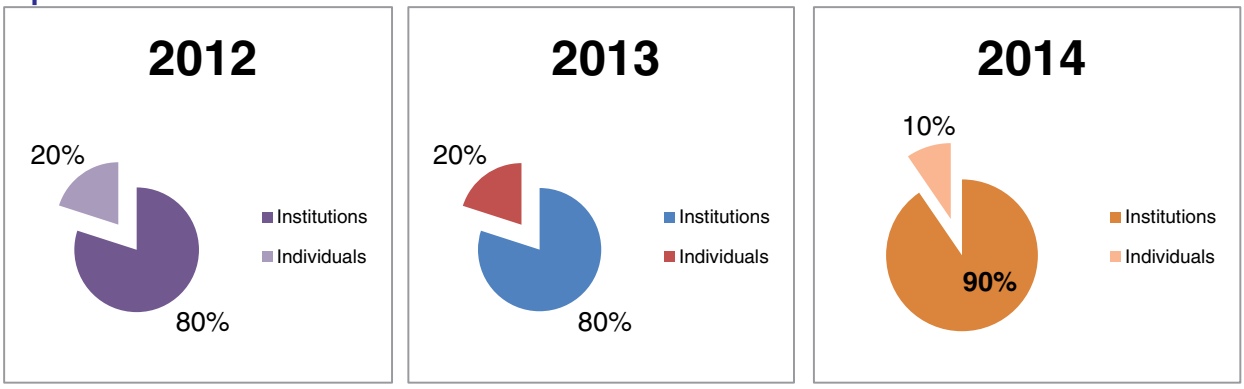
In addition, a review of our market performance reveals a trend of increasing investor activity over the past 3 years. The distribution of turnover in the equities market between foreign investors and local investors is illustrated in the charts below.

Proportion of Foreign Investors to Local Investors based on turnover on the USE



In 2012, foreign investors accounted for only 22% of the USE's total turnover. Their proportion increased to 56% in 2013 and stood at 81% for 2014 reflecting the synergies described above and in particular increased liquidity and attractiveness of our market.

Proportion of Institutional Investors to Individual Investors based on turnover on the USE



Source: USE Product Markets Department

The proportion of individual investors on the USE has shrunk from 20% in 2012 to only 10% in 2014.

USE ALSI Index Performance

USE Index performance Q1: The All Share Index opened at 1520.67 in January 2014 and closed at 1503.54 in March representing a drop of -1.14% during the first Quarter of 2014.

USE Index performance Q2: The All Share Index opened at 1503.54 at the beginning of the quarter, rose to 1587.75 in the middle of the period and closed at 1696.84 realizing an overall 12.86% growth. This outperformed major global indices that track frontier markets like the Morgan Stanley Capital Index series; MSCI EMEA that tracks frontier markets in Europe, Middle East and Africa which had a growth of 5.41% and MSCI Africa that had a growth of 5.63% during the same period.

USE Index performance Q3**:** The All share Index (ALSI) opened at 1696.84 at the beginning of the quarter and rose steadily to 1748.42 in August touching 1760.38 at the beginning of September before closing at 1859.24 during the period, realizing an average return of 9.6%. The ALSI reached an all time high of 1896.24 during this same quarter.

USE Index performance Q4: The All share Index (ALSI) opened at 1850.01 at the beginning of the quarter and rose steadily to 1923.42 in November before closing at 1927.0.

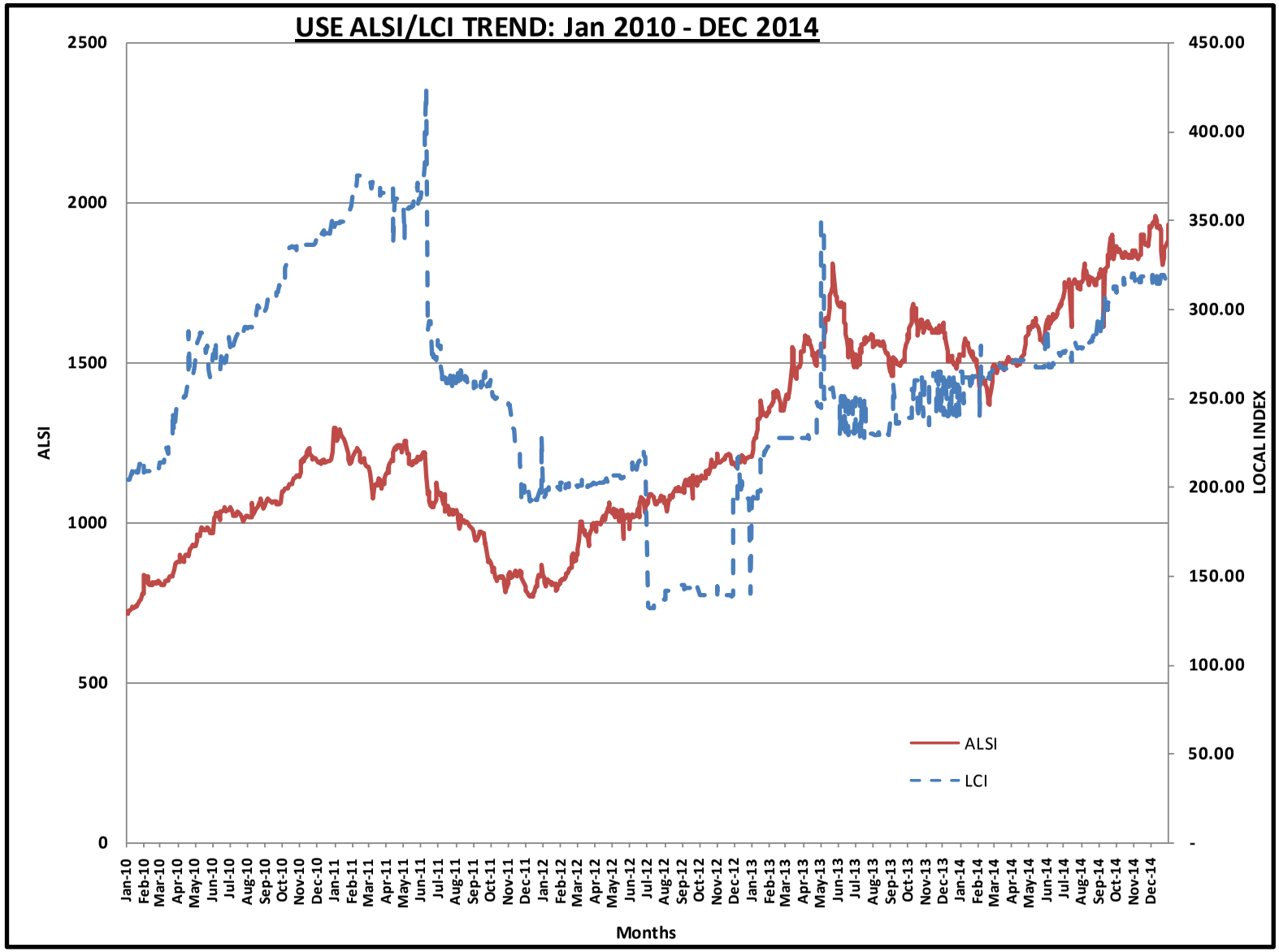
USE LSI Index Performance

The Local Share Index opened at 265.11 and closed at 270.79 in Q1 2014 representing 2.15% growth. This was mainly due to changes in prices and the most notable gainers were BATU and DFCU in the Q1 2014.

The LSI Index was firm and steady most of Q2 2014 period; it opened at 270.79, dropped slightly to 270.22 and rose to 276.04 realizing a modest growth of 2% during the period.

The Local share index (LSI) opened at 276.04 at the beginning of the third quarter rising firmly to 278.14 and 292.84 at the end of August before closing at 312.53 at the end of the quarter, realizing an average return of 13.22%.

The Local share index (LSI) opened at 309.43 at the beginning of Q4 2014 rising firmly to 313.57 before closing at 318.63 at 31 December 2014.



