UGANDA SECURITIES EXCHANGE

Annual Report
& Financial Statements
as at 31st December 2013

Contents

Corporate Profile

About the Exchange

The Uganda Securities Exchange (USE) was established in 1997 as a company limited by guarantee, and was licensed in 1998 by the Capital Markets Authority to operate as an approved securities exchange. The Exchange is governed by a Governing Council whose membership includes licensed broker/dealer firms, investment advisiors, a representative of investors and a representative of issuers.

The Exchange is a central place for trading of securities by licensed brokers/dealers. It provides a credible platform for raising of 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 own shares 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".

Selected Historical Financial Information

	2013 Ush '000	2012 Ush '000	2011 Ush '000	2010 Ush '000	2009 Ush '000
Fees and Commissions	2,710,031	2,164,471	990,116	1,044,805	815,376
Grant Income	162,500	311,844	311,845	399,345	298,750
Other Income	814,045	485,300	365,317	243,097	383,399
Expenses	2,311,643	2,319,473	2,263,498	1,930,242	1,697,405
Profit before tax	1,374,933	642,142	(596,216)	(242,995)	(199,880)
Taxation	410,895	184,791	-	-	-
Profit after Tax	964,038	457,351	(596,216)	(242,995)	(199,880)
Non Current Assets	266,762	314,427	422,780	565,243	718,460
Current Assets	3,883,410	2,578,178	1,986,428	2,339,629	2,564,466
Total Assets	4,150,177	2,892,605	2,409,208	2,904,872	3,282,926
Equity	3,242,730	2,278,692	1,958,186	2,691,247	3,071,086
Non Current Liabilities	11,294	21,636	-	-	-
Current Liabilities	896,163	592,277	451,022	213,625	211,840

Uganda Securities Exchange
Head Office : 71/73, Kampala Road
P O Box 23552, Kampala (Uganda)

NOTICE IS HEREBY GIVEN that the 8th Annual General Meeting of the Uganda Securities Exchange Ltd will be held on 29th October 2014 at 3.00pm at the Uganda Securities Exchange, Plot No 71/73, Kampala Road, P.O. Box 23552, Kampala to transact the following business:-

1. CONFIRMATION OF THE MINUTES OF THE 7th ANNUAL GENERAL MEETING OF THE USE HELD ON 17TH JULY 2013.
   To confirm the minutes of the 7thd Annual General Meeting of the company held on 7th June 2013.

2. FINANCIAL STATEMENTS.
   To receive and consider the audited financial statements for the year ended 31st December 2013, report of the Board of Directors on the activities of the Exchange, together with the Auditors' report thereon.

3. DIRECTORS.
   To ratify the appointment of Mr. Birbal Singh Dhaka with effect from December 2013 in place of Mr. Ashok Kumar Garg who has resigned on his repatriation to India.

   To ratify the appointment of Mr Julius Kakeeto in place of Mr Maxwell Ibeanusi with effect from December 2013.

   To ratify the appointment of Mr Patrick Ndonye in place of Mr Geoffrey Onegi-Obel with effect from March 2014.

4. AUDITORS.
   To consider and approve the appointment of M/s Deloite & Touche Ltd 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.

BY ORDER OF THE BOARD

Company Secretary
Date: 29.08.2014

Chairman's Report

On behalf of the Governing Council and management team I am pleased to present our detailed annual report for the financial year ended 31 December 2013. 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 the investing public into the future.

Over the past year, the Uganda Securities Exchange Team continued to demonstrate an unyielding commitment to our core mission of ensuring an efficient and secure East African Market place that will enhance the competetive strength of the Ugandan capital market.

Today, we can take pride in our many accomplishments in 2013. We, among many other achievements: adopted measures intended to increase the flow of capital to businesses while maintaining important safeguards for investors; and exploited synergies to bolster the integrity, liquidity and attractiveness of our markets.

Financial Results

The company's net profit after tax was Ush964 million, up 110%. It is particularly pleasing that the company reutned such a positive result while achieving good progress on initiatives to deliver sustainable, profitable growth in the future.

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.

The Board

Changes in the USE Governing Council

Mr Maxwell Ibeanusi who represented Equity Stock Brokers on the Governing Council of the Exchange retired and was replaced by Mr Julius Kakeeto whose appointment took effect from December 2013.

Mr Ashok Kumar Garg who represented Baroda Capital Markets on the Governing Council of the Exchange was replaced by Mr Birbal Singh Dhaka whose appointment took effect from December 2013.

Mr Geoffrey Onegi-Obel who represented UAP Financial Services on the Governing Council of the Exchange resigned with effect from March 2014 and he was replaced by Mr Patrick Ndonye.

The retirements were part of the Board succession process and we have enabled a suitable transition period following the appointment of three Directors in January 2012.

I would like to recognise the long term contributions made by Mr Maxwell Ibeanusi, Mr Ashok Garg and Mr Geoffrey Onegi Obel during a period of significant growth, transformation and financial success for the Company.

In addition I would like to extend a warm welcome to the incoming Council members

Management

The USE remains a well-managed company that is committed to growth and improvement. Importantly, there has been good progress towards assembling an excellent management team at all levels of the organisation.

People

The Board acknowledges the hard work and commitment from all the staff members across the business for their part in delivering excellent results. I would also like to thank the USE team for their dedication and commitment in ensuring that the Exchange meets its strategic objectives even during challenging times.

Lastly, let me also acknowledge with appreciation the outstanding role played by the Members of Governing Council. The concerted efforts by the Management and the Governing Council should push even further the development agenda of the USE in years to come.

Charles Mbire
Chairman

Ag. Chief Executive's Report

Economic Environment

The Annual Headline Inflation for the year ending 31 December 2013 rose from 4.9% at the start of the year to close at 6.7%. This was largely attributed to Annual Food Crops Inflation which increased from 3.0% to 12.7% in December 2013. Annual Core (Underlying) Inflation during the year was relatively flat ranging between 5.6% and 5.7%.

Exchange Rates were stable during the period with the US$ ranging from 2,698 in January 2013 to 2,532 in December 2013.

Financial Performance

Despite the challenging economic environment highlighted in the Chairman's letter, our gross revenue grew by 25% to Ushs3.89 billion. This growth was in line with the overall growth in equity market turnover during the period. There was a 45% decline in grant income realised. This is in line with the company's goal to become self sustaining. However, this decline was offset by growth in other revenue particularly interest income on cash balances held with commercial banks.

Total operating expenses increased by 16% to Ush 362.4 million (2012: Ushs312.7 million). Staff costs rose 1.75% year-on-year to Ush 1,007 million (2012: 3% increase to Ush. 968 million).

