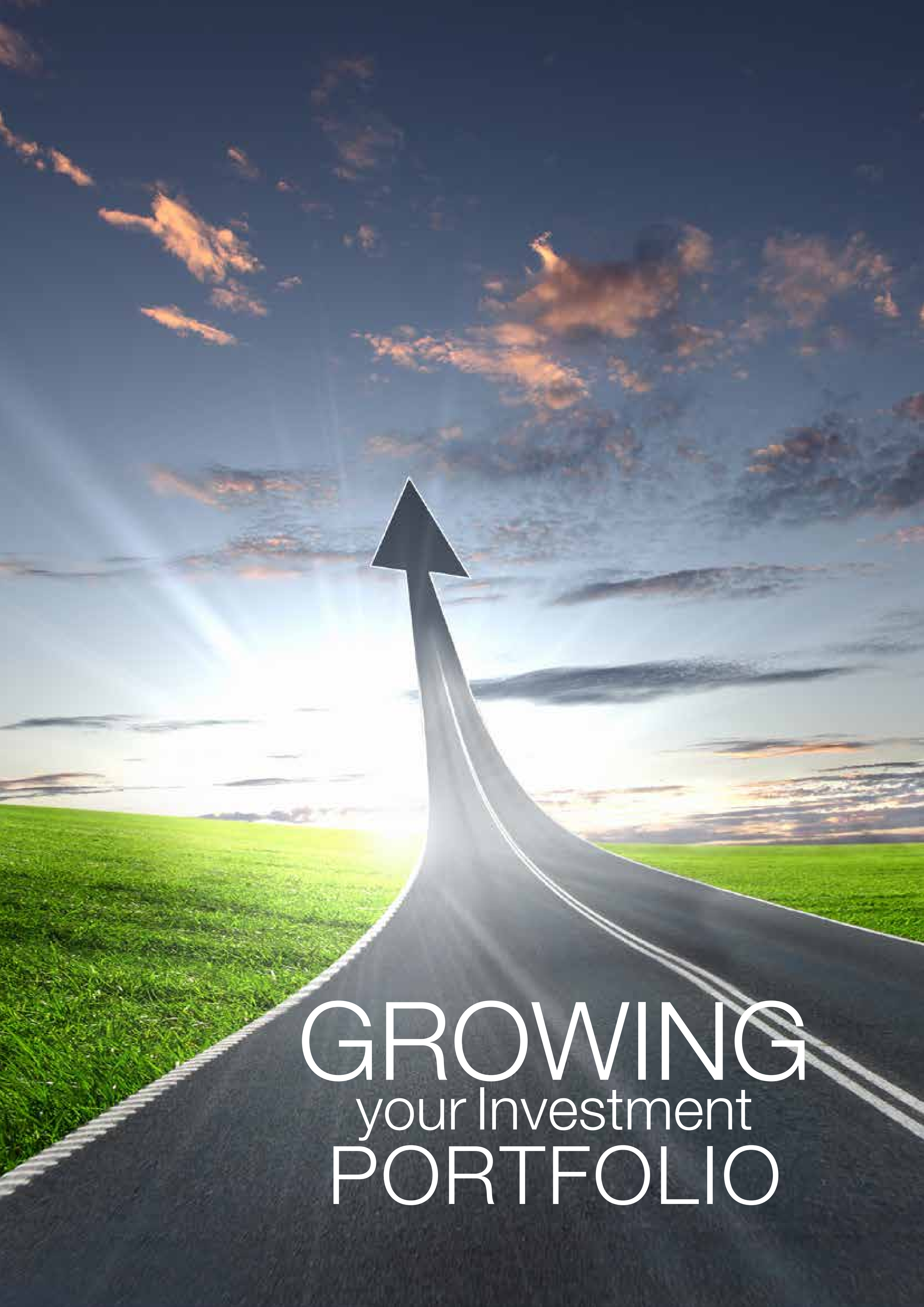
UGANDA SECURITIES EXCHANGE

Annual Report 2015

GROWING
YOUR INVESTMENT
PORTFOLIO



GROWING your Investment PORTFOLIO

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Corporate Profile

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.

The Exchange therefore 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".

Registered office

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

Corporate Information

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
Corporate Banking Division
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

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.

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. Mr Dhaka was appointed to the Governing Council in 2013.

He holds a Bachelor's degree in Agriculture with Honours and 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.

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. Mr. Kitariko was appointed to the Governing Council in 2008.

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 Analysis from Johannesburg School of Finance South Africa. Kenneth is the Chairman of the Business Conduct Committee and a member of the Rules Committee of the Exchange.

Francis Kajura

Mr. Francis Kajura serves as the Chief Executive Officer of UAP Financial Services. Mr. Kajura has vast experience in fund management & financial investment advisory. He has a Masters in Business Administration in Marketing from United States International University, Bachelor of Commerce in Finance and is a Certified Public Accountant.

Mr. Kajura was appointed to the Governing Council in 2015. Francis is a member of the Audit & Risk Committee and the Rules Committee.

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. Mr. Baldwin was appointed to the Governing Council in 2011.

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

Julius Kakeeto

He is the Executive Director of Equity Stock Brokers,a member firm of the Exchange. Mr Kakeeto was appointed to the Governing Council in 2014. 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 the Audit and Risk Committee.

Vivek Sharma

He is the Executive Director of Crane Financial Services which is a member firm of the Exchange. Mr Vivek was appointed to the Governing Council in 2015

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 HR and Compensation Committee and the Chairman of the Audit and Risk Committee of the Exchange.

Richard Byarugaba

He is the Managing Director of the National Social Security Fund (NSSF) and represents listed entities on the USE Governing Council. Mr. Byarugaba was appointed to the Governing Council in 2010.

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 & Compensation Committee of the Exchange.

Mwebesa Nkoregamba – SBG

Mr. Nkoregamba Mwebesa was appointed to the Governing Council of the Exchange as a representative of SBG Securities Limited which is a member of the Exchange. His appointment was ratified by the Governing Council on 12th November 2015.

Mr. Mwebesa serves as the Managing Director of SBG Securities Ltd and CFC Stanbic Financial Services in Nairobi. Mr. Mwebesa previously served as the Chief Executive Officer of Nairobi Stock Exchange Limited for 4 years. He has extensive experience in the financial services sector in the East African Region and has held various positions of responsibility in the banking industry. Mr. Mwebesa holds an MBA from the Maastricht School of Management and a BA from University of Nairobi

Allan Raymond Ntagi

He is the General Manager of Dyer & Blair Uganda, a member firm of the Uganda Securities Exchange. Mr Ntagi was appointed to the Governing Council in 2015

Allan is a financial services practitioner with over 20 years of experience. He holds an MSc. from Wageningen University in the Netherlands, an MBA from Africa University, Mutare, Zimbabwe. He also holds a Bachelor's Degree in Science from Makerere University in Uganda and an Advanced Diploma in International Banking from Stockholm, Sweden. Mr Ntagi is a member of the Audit and Risk Committee and the Finance & Compensation Committee.

The Management Team

Paul Bwiso
Chief Executive Officer

As the Chief Executive Officer of the Exchange, Paul is responsible for the day to day management of the Exchange and is charged with execution of the Corporate Strategy.

Before joining the Exchange in March 2015, he was the General Manager of Dyer & Blair Investment Bank Uganda Office, a position he held for 6 years. He also worked as a Finance Manager for Leads Insurance Ltd for 4 years and for UAP Insurance Ltd as a Management Accountant for 3 years.

He holds a Bachelors of Commerce Degree (Hons) Accounting and has skills in Valuation, Business Analysis, Wealth Management among others.

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 a Fellow of ACCA, UK and a member of ICPAU. Sophie holds a B.Com (Finance) from Makerere Univeristy, a Bsc (Hons) in Applied Accounting from Oxford Brookes University,UK, an MBA from Edinburgh Business School and a Certificate in Investments and Securities from CISI (UK). Sophie is currently undertaking a one year Executive training and coaching program at Strathmore Business School.

Prior to joining the Exchange in March 2014, Sophie worked with Deloitte & Touche.

Innocent Dankaine
Head of Products and Markets

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 Price Water house Coopers in Dublin, Ireland, and as an audit executive in the Financial Services department of the UK firm of Ernst & Young LLP.

Mr. 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 is also Company Secretary. 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.

Mr. Jonathan Bushara
Manager, Securities Central Depository

As Manager, Securities Central Depository, Jonathan is responsible for the day to day management of the Depository which includes the operations function as well as overseeing Product Innovation for the department.

Jonathan holds a Masters Degree in Business Administration from the Eastern & Southern African Management Institute (ESAMI). He also holds a Post graduate Diploma in Financial Management from Uganda Management Institute (UMI) as well as a Bachelors Degree in Arts (Hons) from Makerere University.

Bob Atuheirwe
Acting Information Systems Manager

Bob holds a Bachelor of Science (BSc.) in Information Technology, with Honors, from Uganda Christian University and a CPISM (Certificate of Proficiency in Information Systems Management) from Aptech Uganda. With over nine years of experience in Information Systems, Bob has worked with the Medical Research Council as System Administrator, Ministry of Trade Tourism and Industry in the IICD Project as a Database Administrator and Almo Technologies as a Senior Technical Support executive.

Chairman's Report

Charles Mbire
Chairman, Governing Council

On behalf of the Governing Council, Management and Staff, I am pleased to present this report on our performance in 2015. I am certain that 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.

AUTOMATION OF THE USE

The Uganda Securities Exchange successfully completed the implementation of an Automated Trading System (ATS) on 17th July 2015. The ATS has enhanced trading efficiency and improved liquidity on the Exchange through reducing the settlement period from 5 working days to 3 working days (T+3) to match international standards. This has enabled the Exchange to research into new and more diversified products like Real Estate Investment Trusts (REITs), Exchange Traded Funds (ETF) and derivatives, some of which we look to introduce into the Ugandan market soon. The ATS was launched on 1st September 2015 by the Prime Minister the Rt. Hon. Dr. Ruhakana Rugunda at the Kampala Serena Hotel.

DIRECT MARKET ACCESS

The Exchange will provide direct market access and mobile phone trading as a service. This initiative will enable our investors, both local and international, to trade in financial securities through a web-based service and will thus significantly increase market awareness and trading activity.

DEMUTUALIZATION OF THE USE

The Uganda Securities Exchange was incorporated as a mutual association of members. Demutualization is the process by which a mutual company changes its structure to a company limited by shares and for profit. The key objective of demutualization 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. This process is envisaged to be completed by December 2016.

COMPANY PERFORMANCE

USE posted a decline in profit for the year ended 31 December 2015. The company recorded an 84% decline in profit after tax – Ush 276 million (2014: 1,743 million). This was mainly due to a decline in turnover in the equity market (60% drop from 466bn to 187bn) and an increase in operating expenses by 47%. Trading turnover declined due to the reduced investment in equities by foreign investors due to the weakening of the shilling against the dollar, increased inflation resulting in monetary controls that increased the yield on government treasuries due a hike in the central bank rate. As a result, investors opted to invest in the fixed income securities as they offerred higher returns.

CHANGES IN THE USE GOVERNING COUNCIL

During the year, newly appointed members to the council included Mr. Francis Kajura as a representative of UAP Financial Services, Mr. Allan Ntagi as a representative of Dyer & Blair (U) Ltd. and Mr. Nkoregamba Mwebesa as a representative of SBG Securities Ltd. I warmly welcome them to the Council and look forward to their insights and contribution to the growth of the Exchange and capital market industry.