Source: USE Product Markets Department

Information Systems

During this review period, the Information Systems department embarked on completing the set objectives from 2013 which were mainly to carry out a review of all internal Security and Business Continuity polices, and to automate the Exchange's core business processes, i.e. trading and settlement.

Business Continuity Review:

A Business Management Committee was created and roles assigned to key stake holder departments in the USE. Management tasked the Information Systems department with the responsibility of identifying possible service providers of data center services to the USE and also carrying out preliminary evaluation. Consequently, the IS department carried out a two-phased evaluation comprising of;

1) Technical Interviews and;

2) Centre visits with a view to assess the suitability of the service providers.

Having carried out evaluations on several data center sites, changes in the Vendor management were implemented in the fourth quarter and the results were a cost cutting initiative while optimally achieving quality service.

Without deviation in cost, the Internet Service Providers (ISP) bandwidth capacity was improved by thrice the original capacity at both the Primary and Disaster Recovery site. This was achieved by switching to vendors with fiber availability to both the East African coast and ring transmission within the East African region. The setup should optimally provide disaster recovery even when major carriers are experiencing technical outages.

Entering meaningful service level agreements with providers also improved the service delivery and support. The USE infrastructure now also runs a smaller carbon foot print as excess has been removed and focus on Disaster Recovery (DR), made priority. Collocation service costs will thus reduce from the fourth quarter of 2014, as a result of the evaluation process.

This setup has also been specially implemented to host the Automated Trading System (ATS), which was the second objective of the Information Systems Department carried forward from 2013.

The Automated Trading Systems (ATS) Project.

The Uganda Securities Exchange (USE) has embarked on a project to migrate from a semi-automated to an ATS. The ATS is made of an Exchange solution which will transition daily trading from a manual environment to an automated environment and Depository system upgrade. The existing depository is a standalone system serving the purpose of secure custody and transfer of securities.

BENEFITS OF THE PROJECT.

1. Automated Trading.

A matching engine is used to electronically match or book orders based on price and time. Trades executed on trading system can be reported instantaneously to all required parties. The bid (buy) and offer (ask) prices are captured throughout the trading day and used to calculate the volume weighted average price (VWAP) of a stock. These enable interested parties to make decisions based on real time information. For example information on share prices and corporate announcements will enable an investor determine when to sell their shares or whether they should participate in a rights issue, an initial public offering (IPO).

Automated trading also means the market participants like brokers and fund managers do not need to physically go to the Exchange to carry out trading. Trading can be accessed via a secure web link or wide area network dedicated to the USE and its partners.

2. Upgraded Depository system.

In the case of the Uganda Securities Exchange, the Securities Central Depository (SCD) provides electronic custody of all investor securities. The main benefits of upgrading the SCD are seamless integration with payment systems. The proposed payment system is the Central Banks Real Time Gross Settlement (RTGS) via SWIFT messaging technology. This is key in achieving efficiencies in delivery versus payment (DvP). This same model has been adopted in the regional markets including Kenya, Tanzania and Rwanda.

DvP involves the simultaneous delivery of all documents necessary to give effect to a transfer of securities in exchange for the receipt of payment amount.

Achieving DvP will enable the Uganda Securities Exchange (USE) realize efficiencies in settlement. Currently the settlement period at the Exchange is five days (T+5), while regional Exchanges post shorter periods; Nairobi Securities Exchange (NSE), Dares-salaam Stock Exchange (DSE) follow a three day cycle (T+3), and the Rwandese Securities Exchange (RSE) follows a 2 day cycle (T+2).

3. Multi Asset Class Matching Engine.

The Automated Trading system can be used as a matching engine for multiple financial instruments including fixed income products, derivative products, foreign exchange, and exchange traded funds (ETF's). However such products need a market maker and demand within the investor community in order for trading to thrive, but the means and tools exist on the USE trading platform. Examples of fixed income products that can be traded on the secondary market include government bonds, treasury bills, corporate bonds and municipal bonds.

Government bonds provide a means for the Ugandan government to raise capital to fund infrastructure projects and municipal bonds for city authorities that need to raise capital for urbanization projects. In 2012, the face value of secondary trading of government debt was UGX 3,426,706,900,000 (BOU) while the turnover from equities was UGX 26,440,318,825 (USE). Secondary trading of bonds has a higher turnover than equities and this would thrive more on an electronic platform like the ATS, but settled (T+1) at the Central Bank depository in the case of government bonds. Using an electronic platform for bond trading would benefit all stake holders and Uganda as a whole.

The USE ATS is also equipped with a matching engine for bonds, and will be used to trade corporate bonds that are listed and trade at the Exchange and settle (T+3).

4. Projected Growth

Projected increase in Exchange activity. Examples were taken from similar Exchanges within the East African Region that have achieved automation and realized the benefits;

- Investor accounts from current 25,000 to over 200,000 in 5 years
- Daily trades from under 100 to over 2000 in 5 years
- Secondary trading of government listed Bonds from 0 to over 100 in the first 5 years
- Brokerage firms from current 8 to over 20 in five years.
- Revenue from Market Data Vendors 0 to over 5 global in 5 years.
- Market data Subscription from 0 to over 10,000 paying users in 5 years.

5. Other direct benefits to the Capital Markets Community in Uganda.

- A Surveillance module that can be used for regulation of the market on the ATS
- A reporting facility to capture over the counter deals (OTC).
- An upgrade of the USE infrastructure to support Disaster recovery.
- Implementation of international standards including but not limited to the use of ISIN and SEDOL short code names, SWIFT for payment systems, FIX for order routing and integration (regional and global financial institutions), and disaster recovery.
- Generation of Market Data and feeds to support data distribution will improve visibility of the Exchange and transparency of the market. Data generated from the ATS can be viewed on vendor platforms like Bloomberg and Thomson Reuters which are used globally by industry professionals.

2015 Objectives for the Information Systems Department

The following are the 2015 objectives:

- Delivering the Automated Trading System
- Training and Capacity Building
- Implementation of an Operations Plan
- An I.T. Audit
- An Annual Business continuity review
- A Review and upgrade of internal I.T. Resources. (Hardware and Software)

USE FUNCTIONS

- Public platform for the trading of listed securities
- Mobilization of savings
- Improvement of access to finance for new and smaller companies
- Creation of Liquidity for investments in securities
- The growth of the related financial services sector
- Encouragement of higher standards of accounting, resource management and public disclosure
- Avenue for the Divestiture of Government holding in State Owned Enterprises
- Facilitation of equity and debt financing
- Price Discovery

PRODUCTS

1. Equities

- Bank of Baroda Uganda Ltd
- British American Tobacco Uganda
- East African Breweries Ltd
- New Vision PPC Ltd
- Stanbic Bank Uganda Ltd
- Nation Media Group
- Equity Bank Limited
- DFCU Group
- Kenya Airways Ltd
- Centum Investments Limited
- Uchumi Supermarkets
- Umeme Holding Limited
- Jubilee Holdings Ltd
- National Insurance Corporation
- Uganda Clays Ltd
- Kenya Commercial Bank

2. Corporate Bonds

- Kakira Sugar Limited (KSL) Bond
- Standard Chartered Bank (SCB) Bond
- African Development Bank (AfDB) Bond
- Stanbic Bank Uganda (SBU) Bond
- Housing Finance Bank (HFB) Bond
- PTA Bond

3. Government Treasury Bonds

4. Future Prospects

- Municipal Bonds
- Real Estate Investment Trusts
- Futures
- Asset-Backed Securities
- Collective Investment Schemes

EQUITY STOCK BROKERS

service • tradition • trust

RELAX!!

YOU CAN OWN SHARES IN ANY LISTED COMPANY TODAY.

WE CAN DO IT FOR YOU.

BUY OR SELL!

EQUITY TRADING (SHARES) | FIXED INCOME TRADING (BONDS AND COMMERCIAL PAPERS) | PUBLIC OFFERINGS OF SHARES AND BONDS | MERGERS AND ACQUISITIONS
PORTFOLIO STRATEGY ADVISE, RECOMMENDATION AND ASSET ALLOCATION | COMPANY AND MARKET RESEARCH | PRIVATE PLACEMENTS

*T's & C's Apply

EQUITY STOCK BROKERS (U) LIMITED | Orient Plaza Plot 6/6A Kampala Road | P.O. Box 3072 Kampala, Uganda. | Tel. +256 (0) 417 719 101 / 102 | Fax +256 (0) 417 348 039 | equity@orient-bank.com

(A member of the Uganda Securities Exchange)

Legal and Compliance

During the year under review, a number of developments took place as detailed below.