Admninistration expenses declined by 97.6% to Ush. 941 million (2012: Ush1,019 billion) reflecting our efforts in keeping the company's fixed cost base under control. Management remains committed to keeping the business at an optimum size from an operational perspective so as to take advantage of opportunities for new business growth.

Profit before tax grew by 114% to Ush 1,374 million (Ushs 642 million). Net profit before tax grew by 114% year-on-year to Ush. 964 million (2012: Ush 457 million)). With effect from 2012, the company's tax status changed from from exempt consequently income tax charge also rose to Ushs. 410 million as a result of the improved profitability.

Operational Outlook

In 2014, we intend to work diligently on several fronts, including:

Enhancing our Markets through Technology

Technology investments remain crucial and critical to our success. In 2014, we intend to make significant introductions to the functionality, quality, consistency and speed of the trading, clearing and settlement processes of the exchange. These include;

a) Revision of trading rules to accommodate the automated trading system
b) Acquisition and launch of an Automated Trading System (ATS)
c) Regional Initiatives to establish the Capital Markets Infrastructure

Growing Existing Business

Our trading volumes have increased significantly over the past three years. We're working to continue that growth. In 2014, we are focusing on improving customer service and growing volume in key products with the introduction of automated trading for both equities and bonds.

a) Downwards revision of the USE listing fees to encourage potential issuers to utilize the exchange as a platform for raising financing.
b) Revision of the settlement time from T + 5 to T+ 3.

Broadening Our Product Range

We will only be able to expand our business through innovative new products. In line with the full automation project highlighted above, we intend to introduce offerings of USE market data. Such offerings will be developed in collaboration with our customers and member firms. Based on our research, we see a number of exciting possibilities for new products both within and outside our current trading product lines.

a) Revision of the Listing rules to incorporate Listings by introduction and by auction
b) Commencement of the Dematerialization process for all listed securities. We anticipate to commence the sensitization process in 2014.

New Business Opportunities

We plan to supplement internal growth with alliances and selective acquisition and or enhancement of technologies. Our goal is to explore new markets, provide services we do not presently offer and improve our technology in order to meet customer needs and increase our profitability.

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

In 2013, regional integration is still in feasibility status with key stake holder interviews being carried out across the members of the East African Community (EAC) members.

In short, we have ambitious plans for 2014 and look forward to informing you about our progress during the year.

Innocent D Dankaine
Ag. Chief Executive

Board of Directors

Charles Mbiire - **Chairman**

Innocent D Dankaine - **Ag. Chief Executive**

Birbal Singh Dhaka - **Member**

Patrick Ndonye - **Member**

Paul Bwiso - **Member**

A. R. Kalan - **Member**

Kenneth Kitariko - **Member**


G. A. Onegi-Obel - **Member**


Ashok Kumar Garg - **Member**


Julius Kakeeto - **Member**


Richard Byarugaba - **Member**


Robert Baldwin - **Member**


Maxwell Ibeanusi - **Member**

Pictorial

Prof. E. Tumusiime Mutebile, Governor BOU, ringing the bell during official listing of Bank of Baroda Bonus Issue

Hon. Aston Kajara, Min. of State Privatisation ringing the bell during the official cross listing of Uchumi Supermarkets Limited

USE football team at the Capital Markets sports gala

Official listing of the 2nd tranche of African Development Bank Bond

The 21st Consultative meeting of The East African Securities Exchanges Association (EASEA) hosted by USE in February 2013

Business Review

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 via “open outcry,” and through privately negotiated transactions. 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:**
The African Development Bank listed a bond of Ush12.5bn on 25th June 2013 under its tranche program.

Secondary market trading in Fixed Income Securities

During the period, the total turnover of corporate bonds on the secondary market amounted to Ush 200 million.

Equity Market Segment (MIMS)

i) Appointment of SBG Securities (SBG) as a broker dealer:

Management received and considered an application from approved SBG Securities (formely CFC Stanbic Financial Services) to operate as a broker/dealer on the Uganda Securities Exchange. SBG Securities is registered as a broker/dealer in the Kenya Capital Markets, and has vast experience in capital market business. SBG Securities brings with it an opportunity to deepen the Ugandan capital industry by creating avenue through which investors both locally and internationally can access the market.

ii) DFCU Exit Transaction:

On 2nd May, USE witnessed yet another development, with DFCU Group a listed company on the bourse, execute the largest block transaction in one session. The single block trade was the largest transactional recording in the history of the Exchange, and saw the turnover of the day close at an all time high of Ush 112.4billion. The event was witnessed by key officials from the Capital Markets Authority, DFCU Group, SBG Securities Uganda, representatives from the brokerage fraternity and the participating shareholders. The official trading of the shares was opened with ringing of the bell by the Board Chairman, DFCU Ltd. Mr. Sam Kibuuka.

iii) Listing of Bank of Baroda (BOBU) bonus shares:

Bank of Baroda Uganda (BOBU) issued additional shares on the USE as its second bonus offer after the previous one done in February 2012. The second offer is as a result of deliberations that were concluded at the BOBU Annual General Meeting (AGM), where shareholders agreed to increase the authorized share capital of the company from 1bn to 2.5bn shares. The shareholders also approved the 1.5:1 ratio which was credited to the investors’ accounts. Listing of the Bonus on the USE was effected on 7th June 2013.

iv) Development of the Inter Depository Transfer Procedures

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.

v) Cross Listing of Uchumi Limited

On 13th November 2013, Uchumi Supermarkets Limited, a Kenyan based retail supermarket listed 265,426,614 shares on the Uganda Securities Exchange. Uchumi Supermarkets is currently listed on the Nairobi Securities Exchange and the Rwanda Securities Exchange – where its shares began trading on Oct. 14 2013. The cross-listings are in line with the resolution passed by the Group's shareholders to offer the company's shares to investors across East Africa through cross-listing.

Secondary market activity

The secondary market performed much better this year compared to 2012, with turnover in 2013 registering Ushs 245bn from Ushs 26bn of the previous year. 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 5,205 up from 3,668 in 2012.