APPRECIATION

On behalf of the Governing Council, I would like to commend the Management and Staff for successfully navigating the business through 2015 and their forward looking approach.

CONCLUSION

Finally, I take this opportunity to express my gratitude and appreciation to the Government of Uganda, Ministry of Finance Planning and Economic Development, Bank of Uganda, Capital Markets Authority, Dealers and Advisors, Custodians, Issuers and other stakeholders for the continued support of the Capital Markets Industry.

Charles Mbire
Chairman, Governing Council

Chief Executive Officer's Report

Paul Bwiso
Chief Executive

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 the Exchange for the year ending 31 December 2015.

FINANCIAL PERFORMANCE

Uganda Securities Exchange registered a decline in profit after tax to Ushs. 276 million; this reflected an 84% decline from 2014's Ushs. 1.743 billion. The Exchange's total income was Ushs.2.9 Billion, a 33% decrease over the previous year's Ushs.4.3 billion.

Total equity listing fees decreased 26% to Ushs.726 million from Ushs.986 million in 2014. Brokerage commission decreased 60% to Ushs.520 million from Ushs.1.3 billion in 2014, and other operating income decreased 16% to Ushs.938 million from Ushs.1.12 billion. Total assets increased by 2% from Ushs.5.714 million to 5.821 million.

The Exchange strategically aims to focus on new listings on the market and to diversify income away from the traditional transaction levies and listing fees with focus on Data Vending, secondary market trading of Government Bonds and Real Estate Investment Trusts (REITs) among a few of the new revenue streams being pursued.

TRADING PERFORMANCE

In 2015, equity turnover was subdued with a drop of 60% from Ushs. 466 Billion (2014) to Ushs. 187 Billion while Corporate bonds turnover was recorded at Ushs.13 billion from Ushs.200 million bringing the total turnover on the bourse to Ushs. 200 billion. The share volume traded declined to 890 million shares from 2.35 billion shares in 2014 and 5,008 deals being executed on the Exchange.

The average trading day turnover was Ushs.752 million with 249 trading days. The Exchange also increased its trading hours to three and half hours from two hours previously. Umeme was the most active counter on the bourse accounting for a remarkable 82% of the trading turnover totaling to Ushs.154 billion.

THE DEPOSITORY PERFORMANCE

The number of Securities Central Depository accounts opened during the year was 2,230 bringing the total opened to 26,376. The client category with most accounts is the local investor category (70%) with East Africans having opened 21.6% and foreign accounts opened are 8.4%. The proportion of equity transactions executed by foreign investors averaged 87% on the bourse.

The number of certificates deposited by investors totaled 380 depositing 3.8 million shares in the Depository. 57.8 billion shares out of 68.4 billion Issued Share Capital were dematerialized as at 31 December 2015.

USE ACTIVITIES AND ACHIEVEMENTS

The bourse automated its trading system replacing the manual trading (Open outcry) system in July 2015. This web-based system resulted in operational efficiency for the dealers, issuers,investors and the Exchange.

The depository reduced the settlement period from 5 working days (one week) to 3 working days to comply with IOSCO international standards.

The Exchange improved its regulations to conform to the automated trading environment and new settlement period. In addition, we reviewed and improved rules which we believed were critical and in the best interest of the market and investor protection.

The Exchange as a good corporate citizen participated in Corporate Social Responsibility (CSR) activities such as the Cancer Run, FIRE awards, in addition to the annual industry sports gala.

The Exchange through the East African Securities Exchanges Association hosted the partner Exchanges to discuss matters of a mutual benefit towards the harmonisation of one market. We also were involved in the Exchange's connectivity of the trading platforms through an East African Community Secretariat initiative.

The bourse also reorganized its Products and Markets department to separate the depository function from the trading function, thereby creating 'chinese walls' and operational effectiveness.

One a sad note, we lost a dear member of our staff, Irene Nasolo, during the year. We thank her for her commitment and service to the Exchange and depository. We pray to the almighty God to bless her family and may she rest in eternal peace.

FUTURE OUTLOOK

We will enhance our trading solution to tap into the potential retail investors market segment which is an area of opportunity for the Exchange. This will be through direct market access for investors to ease their access to the market.

We will demutualize the Exchange by working with all relevant stakeholders to achieve this objective.

We will undertake increased investor education and market development activities to increase knowledge of the capital markets and benefits to the investing public.

We will continue to train our staff and market participants in the new technology and new products and services we plan to develop in addition to the latest financial skills.

We will undertake a review of our Strategic plan and come up with a new five-year strategy with clear and key deliverables for the Exchange.

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, dealers and service providers for their unwavering support.

Paul Bwiso
Chief Executive

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 on an automated trading platform. Our operations are aimed towards efficiently facilitating the equity transactions, ensuring efficient and timely trade reporting, clearing and settlement of securities, market data dissemination, market surveillance and market regulation.

A) PRODUCTS AND MARKETS

MARKET DEVELOPMENTS DURING THE YEAR

1. Total Market Activity

The total turnover realized on the market was 200.9 billion. of which Ushs 187 billion was from equities while Ushs 17 billion was from bonds.

2. Fixed Income Segment

Primary market fixed income activity

i) **Government Bond listings:**

Ten treasury bonds with a total value of Ushs 2,143,005,500,000 were issued by the government and listed on the bourse compared to UGX1,080,000,000,000 in 2015. As in previous years, secondary market trading was mainly effected by the primary dealers on an Over The Counter (OTC) market. Details of bonds issued are as per the below table:

Bond ISIN	2015 (UGX 000)	2014 (UGX 000)
FXD 2/2014/2		100,000,000
FXD 3/2014/2		90,000,000
FXD 4/2015/2		100,000,000
FXD 5/2014/2		140,000,000
FXD 6/2014/10		120,000,000
FXD 7/2014/2		100,000,000
FXD 8/2014/5		150,000,000
FXD 9/2014/2		60,000,000
FXD 10/2015/5		220,000,000
UG000001350	35,200,000	
UG000001400	154,000,000	
UG000001327	110,000,000	
UG000001509	80,000,000	
UG000001517	161,000,000	
UG000001509	18,227,100	
UG000001400	163,000,000	
UG000001509	16,222,300	

Bond ISIN	2015 (UGX 000)	2014 (UGX 000)
UG000001509	60,000,000	
UG000001533	120,000,000	
UG000001541	100,000,000	
UG000001509	31,060,500	
UG000001517	118,939,500	
UG000001012	15,669,700	
UG000001400	29,952,500	
UG000001533	62,271,000	
UG000001558	9,173,000	
UG000001558	4,430,300	
UG000001590	83,217,500	
UG000001400	91,109,500	
UG000001558	37,976,500	
UG000001012	91,556,100	
UG000001533	100,000,000	
UG000001590	170,000,000	
UG000001616	80,000,000	
UG000001624	200,000,000	
TOTAL	**2,143,005,500**	**1,080,000,000**

Source: Product Markets dept

Secondary market trading in Fixed Income Securities

(ii) Corporate Bond trading:

During the period, the total volume increased to 129 million corporate bond units and turnover of corporate bonds on the secondary market increased to Ush 17 billion from Ush 200 million in 2014, an increase of 6,700%.

3. Equity Market Segment (MIMS)

Primary Market Activity

There was no listing on the primary market.

Secondary market activity

The secondary market activity was subdued this year compared to 2014, with equity turnover decreasing by 59.9% from Ushs 466bn in the previous year to Ushs187bn in 2015. The number of shares traded also declined from 2.35bn compared to 879 million shares while the total number of deals recorded was 5,008 down from 6,147 in 2014.

Activity on the equity segment was dominated by activity from UMEME and STANBIC accounting for 82.51% and 8.71% of the total turnover respectively. The only cross listed counter that traded was CENTUM. Trading activity was dominated by the local counters accounting for over 99% of the total turnover and volume.

Equities Trading by quarter

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Total
Volume	311,644,418	202,277,003	166,797,985	198,144,728	878,864,134
Turnover	54,861,313,394	52,335,875,308	37,991,856,431	42,079,288,945	187,268,334,078
Daily avg TO	897,079,888	872,269,088	564,025,778	671,063,276	752,081,663
Trades	1,240	1,149	1,240	1,391	5,008
Daily avg Trades	20	20	20	22	21
Trading days	62	60	65	62	249

Source: USE Product Markets Department

Equities Trading Turnover by quarter by listed issuer

	Q1	Q2	Q3	Q4	Annual 2015	%
ISSUER	Turnover (Ushs)	Turnover (Ushs)	Turnover (Ushs)	Turnover (Ushs)	Turnover (Ushs)	Turnover
UCL	62,018,628	5,522,649	18,681,893	8,460,357	94,683,527	0.05%
DFCU	481,679,354	5,451,641,495	2,749,918,366	1,408,914,640	10,092,153,855	5.39%
CENT	73,613,200	4,201,200	-	-	77,814,400	0.04%
BOBU	470,008,336	241,003,230	1,126,947,593	381,167,240	2,219,126,399	1.18%
UMEME	47,570,495,887	43,002,143,787	29,679,440,537	34,259,229,223	154,511,309,434	82.51%
BATU	28,752,600	101,106,500	42,507,830	1,537,807,800	1,710,174,730	0.91%
NIC	1,332,770,241	8,183,544	26,017,054	10,330,597	1,377,301,436	0.74%
SBU	4,522,913,084	3,399,571,189	3,939,236,435	4,441,913,471	16,303,634,179	8.71%
NVL	319,062,064	122,501,714	409,106,723	31,465,617	882,136,118	0.47%
TOTAL	54,861,313,394	52,335,875,308	37,991,856,431	42,079,288,945	187,268,334,078	**100%**

Source: USE Product Markets Department

Overall, the year experienced declines in trading activity (volumes and turnover) primarily as a result of one off corporate actions executed in 2014. These corporate actions included :

i) The restructuring of DFCU Limited's shareholding structure;

ii) The Umeme Holdings Limited secondary offer of shares to the general public.

Excluding the effects of the above two transactions, the USE's turnover for 2015 was fairly flat compared to turnover in 2014.

Annual Trading Volume and Value Comparison

Year	Turnover (Ushs)	Volume	Deals
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
2015	187,268,334,078	878,864,134	5,008

Source: USE Product Markets Department

In 2015, we traded an average of 3.57 million shares per day down from 6.5 million shares per day, a decrease of 45% from 2014 and up from an average of 350,000 shres per day in 2009.