1. Amendments to the USE Rules

- The USE Rules 2003. The Capital Markets Authority in June 2014 approved amendments to the USE Rules prescribing for dealing spreads and transactions on the normal board.
- The USE Fees Charges and Penalties Rule 2012. The Capital Markets Authority in April 2014 approved amendments to the USE Fees Charges and Penalties Rule 2012 to set a maximum cap of 12,500 currency points on all Listing fees.

Work in Progress

- *The USE Equity Trading Rules.* The proposed draft rules are being developed to prescribe rules for the regulation of trading of listed equity securities in an automated environment.
- *The USE Fixed Income Trading Rules.* The proposed draft rules are being developed to prescribe rules for the regulation of trading of fixed income securities in an automated environment.
- *USE Listing Rules amendments.* The proposed amendments will cover a range of provisions in the Listing Rules prescribing eligibility requirements for Listing by intorduction, private placement rules as well as other amendemnts to the listing disclosure requirements
- *Rules on trading Derivatives.* The proposed rules will prescribe requirements for the listing and trading of Derivatives on the automated platform of the Exchange.

2. Amendments to the CMA Act and Regulations

- The Capital Markets Authority (Amendment) Act 2014. This prescribes amendments to provisions in the CMA Act
- The Insolvency Practitioners Regulations. The proposed regulations will apply to insolvency practitioners and prescribe licensing requirements for those entities.
- The Cross Border Insolvency Practice Rules. The proposed rules will apply to cross border insolvencies and prescribed rules for the recognition of foreign sittings as well as procedures for principal applications and orders
- The Companies (General) Regulations. The proposed regulations will apply to all companies incorporated within Uganda and all matters relating to incorporation and operation of companies.
- The Single Member Company Regulations. The proposed regulations will apply single member companies incorporated within Uganda and all matters relating to incorporation and operation of single member companies.
- The Companies (Quasi-Judicial and Other Powers of The Registrar) Regulations. The proposed regulations prescribe the powers of Registrars and Quasi-Judicial Officers and regulations for the exercise of their functions.
- The Capital Markets(Book Building) Regulations 2014. The proposed new regulations are meant to guide issuers through streamline the process involved in book building. They will to apply to all offers of securities to the public or a section of the public by using the book building process to determine the price for the offer of securities in accordance with the prescribed requirements.
- The CIS Fees Instruments. The proposed regulations have prescribed a revised fees structure for the operation and licensing of Collective Investment Schemes and the licensed intermediaries
- The CMA Fees Instrument. The proposed fees instrument has compounded/compressed all the fees charged by the CMA to securities exchanges and all market intermediaries into one instrument with a revised fee structure.

Regional Initiatives

EASEA

The East African Community has supported various initiaties geared towards the harmonization of regional legal and regulatory frameworks. The East African Securities Exchange Association(EASEA) to which USE is a member has been involved in the process of development of the various regional legal and regulatory frameworks for the regulation of regional stock exchanges and its market intermediaries. The Uganda Securities Exchange will host the next EASEA meeting in July 2015.

SITI

During 2014, the Securities Industry Training Institute appointed Securities Market Consultants (SMC) to manage the affairs and operations of SITI. SMC committed to engaging work on building through carrying out certification trainings, strengthen governance and build institution capacity with regulators and other stakeholders within the region.

EAC Securities Legal and Regulatory Framework

The EAC regionalization strategy for the capital markets recommended the mechanism for integrating the legal and regulatory environment should be through harmonization of national requirements rather than the enactment of a single overarching regime. Harmonization is interpreted to mean the implementation of minimum standards of regulation across all the EAC Partner States. The Uganda Securities Exchange together with other regulators and Stock Exchanges within the EAC have been spearheading the development of the EAC Council Directives.

The first set of seven EAC Council Directives developed in 2013 was issued by the EAC Council of Ministers on 28th April 2014. All the EAC Partner States are now in the process of transposing these Directives into their respective national legal frameworks.

- The Council Directive of the EAC on Public Offers for Equity Securities;
- Council Directive of the EAC on Public Offers for Fixed Income Securities;
- Council Directive of the EAC on Public Offers for Asset Backed Securities (ABS)
- Council Directive of the EAC on Collective Investment Schemes (CIS);
- Council Directive of the EAC on Corporate Governance for EAC Market Intermediaries;
- Council Directive of the EAC on Regional Listings in the Securities Market; and
- Council Directive of the EAC on Admission to Trading on a Secondary Exchange.

The second set of eight draft Council Directives, which was subjected to public consultation between 13th June and 13th July 2014, is now under consideration for adoption through the EAC structures.

- Council Directive of the EAC on Anti-Money Laundering in the Securities Market
- Council Directive of the EAC on Investor Compensation Funds
- Council Directive of the EAC on Takeovers and Mergers
- Council Directive of the EAC on Disaster Recovery and Business Continuity

The third set of eight Draft Council Directives is now ready for stakeholder consultation. The Directives include;

Capital Markets Infrastructure Project

The USE IS department members also actively participate in regional Integration activities in order to realize an integrated capital markets.

Member Inspections

USE's compliance team, carried out Annual Inspections of all member firms in June 2014 and applauds each individual firm's efforts to address the various compliance areas in our rules. A tremendous improvement in compliance with the CMA and USE regulatory framework was noted from the inspections.

Corporate Governance Statement

The Governing Council is committed to implementing governance principles and constantly monitoring its practices to ensure that they are best fit for the Exchange. The Governing Council has put in place policies and processes, which serve the needs of member firms and other stakeholders as well as the general public.

GOVERNANCE STRUCTURE

Governing Council

The Governing Council is responsible for the overall determination of the policy, general direction and maintaining good corporate governance standards at the Exchange.

The Governing Council comprises of;

- Directors who represent the stock brokers and dealers
- A representative of listed companies
- One institutional Director who is a representative of individual investors and the general public

The Council's role is to provide key enterprenual leadership of the Exchange within a framework of prudent and effective controls which enable risk to be assessed and managed.

The Chairman's key role is to ensure that the functions of the Council are efficiently and effectively carried out in due compliance with the regulatory framework.

THE COUNCIL COMMITTEES

In carrying out its objectives, the USE Governing Council is assisted by four substantive committees namely; the Business Conduct Committee, the Finance and Compensation Committee, the Audit and Risk Committee and the Rules Committee which all serve to create a direct link between the Governing Council and the legal review process.

Table 5:

Director	13June 2014	18 Nov 2014
Charles Mbire	√	√
Kenneth Kitariko	√	√
Richard Byarugaba	√	√
Robert Baldwin	√	√
Julius Kakeeto	√	√
Patrick Ndonye	√	√
Paul Bwiso	√	√
Geoffrey O-Obel	√	√
Birbal Dhaka	A	√
A.R Kalan	A	A

√ = Attendance A = Apology

The committee terms of reference are detailed below;-

Business Conduct Committee

The Business Conduct Committee is mandated to deliberate on all issues relating to business conduct and admission of securities on the Exchange. It makes recommendations on products innovations and reviews compliance with continuance listing obligations by Issuers.

This Committee is also charged with reviewing the conduct of members in the market and where required, recommend disciplinary measures or levy penalties against non compliant members. The Business Conduct Committee througout the year held seven meetings that were well attended by all its members.

Table 6:

Director	14 March	28 March	14 April	2 May	3 September	2 October
Kenneth Kitariko	√	√	√	√	√	√
Richard Byarugaba	√	√		√	√	√
Robert Baldwin	√	√	√	√	√	√
Julius Kakeeto	A	A	A	A	A	A

√ = Attendance A = Apology

Finance and Compensation Committee

The Finance and Compensation Committee oversees the financial activities of the Exchange more specifically in the areas of strategic financial planning, financial risk management, financial monitoring, resource management, treasury management, financial policy design and formulation

The Committee also assists the Governing Council with human resource responsibilities by providing oversight and advice on matters pertaining to organizational structure, staffing, remuneration and compensation as well as human resource strategy, policy and procedures.