Equities Trading by quarter

Month	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Volume	174,566,407	996,245,325	103,458,498	1,079,717,687
Turnover	19,435,432,170	160,623,156,200	23,974,348,890	41,093,195,230
Daily avg turnover	321,799,455	2,480,106,815	388,474,458	674,943,089
Trades	1,381	1,354	1,272	1,198
Daily avg trades	24	23	20	19
Trading days	58	60	63	62

Source: USE Product Markets Department

Equities Trading by quarter by listed issuer

Issuer	Q1 2013	Q2 2013	Q3 2013	Q4 2013
UCL	55,711,725	203,462,115	123,905,280	14,875,890
DFCU	451,339,740	112,247,437,330	177,095,655	4,697,637,865
CENT	-	2,922,670	-	368,000
Equity Bank	6,851,175	-	-	-
UCHUMI	-	-	-	9,952,190
BOBU	902,761,735	3,789,209,260	746,757,225	329,433,150
UMEME	14,959,095,080	19,899,707,700	7,896,339,735	5,290,320,220
BATU	88,344,550	141,681,100	12,658,971,080	473,621,500
NIC	27,352,640	17,922,695	46,435,305	31,247,240
SBU	2,930,114,925	23,602,203,100	1,720,403,555	30,190,177,575
NVL	12,270,600	718,610,230	604,441,055	55,561,600
NMG	1,590,000	-	-	-

Source: USE Product Markets Department

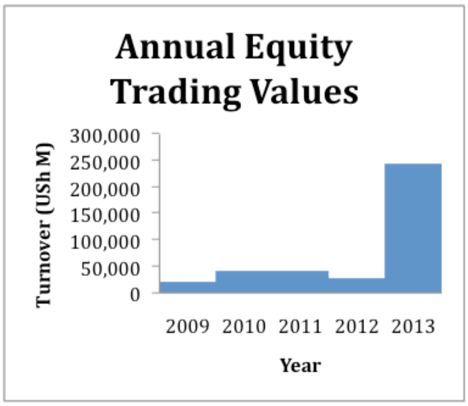
The above growth in trading volumes and values was achieved as a result of synergy (i.e "working together") between our Issuers, the Capital Markets Authority, the USE and its member firms helps increase liquidity. This is a key component to attracting customers and ensuring the success of the market, because 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 to synergy is illustrated in the table below:

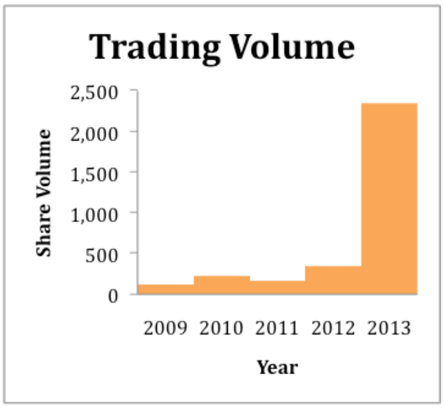
Annual Trading Volume and Value Comparison

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

Source: USE Product Markets Department

In 2013, we traded an average of 6.5 million shares per day, an increase of 600% from 2012 and up from an average of 350,000 shares per day in 2009. Trading volume is a major component of our financial performance. In 2013, brokerage commissions constituted 25% of our total fees and commissions revenue. This represents a significant improvement when compared with 2012 where brokerage commissions represented only 3.4% of our total revenue. 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.

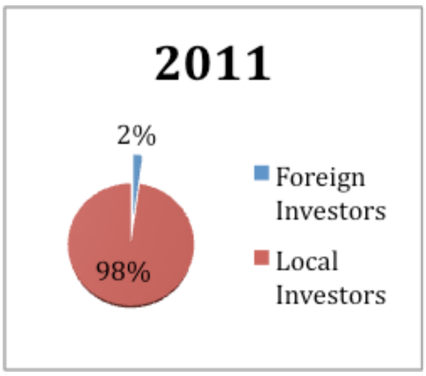


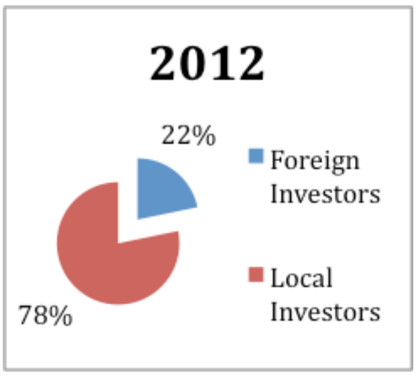


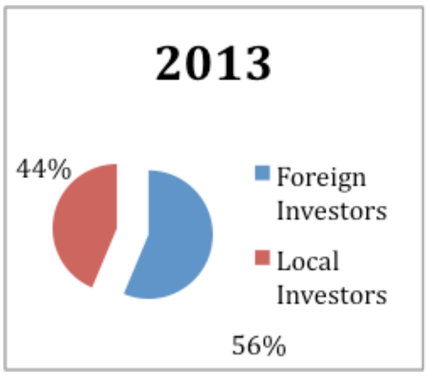
Investor Categories Performance Analysis

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

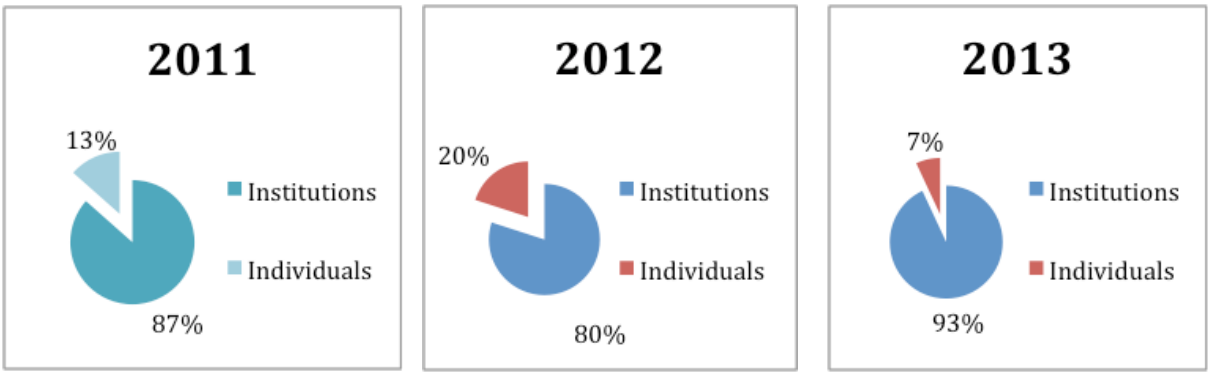






In 2011, foreign investors accounted for only 2% of the USE's total turnover. Their proportion increased to 22% in 2012 and stood at 56% for 2013 reflecting the synergies described above and in particular increased liquidity and attractiveness of our market.

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



Source: USE Product Markets Department

The proportion of local investors on the USE has shrunk from 13% in 2011 to only 7% in 2013

USE ALSI Index performance:

The Index rose steadily during Q1 2013 opening at 1203.42 in January and closing at 1531.04 in March representing a 27% growth. This was mainly attributed to the good performance reported by the listed companies coupled with strengthening of the Kenya shilling which affected the cross listed companies on the NSE.

In Q2 2013, the all share index opened at 1531.04 rising steadily to a high of 1804.75 but dropped gradually to close at 1481.38. The changes in the trends were due to changes in different market prices, the exchange rate of the Kenyan shilling and other market developments.