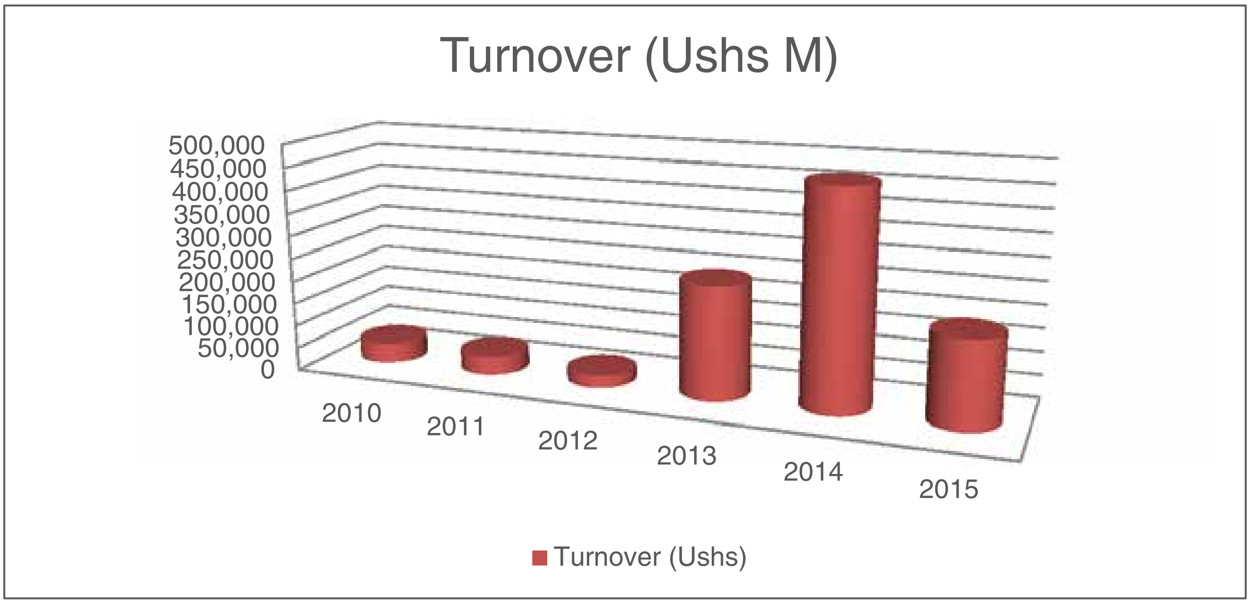


Figure 1: Annual Turnover – Equities Segment

The New Vision CEO explaining the financials of 2015 to analysts at the USE offices in October 2015

4. Index Performance

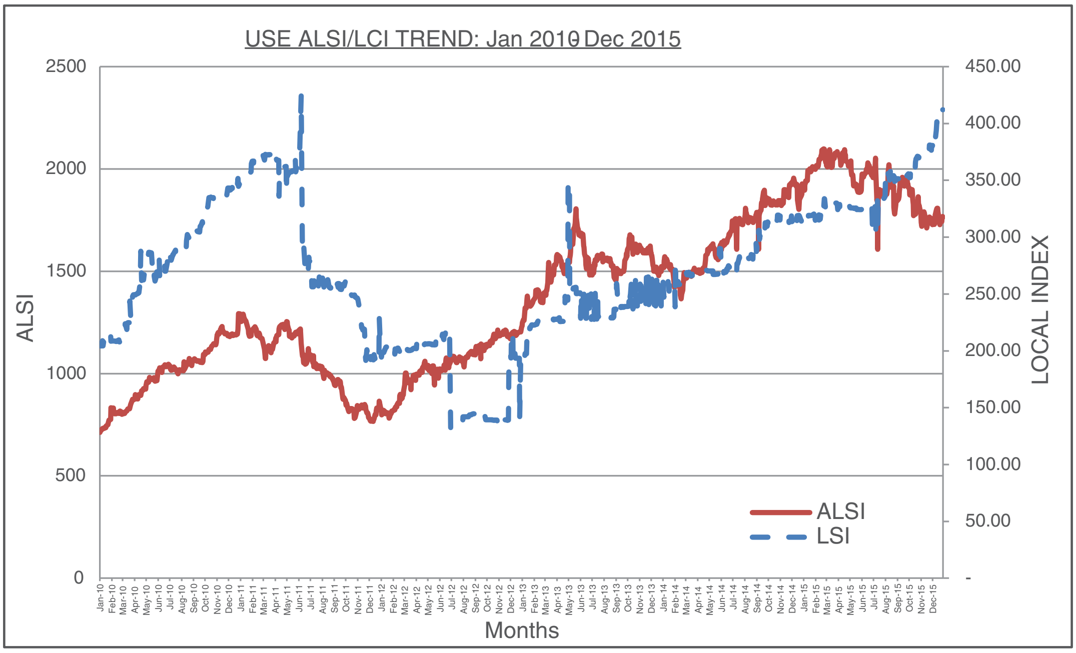
USE ALSI Index performance

The USE All Share Index (ALSI)opened at 1905.85 in January 2015 and declined to close at 1763.75 on 31 December 2015 with an overall decline of 7.46%.

USE LSI Index Performance

The Local Share Index (LSI) opened in January 2015 at 318.63 rising firmly to close at 412.07 as at 31 December 2015 with overall growth of 29.30%.

The graph below shows the trend for both ALSI and LSI for the 12 months ended 31 December 2015



The graph below shows the trend for both ALSI and LSI from inception in January 2010 to 31 December 2015.

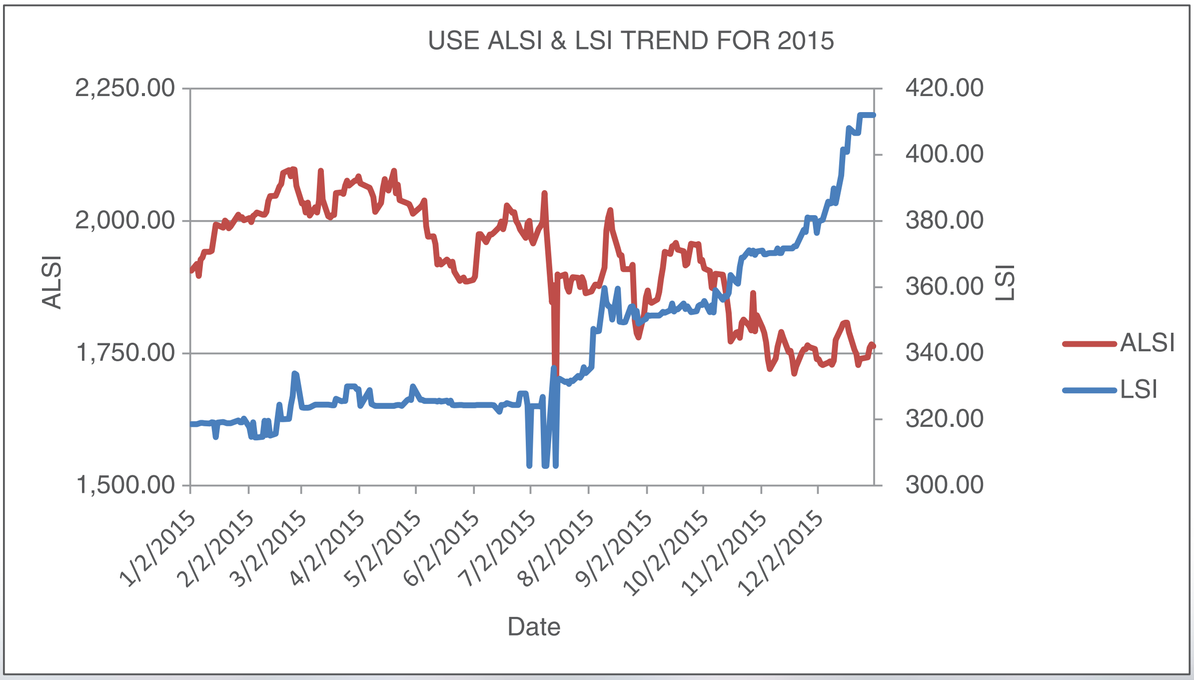


Figure 3: USE Product Markets Department

5. New Trading Rules

During the year, the USE also introduced new trading rules for the automated trading environment. Further details on this can be found in the Legal & Compliance section of this report.

6. Automation of Trading

With effect from July 22nd 2015, the Uganda Securities Exchange launched an electronic market to replace the manual trading (open outcry) system which required stockbrokers to convene on each trading day to conduct business (buying and selling of shares) on behalf of investors.

The new electronic platform enables participants to conduct their business from various locations by accessing the Uganda Securities Exchange through the internet. The automated trading system operates on agreed rules which are in-built in the system and therefore guarantees adherence to time and price priority principles in the interest of market fairness and transparency.

1. **Participants**: The participants to the new system are all stock broking firms who have been examined for competency and understanding of the new environment. All registered Member firms of the Uganda Securities Exchange meet the requirements to participate in the new electronic market and are therefore able to provide uninterrupted services to their clients seamlessly.

2. **Eligibility of Securities to be traded on the new Platform**: The new platform trades only dematerialized securities in conjunction with services offered by Securities Central Depository (SCD). Securities not yet registered on the SCD are not eligible for trading on the USE's new electronic platform.

3. **Hours of Business**: Following the Automation, the USE's operating hours changed from the previous 2 hourly daily schedule between 10:00am – 12:00pm to a daily schedule operated between 09:30am to 01:00pm excluding weekends and public holidays.

Brokers at the launch of the Automated Trading System on 1st September 2016

7. Future Outlook

The Automated Trading System (ATS) is able to trade equity, debt, REITS (Real Estate Investment Trusts), Derivatives, and GDRs (global depository receipts). Instruments that are currently actively trading through the ATS/SCD are equities and corporate bonds.

Our emphasis for 2016 will be to achieve:

i) Bringing new listings to the market;

ii) Trading and settlement of government bonds through the USE's infrastructure;

iii) Exploring availing market data in real-time to data vendors

iv) Enabling direct market access through internet and mobile trading

Securities Central Depository

The year 2015 will be recorded as a pivotal time in the history of the Uganda Securities Exchange and the Capital Markets Industry at large.

Indeed this year at the Exchange has been marked by exciting developments and key among which was the long awaited Automated Trading Platform (ATS). In the second quarter of this year, the depository enhanced its status to align itself with the fully automated trading environment of the Exchange and as a result ensured that critical aspects would be addressed as mentioned below;

i. Settlement Cycle
First and foremost the depository had to adjust its settlement cycle from T+5 to T+3; the settlement rules and procedures were revised and adopted by the market and these now match with the International standards procedures in the region. This enhancement was marked with significant relevance for both the market players and the clients. Settlement of funds can now be cleared in a shorter time span to allow for faster turnaround of delivery versus payment for an investor. This development alone has seen a remarkable improvement in trading volumes on the Exchange.

Custodians at the USE End of Year Dinner - December 2015

ii. System Upgrade
The depository was upgraded to match the specifications that were required by the ATS and with the help of Securities and Trading Technology (STT) a more robust and interactive application was implemented. The interaction between the ATS and the depository is facilitated by an internationally recognized swift encrypted message which implies that all transactions executed on the ATS are immediately communicated to the depository for action. This enhancement has seen a steady growth in the number of transactions executed in the depository, with more investors accessing the market.

iii. Stand-Alone Function
This year also saw the depository achieve a stand-alone status, a requirement which is provided for in the Securities Central Depository (SCD) Act. This now implies that the SCD is now ready to operate and function in a semi-autonomous environment, as a subsidiary of the Exchange.

The stand-alone objective of the depository will enable the department serve its clients better as well as provide operational procedures that meet international best practice. The SCD is committed to serving its customers with integrity and efficiency and promises to provide avenues that will provide value of its clients.

Services provided by the Depository

The SCD has the following services that it provides to its clients;

- **Statement of Accounts**
  SCD is mandated to provide client account statements semi annually to all active and non-active clients in the Depository. The SCD provides monthly statements of accounts on request to all holders of active securities accounts. SCD mails these statements of accounts directly to securities account holders at the addresses recorded in the system. Investors receive regular statements detailing their electronic holdings and, as these statements are not negotiable instruments, investors need not worry about loss or duplication of such statements. Clients can request for statements as and when they so wish to enable them monitor their accounts. All such requests are at a fee of Ugx 3,000 per statement.