Table 7:

Director	28th May	30th May	18th August	5 September	21 November
Paul Bwiso	√	√	√	√	A
Vivek Sharma	N/A	N/A	N/A	N/A	√
Birbal Dhaka	√	A	A	A	A
Richard Byarugaba	√	√	√	√	√
A.R Kalan	A	A	A	A	A

√ = Attendance A = Apology

Audit and Risk Committee

The Audit and Risk Committee oversees the Exchange's financial reporting processes including the internal control structure and procedures for financial reporting and monitoring the integrity and appropriateness

of financial statements. The Committee also monitors the manner in which management ensures the adequacy of financial, operational and compliance, internal controls, and advises on risk management processes and matters.

Table 8:

Director	14 March	28 November
Paul Bwiso	√	√
Vivek Sharma	√	√
Patrick Ndonye	A	A
Julius Kakeeto	A	A

√ = Attendance A = Apology

STRONG PARTNERSHIPS ARE THE CRUCIAL LINK TO GREAT SUCCESS.

Over the years, we've had the privilege to work with our partners all over East Africa, providing our clients with insights and investment solutions that have grown their business. Contact us today to find out specifically how our expertise and skills can bring you success.

Email: sbgs@stanbic.com

- **Equities and Fixed Income Trading**
- **Advisory: Equity Capital markets**
- **Global Research Services**
- **Business and Market growth Advisory**
- **Integrated Broker Systems**
- **Corporate Broking Services**

sbg securities
A member of Standard Bank Group

SBG Securities is licensed by Capital Markets Authority

Rules Committee

This Committee is charged with reviewing the rules of the Exchange on a continuing basis and make recommendations on necessary revisions with a view to encouraging a better regulatory environment. The Committee also oversees the implementation of the rules, provides interpretation of the same in guiding the Governing Council where a dispute arises, reviews and approves amendments to the rules and advises the Council on compliance matters or any other matters put before the Council for its consideration.

The Rules Committee did not meet in 2014.

Crane Financial Services Ltd

• Brokerage Services • Trading in Shares and Stocks • Financial Advisory Services
• Investment Appraisal and Analysis • Risk Management • Market Research
• Bond Dealing • Off shore Investment

Crane Financial Services Limited (CFS) has an extensive and elaborate information and Communication Technology System, coupled with a variety of office infrastructure and manpower research for enhanced productivity. The Company has grown rapidly in response to local and regional demand for Knowledge, expertise and practical consultancy support for stock market with regard to buying and selling of shares. It is a Member of Uganda Security Exchange.

Being an integral part of Crane Bank and The Ruparelia Group, the Company synergises on the client base of the bank and group.

Why us?

- We are totally committed to developing USE & CMA in Uganda to create a vibrant market and involve as many corporate's and individuals in the stock market.
- We provide constant feedback and research to its clients to enable them to make sound investment decisions based on informed quantitative and qualitative data.
- CFS believes in being a proactive partner to investors and its clients.
- Leverage off our experience
- Strong and wide marketing network
- Strong International market knowledge
- Focus and strength of our people
- Excellent Risk Management Skills
- Communication and issue resolution
- Relevant quality delivered on time

"We aim to create effective opportunities for investors to increasingly and beneficially participate in the Ugandan Capital Market Activities."

Head Office:
Crane Financial Services, Plot No. 38 Kampala road, PO Box No. 22572, Kampala (Uganda),
Tel: 256(41) 4341400/345345, Fax: 256(41) 4231578, Mobile: +256 756 777 749, +256 756 777 725
Email: cfs@cranefinancialservices.com, Website: www.cranebanklimited.com

Crane Bank Liason offices:
Nakivubo, Jinja, Iganga, Mbale, Lira, Gulu, Mbarara, Banda and Kabale.

Sustainability Report

The Board, Management and staff recognize that our organization's commitment to sustainability can be seen not only in our financial results, but also in our employee satisfaction, operational processes, safety and regulatory compliance and community support. Safety is of paramount importance to the Governing Council and management of the Uganda Securities Exchange and will continue to be a priority. USE in ensuring its commitment to minimizing the safety risk of its operations to its workers has taken out a group life insurance policy to cover all its employees across the board.

In addition to Insurance, we have put in place policies and practices to ensure that the employees do their work in a safe and hygienic environment.

HUMAN RESOURCE REPORT

Uganda Securities Exchange is committed and continues to work consistently to empower staff to become more productive and customer-oriented. Our major aim is to attract, recruit, develop and retain talented people, providing skills and resources. We therefore offer our employees opportunities to enhance their technical and managerial skills through coaching, mentoring and in-house training.

Our training objectives are;

- Talent successor pool management and development
- Coaching and mentoring
- Improving knowledge and skills in the core technical aspects

Performance Reviews

The Exchange conducts a performance review every 6 months; half year and end year. These capture both the critical roles and behavioural competencies aimed at assessing individual alignment to the Exchange objectives.

Employee Benefits

The Exchange endeavors to motivate its employees by giving them benefits outside their basic salary.

These include staff medical health care for employees and their dependants, Workman's compensation, housing allowance and Social Security Fund.

The Exchange also carried out a market salary survey exercise conducted by NFT Consults, in order to competitively benchmark itself in the market. The results were analyzed and a proposal for the new salary structure 2015 is considered for consideration.

Employment Structure

As at December 2014, the Exchange employed 18 personnel; 8 ladies and 10 gentlemen which reflects a gender balance. The average age profile of our staff is --- years

End of Year Fun Day

The Exchange held a staff Fun day for its employees at the end of the year. It was with the aim of practicing self-defense in a fun-loving way. The fun day involved paintball activities at Kamouflage, Munyonyo and staff were later hosted to a sumptuous dinner at Cassia Lodge. Gift vouchers were also handed over to all staff for their Christmas shopping.

Recruitment:

The Company's recruitment process emphasizes equal opportunities for all.

New employees are given a comprehensive induction covering all the business operations

Teaming building - Paintball

Corporate Social Responsibility

Uganda Securities Exchange (USE) is mindful of supporting the community and its stakeholders through various programmes and projects. As it is the culture to carry out Corporate Social Responsibility every year, USE promoted this initiative through the following activities in 2014;

Annual Sports Gala

The Exchange partnered with capital markets industry in an annual social event that involves a number of sports activities with the different brokerage firms. This was with an aim to promote interpersonal relationships with our stakeholders.

Figure 5: USE annual sports gala

FiRe Awards

The Exchange has continued to be a sponsor of the Financial Reporting Awards that are organized by the Institute of Certified Public Accountants of Uganda.

Our aim is to promote financial reporting standards with companies in order to encourage transparency and trust among investors.

Innocent Dankaine, USE Ag. CEO handing over a certificate to Fire Award participants

Free Education Program

The Exchange continues to value education and groom the future employees and investors through educational visits and public education tours to primary and tertiary schools. We also have a student internship program every year.

Ten years on....

We are

CRESTEDCAPITAL

a trade name of Crested Stocks & Securities Ltd. | MEMBERS OF THE UGANDA SECURITIES EXCHANGE

- The Market Educators
- Transaction Advisory
- Fixed Income (T-Bills and Bonds)
- Employee Share Offer Plan (ESOP)
- Nondiscretionary portfolio management
- Valuation
- Sponsoring Stock Broker
- Private Equity
- Research & Publications

First Floor, Impala House, Plot 13/15 Kimathi Avenue
P. O. Box 31736, Kampala, Uganda
Tel: +256 312 230 900 / +256 758 230 900
info@crestedcapital.com | www.crestedcapital.com

BARODA CAPITAL MARKETS (U) LTD

(Member of Uganda Securities Exchange)

A Reliable Partner in Your Investment Needs

Services Offered:

- Trading of Securities
- Sponsoring Secutities Exchange Listing
- Investnment Advice
- Stock Market Research
- Depository Services (SCDA)

Registered Office
Plot 18, Kampala Road, Kampala
P.O. Box - 7197, Kampala
Phone: 0414-237898
Email: bcm.ug@bankofbaroda.com

Financial Report

REPORT OF THE GOVERNING COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2014

The Governing Council present their report together with the audited financial statements of Uganda Securities Exchange Limited ("the Company") for the year ended 31 December 2014.