The All Share Index was volatile during Q3 2013; it opened at 1481, rose to an all time high of 1584.63, dipped gradually to an all time low of 1456.68 but rose steadily to close at 1564.04 representing a growth of 5.6 percentage points during the period. The changes in the trends were due to changes in different market prices of the cross listed securities & local companies, the exchange rate of the Kenyan shilling and other market developments.

The all share index was volatile during Q4 2013; it opened at 1585.3, rose to a high of 1610.92, dipped to 1609.46 dropping further to close at 1498.98; an overall percentage drop of 5.45%. This was partly attributed to a weakening Kenyan shilling which had a negative impact on most cross listed counters.

Overall, the All Share index gained 2.04% during the year 2013.

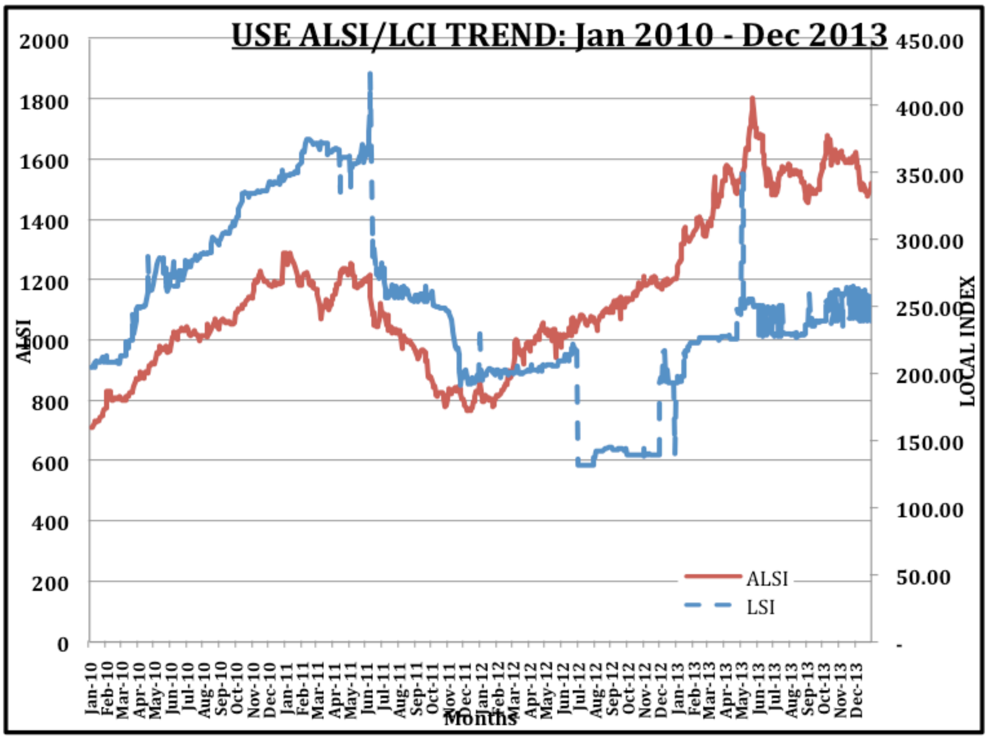
USE LSI Index performance

The Local Share Index opened at 193.49 and closed at 227.58 in Q1 2013. In Q2, 2013, it rose steadily from 227.58 to a high of 348.69 and dropped gradually to close at 229.78.

The local share Index was flat most of the period but rose slightly by 4 percentage points, from 229.78 to close at 239.04. This was attributed to a price appreciation of the UMEME and BATU counters while most of the other stocks remained unchanged.

The local share Index rose steadily during Q4 2013 with many local counters experiencing a rally in prices. Most notable gainers were SBU and DFCU. The local index started the quarter at 239.04, moved to 259.85, dipped at 254.45 but closed at 265.11 an 11% gain during the period.

Overall, the USE Local Share (LSI) index gained 2.04% during the year 2013.



Source: USE Product Markets Department

Information Systems

The Uganda Securities Exchange (USE) Information Systems (IS) department is manned by a team of full time staff, and supported by key outsourced contractors.

The IS staff provide in house and external I.T. Support to the USE ICT environment and key USE stakeholders. The IS department builds and maintains working relationships with both stake holders and suppliers and provides a focal point for information gathering, report generation, project planning and business continuity.

Currently, the USE is still partially automated with the Securities Central Depository system (SCD) being the only technology available to automate the settlement of securities. The IS department provides ad-hoc and custom reports to stake holders including members, the regulator, registrar's etc.

Internally the IS team support a local area network (LAN) for USE staff and a wide area network (WAN) allowing integration with stake holders and disaster recovery services (DR).

The USE's external clients include brokers, regulators, issuers, custodians and registrars.

In 2013, the USE IS department achieved the following objectives as previously planned in the Annual report 2012.

1. *The Rights Module:*
   The Rights module is a value added technology service (VAS), designed to integrate with the Securities Central

Depository System (SCD). The module provides SCD agents a streamlined process for validation of share holder information of only their individual customers while making an application to exercise rights. The rights module can be accessed via the E-SCD portal: https://scd.use.or.ug. The rights module was successfully used during the concluded National Insurance Corporation (NIC) Rights issue and took over 200 applications from both individual and joint account holders with NIC shares. The value added to the application process included;

- Shorter Application times (online application)
- Pre validation check of applicants having an SCD account
- Validation of an SCD account holder(s) to have existing NIC shares prior to application commencement.
- A familiar working environment for stake holders who had already used the E-SCD system for previous corporate actions like IPO's.
- Collaboration with stake holders during the application process (brokers and registrar's)

2. *Adoption of the Information Technology Infrastructure Library (ITIL) framework*
    - The IS department successfully design and implemented an Incident Management tool (helpdesk system). Development work was carried out by internal IS officers, and the system has been rolled out to internal users initially.
    - A Service Level of Agreements (SLA's) was designed in the form of a help desk policy to govern the service delivery associated with incident management.
    - Problem management was introduced with Post mortem diagnosis to permanently resolve issues and plan for the growth and continuity of the Exchange.
    - A business continuity review was completed to achieve disaster recovery of major business processes. The business continuity review considered both people and I.T Infrastructure, and adopting I.T service management to achieve business continuity management. A business continuity plan, committee and call tree structure have also been designed and implemented at the USE.
    - IS department staff have received training and certification of the ITIL v3 frame work which is an internationally recognized standard ISO/IEC 20000. ITIL is a best practice framework for delivery of IT services.