- **Accounts Opening**
  Securities Central Depository Agents (SCDAs) open and maintain Securities Accounts. These comprise Clients' Securities Accounts and Participants' (proprietary/dealers) Securities Accounts which are segregated from each other. Clients' Securities Accounts are opened through and/or registered with a Securities Central Depository Agent (Stockbrokers/ Investment Advisors an or Custodian Banks). A Client may open account which can be linked to several Securities Central Depository Agents.

- **Deposits**
  SCD accepts deposits of securities certificates from Clients through SCDAs. To use the services, the investor opens a Securities accounts in the system through an SCDA. Deposited certificates are submitted to the registrar for verification before they are confirmed and authorized in the SCD. Clients' Securities Accounts are credited only upon receipt of the written confirmation of the authenticity of the deposited certificates from the registrar. This process eliminates the risk of introducing invalid securities in the SCD system.

- **Withdrawals**
  Clients can withdraw securities from the SCD by submitting a request through the relevant SCDA. Upon withdrawal, the Client Securities Account is debited and the issuer's registry is instructed to issue a certificate in the name of the client.

- **Pledges & Releases**
  The Depository Services also include the recording of pledges in favour of lending institutions with the agreement of both the borrower & the lending institution. This is the process by which shares are used as collateral. A standard pledge form (SCD 5) is completed by the client and approved by the SCDA and the lender. The completed form is delivered to SCD by the SCDA where the securities are frozen and confirmation is done directly to the lender. Once the loan facility has been cleared, a release form (SCD 6) is completed by the lender and the SCDA, and delivered to SCD where the shares are released. In the records of SCD, a pledgor remains the shareholder of the pledged securities. However, the pledgor cannot access these shares unless the pledgee submits the appropriate pledge release instruction (SCD 6) in accordance with SCD Procedures. The shares remain in a frozen state on the pledgor's account.

- **Transfers**
  An investor may have an account with more that one agent, by registering his/her SCD account with Securities Central Depository Agents. The investor can request to transfer securities among these agents by submitting the relevant documentation.

- **Pledge of Securities**
  The depository facilitates transfer of securities under lien. Investors can request the depository through their agents to pledge securities; such securities are kept in a frozen state until a time when communication is submitted to unfreeze.

- **Inter-Depository**
  The Securities Central Depository has an inter-depository transfer mechanism where securities of a primary jurisdiction can be transferred to a secondary market. This mechanism has been established between the Ugandan and Kenyan depositories, to allow for shares to be transfered to a market of the client's choice. Currently only the UMEME counter is benefiting from this initiative.

- **Settlement**
  The SCD settles funds through a single settlement bank. All settlement participants (SCDAs) are required to open a settlement account with the Settlement Bank. On settlement date, funds transfer amongst participants takes place on a net basis at the Settlement bank. Simultaneously the seller's Securities Account is debited and the buyer's Securities Account is credited with the Securities. By implementing strict delivery versus payment (DVP) within a T+3 settlement cycle, the SCD significantly improved the efficiency of the settlement mechanism in the stock market. This simultaneous exchange of cash and securities, guarantees irrevocability of settlement and offers the high level of customer protection.

- **ISIN – Generation**
  The USE is a member of the Association of National Numbering Agencies (ANNA) and is recognized as the National Numbering Agencies for Uganda. USE's depository is responsible for codifying all financial instruments listed on the market by issuing unique ISIN codes in accordance with the ISO-6166 standard. The ISIN codes allocated to listed instruments are shown on all reports generated by the SCD. The SCD also allocates CFI Codes to instruments in accordance with the ISO-10962 standard.

Below is a list of members that are licensed to operate as agents (SCDAs) in the depository.

Broker/Dealers
African Alliance Uganda Limited
Baroda Capital Markets (U) Ltd
Crane Financial Services Limited
Crested Capital Limited
Dyer and Blair Uganda
Equity Stock Brokers (U) Ltd
SBG Securities
UAP Financial Services

Custodians
Housing Finance Bank
KCB Uganda
Stanbic Bank Uganda
Standard Chartered Bank Uganda

FUTURE OUTLOOK

- Dematerialization of Securities
- Central Bank Settlement of Securities.
- Provision of Online access.
- Public Awareness Campaigns

SCD Statistics as at 31.12.2015

1. Account Opening

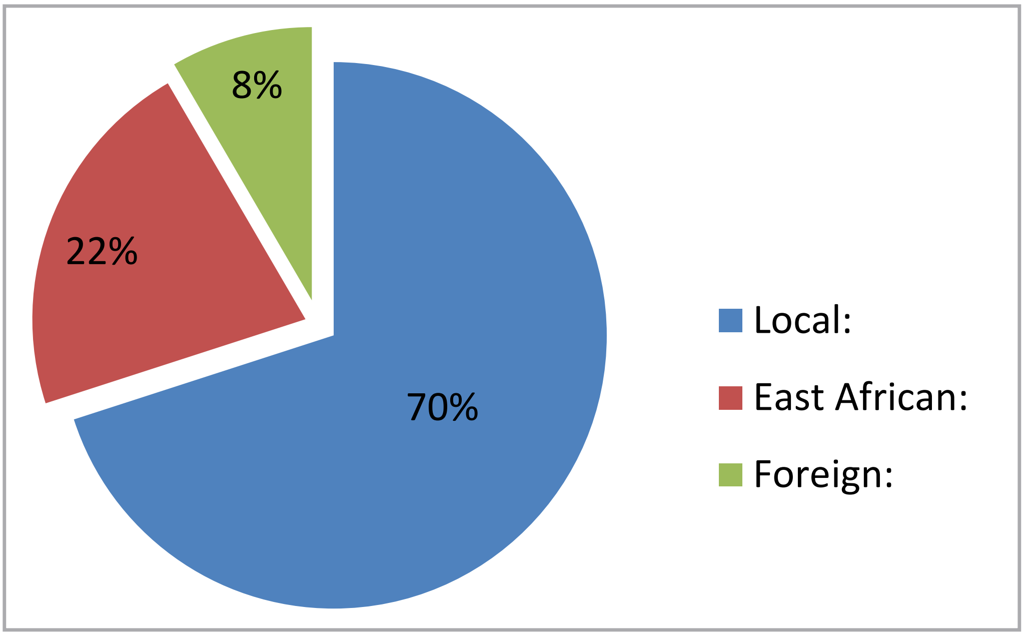
2014	2015	NEW ACCOUNTS
24.146	26.376	2,230

2. Approved Scd Accounts – By Category

Local Participation:	70.02%
East African Participation:	21.57%
Foreign Participation:	8.41%

***Category in the table caters for Both Individuals and Institutions**

SCD ACCOUNTS APPROVED BY CATEGORY



Source: Securities Central Depository

Accounts activated in the depository during the period under review show that 70 per cent were opened as local accounts which represent both local individuals and companies. Accounts opened under the East African category represented 22 per cent, while those that belonged to the foreign category represented 8 per cent of the holding in the depository. Accounts held in the depository are categorized under Individual; Company; minor accounts held in trust and nominee accounts.

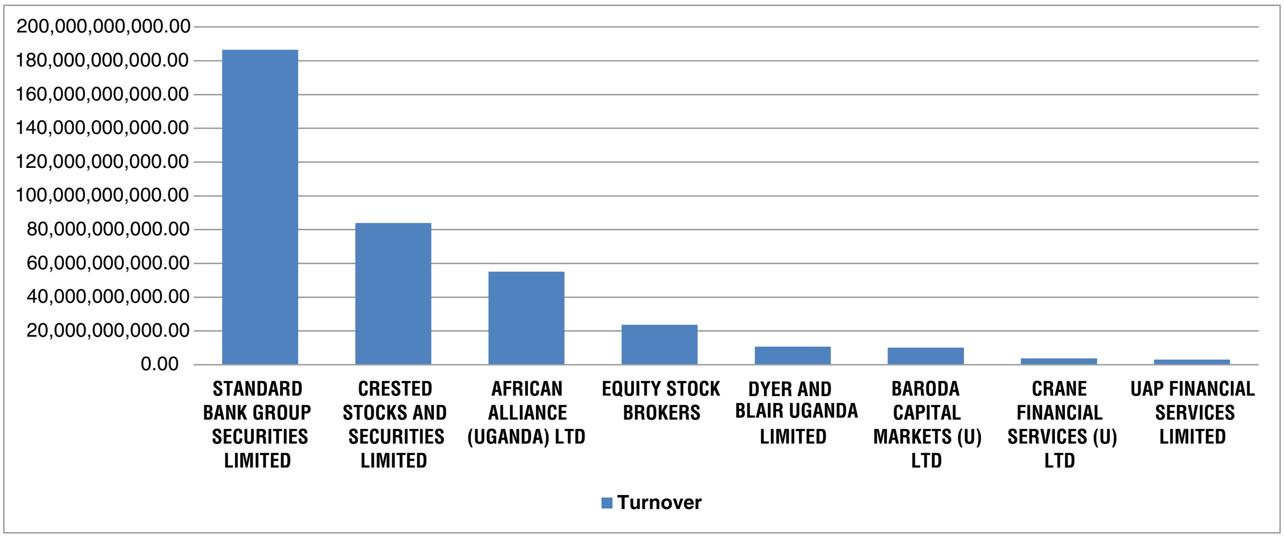
3. Broker Ranking By Turnover for The Year 2015

BROKER NAME	TURNOVER (Ushs)	PERCENTAGE (%)
STANDARD BANK GROUP SECURITIES LIMITED	187,996,049,550	50.5
CRESTED CAPITAL LIMITED	97,081,120,239	26.1
AFRICAN ALLIANCE (UGANDA) LTD	60,551,432,995	16.3
EQUITY STOCK BROKERS	11,619,282,309	3.1
DYER AND BLAIR UGANDA LIMITED	5,791,852,329	1.6
BARODA CAPITAL MARKETS (U) LTD	4,883,806,156	1.3
CRANE FINANCIAL SERVICES (U) LTD	1,909,934,631	0.5
UAP FINANCIAL SERVICES LIMITED	2,325,160,499	0.6
TOTAL	374,536,668,156	

Source: Securities Central Depository

The table shows broker rankings in terms of transactions executed in the Depository. Standard Bank Group (SBG) Securities total closed with 50.5 per cent of the turnover, while Crested Capital Limited and African Alliance Uganda posted 26.1 per cent and 16.3 per cent respectively. The rest of the brokers scored below 5 per cent. Much of the performance was driven by foreign participation. Below is a graph with summary of participation.