	2014 Ushs'000
FINANCIAL RESULTS	
Profit before taxation	2,535,574
Taxation charge	(792,180)
Profit for the year transferred to retained earnings	**1,743,394**

GOVERNING COUNCIL

The present membership of the Governing Council is set out on page 1.

There were no changes to the Governing Council during the year.

SECRETARY

Peace Namara

AUDITORS

The auditors, KPMG, being eligible have expressed their willingness to continue in office in accordance with Section 167 (2) of The Companies Act, 2012 ("the Companies Act of Uganda")

BY ORDER OF THE COUNCIL

Secretary
Kampala

16/03/2015

STATEMENT OF GOVERNING COUNCIL'S RESPONSIBILITIES

The Company's Governing Council is responsible for the preparation and fair presentation of the financial statements of Uganda Securities Exchange Limited set out on pages 50 to 79, comprising the Statement of Financial Position as at 31 December 2014, and the Statements of Comprehensive Income, Changes in Equity and Cash flows for the year then ended and the notes to the Financial Statements which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards and the Companies Act of Uganda, and for such internal controls as the Governing Council determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The Governing Council's responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. They are also responsible for safeguarding the assets of the Company.

The Governing Council is required to prepare financial statements for each year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating results of the Company for that year. It also requires the Governing Council to ensure the Company keeps proper accounting records.

The Governing Council accepts responsibility for the financial statements set out on pages 50 to 79, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the Companies Act of Uganda. The Governing Council is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The Governing Council further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

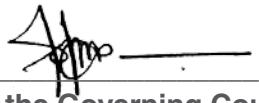
The Governing Council have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern for the next twelve months from the date of this statement.

The auditor is responsible for reporting on whether the annual financial statements give a true and fair view in accordance with the International Financial Reporting Standards and Companies Act of Uganda.

Approval of the financial statements

The financial statements, which appear on pages 50 to 79 were approved by the Governing Council on 16/03/2015 and were signed on its behalf by:

Chief Executive Officer
16 March 2015



Chairman of the Governing Council
18 March 2015

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

Report on the Financial Statements

We have audited the financial statements of Uganda Securities Exchange Limited which comprise the Statement of Financial Position as at 31 December 2014, and the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes as set out on pages 50 to 79.

Governing Council's Responsibility for the Financial Statements

The Governing Council is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Companies Act of Uganda, and for such internal control as the Governing Council determine is 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 our 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 consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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.

Audit Opinion

In our opinion, the financial statements give a true and fair view of the financial affairs of Uganda Securities Exchange Limited as at 31 December 2014, and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Uganda.

Report on Other Legal Requirements

As required by the Companies Act of Uganda, 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 purpose of our audit;

ii) In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and

iii) The Company's Statement of Financial Position and Statement of Comprehensive Income are in agreement with the books of account.

KPMG
Certified Public Accountants
3rd Floor, Rwenzori Courts
Plot 2&4A, Nakasero Road
P O Box 3509, Kampala, Uganda

25 March 2015

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 Ushs'000	2013 Ushs'000
Fees and commissions	3	3,029,667	2,710,031
Revenue grant	4	125,000	162,500
Other income	5(a)	891,312	619,521
Interest income	5(b)	225,938	191,518
Gross income		4,271,917	3,683,570
Operating expenses	6	(189,270)	(362,471)
Administration expenses	7	(724,712)	(938,782)
Staff costs	8	(805,669)	(1,010,390)
Foreign exchange (loss) / gain		(16,692)	3,006
Profit before taxation	9	2,535,574	1,374,933
Taxation charge	10(a)	(792,180)	(410,895)
Profit for the year		1,743,394	964,038
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,743,394**	**964,038**

The notes set out on pages 54 to 79 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014

	Notes	2014 Ushs'000	2013 Ushs'000
ASSETS			
Non-current assets			
Intangible assets	11	63,492	27,485
Equipment	12	651,435	174,106
Unquoted investments	14	65,176	65,176
Investment in subsidiary	15	-	-
		780,103	266,767
Current assets			
Trade and other receivables	16	703,889	998,613
Due from related parties	13(b)	152,951	492,987
Fixed deposit	17	3,781,369	1,578,619
Prepaid tax	10(d)	19,847	163,155
Bank and cash balances		276,525	650,036
		4,934,581	3,883,410
Total assets		**5,714,684**	**4,150,177**
EQUITY AND LIABILITIES			
Capital and reserves			
Retained earnings		4,986,124	3,242,730
Total equity		**4,986,124**	**3,242,730**
Non-current liabilities			
Deferred tax liability10(c)		10,826	11,294
Current liabilities			
Trade and other payables	18	717,734	474,916
Corporation tax payable	10(d)	-	421,237
		717,734	896,153
Total equity and liabilities		**5,714,684**	**4,150,177**

The financial statements on pages 42 to 67 were approved by the Governing Council on 16/03/2015 and signed on its behalf by:

Chief Executive Officer
16 March 2015

Chairman of the Governing Council
18 March 2015

The notes set out on pages 54 to 79 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Retained Earnings Ushs'000	Total Ushs'000
At 1 January 2013	2,278,692	2,278,692
Total comprehensive income for the year	964,038	964,038
At 31 December 2013	3,242,730	3,242,730
At 1 January 2014	3,242,730	3,242,730
Total comprehensive income for the year	1,743,394	1,743,394
At 31 December 2014	**4,986,124**	**4,986,124**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 Ushs'000	2013 Ushs'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,535,574	1,374,933
Adjusted for:		
Depreciation	45,195	62,644
Amortisation	19,515	29,925
Loss on disposal	37,947	-
Interest accrual	(225,938)	(191,518)
	2,412,293	1,275,984
Changes in working capital balances		
Decrease / (increase) in trade and other receivables	294,724	(909,767)
Decrease / (increase) in amounts due from related parties	340,036	(387,865)
Increase in trade and other payables	242,818	45,794
Cash generated from operating activities	3,289,871	24,146
Tax paid	(1,070,576)	(163,155)
Net cash generated from operating activities	**2,219,295**	**(139,009)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(586,319)	(42,044)
Purchase of intangible assets	(55,522)	(2,865)
Proceeds from disposal of assets	25,848	-
Receipts from fixed deposits	1,450,000	136,000
Interest received	183,412	191,518
Investment in fixed deposits	(3,610,225)	-
Net cash (used in) / generated from investing activities	**(2,592,806)**	**282,609**
(Decrease) / increase in cash and cash equivalents	(373,511)	143,600
Cash and cash equivalents at beginning of year	650,036	506,436
Cash and cash equivalents at end of year	**276,525**	**650,036**
Represented by:		
Bank and cash balances	**276,525**	**650,036**

1. GENERAL

Uganda Securities Exchange Limited is a company limited by guarantee and incorporated in Uganda under the Ugandan Companies Act.

For purposes of Ugandan Companies' Act, the balance sheet has been named as the Statement of Financial Position in these financial statements, and the profit and loss account is represented by the Statement of Comprehensive Income.

2. SIGNIFICANT ACCOUNTING POLICIES

"BASIS OF PREPARATION

(a) Basis of accounting

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on the historical cost basis.

"(b) Functional and presentation currency

The financial statements are presented in Uganda Shillings (Ushs), which is the Company's functional currency. All financial information presentation in Uganda shillings has been rounded to the nearest thousand (Ushs'000) except when otherwise indicated."