3. *A feasibility study for acquiring an Automated Trading System has been completed with the Information Systems department adding value all through the process. The key deliverables of the Automated Trading Environment shall include:*
    - A Trading System with Order Management functionality
    - A Depository system with access to Real Time Gross Settlement Systems (RTGS) to achieve delivery versus payment (DvP).
    - Market Data generation and Feeds.
    - I.T. Infrastructure comprised of scalable, reliable hardware and a secure network.
    - A Project Management Committee and Plan
    - A Business Continuity Plan
    - Risk Management and Surveillance
    - Testing and Training Schedule for technical and business support staff.
    - Training of the user community who comprise of stake holders.
    - A legal, business and operational frame work to govern how the system will work.
    - An Operational plan for support and maintenance.

With these prerequisites drafted the USE will layout strategy for the design, implementation and maintenance of an ATS. This work will be carried out in the last quarter of 2014.

Ensuring our Sustainability

Corporate Governance

The USE's Governing Council is comprised of four substantive committees namely;

1) Audit Committee
2) Finance and Compensation Committee,
3) Committee on Rules
4) Business Conduct Committee.

During its 81st Governing Council Meeting, the Council established an ad hoc Committee. This Committee shall be convened as and when necessary to deal with matters of interpretation and enforcement of USE Rules.

Compliance

The USE through its surveillance team, carried out Annual Inspections of all member firms in September 2013 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 Social Responsibility Initiatives

- **Cancer Institute Of Nsambya:**
  On 23rd May, the USE team together with the Rotary club of Kampala arranged and organized a fundraising drive upon which funds were committed to support cancer patients in Nsambya Hospital. The fundraising drive which was held at the USE was officiated by the Chief Executive who invited Mr. Stephen Mwanje a representative of the cancer institute of Nsambya to give a few remarks and officially rang the bell to start trading.

USE hands over cheque in support of the Rotary Cancer Project.

- **Mbarara University Science and Technology visit:**
  USE hosted under graduate business students to a half-day lecture, where students were introduced to a practical session of trading securities on the trading floor. The students engaged in a question and answer session with the broker/dealers and where had they opportunity to register/open SCD accounts upon which they will be in position to trade in shares.

Regional Initiatives

The USE participated in the technical working group for the development of the Legal and Regulatory framework for the East African Community.

In addition, the USE is part of the Capital Markets Infrastructure Technical Working Group.

UGANDA SECURITIES EXCHANGE

Financial Statements

31st December 2013

Contents

Corporate Information

Governing Council

Charles Mbire* -	Chairman
Innocent Dankaine -	Ag. Chief Executive
A.R Kalan***	
Richard Byarugaba*	
Kenneth Kitariko*	
Paul Bwiso*	
Julius Kakeeto*	Appointed 31st December 2013
Birbal Singh Dhaka***	Appointed 31st December 2013
Robert Baldwin ****	
Patrick Ndonye **	
Geoffrey Onegi-Obel*	Resigned 31st December 2013
Maxwell Ibeanusi*****	Resigned 31st December 2013
Ashok Kumar Garg***	Resigned 31st December 2013

*Ugandan
** Kenyan
***Indian
****American
*****Nigerian

Registered Office

4th Floor, The Prism Building
Plot 71, Kampala Road
P. O. Box 23552 Kampala, Uganda

Auditors

Deloitte & Touche
Certified Public Accountants (Uganda)
3rd Floor Rwenzori House
1 Lumumba Avenue
P. O. Box 10314 Kampala, Uganda

Bankers

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

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

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

Report of the Governing Council

The members of the Governing Council present their report together with the audited financial statements of the company for the year ended 31 December 2013.

Principal Activities

Uganda Securities Exchange Limited is a company limited by guarantee and incorporated in Uganda under The Companies Act of Uganda. The principal activity of the entity is to provide, maintain and regulate suitable premises and facilities for conducting all the business of securities exchange.

	2013 Ushs'000
Financial Results	
Profit before taxation	1,374,933
Taxation charge	(410,895)

Profit for the year transferred to retained earnings 964,038

Governing Council

The present membership of the Governing Council is set out on page 2.

The changes to the Governing Council during the year are as indicated below;

Mr Maxwell Ibeanusi who represented Equity Stock Brokers on the Governing Council of the Exchange has been replaced by Mr Julius Kakeeto whose appointment took effect from December 2013.

Mr Ashok Kumar Garg who represented Baroda Capital Markets on the Governing Council of the Exchange has been replaced by Mr Birbal Singh Dhaka whose appointment took effect from December 2013.

Mr. Joseph Kitamirike's contract expired and was not renewed as Chief Executive Officer in July 2013. He is yet to be replaced.

Subsequent to year end, the changes in the Governing Council were as follows;

Mr Geoffrey Onegi-Obel who represented UAP Financial Services on the Governing Council of the Exchange has resigned. His resignation took effect from March 2014.

Auditors

The auditors, Deloitte & Touche, have expressed their willingness to continue in office in accordance with section 167 (2) of The Companies Act of Uganda 2012.

By Order of the Governing Council

pp

Kampala
2014

Statement of Governing Council's Responsibilities

The Ugandan Companies Act requires the Governing Council to prepare financial statements for each financial year which 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 which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The Governing Council is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Ugandan Companies Act, and such internal controls as Governing Council determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Governing Council accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Ugandan Companies Act. The Governing Council is of the opinion that the financial statements give a true and fair view of the state of the company and of its operating results. The Governing Council further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Governing Council to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Signed on behalf of the board of Governing Council by;

Member	Member
2014	2014

Independent Auditors’ Report

Report on the Financial Statements

We have audited the accompanying financial statements of Uganda Securities Exchange Limited, set out on pages 7 to 31, which comprise the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, together with the summary of significant accounting policies and other explanatory notes.

Governing Councils’ Responsibility for the Financial Statements

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

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 considered the internal controls relevant to the company’s preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the company’s internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the company as at 31 December 2013 and of its profits and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Ugandan Companies Act.

Report on other Legal Requirements

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

i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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 (balance sheet) and statement of profit or loss and other comprehensive income (profit and loss account) are in agreement with the books of account.