BROKER Performance



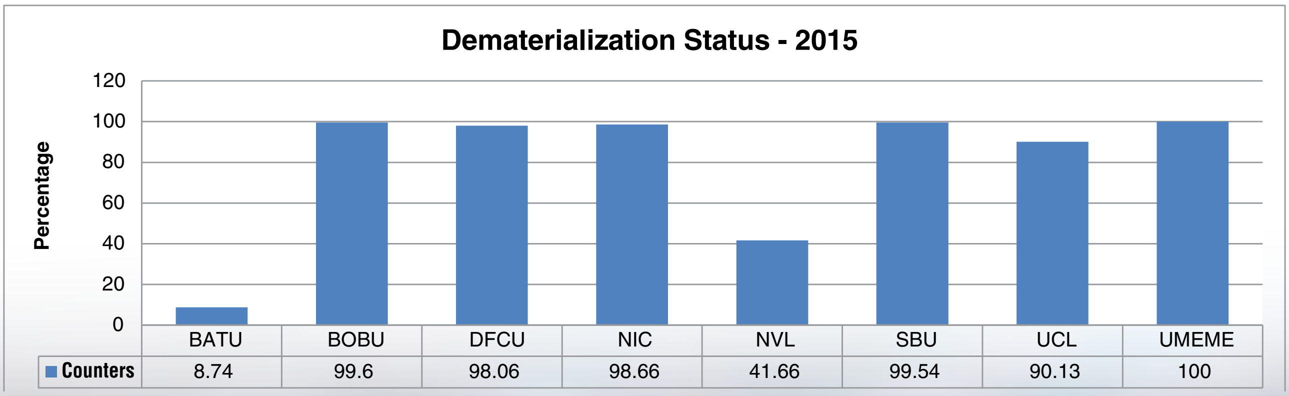
4. Dematerialization Summary as at 31ST December 2015

N0.	Security	Share Capital Issued	Shares Deposited in SCD	%age in SCD	%age in Certificate Form
1	BATU	49,080,000	4,287,41	8.74	91.26
2	BOBU	2,500,000,000	2,490,103,704	99.60	0.40
3	DFCU	497,201,822	487,531,419	98.06	1.94
4	NIC	1,415,779,718	1,396,789,173	98.66	1.34
5	NVL	76,500,000	31,868,169	41.66	58.34
6	SBU	51,188,669,700	50,954,835,300	99.54	0.46
7	UCL	900,000,000	811,178,176	90.13	9.87
8	UMEME	1,623,878,005	1,623,878,005	100.00	0.00
9	CENTUM*	665,441,775	5,916,296	100.00	0.00
10	EABL	790,774,356	0	100.00	0.00
11	EBL	3,702,777,020	127,331	100.00	0.00
12	JHL	59,895,000	0	100.00	0.00
13	KCB	3,025,219,832	26,025	100.00	0.00
14	KA	1,496,469,035	0	100.00	0.00
15	NMG	188,542,286	1,000	100.00	0.00
16	UCHUMI*	364,959,616	30,554	100.00	0.00
	TOTAL	**57,800,655,275**	**68,404,572,348**		

Source : Securities Central Depository

The total number of shares issued by companies listed and/or cross listed on the Uganda Securities Exchange is 68.4bn. Out of this total, 57.8bn shares are held in electronic / immobilized form by the Securities Central Depository (SCD). The SCD targets to hold 100% of the total issued shares (for local listed companies) in electronic form and has embarked on an exercise to fully dematerialize all issues listed on the USE.

The depository currently holds 5,916,296 shares introduced from the CDSC Kenya.



Source : Securities Central Depository

5. Inter – Depository Transfer: - as at 31.12.2015

Counter	Shares Transferred to CDSC - Kenya	Listed Shares on Primary Market	Percentage (%)
UMEME	71,600,854	1,623,878,005	4.4

Source: Securities Central Depository

The inter-depository mechanism was implemented to facilitate the transfer of securities between the regional markets. Currently UMEME Limited is cross listed on the Nairobi Securities Exchange giving investors an opportunity to benefit from the two markets. As at 31st December, 71,600,854 million shares had been transferred to the Kenyan depository representing 4 per cent of the holdings. The inter-depository mechanism can only be achieved with a fully dematerialized environment.

Information Systems

For the year under review the Information systems department saw a lot of growth and advancement in technology. While the key strategic objective for the department is to develop and enhance technology to optimize business operations and functions. Central focus was put into operationalizing the long awaited Automated Trading system. This was followed by intense Inter-departmental System infrastructure changes which saw more developments and change in technology.

AUTOMATED TRADING SYSTEM

The Information Systems department had long been in the process of operationalizing an automated trading system. In the year 2014-2015 the department saw intensive hardware and software procurements. The year 2015 saw final implementation of the automated trading system. They System went live on the 17th of July 2015 and was launched on the 1st of September 2015, at the Serena Kampala. There was also general training of the market players on how to optimize the best functionalities within the Trading system.

The Automated Trading System came with a host of product lines and capabilities. The system is capable of fixed income trading, that is; Government, Corporate and Municipal bonds, Derivatives, Foreign Exchange, and Exchange Traded Funds (ETFs). Currently the Information systems Department is hosting only Equities Trading on the Automated Trading System (ATS). There are plans to expand into other product lines in the future.

INFORMATION SYSTEMS INFRASTRUCTURE

There has been a lot of development in the general information systems infrastructure. We have seen a growth in the communications networks and increased transactions on the infrastructure core operating systems. The year 2015 also saw an upgrade of core Network and administrations systems; this presents to the Exchange improved security and also service delivery channels. There has been a managed growth in the energy consumption, with a focus on greener ways of managing it. The USE Data center has been improved with greater focus on physical Security and fire suppression mechanisms and added surveillance. The introduction of biometric access systems to the data center has added an extra layer to the physical security of the center.

Notwithstanding the general Infrastructural growth of both hardware and software, the Department embarked on improving the general governance and policies to be aligned to industry best practices internationally.

IT GOVERNANCE AND POLICY

The year under review both experienced high growth and also change in technology used to implement core applications and the operational structure of the department.

This has resulted in a need to review the general operations of the department in terms of core operational policies such as change management, asset control, physical and systems security to mention but a few. The Department has since had a general review of its policies and aligned them to the new and improved systems and new operations within the department.

RESEARCH AND DEVELOPMENT

Due to the many developments within the Exchange the information systems department team has mainly, research and development. This is manly to give way to the development of solutions to factor into the Exchange's annual Strategic objectives with continual development.

Legal and Compliance

KEY ACTIVITIES OF THE LEGAL & COMPLIANCE DEPARTMENT

1. Compliance Monitoring

The department provides support to the Exchange through developing compliance tools and checklists which are used to check and monitor compliance of the Exchange with the Companies Act, Capital Markets Authority Laws and Regulations as well as with the USE rules. The department also monitors compliance of USE member firms to ensure that they meet their financial obligations, and business conduct requirements of the Exchange. Companies listed on the Exchange are also monitored closely to ensure that they are in compliance with their continuing listing obligations.

2. Development and revisions of rules and procedures

The department is required to develop and revise USE's rules to ensure that they are in line with the Companies Act, CMA laws and Regulations. In the formulation and revision of rules and procedures, a heavy reliance is placed on international best practices which are used to benchmark and compare with our own rules.

Amendments undertaken to the USE rules and procedures in 2015.

Following the complete automation of the trading and settlement platforms, USE made revisions to its trading and settlement rules to reflect the changes from a manual based to an electronic trading environment.

- **USE Equity Trading Rules 2015**
  In January 2016 USE received approval from the Capital Markets Authority for amendments to Rule 1 & 14 (1) of the Equity Trading Rules 2015 in regard to All or Nothing (AON)transactions to the effect that beginning on 1st February 2016, the AON facility will be restricted to trades equal to or above UShs 4 billion. All trades below this threshold are executed on the Normal Board.

- **USE Rules 2003**
  In January 2016 USE received approval from the Capital Markets Authority for amendments to Rule 87(5) of the USE Rules to provide that a broker/dealer shall not share commission except with an authorized representative or a foreign broker subject to a maximum of 50%."

- **USE SCD Rules 2009**
  In June 2015, USE received approval from the Capital Markets Authority to amend Rule 69 of the USE SCD Rules 2009 to the effect that settlement shall be effected by T+3 as indicated at the time of trading.

- **USE SCD Procedures August 2009**
  In August 2015, USE amended its SCD procedures to reflect changes in the timelines for clearing and settlement of securities in the SCD from T+5 to T+3 settlement cycle.

3. Coordination of the Secretarial function

The department coordinates Governing Council meetings, organizes the AGM, ensures that board minutes are drafted and that all matters deliberated upon by the Council are actioned in line with the CMA and USE regulations.

4. Providing day to day legal support to operations

The legal department provides opinions in regard to day to day operations of the exchange including but not limited to interpreting the rules and regulations, providing opinions on trade disputes that arise in the ordinary course of trading and ensuring that the Exchange is operating in line with the business conduct rules.

FUTURE OUTLOOK OF THE DEPARTMENT

1. Consolidation of USE rules amendments

The department will undertake the consolidation of all the amendments made to USE rules since inception. USE develops and amends its own rules which are thereafter approved by the Capital Markets Authority.

2. Improving compliance of listed companies and member firms.

The department will adopt a risk based approach for the supervision of its member firms and engage quarterly with listed companies through issuer forums and trainings.

3. Improve Corporate Governance Standards.

The Governing Council in 2014 passed a resolution to demutualize the Exchange. Demutualization is a process that will transform the Exchange from a mutual based organization to one whose trading rights are separated from ownership with the end goal being to self list USE on the stock exchange.

4. Dematerialization of securities listed on the Exchange

USE will embark on the dematerialization of all securities listed on the Exchange. A process that will see to the elimination of physical share certificates as a record of security ownership Physical certificates will no longer be evidence of ownership of securities in the Securities Central Depository.

5. USE Rules Development

Full automation of the USE's trading platform has enabled USE to introduce new products into the market. The department will develop Fixed Income trading rules for the secondary trading of both government and corporate bonds, rules to regulate the Real Estate Investment Trusts (REITs), rules to govern listing by introduction, private placements, Exchange Traded Funds (ETF) as well as Derivative rules.

Existence of an organizational code of conduct and a whistle blower's policy

All staff members are required to abide by the Code of Conduct of the Exchange and in particular regard to confidentiality of Client information held by the Securities Central Depository. USE Staff are required to report any cases of conflict of interest whether directly or indirectly

Procedure to identify and manage any conflicts of interest in the organisation

The USE rules contain procedures that ensure that situations of conflict of interest are handled and reported. All staff members are required to notify and receive approval from the Chief Executive Officer prior to purchasing or selling their own shares.

The rules provide checks which ensure that the occurrence of insider trading is avoided through setting up of mandatory closed periods within which they cannot buy or sell securities. This also applies to close family members and associates of employees of the Exchange and listed company directors and employees as well.

Regional Initiatives

Through the East African Securities Exchange Association (EASEA), the stock exchanges are pursuing a number of initiatives to drive growth in the capital markets of their individual countries.

The 25th East African Securities Exchange Association meeting was held on Friday 24th July 2015, at the Munyonyo Common Wealth Resort Hotel in Kampala where regional integration through electronic linkages for trading and the depository structures of the stock exchanges in the EAC was discussed.

It was agreed by the members that with the advancement of technology now available in the different markets, it was becoming increasingly possible for the stock exchanges to have multi connection at a very minimal cost while at the same time allowing for cross border trading, clearing and settlement.

The Securities Industry Training Institute (SITI)

At the Securities Industry Training Institute (SITI) Board meeting held on Thursday 23rd July 2015 at the Munyonyo Common Wealth Resort Hotel in Kampala, the members agreed that the focus of SITI in the coming year is to aggressively pursue its core mandate which is to educate and train the public about the stock market and carry out securities and investments trainings within the region. The SITI board pledged to work to strengthen regional public awareness of the capital markets and the investment opportunities in the region.

Delegates at the 25th East African Securities Exchanges Association conference at Speke Resort Munyonyo, July 2015.