RECENTLY ISSUED ACCOUNTING STANDARDS / NEW ACCOUNTING PRONOUNCEMENTS

Adoption of new and revised standards

(a) Newly effective standards

Standards	Detailed requirements
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	Consolidation relief for investment funds_
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	The standard amends IAS 32 Financial Instruments: Presentation to provide clarifications on the application of the offsetting rules.
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	The IASB issued amendments to reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed. The amendments apply retrospectively for annual periods beginning on or after 1 January 2014.
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	Providing relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria
IFRIC 21 Levies	A new interpretation has provided more clarity as to when a liability for a levy should be recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

RECENTLY ISSUED ACCOUNTING STANDARDS / NEW ACCOUNTING PRONOUNCEMENTS (CONT'D)

(b) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the periods that they become mandatory unless otherwise indicated:

Effective for the financial year commencing 1 January 2015

- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

Effective for the financial year commencing 1 January 2016

- IFRS 14 Regulatory Deferral Accounts
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Agriculture: Bearer Plants (Amendment to IAS 16 and IAS 41)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Disclosure Initiative (Amendments to IAS 1)
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

Effective for the financial year commencing 1 January 2017

- IFRS 15 Revenue from Contracts with Customers

Effective for the financial year commencing 1 January 2018

- IFRS 9 Financial Instruments

All Standards and Interpretations will be adopted at their effective date, except for those Standards and Interpretations that are not applicable to the entity.

IFRS 14, IAS 41, IAS 27, IFRS 10, IAS 28, IFRS 11 and IFRS 12 are not applicable to the business of the entity and will therefore have no impact on future financial statements. The Governing Council is of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

RECENTLY ISSUED ACCOUNTING STANDARDS / NEW ACCOUNTING PRONOUNCEMENTS (CONT'D)

When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. This standard will not have a significant impact on the Company as it does not have a defined benefit scheme.

The amendments apply retrospectively for annual periods beginning on or after 1 July 2014 with early adoption permitted.

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

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The Company currently does not have significant property plant and equipment and or intangible assets. These amendments are thus not anticipated to cause a significant impact in the near future. The Company will however adopt these standards on the effective date.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

Disclosure Initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Company will perform a more detailed assessment of the impact of this standard.

The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS.

RECENTLY ISSUED ACCOUNTING STANDARDS / NEW ACCOUNTING PRONOUNCEMENTS (CONT'D)

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard will have a significant impact on the Company, which will include changes in the measurement bases of the Company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable from provision of goods and services. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Fees and commissions are recognised on an accrual basis on delivery of the related service.

Interest income is recognised on an accrual basis by reference to the principal outstanding and at the effective interest rate applicable. Grant revenue is recognised when received by the entity and when the conditions for the grant are met.

PROPERTY, PLANT AND EQUIPMENT

Equipment are stated at the cost of bringing the assets to their present location and condition less accumulated depreciation and any accumulated impairment losses

DEPRECIATION

Depreciation is calculated to write off the cost of property, plant and equipment on a straight line basis using the following annual rates: -

Motor vehicles	25.00%
Furniture and fittings	12.50%
Office partitions	33.33%
Computer equipment	33.33%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Gains and losses on disposal of equipment is determined by reference to their carrying amount and are taken into account in determining operating profit.

INTANGIBLE ASSETS

Software

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life.

Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight line basis over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods is five years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

CAPITAL GRANTS

Grants related to the acquisition of assets are recognised in profit or loss on a systematic basis over the useful lives of the assets acquired.

SUBSIDIARY

A subsidiary is a company in which the Company either directly or indirectly has an interest of more than 50% of the voting rights or otherwise has power to exercise control over the operations of the entity when it 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. The subsidiary, Uganda Securities Exchange Nominees Limited, is not consolidated in these financial statements as it is immaterial. It has never had any transactions or balances since incorporation.

WORK IN PROGRESS

WIP represents the Automated Trading System under construction. It is measured at costs incurred to date and will be transferred to PPE upon completion and depreciated over its useful economic life.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

At each end of reporting period, the Company 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 (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

FINANCIAL INSTRUMENTS

Financial assets are recognised initially at cost using settlements date accounting. Held to maturity investments are subsequently measured at amortised cost while financial assets held for trading and available for sale are measured at fair value.

(a) Financial assets and financial liabilities

(i) Recognition

The Company initially recognises loans and receivables on the date that they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Company commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

Financial assets
The Company classifies its financial assets in one of the following categories:

- loans and receivables;
- held to maturity;
- available-for-sale; or
- at fair value through profit or loss and within the category as:
- held for trading; or
- designated at fair value through profit or loss

Financial liabilities

The Company classifies its financial liabilities as measured at amortised cost or fair value through profit or loss.

(iii) Derecognition

Financial assets
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability. On de recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred). and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities
The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount minus any reduction for impairment.

(vi) Fair value measurement

'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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

(vii) Identification and measurement of impairment

At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s). and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset 's original effective interest rate.

(b) Investment securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held to maturity, fair value through profit or loss, or available for sale.

(i) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available for sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the Company from classifying investment securities as held to maturity for the current and the following two financial years.

However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Company has collected substantially all of the asset's original principal; and
- sales or reclassifications attributable to non-recurring isolated events beyond the Company's control that could not have been reasonably anticipated.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. Loans and receivables are recognised when cash is advanced to borrowers and are initially recognised at fair value plus any directly attributable transaction cost.

Subsequent to initial recognition, trade receivables are carried at an amortised cost using the effective interest method. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

Specific provision is made for all known bad debts. Bad debts are written off when all reasonable steps to recover them have been taken without success.

PROVISIONS

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

RETIREMENT BENEFIT OBLIGATIONS

National Social Security Fund

The company makes contributions to the National Social Security Fund (NSSF) which is a statutory retirement benefit scheme established under the NSSF Act. This is a defined contribution scheme into which the Company contributes 10% of the employees' gross cash emoluments. The Company's contribution is charged to profit or loss as it falls due.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts.

COMPARATIVES

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

TRANSLATION OF FOREIGN CURRENCIES

Assets and liabilities at the end of the reporting period which are expressed in foreign currencies are translated into Uganda Shillings at the rate of exchange ruling at the reporting date. Foreign currency transactions during the year are translated into Uganda Shillings at the rates ruling at the transaction dates. The resulting differences are dealt with in profit or loss in the year in which they arise.

TAXATION

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

TAXATION (CONT'D)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the company'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 judgements 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.

(i) Critical judgments in applying accounting policies

Held to-maturity investments

The Company follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the company evaluates its intention and ability to hold such investments to maturity. If the company fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

Deferred tax:

Management makes assumptions with regards to availability of future taxable profits against which carry forward losses can be used.

(ii) Key sources of estimation uncertainty

Impairment

At the end of each reporting period, the company reviews the carrying amounts of its tangible and other 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.

Equipment

Critical estimates are made by the Company in determining depreciation rates and useful lives for equipment at the end of each reporting period.

3. FEES AND COMMISSIONS

	2014 Ushs'000	2013 Ushs'000
Equity listing fees	985,831	1,159,085
Bonds listing fees	91,427	139,921
Brokerage commission	1,309,409	689,525
Application and entrance fees	13,000	101,500
Membership fees	20,000	20,000
Government treasury bonds	610,000	600,000
	3,029,667	**2,710,031**

4. REVENUE GRANT

2014 Ushs '000	2013 Ushs '000
125,000	**162,500**

This relates to grant received on an annual basis from Bank of Uganda to assist the company in carrying out its operations.