Deloitte & Touche

Certified Public Accountants (Uganda)
24th June 2014
Kampala

Statement of Comprehensive Income

	Note	2013 Ushs'000	2012 Ushs'000
Fees and commissions	5	2,710,031	2,164,471
Revenue grant	6	162,500	175,000
Capital grants realised	7	-	136,844
Other income	8(a)	622,527	252,990
Interest income	8(b)	191,518	232,310
Gross income		3,686,576	2,961,615
Operating expenses	9	(362,471)	(312,717)
Administration expenses	10	(941,954)	(1,019,816)
Staff costs	11	(1,007,218)	(986,940)
Profit before taxation	12	1,374,933	642,142
Taxation charge	13(a)	(410,895)	(184,791)
Profit for the year		964,038	457,351
Other comprehensive income		-	-
Total Comprehensive Income for the Year		**964,038**	**457,351**

Statement of Financial Position

	Note	2013 Ushs'000	2012 Ushs'000
Assets			
Non-current assets			
Intangible assets	14	27,485	54,545
Equipment	15	174,106	194,706
Unquoted investments	16	65,176	65,176
		266,767	**314,427**
Current assets			
Trade and other receivables	18	1,290,387	380,620
Due from related parties	19(b)	492,987	105,122
Fixed deposit	20	1,450,000	1,586,000
Bank and cash balances		650,036	506,436
		3,883,410	2,578,178
Total assets		**4,150,177**	**2,892,605**
Equity and Liabilities			
Capital and reserves			
Retained earnings		3,242,730	2,278,692
Total equity		**3,242,730**	**2,278,692**
Non-current liabilities			
Deferred tax liability	13(c)	11,294	21,636
Current liabilities			
Trade and other payables	21	474,916	429,121
Corporation tax payable	13(d)	421,237	163,156
		896,163	**592,277**
Total equity and liabilities		**4,150,177**	**2,892,605**

The financial statements on pages 7 to 31 were approved by the Governing Council on 24th June 2014 and signed on its behalf by:

Member

Member

Statement of Changes in Equity

	Capital Grant Ushs'000	Retained earnings Ushs'000	Total Ushs'000
At 1 January 2012	136,844	1,821,341	1,958,185
Amortisation of capital grants (note 7)	(136,844)	-	(136,844)
Total comprehensive income for the year	-	457,351	457,351
At 31 December 2012	-	2,278,692	2,278,692
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**

Statement of Cash Flows

	2013 Ushs'000	2012 Ushs'000
Cash Flows from Operating Activities		
Profit before taxation	1,374,933	642,142
Adjusted for:		
Depreciation	62,644	51,759
Amortisation	29,925	165,189
Amortisation of capital grants	-	(136,844)
Loss on disposal of equipment	**-**	**(606)**
	1,467,502	**721,640**
Changes in working capital balances		
Increase in trade and other receivables	(909,767)	(161,303)
Increase in amounts due from related parties	(387,865)	(62,638)
Increase/ (decrease) in trade and other payables	45,794	(21,901)
Cash generated from operating activities	**215,664**	**475,798**
Tax paid	**(163,155)**	**-**
Net cash generated from operating activities	**52,509**	**475,798**
Cash Flows from Investing Activities		
Purchase of property and equipment	(44,909)	(100,306)
Purchase of intangible assets	-	(39,864)
Proceeds from disposal of assets	-	606
Receipts from Treasury Bills	-	1,254,585
Receipts/ (investment) in fixed deposits	136,000	(1,586,000)
Interest earned on Treasury Bills	-	230,849
Net cash generated from / (used in) investing activities	**91,091**	**(240,130)**
Increase in cash and cash equivalents	143,600	235,668
Cash and cash equivalents at beginning of year	506,436	270,768
Cash and cash equivalents at end of year	**650,036**	**506,436**
Represented by:		
Bank and cash balances	**650,036**	**506,436**

Notes to the Financial Statements

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 Profit of Loss and other Comprehensive Income

2 Application of New and Revised International Financial Reporting Standards (IFRSS)

2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Company has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The application of the amendment had no effect on the company's financial statements as the company did not have any offsetting arrangements in place.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Company Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

Application of these standards has not had any impact on the disclosures or the amounts recognised in these financial statements as the company does not have subsidiaries, joint arrangements and associates.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures. The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

Joint arrangements are either joint operations or joint ventures:

- A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Joint operators recognise their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly)

- A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 Investments in Associates and Joint Ventures (2011). Unlike IAS 31, the use of 'proportionate consolidation' to account for joint ventures is not permitted.

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

In high-level terms, the required disclosures are grouped into the following broad categories:

- Significant judgements and assumptions - such as how control, joint control, significant influence has been determined
- Interests in subsidiaries - including details of the structure of the group, risks associated with structured entities, changes in control, and so on
- Interests in joint arrangements and associates - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information)
- Interests in unconsolidated structured entities - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities

IFRS 13 Fair Value Measurement

The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard.
In accordance with these transitional provisions, the company has not made any new disclosures required by IFRS 13 for the 2012 comparative period.

Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The company has applied the amendments to IAS 1, Presentation of Items of Other Comprehensive Income, for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' (and the 'income statement' is renamed as the 'statement of profit or loss'). The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The new terminologies have been adopted in these financial statements. In other respects the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income

Amendments to IAS 1 Presentation of Financial Statements
(as part of the Annual Improvements to IFRSs 2009 – 2011 Cycle issued in May 2012)

The Annual Improvements to IFRSs 2009 – 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Company are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

IAS 19 Employee Benefits (as revised in 2011)

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

The application of the amendment had no effect on the company's financial statements as the company does not have defined benefit obligations and plan assets

IAS 27 Separate Financial Statements (2011)

Amended version of IAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unchanged from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements.

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments / IAS 39 Financial Instruments: Recognition and Measurement.

The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

Annual improvements 2009-2011 Cycle

Makes amendments to the following standards:

IFRS 1	—	Permit the repeated application of IFRS 1, borrowing costs on certain qualifying assets
IAS 1	—	Clarification of the requirements for comparative information
IAS 16	—	Classification of servicing equipment
IAS 32	—	Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes
IAS 34	—	Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments

IFRIC 20 Stripping Costs in the production Phase of a Surface Mine

IFRIC 20 clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement.

The Interpretation requires stripping activity costs which provide improved access to ore are recognised as a non-current 'stripping activity asset' when certain criteria are met. The stripping activity asset is depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, using the units of production method unless another method is more appropriate.

2.2 Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2013 and future annual periods.

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

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss. The directors of the Company anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.
- Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the company's financial statements as the Company is not an investment entity.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the company do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the company's financial statements as the company does not have any financial assets and financial liabilities that qualify for offset.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

The directors of the company do not anticipate that the application of these amendments to IAS 36 will have a significant impact on the company's financial statements as the company does not have any financial assets and financial liabilities that qualify for offset

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
Amends IAS 39 Financial Instruments: Recognition and Measurement to make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.

The directors of the company do not anticipate that the application of these amendments to IAS 39 will have a significant impact on the company's financial statements as the company does not have any financial assets and financial liabilities that qualify for offset.

Annual Improvements 2010-2012 Cycle
The annual improvements 2010-2012 cycle makes amendments to the following standards:
- IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition
- IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date
- IFRS 8 — Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly
- IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
- IAS 24 — Clarify how payments to entities providing management services are to be disclosed

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2014. The directors of the company do not anticipate that the application of these improvements to IFRSs will have a significant impact on the company's financial statements as the company does not have any financial assets and financial liabilities that qualify for offset.