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

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

The Council's key role is to provide enterprenual leadership of the Exchange within a framework of prudent and effective controls which enable risk to be assessed and managed. 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 members are shown in the table below:-

Name	Designation
Mr. Charles Mbire (Institutional director)	Chairman (Representative of the investors)
Mr. Richard Byarugaba (Listed company director)	Representative of the Listed Companies
Mr. Francis Kajura (Stock broker director)	CEO UAP Financial Services Ltd
Mr. Robert Baldwin (Stock broker director)	CEO Crested Capital
Mr. Vivek Sharma (Stock broker director)	Executive Director Crane Financial Services Ltd
Mr. Birbal S. Dhaka (Stock broker director)	Managing Director Baroda Capital Markets Ltd
Mr. Julius Kakeeto (Stock broker director)	Executive Director Equity Stock Brokers Ltd
Mr. Allan Ntagi (Stock broker director)	General Manager Dyer and Blair(U) Ltd
Mr. Kenneth Kitariko (Stock broker director)	CEO African Alliance(U)Ltd
Mr. Nkoregamba Mwebesa (Stock broker director)	CEO SBG Securities Ltd

Governing Council and Committee composition

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.

Changes in GC members during the year

1. Mr. Nkoregamba Mwebesa was appointed to the Governing Council of the Exchange as a representative of SBG Securities Limited which is a member of the Exchange. His appointment was ratified by the board on 12th November 2015.
2. Mr. Francis Kajura who is a representative of UAP Financial Services replaced Mr. Patrick Ndonye on the Governing Council. His appointment took effect on 28th May 2015.
3. Mr. Allan Ntagi replaced Mr. Paul Bwiso on the Governing Council. His appointment took effect on 18th May 2015. He is a representative of Dyer and Blair which is a member of the Exchange.

Attendance of meetings by GC members

Director	12th November 2015	21st October 2015	5th May 2015
Charles Mbire	A	A	√
Kenneth Kitariko	√	√	√
Birbal S. Dhaka	A	A	A
Vivek Sharma	A	A	√
Robert Baldwin	√	√	√
Allan Ntagi	√	√	√
Julius Kakeeto	√	√	√
Francis Kajura	√	A	√

√ = Attendance A = Apology

Reports on different activities of GC committees

Business Conduct Committee

The Business Conduct Committee is mandated to deliberate on all issues relating to product innovations, business conduct of members, compliance of issuers with their continuing listing obligations and admission of securities including additional listings onto the Exchange. This Committee is also charged with reviewing the conduct of issuers and members in the market and where required, recommend disciplinary measures or levy penalties against non compliant members. In 2015, the BCC recommended amendments to the USE Equity Trading Rules 2015 relating to All Or None Transactions, SCD clearing and settlement procedures and commission rebates.

Business Conduct Committee Attendance in 2015

Director	9th November	22nd October	19th August	20th April
Kenneth Kitariko (Chairman)	√	√	√	√
Robert Baldwin	√	√	√	√
Richard Byarugaba	√	√	A	A
Julius Kakeeto	√	√	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

Director	14th November	13th August	20 January
Birbal S. Dhaka (Chairman)	√	√	√
Richard Byarugaba	A	√	√
Vivek Sharma	A	√	√
Allan Ntagi	√	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.

Director	1st July 2015	11th March 2015
Vivek Sharma (Chairman)	√	√
Allan Ntagi	√	√
Francis Kajura	√	√
Julius Kakeeto	√	√

√ = Attendance A = Apology

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 2015, however some rules were amended.

Risk Management Report

Risk Management is about understanding and managing the Exchange's risk environment and taking measures, where necessary, to ensure those risks are contained to acceptable levels consistent with USE's risk appetite.

Management ensures the implementation of an effective risk management framework that is consistent with USE achieving its policy and operating objectives. In doing so, it follows accepted standards and guidelines for managing risk, particularly those used by financial institutions.

The principle underpinning the USE's approach is that risk management is an integral part of the management function in the organization and, as such, is the clear responsibility of management. Line managers have the responsibility to evaluate their risk environment, to put in place appropriate controls and to monitor the effectiveness of these controls. This process is supplemented with a review of key enterprise risks by management.

USE is committed to ensuring that effective risk management remains central to all its activities and is a core management competency. The aim is to ensure that risk management is embedded in the USE's processes and culture, thus contributing to the achievement of its core objectives.

RISK PROFILE AND RISK APPETITE

USE seeks to manage its risk profile carefully. This reflects the view that satisfactory fulfillment of its important policy responsibilities could be seriously jeopardized if poorly managed risks were to lead to impaired operations, significant financial losses and/or damage to the USE's reputation.

USE management is aware of the high standards that the stakeholders expect of the company and hence the risks will be taken on cognizant of the fact that the reputation of the organization is always at stake.

ROLES AND RESPONSIBILITIES

The Chief Executive Officer of USE, has overall responsibility for management of the USE, but day-to-day management of the various departments including risk management – is delegated to the respective Department heads.

The Audit & Risk Management Committee oversees the Exchange's overall risk management. The committee considers risk assessment reports from the internal audit department and gives advice accordingly.

The internal audit department ensures that the Exchange's risks are identified, assessed and effectively managed accordingly. The department will be tasked to provide a quarterly report of its activities to the Board's Audit Committee.

The Audit and Risk Department also facilitates, coordinates and advises on the risk management process to help departments manage their risk environment in a manner that is consistent across the Exchange.

FRAMEWORK FOR MANAGING RISK

The Exchange's risk management framework endeavors to cover the full spectrum of risks faced by the Exchange through evaluating risk from both an enterprise and business perspective. This framework comprises several important steps:

- Identifying and analyzing the main risks facing the Exchange.
- Evaluating those risks – making judgments about whether they are acceptable or not.
- Implementing appropriately designed control systems to manage these risks in a way which is consistent with the Exchange›s Risk Appetite.
- Treating unacceptable risks – formulating responses following the identification of unacceptable risks, including actions to reduce the probability or consequences of an event and formulation of contingency plans.

- Documenting these processes, with summary tables (risk registers) the main forms of documentation, which should involve rating the risks and suggesting mitigating measures.
- Ongoing monitoring, communication, and review.

EXTERNAL AUDITORS APPOINTMENTS

KPMG are the current auditors for USE. The auditors are appointed by the Audit and Risk Management committee on a four year contract after which they are rotated. They form an opinion on the financial results of the company and for the financial year 2015, their opinion is captured on page 48

USE staff at the Automated Trading System Launch on 1st September at Kampala Serena Hotel

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.

USE appreciates the importance of sustainability to our economy. USE will continue to seek ways to develop and implement activities and operational processes that shall continuously enhance the experience and livelihood of all who interact with the company and enshrine them in the organization's core values.

FREE EDUCATION PROGRAM

The Exchange has embraced financial inclusion and literacy by partnering with other stakeholders. USE also values education and groom the future employees and investors through educational visits and public education tours to primary and tertiary schools.

FACTS BEHIND FIGURES

USE hosted various listed companies to share information through the medium of Facts behind the Figures which is a rather important activity as the Capital Market is information driven. Companies hosted during the year include; National Insurance Corporation, Umeme, Stanbic Bank, Bank of Baroda and New Vision.

NIC Facts behind the Figures - July 2015

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 2015;

CANCER RUN PARTICIPATION AND SPONSORSHIP

Uganda Securities Exchange participated and gave a donation of UGX 5 million towards the Cancer Run Project held on August 30, 2015, in contribution to building a cancer ward.

USE staff at the 2015 cancer run

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. The Exchange participated and partly sponsored the annual Financial Reporting Awards held on November 19, 2015 at the Kampala Serena Hotel. The event awards institutions that have excelled in financial reporting.

Stanbic Bank FiRe awards.

Umeme FiRe awards

MARKET OUTREACH AND AWARENESS

Uganda Securities Exchange (USE) has continued to educate the public through participating in public awareness campaigns. In March 2015, USE sponsored UGX. 2m towards the annual PSFU-SME event that brought together Small Medium Enterprises that showcased their various trade. In the same month, USE participated in the 7th Banking, Finance & Insurance Expo 2015.

In June 2016, USE partnered with Uganda Investment Authority and sponsored and participated in the Private Equity & Venture Capital Conference which took place at the Kampala Serena Hotel.

USE also participated in the UMA Trade show at Lugogo which took place in October 2015.

Annual Sports Gala

The Exchange hosted an annual sports gala on August 1, 2015 at Vienna College. Capital Markets Authority, Brokers and Custodians participated in the various sports activities. It was a fun-filled day.

USE and CMA representatives receiving the sports gala winners trophy

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, lunch & transport allowance and Social Security Fund.

EMPLOYMENT STRUCTURE

As at December 2015, The Exchange employed 16 personnel; 7 ladies and 9 gentlemen which reflects a gender balance. We also had an intern staff assisting in the SCD department during the year.

STAFF ACTIVITIES

The Exchange hosted its employees to lunch on April 18, 2015 at KatiKati Restaurant. This was to welcome the new CEO and other staff members who had joined and to enhance teamwork. Several luncheons were offered to staff in office during the year.

The Exchange hosted its staff to an end-of-year party on December 5, 2015, held at Lakeside Escape Resort, Mukono. It was a fun day filled with team building activities and games. During the event, staff were awarded in recognition of their efforts. The function was also used to recognize and appreciate the staff. Gift vouchers were also handed over to all staff for their Christmas shopping.

Staff Retreat – Lakeside Escape Resort, Mukono

OBITUARY

In memory of Irene Nassolo; The Exchange with great sorrow lost a staff member – Ms Irene Nassolo who was at the time of her death an officer in the Securities Central Depository. Irene was a very enterprising and inspirational young lady, who was not only passionate about her work, but also appreciated the Exchange's role in providing transparency and efficiency in service delivery. Irene will be greatly missed and may her soul rest in eternal peace.

Products And Services

Equities securities generally referred to as shares, comprise ordinary shares and preference shares. Most of the equity securities listed on the Exchange are ordinary shares that account for most of the trading turnover of the Exchange.

Debt Securities are where borrowers issue bonds to raise capital from potential investors who are willing to lend them money for a certain amount of time. When you buy a bond you are lending funds to the issuer which maybe a government, municipality or a corporation.

Growth Enterprise Market (GEMS) platform that is meant to target small and medium sized enterprises with access to raising equity financing as a means to achieve long term objectives. This platform is accessible on the market and entails a less stringent regulatory regime.

Securities Central Depository (SCD) Securities Central Depository System is one in which stocks belonging to a particular entity are deposited in the custody of a central depository such that transactions or transfers concerning such stocks are executed in book entry form.

Inter-Depository Mechanism; Transfer of securities from an account in one depository to an account in another depository is termed as an inter-depository transfer.

Automated Trading System and Data Vending; An automated trading platform that will facilitate in the trading of securities electronically. Investors on this platform will be able to execute their securities in an efficient and timely manner, allowing for speedy turnaround time. Through the ATS, the market will be able to achieve real time data, which will be accessible for vending.

USE Directors, Brokers, Custodians and USE Management at a dinner - December 2015

UGANDA SECURITIES EXCHANGE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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REPORT OF THE GOVERNING COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015.

PRINCIPAL ACTIVITIES

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

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.

	2015 Ushs'000	2014 Ushs'000
FINANCIAL RESULTS		
	316,402	2,535,574
	(39,911)	(792,180)
	276,491	**1,743,394**

GOVERNING COUNCIL

The present membership of the Governing Council is set out on page 6.

Francis Kajura replaced Patrick Ndonye in May 2015 and Nkoregamba Mwebesa was admitted to the Council in November 2015.