5. OTHER OPERATING INCOME

	2014 Ushs'000	2013 Ushs'000
(a) Other income		
Securities Central Depository (SCD) income	860,000	527,426
Miscellaneous income	16,312	83,095
Penalties	15,000	9,000
	891,312	619,521
(b) Interest income		
Interest earned on investments	207,842	183,770
Interest earned on bank account	18,096	7,748
	225,938	**191,518**

6. OPERATING EXPENSES

	2014 Ushs '000	2013 Ushs '000
Central Depository System (CDS) operational expenses	88,120	50,473
Regional meetings and travel	50,945	90,145
Motor vehicle and equipment costs	2,207	28,707
Withholding tax	33,452	50,817
East African Securities Exchange Association expenses	-	29,305
African Securities Exchange Association expenses	-	1,893
Hardware maintenance and repairs	8,399	19,229
Software licenses	2,983	39,243
USE courses, seminars and exhibitions	-	800
Securities training institute expenses	-	48,167
Board meetings and retreats	3,164	45
Business development	-	3,647
	189,270	**362,471**

7 ADMINISTRATIVE EXPENSES

	2014 Ushs'000	2013 Ushs'000
Rent	209,419	249,065
Bad debt write off	5,845	85,000
Office redesign expenses	-	14,130
Telephone	17,782	24,837
Fax	212	189
Post	2,464	1,923
Data centre costs	42,873	158,072
Internet - admin costs	22,390	24,204
Internet - SCD costs	34,279	22,680
Medical Insurance	38,066	35,121
Group Life Insurance	1,054	-
Motor vehicle	5,519	6,275
Assets insurance	3,022	3,023
Depreciation	45,195	62,644
Amortisation of intangible assets	19,515	29,925
Loss on disposal of equipment	37,947	-
Advertising and publicity	3,411	35,097
Electricity	21,866	19,800
Fuel and lubricants	13,781	17,485
Auditors' remuneration	26,352	20,538
General office expense	12,401	18,998
Printing and publication	19,576	13,487
External legal services	4,660	16,838
Stationery and photocopying	5,837	9,086
Corporate social responsibility	6,221	6,492
Cleaning and fumigation	10,755	13,447
Newspapers and magazines	1,736	2,398
Security	3,366	4,844
Tax penalty	45,936	-
Bank charges	6,018	4,366
Public Education	389	-
Membership and subscription	5,017	7,719
Vehicle washing and parking tickets	4,757	3,880
Entertainment	150	635
Consultancy fees	21,850	26,056
2014 relocation expenses	25,051	-
Cash write off	-	528
	724,712	**938,782**

8 STAFF COSTS

	2014 Ushs'000	2013 Ushs'000
Salaries and wages	720,561	763,209
Staff welfare	9,369	97,466
Staff training	-	4,943
NSSF Contribution	75,739	144,772
	805,669	**1,010,390**

9. PROFIT BEFORE TAXATION

	2014 Ushs '000	2013 UShs '000
The profit before taxation is arrived at after charging:		
Auditors' remuneration	26,352	20,538
Depreciation	45,195	62,644
Amortisation of intangible assets	19,515	29,925

10. TAXATION

		2014 Ushs '000	2013 UShs '000
(a)	Taxation charge		
	Current taxation	792,648	421,237
	Deferred taxation charge - current	(468)	(6,619)
	- prior year	-	(3,723)
		792,180	410,895
(b)	Reconciliation of taxation charge		
	Accounting profit before taxation	2,535,574	1,374,933
	Tax at applicable rate of 30%	760,672	412,480
	Tax effect of non-taxable income	-	2,138
	Tax effect of non-deductible expenses	31,508	-
	Prior year under provision	-	(3,723)
		792,180	**410,895**

(c) Deferred income tax liability

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rate of 30%. The deferred income tax liability comprises:

	2014	2013
	Ushs'000	Ushs'000
Accelerated capital allowances	11,727	10,390
Unrealised exchange gain	(901)	904
	10,826	**11,294**

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

1 January	11,294	21,636
Income statement charge	(468)	(10,342)
Balance at 31 December	10,826	11,294

(d) Tax payable

1 January	258,081	163,156
Tax charge for the year	792,648	421,237
Tax paid during the year	(1,070,576)	(163,156)
31 December	**(19,847)**	**421,237**
Net of prepaid tax	-	(163,156)
Net balance	**(19,847)**	**258,081**

11. INTANGIBLE ASSETS

	SCD Software	Other Software	Work in Progress	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
COST				
At 1 January 2013	515,457	97,316	-	612,773
Additions	2,865	-	-	2,865
Transfer from WIP	-	-	-	-
At 31 December 2013	518,322	97,316	-	615,638
At 1 January 2014	518,322	97,316	-	615,638
Additions	6,529	-	48,993	55,522
Written off	(9,400)	(76,722)	-	(86,122)
At 31 December 2014	515,451	20,594	48,993	585,038
AMORTISATION				
At 1 January 2013	460,979	97,249	-	558,228
Charge for the year	29,858	67	-	29,925
At 31 December 2013	490,837	97,316	-	588,153
At 1 January 2014	490,837	97,316	-	588,153
Charge for the year	19,515	-	-	19,515
Writte - offs	(9,400)	(76,722)	-	(86,122)
At 31 December 2014	500,952	20,594	-	521,546
NET BOOK VALUE				
At 31 December 2014	**14,499**	**-**	**48,993**	**63,492**
At 31 December 2013	27,485	-	-	27,485

12 EQUIPMENT

	Motor vehicles Ushs'000	Furniture and fittings Ushs'000	Office Partitions Ushs'000	Computer Equipment Ushs'000	Work in Progress (*) Ushs'000	Total Ushs'000
COST						
At 1 January 2013	176,267	286,399	1,819	274,439	-	738,924
Additions	-	30,353	-	11,691	-	42,044
Disposals	-	-	-	-	-	-
At 31 December 2013	**176,267**	**316,752**	**1,819**	**286,130**	**-**	**780,968**
At 1 January 2014	176,267	316,752	1,819	286,130	-	780,968
Disposals	(95,960)	(174,676)	(1,819)	(182,111)	-	(454,566)
Additions	-	137,961	37,412	21,945	389,001	586,319
At 31 December 2014	**80,307**	**280,037**	**37,412**	**125,964**	**389,001**	**912,721**
DEPRECIATION						
At 1 January 2013	176,267	138,413	1,819	227,719	-	544,218
Charge for the year	-	27,379	-	35,265	-	62,644
Eliminated on disposal	-	-	-	-	-	-
At 31 December 2013	**176,267**	**165,792**	**1,819**	**262,984**	**-**	**606,862**
At 1 January 2014	176,267	165,792	1,819	262,984	-	606,862
Eliminated on disposal	(95,960)	(112,667)	(1,819)	(180,325)	-	(390,771)
Charge for the year	-	27,195	1,039	16,961	-	45,195
At 31 December 2014	**80,307**	**80,320**	**1,039**	**99,620**	**-**	**261,286**
NET BOOK VALUE						
At 31 December 2014	**-**	**199,717**	**36,373**	**26,344**	**389,001**	**651,435**
At 31 December 2013	-	150,960	-	23,146	-	174,106

* Work in progress includes Automated Trading System hardware and these were still being set up by year end.

13. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Related parties include:

- African Alliance Uganda Limited
- Baroda Capital Markets Limited
- Crane Financial Services Limited
- Crested Stocks and Securities Limited
- UAP Financial Services Limited
- Dyer and Blair Uganda Limited
- Equity Stock Brokers (U) Limited
- MBEA Brokerage Services Limited
- Renaissance Capital Limited
- SBG Securities Limited

Securities Industry Training Institute

	2014 Ushs'000	2013 Ushs'000
(b) Amounts due from related parties		
African Alliance Uganda Limited	16,772	27,793
Baroda Capital Markets Limited	4,345	3,606
Dyer and Blair Uganda Limited	5,922	16,056
Crane Financial Services Limited	1,152	5,121
Equity Stock Brokers (U) Limited	(380)	15,399
MBEA Brokerage Services Limited	5,498	5,498
Renaissance Capital (U) Limited	1,479	1,479
Crested Stocks and Securities	32,824	34,757
SBG Securities Limited	81,255	157,819
UAP Financial Services Limited	4,084	173,647
Securities Training institute	-	51,812
	152,951	**492,987**
(c) Related party transactions comprise		
Brokerage commission	1,309,409	609,969
	1,309,409	**609,969**
(d) Key management compensation		
Salaries and benefits	**165,000**	**121,500**
(e) Members' emoluments		
Council allowances	**-**	**-**

14. UNQUOTED INVESTMENTS

	2014 Ushs'000	2013 Ushs'000
East African Central Depository System	65,176	65,176
As 31 December	**65,176**	**65,176**

The unquoted investment relates to an investment in the East African Central Depository System classified as available for sale. This investment does not have a quoted market price in an active market and therefore its fair value cannot be measured reliably. It has therefore been carried at cost less accumulated impairment if any.