Annual Improvements 2011-2013 Cycle

Makes amendments to the following standards:
- IFRS 1 — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only)
- IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself
- IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52
- IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2014. The directors of the company do not anticipate that the application of these improvements to IFRSs will have a significant impact on the company's financial statements as the company does not have any financial assets and financial liabilities that qualify for offset.

IFRIC 21 Levies

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

- The liability is recognised progressively if the obligating event occurs over a period of time
- If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

The directors of the company do not anticipate that the application of this interpretation will have a significant impact on the company's financial statements as the company does not have any financial assets and financial liabilities that qualify for offset.

2.3 Early adoption of standards

The company did not early-adopt any new or amended standards in 2013.

3 Significant Accounting Policies

The principal accounting policies are set out below:

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable from provision of goods and services. Fees and commissions are recognised on an accrual basis on delivery of the related service has been provided.

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 or when the conditions for the grant are met.

Equipment

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

Depreciation

Depreciation is calculated to write off the cost of 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%

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
Computer software is measured initially at purchase cost and amortized on a straight-line basis over its estimated useful life.

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. The subsidiary, Uganda Securities Exchange Nominees Limited, has not been consolidated in the company accounts as it is not considered in materials.

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
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.

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.

Trade receivables are carried at an anticipated realisable value. 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.

Financial liabilities

Borrowings are classified as financial liabilities.

Derecognition

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognised when its contractual obligations are discharged or extinguished.

Measurement

Financial instruments are initially recognised at fair value plus transaction costs.

Financials assets at 'fair value through profit and loss' are subsequently carried at fair value. Gains and loss arising from changes in the fair value in those assets are recognised in profit or loss in the period in which they arise.

Loans and advances and held to maturity investments are carried at amortised cost using the effective interest rate method.

Financial liabilities are subsequently measured at amortised cost.

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.

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

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with the Ugandan tax legislation.

Deferred taxation is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the tax asset can be utilised.

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.

4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

(i) Critical judgements in applying accounting policies

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.

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.

(ii) Key sources of estimation uncertainty

At the end of each reporting period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assts 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 Governing Council in determining depreciation rates and useful lives for equipment at the end of each reporting period.

		2013 Ushs'000	2012 Ushs'000
5	Fees and Commissions		
	Equity listing	1,159,085	1,424,906
	Bonds listing fees	139,921	627,250
	Brokerage commission	689,525	74,315
	Application and entrance fees	101,500	24,000
	Membership fees	20,000	14,000
	Government treasury bonds	600,000	-
		2,710,031	**2,164,471**
6	Revenue Grant	**162,500**	**175,000**
	This relates to grant received on an annual basis from Bank of Uganda to assist the company in carrying out its operations.		
7	Capital Grant Realised		
	Opening balance	-	136,844
	Realised to income	-	(136,844)
	Closing balance	-	-

This relates to capital grants received from the German Technical Cooperation (GTZ) that was used to purchase computer software. The software is estimated to have a useful life of 3 years.

8	Other Operating Income		
	(a) Other income		
	Securities Central Depository (SCD) income	527,426	170,533
	Miscellaneous income	82,844	71,609
	Website advertising	251	242
	Penalties	9,000	10,000
	Gains from disposals	-	606
	Foreign exchange gains	3,006	-
		622,527	**252,990**
	(b) Interest income		
	Interest earned on investments	183,770	230,849
	Interest earned on bank account	7,748	1,461
		191,518	**232,310**
9	Operating Expenses		
	Central Depository System (CDS) operational expenses	50,473	124,312
	Regional meetings and travel	90,145	122,979
	Foreign exchange loss	-	24,192

		2013 Ushs'000	2012 Ushs'000
	Motor vehicle and equipment costs	28,707	13,602
	Withholding tax	50,817	10,684
	East African Securities Exchange Association expenses	29,305	6,565
	African Securities Exchange Association expenses	1,893	-
	Hardware maintenance and repairs	19,229	4,765
	Software licenses	39,243	5,408
	USE courses, seminars and exhibitions	800	210
	Securities training institute expenses	48,167	-
	Board meetings and retreats	45	
	Business development	3,647	-
		362,471	**312,717**
10	Administrative Expenses		
	Rent	249,065	430,895
	Bad debts write off	85,000	-
	Amortisation of intangible assets	29,925	165,189
	Office redesign expenses	14,130	92,522
	Telephone, fax, post, internet and email	231,905	70,056
	Insurance	44,419	51,873
	Depreciation	62,644	51,759
	Advertising and publicity	35,097	30,672
	Electricity	19,800	19,630
	Fuel and lubricants	17,485	18,672
	Auditors' remuneration	20,538	15,608
	General office expense	18,998	15,035
	Printing and publication	13,487	13,905
	External legal services	16,838	10,944
	Stationery and printing	9,086	10,824
	Corporate social responsibility	6,492	6,686
	Cleaning and fumigation	13,447	6,235
	Newspapers and magazines	2,398	2,180
	Security	4,844	1,965
	Bank charges	4,366	1,735
	Membership and subscription	7,719	1,579
	Vehicle washing and parking tickets	3,880	942
	Entertainment	635	779
	Consultancy	26,056	131
	Management and staff training	3,172	-
	Cash write off	528	-
		941,954	**1,019,816**

		2013 Ushs'000	2012 Ushs'000
11	Staff Costs		
	Salaries and wages	763,209	796,687
	Staff welfare	97,466	114,905
	Staff training	1,771	7,941
	NSSF Contribution	144,772	67,407
		1,007,218	**986,940**
12	Profit Before Taxation		
	The profit before taxation is arrived at after charging:		
	Auditors' remuneration	20,538	15,608
	Depreciation	62,644	51,759
	Amortisation of intangible assets	29,858	165,189
13	Taxation		
	(a) Taxation charge		
	Current taxation	421,237	163,156
	Deferred taxation charge- current	(6,619)	(34,322)
	- prior year	(3,723)	55,957
		410,895	**184,791**
	(b) Reconciliation of taxation charge		
	Accounting profit before taxation	**1,374,933**	**642,142**
	Tax at applicable rate of 30%	412,480	192,643
	Tax effect of non-taxable income	2,138	(69,255)
	Tax effect of non-deductible expenses	-	5,446
	Prior year under provision	(3,723)	55,957
		410,895	**184,791**
	(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:		
	Accelerated capital allowances	10,390	21,636
	Unrealised exchange gain	904	-
		11,294	**21,636**
	The movement in the deferred income tax liability is as follows:		
	1 January	21,636	-
	Income statement charge	(10,342)	21,636
	Balance at 31 December	**11,294**	**21,636**

	2013 Ushs'000	2012 Ushs'000
(d) Tax payable		
1 January	163,156	-
Tax charge for the year	421,237	163,156
Tax paid during the year	(163,156)	-
31 December	**421,237**	**163,156**