SECRETARY

Peace Namara

AUDITORS

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

Approval of financial statements

The financial statements were approved at a meeting of the Governing Council held on 29th March 2016.

BY ORDER OF THE COUNCIL

Secretary
Kampala
30th March 2016

STATEMENT OF THE GOVERNING COUNCIL 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 57 to 83, comprising the Statement of Financial Position as at 31 December 2015, 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 that disclose the financial position of the Company with reasonable accuracy.

The Governing Council accepts responsibility for the financial statements set out on pages 57 to 83, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the 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 of the company's financial affairs 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 57 to 83 were approved by the Governing Council on 29th March 2016 and were signed on its behalf by:

Chief Executive Officer	**Chairman of the Governing Council**
30th March 2016	30th March 2016

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 2015, 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 57 to 83.

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 position of Uganda Securities Exchange Limited as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and 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

Date: 31st March 2016

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 Ushs'000	2014 Ushs'000
Fees and commissions	3	1,837,888	3,029,667
Revenue grant	4	100,000	125,000
Other income	5(a)	445,545	891,312
Interest income	5(b)	492,749	225,938
Gross income		**2,876,182**	**4,271,917**
Operating expenses	6	(541,811)	(189,270)
Administration expenses	7	(994,429)	(724,712)
Staff costs	8	(1,004,827)	(805,669)
Foreign exchange loss		(18,713)	(16,692)
Profit before taxation	9	**316,402**	**2,535,574**
Taxation charge	10(a)	(39,911)	(792,180)
Profit for the year		**276,491**	**1,743,394**
Other comprehensive income		-	-
Total Comprehensive Income for The Year		**276,491**	**1,743,394**

The notes set out on pages 57 to 83 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015

	Notes	2015 Ushs'000	2014 Ushs'000
ASSETS			
Non-current assets			
Intangible assets	11	608,512	63,492
Equipment	12	506,119	651,435
Unquoted investments	14	65,176	65,176
Deferred tax asset	10(c)	41,561	-
Investment in subsidiary	15	-	-
		1,221,368	780,103
Current assets			
Trade and other receivables	16	366,272	703,889
Due from related parties	13(b)	103,650	152,951
Fixed deposit	17	3,665,586	3,781,369
Prepaid tax	10(d)	62,704	19,847
Bank and cash balances		402,297	276,525
		4,600,509	4,934,581
Total assets		**5,821,877**	**5,714,684**
EQUITY AND LIABILITIES			
Capital and reserves			
Retained earnings		5,262,615	4,986,124
Total equity		5,262,615	4,986,124
Non-current liabilities			
Deferred tax liability	10(c)	-	10,826
Current liabilities			
Amounts due to related parties	13(c)	1,790	6,145
Trade and other payables	18	557,472	711,589
		559,262	717,734
Total equity and liabilities		**5,821,877**	**5,714,684**

The financial statements on pages 57 to 83 were approved by the Governing Council on 30th March 2016 and signed on its behalf by:

Chief Executive Officer	**Chairman of the Governing Council**
30th March 2016	30th March 2016

The notes set out on pages 9 to 34 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Retained earnings	Total
	Ushs'000	Ushs'000
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
At 1 January 2015	4,986,124	4,986,124
Total comprehensive income for the year	276,491	276,491
At 31 December 2015	**5,262,615**	**5,262,615**

The notes set out on pages 57 to 83 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 Ushs'000	2014 Ushs'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	316,402	2,535,574
Adjusted for:		
Depreciation	101,643	45,195
Amortisation	25,245	19,515
Loss on disposal	-	37,947
Interest accrual	(492,759)	(225,938)
	(49,469)	2,412,293
Changes in working capital balances		
Decrease in trade and other receivables	337,617	294,724
Decrease in amounts due from related parties	49,302	340,036
(Decrease) / Increase in trade and other payables	(226,058)	242,818
Cash generated from operating activities	111,392	3,289,871
Tax paid	(67,570)	(1,070,576)
Net cash generated from operating activities	**43,822**	**2,219,295**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(37,914)	(586,319)
Purchase of intangible assets	(490,673)	(55,522)
Proceeds from disposal of assets	1,995	25,848
Receipts from fixed deposits	393,742	1,450,000
Interest received	214,800	183,412
Investment in fixed deposits	-	(3,610,225)
Net cash generated / (used in) from investing activities	**81,950**	**(2,592,806)**
Increase / (Decrease) in cash and cash equivalents	**125,772**	**(373,511)**
Cash and cash equivalents at beginning of year	276,525	650,036
Cash and cash equivalents at end of year	**402,297**	**276,525**
Represented by:		
Bank and cash balances	**402,297**	**276,525**

The notes set out on pages 57 to 83 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

a) ***New standards, amendments and interpretations effective and adopted during the year/ period***

Defined benefit plans – Employee contributions (Amendments to IAS 19)

The amendments introduced reliefs that reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedience if they are:

1. Set out in the formal terms of the plan;
2. Linked to service; and
3. Independent of the number of years of service.

When contributions are eligible for practical expedience, 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.

The amendments apply retrospectively for annual periods beginning on or after 1 July 2014.

The adoption of these changes did not affect the amounts and disclosures of the Company's defined benefits obligations.

b) ***New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2015.***

New standard or amendments	Effective for annual periods beginning on or after
• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
• Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
• Amendments to IAS 41 - Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016
• Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortisation	1 January 2016
• Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016
• IFRS 14 Regulatory Deferral Accounts	1 January 2016
• Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
• Disclosure Initiative (Amendments to IAS 1)	1 January 2016
• IFRS 15 Revenue from Contracts with Customers	1 January 2018
• IFRS 9 Financial Instruments (2014)	1 January 2018
• IFRS 16 Leases	1 January 2019

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

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 *Business Combinations*. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised

The amendments will be effective from annual periods commencing on or after 1 January 2016.

The adoption of these changes will not affect the amounts and disclosures of the Company's transactions with associates or joint ventures.

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

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured.

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

The adoption of these changes would not affect the amounts and disclosures of the Company's interests in joint operations.

Amendments to IAS 41- Bearer Plants (Amendments to IAS 16 and IAS 41)

The amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* require a bearer plant (which is a living plant used solely to grow produce over several periods) to be accounted for as property, plant and equipment in accordance with IAS 16 *Property, Plant and Equipment* instead of IAS 41 *Agriculture*. The produce growing on bearer plants will remain within the scope of IAS 41.

The new requirements are effective from 1 January 2016, with earlier adoption permitted.

The amendment will not have a significant impact on the Company's financial statements as the Company does not have bearer plants.

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

The adoption of these changes will not affect the amounts and disclosures of the Company's property, plant and equipment and intangible assets.

Equity Method in Separate Financial Statements (Amendments to IAS 27)

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures but also for subsidiaries

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with early adoption permitted.

The adoption of these changes will not affect the amounts and disclosures of the Company's interests in other entities.

IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.

The standard is effective for financial reporting years beginning on or after 1 January 2016 with early adoption is permitted.

The adoption of this standard is not expected to have an impact the financial statements of the Company's given that it is not a first time adopter of IFRS.

Investment Entities: *Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*

The amendment to IFRS 10 *Consolidated Financial Statements* clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

The amendment to IFRS 12 *Disclosure of Interests in Other Entities* requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

The amendment to IAS 28 *Investments in Associates and Joint Ventures* modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted.

The adoption of these changes will not affect the amounts and disclosures of the Company's interests in other entities.

***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.

The adoption of these changes will not affect the amounts and disclosures of the Company's interests in other entities.

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 standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.

The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; Identify the performance obligations in the contract; Determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption is permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

IFRS 9: Financial Instruments (2014)

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 introduces changes in the measurement bases of the 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.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.The adoption of this standard is not expected to have a significant impact the financial statements of the Company.

IFRS 16: Leases

On 13 January 2016 the IASB issued IFRS 16 Leases, completing the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration. A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases. Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

(a) Assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments.

(b) Depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and

(c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The standard does not require a company to recognise assets and liabilities for:

(a) short-term leases (i.e. leases of 12 months or less) and;

(b) leases of low-value assets

The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also applied).

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

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.

JOINT ARRANGEMENTS

The company classifies joint arrangements as joint operations if it has joint control over the assets and have rights to the assets and obligations for the liabilities relating to the arrangement. The company recognises its share of assets at cost less impairment and amortization in accordance with IAS 38 and recognises income and expenses on accruals basis

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.

Subsquent 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 that 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 judgements 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

	2015	2014
	Ushs'000	Ushs'000
Equity listing fees	726,108	985,831
Bonds listing fees	45,089	91,427
Brokerage commission	520,691	1,309,409
Application and entrance fees	6,000	13,000
Membership fees	20,000	20,000
Government treasury bonds	520,000	610,000
	1,837,888	**3,029,667**

4. REVENUE GRANT

	2015 Ushs '000	2014 Ushs '000
	100,000	**125,000**

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

	2015	2014
	Ushs'000	Ushs'000
(a) Other income		
Securities Central Depository (SCD) income	399,515	860,000
Miscellaneous income	40,030	16,312
Penalties	6,000	15,000
	445,545	**891,312**
(b) Interest income		
Interest earned on investments	488,154	207,842
Interest earned on bank account	4,595	18,096
	492,749	**225,938**

6. OPERATING EXPENSES

	2015 Ush' 000	2014 Ush' 000
Central Depository System (CDS) operational expenses	85,368	88,120
Regional meetings and travel	53,589	50,945
Motor vehicle and equipment costs	8,173	2,207
Withholding tax	72,778	33,452
East African Securities Exchange Association expenses	14,910	-
African Securities Exchange Association expenses	10,804	-
Hardware maintenance and repairs	7,225	8,399
Software licenses	38,019	2,983
USE courses, seminars and exhibitions	620	-
Board meeting and Governing council expenses	11,380	3,164
ATS launch expenses	37,728	-
NORFUND expense	201,217	-
	541,811	**189,270**

7 ADMINISTRATIVE EXPENSES

	2015	2014
	Ushs'000	Ushs'000
Rent	258,910	209,419
Bad debt write off	67,500	5,845
Telephone	13,800	17,782
Fax	-	212
Post	3,183	2,464
Data center costs	73,753	42,873
Internet - admin costs	25,649	22,390
Internet - SCD costs	24,342	34,279
Medical Insurance	41,270	38,066
Group Life Insurance	12,847	1,054
Motor vehicle	2,962	5,519
Office equipment and furniture insurance	7,273	3,022
Depreciation	101,643	45,195
Amortisation of intangible assets	25,245	19,515
Loss on disposal of equipment	-	37,947
Advertising and publicity	83,797	3,411
Electricity	35,571	21,866
Fuel and lubricants	10,759	13,781
Auditors' remuneration	21,515	26,352
General office expense	14,075	12,401
Printing and publication	8,194	19,576
External legal services	18,109	4,660
Stationery and photocopying	8,044	5,837
Corporate social responsibility	21,295	6,221
Cleaning and fumigation	8,010	10,755
Newspapers and magazines	1,646	1,736
Security	2,832	3,366
Penalty	8,000	45,936
Bank charges	4,977	6,018
Public Education	-	389
Membership and subscription	18,048	5,017
Vehicle washing and parking tickets	425	4,757
Entertainment	1,269	150
Consultancy fees	68,708	21,850
2014 relocation expenses	-	25,051
Travel insurance	708	-
Email	70	-
	994,429	**724,712**