15. INVESTMENT IN SUBSIDIARY

	2014 Ushs '000	2013 UShs '000
Uganda Securities Exchange Nominees Limited		
Authorised:		
100 ordinary shares of Ushs 10,000 each	1,000	1,000
Issued and fully paid:	-	-

The investment in the subsidiary comprises 100 ordinary shares of Ushs10,000 each representing 99% shareholding. The subsidiary was incorporated for purpose of holding securities deposited in the securities central depository in trust for the beneficial owners of the securities.

The financial results of the subsidiary have not been consolidated in these financial statements as there were no activities that could have resulted in accounts being prepared and audited.

16. TRADE AND OTHER RECEIVABLES

	2014 Ushs'000	2013 Ushs'000
Trade receivables	570,048	886,514
Prepayments	98,251	80,513
Other receivables	35,590	31,586
	703,889	**998,613**

17. SHORT TERM INVESTMENTS

	2014	2013
	Ushs'000	Ushs'000
Fixed Deposit	3,781,369	1,578,619

18. TRADE AND OTHER PAYABLES

	2014	2013
	Ushs '000	Ushs '000
Trade	39,022	247,183
Accrued expenses	85,259	48,250
Other	88,901	179,483
Guarantee fund	498,407	-
Securities Industry Training Institute	6,145	-
	717,734	474,916

19. OPERATING LEASES

The future minimum lease payments under non-cancellable operating leases are as follows;

	2014	2013
Non-cancellable operating lease rentals are payable as follows:	Ushs '000	Ushs '000
Less than one year	192,654	209,419
Up to five years	770,616	-
More than five years	-	-
	963,270	209,419

20. FINANCIAL RISK MANAGEMENT

The company has exposure to the following risks from its use of financial instruments

a) Credit Risk

b) Market Risk

c) Capital management

d) Liquidity Risk

The company's principal business activity is to provide, maintain and regulate suitable premises and facilities for conducting all the business of the securities exchange.

The company is exposed to various risks, including credit risk, market risk, capital management and liquidity risk. The company's risk management strategy is based on a clear understanding of the various risks, disciplined risks assessment and measurement procedures and continuous monitoring. The policies and procedures established for this purpose are continuously benchmarked with the financial services industry best practices. The management is responsible for the assessment, management and mitigation of risk in the company.

The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company extension of credit to its customers. For risk management reporting purposes, the Company considers all elements of credit risk exposure such as individual obligator default risk, nature of customer and sector risk

The financial management objectives and policies are as outlined below:

The Company's credit risk is primarily attributable to trade and other receivables, estimated by the Company's management based on prior experience, existing financial and economic factors faced by the debtor and the exit options available.

The credit risk on liquid funds and fixed deposits with financial institutions is also low, because the institutions are banks with high credit-ratings.

The amount that best represents the Company's maximum exposure to credit as at end of year is made up as follows:

As at 31 December 2014

	Fully Performing	Past due	Impaired
	Ushs'000	Ushs'000	Ushs'000
Financial assets			
Bank balances	276,525	-	-
Fixed deposit investments	3,781,369	-	-
Trade and other receivables (less prepayments)	452,686	-	-
Due from related parties	152,951	-	-
	4,663,531	-	-

As at 31 December 2013

Financial assets

	Fully Performing	Past due	Impaired
	Ushs'000	Ushs'000	Ushs'000
Bank balances	270,738	-	-
Fixed deposit investments	1,578,619		
Trade and other receivables (less prepayments)	967,027	-	-
Due from related parties	492,987	-	-
	3,309,371	**-**	**-**

b) Market risk

Market risk is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within the acceptable parameters, while optimising the return on risk.

(i) Interest rate risk

The interest rate risk exposure arises mainly from interest rate movements on the company's investments in cash and fixed deposits. However, this exposure is not deemed significant as the interest rates are fixed and the deposits mature in 12 months.

(ii) Foreign Exchange risk

The company's operations are predominantly in Uganda where the currency has been relatively stable against the major convertible currencies. Some of the expenses and income are denominated in foreign currency and therefore an exposure exists but not considered material.

(c) Capital Management

The Company is limted by guarantee and as such has no share capital. The Company's capital comprises of revenue and cash reserve. The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The company's overall strategy remains at maximising stakeholders value.

The company is not subject to any externally imposed capital requirements.

(d) Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations on its financial liabilities.

Ultimate responsibility for liquidity risk management rests with the Governing Council, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk through continuous monitoring of forecast and actual cash flows.

The table below analyses financial assets and liabilities all of which mature within the next 12 months.

As at 31 December 2014	Fully Performing Ushs'000	Past due Ushs'000	Impaired Ushs'000
Financial assets			
Bank and cash balances	276,525	-	-
Trade and other receivables	452,686	-	-
Due from related parties	152,951	-	-
Total	882,162	-	-
Financial liabilities			
Trade and other payables	127,922	-	-
Net liquidity gap	754,240	-	-
As at 31 December 2013			
Financial assets:			
Bank and cash balances	650,036	-	-
Trade and other receivables	967,027	-	-
Due from related parties	492,987	-	-
Total	2,110,050	-	-
Financial liabilities:			
Trade and other payables	717,734	-	-
Net liquidity gap	**1,392,316**	**-**	**-**

21 FAIR VALUE MEASUREMENT

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

(a) Valuation models

The company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments e.g quoted equity securities. These items are exchange traded positions.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. As at 31 December 2014 and 31 December 2013 the Company did not have financial instruments measured at fair value.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

31 December 2014

	Level 1	Level 2	Level 3	Total Fair Value	Carrying amount
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Assets					
Tax recoverable	-	-	19,847	19,847	19,847
Trade and other receivables	-	-	452,686	452,686	452,686
Amounts due from related parties	-	-	152,951	152,951	152,951
Cash and cash equivalents	-	276,525	-	276,525	276,525
	-	**276,525**	**625,484**	**902,009**	**902,009**
Liabilities					
Trade and other payables	-	-	127,922	127,922	127,922
	-	**-**	**127,922**	**127,922**	**127,922**

22. COMMITMENTS

The Company had commitments amounting to Ushs 371,462,293 by 31 December 2014 with respect to the set up of the Automated Trading System.

23. ULTMATE CONTROLLING PARTY

The company is limited by guarantee and does not have any immediate or ultimate controlling party.

Notice of the 9th AGM of the Uganda Securities Exchange

The 9th Annual General Meeting (AGM) of Uganda Securities Exchange Limited (USE) is scheduled to take place on Friday 29th May 2015, at 3:00pm at the Foyer located at the Serena Conference Centre, to consider the following Agenda;

1. CONFIRMATION OF THE MINUTES OF THE 8TH ANNUAL GENERAL MEETING OF THE USE HELD ON 18th NOVEMBER 2014.
   To confirm the minutes of the 8th Annual General Meeting of the company held on 18th November 2014.

2. FINANCIAL STATEMENTS
   To receive and consider the audited financial statements for the year ended 31st December 2014, including the report of the Board of Directors on the activities of the Exchange, together with the Auditors' report thereon.

3. DIRECTORS
   In accordance with Article 43 of the Company's Articles of Association, the following directors retire by rotation and being eligible, offer themselves for re-election:

   i.) Mr. Robert Baldwin

   ii.) Mr. Julius Kakeeto

4. AUDITORS
   To consider and approve the appointment of KPMG as the Statutory Auditors of the company for the period up to the next Annual General Meeting and to approve their remuneration as proposed by the Board of Directors;

5. ANY OTHER BUSINESS
   To transact any other business that may be legally transacted in the meeting


5
12

Uganda Securities Exchange Ltd
Office
UAP Nakawa Business Park,
Plot 3-5, New Port Bell Road,
Block A, 4th Floor
P. O. Box 23552, Kampala
Tel : +256 - 312 - 370-815, 370-817, 370-818
Email: info@use.or.ug
Website : www.use.or.ug