14 Intangible Assets

	Software Ushs'000	Scd Software Ushs'000	Other In Progress Ushs'000	Work Total Ushs'000
Cost				
At 1 January 2012	466,247	97,316	9,346	572,909
Additions	39,864	-	-	39,864
Transfer from WIP	9,346	-	(9,346)	-
At 31 December 2012	515,457	97,316	-	612,773
At 1 January 2013	515,457	97,316	-	612,773
Additions	2,865			2,865
At 31 December 2013	**518,322**	**97,316**	**-**	**615,638**
Amortisation				
At 1 January 2012	297,582	95,457	-	393,039
Charge for the year	163,397	1,792	-	165,189
At 31 December 2012	**460,979**	**97,249**	**-**	**558,228**
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**
Net Book Value				
At 31 December 2013	27,485	-	-	27,485
At 31 December 2012	**54,478**	**67**	**-**	**54,545**

		Motor vehicles Ushs'000	Furniture and fittings Ushs'000	Office Partitions Ushs'000	Computer equipment Ushs'000	Total Ushs'000
15	Equipment					
	Cost					
	At 1 January 2012	176,267	204,294	1,819	291,437	673,817
	Additions	-	97,956	-	2,350	100,306
	Disposals	-	(15,851)	-	(19,348)	(35,199)
	At 31 December 2012	176,267	286,399	1,819	274,439	738,924
	At 1 January 2013	176,267	286,399	1,819	274,439	738,924
	Additions	-	30,353	-	11,691	42,044
	At 31 December 2013	**176,267**	**316,752**	**1,819**	**286,130**	**780,968**
	Depreciation					
	At 1 January 2012	170,922	141,547	1,819	213,370	527,658
	Charge for the year	5,345	12,717	-	33,697	51,759
	Eliminated on disposal	-	(15,851)	-	(19,348)	(35,199)
	At 31 December 2012	**176,267**	**138,413**	**1,819**	**227,719**	**544,218**
	At 1 January 2013	176,267	138,413	1,819	227,719	544,218
	Charge for the year	-	27,379	-	35,265	62,644
	At 31 December 2013	**176,267**	**165,792**	**1,819**	**262,984**	**606,862**
	Net Book Value					
	At 31 December 2013	-	150,960	-	23,146	174,106
	At 31 December 2012	**-**	**147,986**	**-**	**46,720**	**194,706**

		2013 Ushs'000	2012 Ushs'000
16	Unquoted Investments		
	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.

		2013 Ushs'000	2012 Ushs'000
17	Investment In Subsidiary		
	Uganda Securities Exchange Nominees Limited		
	Authorised:		
	100 ordinary shares of Ushs 10,000 each	1,000	1,000
	Issued and fully paid:	**1,000**	**1,000**

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.

18	Trade and other Receivables		
	Trade	886,514	282,226
	Prepayments	80,513	39,649
	Other	323,360	58,745
		1,290,387	**380,620**
19	Related Party Balances and Transactions		
	(a) Related parties include:		
	African Alliance Uganda Limited	Dyer and Blair Uganda Limited	
	Baroda Capital Markets Limited	Equity Stock Brokers (U) Limited	
	Crane Financial Services Limited	MBEA Brokerage Services Limited	
	Crested Stocks and Securities Limited	Renaissance Capital Limited	
	UAP Financial Services Limited	SBG Securities Limited	
	Securities Industry Training Institute (SITI)		

The above are related parties because they are member firms. They also have representatives who form the Governing Council of Uganda Securities Exchange.

	(b) Amounts due from related parties		
	African Alliance Uganda Limited	27,793	40,186
	Baroda Capital Markets Limited	3,606	5,480
	Dyer and Blair Uganda Limited	16,056	17,159
	Crane Financial Services Limited	5,121	10,595
	Equity Stock Brokers (U) Limited	15,399	8,985
	MBEA Brokerage Services Limited	5,498	5,498
	Renaissance Capital (U) Limited	1,479	1,479
	Crested Stocks and Securities Limited	34,757	15,630
	SBG Securities Limited	157,819	-

		2013 Ushs'000	2012 Ushs'000
	UAP Financial Services Limited	173,647	110
	Securities Training institute	51,812	-
		492,987	**105,122**
	(c) Related party transactions comprise		
	Brokerage commission	609,969	74,315
		609,969	74,315
	(d) Key management compensation		
	Salaries and benefits	121,150	180,000
	(e) Directors' emoluments		
	Board allowances	-	13,210
20	Short Term Investments		
	Fixed Deposit	**1,450,000**	**1,586,000**
21	Trade and other Payables		
	Trade	247,183	79,426
	Accrued expenses	48,250	37,830
	Other	179,483	311,865
		474,916	**429,121**

22 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, interest risk, liquidity risk and market 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 clearing and forwarding industry best practices.
The management is responsible for the assessment, management and mitigation of risk in the company.

The company 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

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 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:

		Fully Performing Ushs'000	Past due Ushs'000	Impaired Ushs'000
	As at 31 December 2013			
	Financial assets			
	Bank balances	650,036	-	-
	Trade and other receivables (less prepayments)	1,209,874	-	-
	Due from related parties	492,987	-	-
		2,352,897	**-**	**-**
	As at 31 December 2012			
	Financial assets			
	Bank balances	270,738	-	-
	Trade and other receivables (less prepayments)	340,971	-	-
	Due from related parties	105,122	-	-
		716,831	**-**	**-**

Trade and other receivables under the fully performing category are paying their debts as they continue trading. The default rate is low. The directors do not consider the credit risk associated with the investment in Government securities to be significant.

b) Market Risk

(i) Interest rate risk

The interest rate risk exposure arises mainly from interest rate movements on the company's investments in treasury bills and fixed deposits (note 20). However, this exposure is not deemed significant.

(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 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

Ultimate responsibility for liquidity risk management rests with the board of directors, 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.

		Fully Performing Ushs'000	Past due Ushs'000	Impaired Ushs'000
	As at 31 December 2013			
	Financial assets			
	Bank and cash balances	650,036	-	-
	Trade and other receivables	1,212,290	-	-
	Due from related parties	492,987	-	-
	Total	**2,355,313**	**-**	**-**
	Financial liabilities			
	Trade and other payables	429,082	-	-
	Net liquidity gap	**1,926,231**	**-**	**-**
	As at 31 December 2012			
	Financial assets:			
	Bank and cash balances	506,436	-	-
	Trade and other receivables	340,971	-	-
	Due from related parties	105,122	-	-
	Total	**952,529**	**-**	**-**
	Financial liabilities:			
	Trade and other payables	391,292	-	-
	Net liquidity gap	**561,237**	**-**	**-**