8 STAFF COSTS

	2015	2014
	Ushs'000	Ushs'000
Salaries and wages	889,952	720,561
Staff welfare	18,342	9,369
Staff training	6,925	-
NSSF contribution	89,608	75,739
	1,004,827	**805,669**

9. PROFIT BEFORE TAXATION

	2015	2014
	Ushs '000	UShs '000
The profit before taxation is arrived at after charging:		
Auditors' remuneration	21,515	26,352
Depreciation	101,643	45,195
Amortisation of intangible assets	25,245	19,515

10. TAXATION

	2015	2014
	Ushs '000	UShs '000
(a) Taxation charge		
Current taxation	92,298	792,648
Deferred tax credit - current	(52,387)	(468)
	39,911	792,180

The corporation tax rate is set at 30% of the profits for the year as adjusted for tax purposes in accordance with the Income Tax Act Cap 340. The tax on the company profit for the year differs from the theoretical amount that would arise using the basic tax rate as follows:

	2015	2014
	Ushs '000	UShs '000
(b) Reconciliation of taxation charge		
Accounting profit before taxation	**316,402**	**2,535,574**
Tax applicable rate of 30%	94,921	760,672
Tax effects of non-taxable income	-	-
Tax effect of non-deductible expenses	(55,010)	31,508
Prior year under provision	-	-
	39,911	**792,180**

(c) Deferred income tax **asset**

Deferred tax assets as at 31 December 2015 and 2014 are attributable to the movement in temporary differences between calculations of certain items for accounting and for taxation purposes as detailed below:-

	31-Dec-14	Movement	31-Dec-15
	Ushs '000	Ushs '000	Ushs '000
Accelerated capital allowances	39,092	91,089	130,181
Provisions	-	(201,217)	(201,217)
Unrealized foreign exchange losses	(3,006)	(64,494)	(67,500)
Total temporary differences	**36,086**	**(174,622)**	**(138,536)**
Deferred tax liability/(asset) at (30%)	**10,826**	**(52,387)**	**(41,561)**

	2015	2014
	Ushs'000	Ushs'000
The movement in the deferred income tax liability/(asset) is as follows:		
1 January	10,826	11,294
Income statement credit	(52,387)	(468)
Balance at 31 December	**(41,561)**	**10,826**

	2015	2014
	Ushs'000	Ushs'000
(d) Prepaid tax		
1 January	**(19,847)**	**258,081**
Tax charge for the year	92,298	792,648
Tax paid during the year	(67,570)	(1,070,576)
WHT receivable	(67,585)	-
31 December	**(62,704)**	**(19,847)**
Net of prepaid tax	-	-
31 December	**(62,704)**	**(19,847)**

11. INTANGIBLE ASSETS

	SCD Software Ushs'000	Other Software Ushs'000	Work in Progress Ushs'000	Total Ushs'000
COST				
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**
At 1 January 2015	515,451	20,594	48,993	585,038
Additions	-	84,699	405,974	490,673
Reclassification from tangible CWIP	-	-	79,592	79,592
At 31 December 2015	**515,451**	**105,293**	**534,559**	**1,155,303**
AMORTISATION				
At 1 January 2014	490,837	97,316	-	588,153
Charge for the year	19,515	-	-	19,515
Write – offs	(9,400)	(76,722)	-	(86,122)
At 31 December 2014	**500,952**	**20,594**	**-**	**521,546**
At 1 January 2015	500,952	20,594	-	521,546
Charge for the year	11,362	13,883	-	25,245
Writte - offs	-	-	-	-
At 31 December 2015	**512,314**	**34,477**	**-**	**546,791**
NET BOOK VALUE				
At 31 December 2015	**3,137**	**70,816**	**534,559**	**608,512**
At 31 December 2014	**14,499**	**-**	**48,933**	**63,492**

JOINT ARRANGEMENT

The Company entered into a joint arrangement with Trading Systems Technology International (a software development company registered in South Africa) for the development of the Automated Trading System (ATS). The ATS was capitalized under intangible assets within Work in Progress in the financial statements in accordance with IAS 38. Under the agreement, the Company is required to pay Trading Systems Technology International (TSTI) 15% of the revenue earned from using the ATS as support and maintenance fees. This arrangement qualifies as a joint operation under IFRS 11.

The arrangement is governed by a contract between USE and TSTI dated 14th July 2014 indicating the sharing of revenue from the use of the ATS and the agreement specifies the specific ratios for sharing the revenue streams from the service. The corresponding revenue sharing for the year was nil as this arrangement will be enforced from the start of 2016. under IFRS 11.

The ATS was capitalized under Work in Progress even though it was operational in the year due to that fact that the system was in a user-testing phase. The testing phase was schedule for 6 months which ended in January 2016. The completion certificate for the system was issued subsequent to the year end and hence the ATS qualifies to be classified as Work in Progress.

12. EQUIPMENT

	Motor vehicles	Furniture and fittings	Office Partitions	Computer equipment	Work in Progress (*)	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
COST						
At 1 January 2014	176,267	316,752	1,819	286,130	-	780,968
Additions	-	137,961	37,412	21,945	-	197,318
Disposals	(95,960)	(174,676)	(1,819)	(182,111)	389,001	(65,565)
At 31 December 2014	80,307	280,037	37,412	125,964	389,001	912,721
At 1 January 2015	**80,307**	**280,037**	**37,412**	**125,964**	**389,001**	**912,721**
Additions	-	37,914	-	-	-	37,914
Disposals	-	-	-	(1,995)	-	(1,995)
Capitalisation of WIP	-	-	-	309,409	(309,409)	-
Reclassification to intangible CWIP	-	-	-	-	(79,592)	(79,592)
At 31 December 2015	**80,307**	**317,951**	**37,412**	**433,378**	**-**	**869,048**
DEPRECIATION						
At 1 January 2014	176,267	165,792	1,819	262,984	-	606,862
Charge for the year	-	27,195	1,039	16,961	-	45,195
Eliminated on disposal	(95,960)	(112,667)	(1,819)	(180,325)	-	(390,771)
At 31 December 2014	80,307	80,320	1,039	99,620	-	261,286
At 1 January 2015	**80,307**	**80,320**	**1,039**	**99,620**	**-**	**261,286**
Charge for the year	-	36,222	12,469	52,952	-	101,643
At 31 December 2015	80,307	116,542	13,508	152,572	-	362,929
NET BOOK VALUE						
At 31 December 2015	**-**	**201,409**	**23,904**	**280,806**	**-**	**506,119**
At 31 December 2014	**-**	**199,717**	**36,373**	**26,344**	**389,001**	**651,435**

* Work in progress includes Navision upgrade, Soft Edge Web development and ATS software.

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
- Securities Industry Training Institute
- Dyer and Blair Uganda Limited
- Equity Stock Brokers (U) Limited
- MBEA Brokerage Services Limited
- Renaissance Capital Limited
- SBG Securities Limited

The related parties stated above are all brokerage firms that trade in the securities listed by the Company. All the related parties have a representative on the Governing Council.

		2015 Ushs'000	2014 Ushs'000
(b)	Amounts due from related parties		
	African Alliance Uganda Limited	10,251	16,772
	Baroda Capital Markets Limited	6,298	4,345
	Dyer and Blair Uganda Limited	2,864	5,922
	Crane Financial Services Limited	3,601	1,152
	Equity Stock Brokers (U) Limited	7,038	(380)
	MBEA Brokerage Services Limited	-	5,498
	Renaissance Capital (U) Limited	-	1,479
	Crested Stocks and Securities	33,133	32,824
	SBG Securities Limited	38,476	81,255
	UAP Financial Services Limited	1,989	4,084
		103,650	**152,951**
(c)	Amounts due to related parties		
	Securities Industries Training institute	1,790	6,145
		1,790	**6,145**
(c)	Related party transactions comprise		
	Brokerage commission	520,691	1,309,409
		520,691	**1,309,409**
(d)	Key management compensation		
	Salaries and benefits	**200,000**	**165,000**
(e)	Members' emoluments		
	Council allowances	-	-

14. UNQUOTED INVESTMENTS

	2015 Ushs'000	2014 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 is therefore carried at cost less accumulated impairment.

15. INVESTMENT IN SUBSIDIARY

	2015 Ushs '000	2014 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

	2015 Ushs'000	2014 Ushs'000
Trade receivables	294,368	570,048
Prepayments	1,000	98,251
Staff advances	1,273	-
Other receivables	69,631	35,590
	366,272	**703,889**

17. SHORT TERM INVESTMENTS

	2015 Ushs'000	2014 Ushs'000
Fixed deposits	**3,665,586**	**3,781,369**

18. TRADE AND OTHER PAYABLES

	2015	2014
	Ushs '000	Ushs '000
Trade payables	48,602	39,022
Accrued expenses	52,639	85,259
Other payables	88,900	88,901
Norfund refund	201,217	-
Guarantee fund	751	498,407
WHT payable	165,363	-
	557,472	**711,589**

19. OPERATING LEASES

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

	2015	2014
Non-cancellable operating lease rentals are payable as follows:	Ushs '000	Ushs '000
Less than one year	280,076	227,332
Up to five years	879,782	941,432
More than five years	-	-
	1,159,858	**1,168,764**

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 2015	Fully Performing Ushs'000	Past due Ushs'000	Impaired Ushs'000
Financial assets			
Bank balances	402,297	-	-
Fixed deposit investments	3,665,586	-	-
Trade and other receivables (less prepayments)	261,622	-	-
Due from related parties	103,650	-	-
	4,433,155	-	-
As at 31 December 2014			
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	-	-

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 not 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 limited 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 2015	Fully Performing Ushs'000	Past due Ushs'000	Impaired Ushs'000
Financial assets			
Bank and cash balances	402,297	-	-
Trade and other receivables	261,622	-	-
Due from related parties	103,650	-	-
Total	767,569	-	-
Financial liabilities			
Trade and other payables	(338,719)	-	-
Net Liquidity gap	428,850	-	-
As at 31 December 2014			
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	-	-

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 2015 and 31 December 2014 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 2015	**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	-	-	261,622	261,622	261,622
Amounts due from related parties	-	-	103,650	103,650	103,650
Cash and cash equivalents	-	402,297	-	402,297	402,297
	-	**402,297**	**385,119**	**787,416**	**787,416**
Liabilities					
Trade and other payables	-	-	338,719	338,719	338,719
	-	**-**	**338,719**	**338,719**	**338,719**

22. COMMITMENTS

The Company had commitments amounting to Ushs 144,000,000 (2014: Ushs 371,462,293) 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.

10th AGM of the Uganda Securities Exchange

The 10th Annual General Meeting (AGM) of Uganda Securities Exchange Limited (USE) will be held on Friday 6th May 2016 in the USE Boardroom.

The members will meet to consider the following Agenda;

1. **CONFIRMATION OF THE MINUTES OF THE 9TH ANNUAL GENERAL MEETING OF THE USE HELD ON FRIDAY 29TH MAY 2015.**

   To confirm the minutes of the 9th Annual General Meeting of the company held on Friday 29th May 2015 at the Kampala Serena Hotel, Foyer conference Room.

2. **FINANCIAL STATEMENTS**

   To consider and adopt the Annual Audited Financial Statements for the year ended 31st December 2015, together with the report of the Board of Directors on the activities of the Exchange and the external auditors' report.

3. **DIRECTORS**

   i) 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. Vivek Sharma

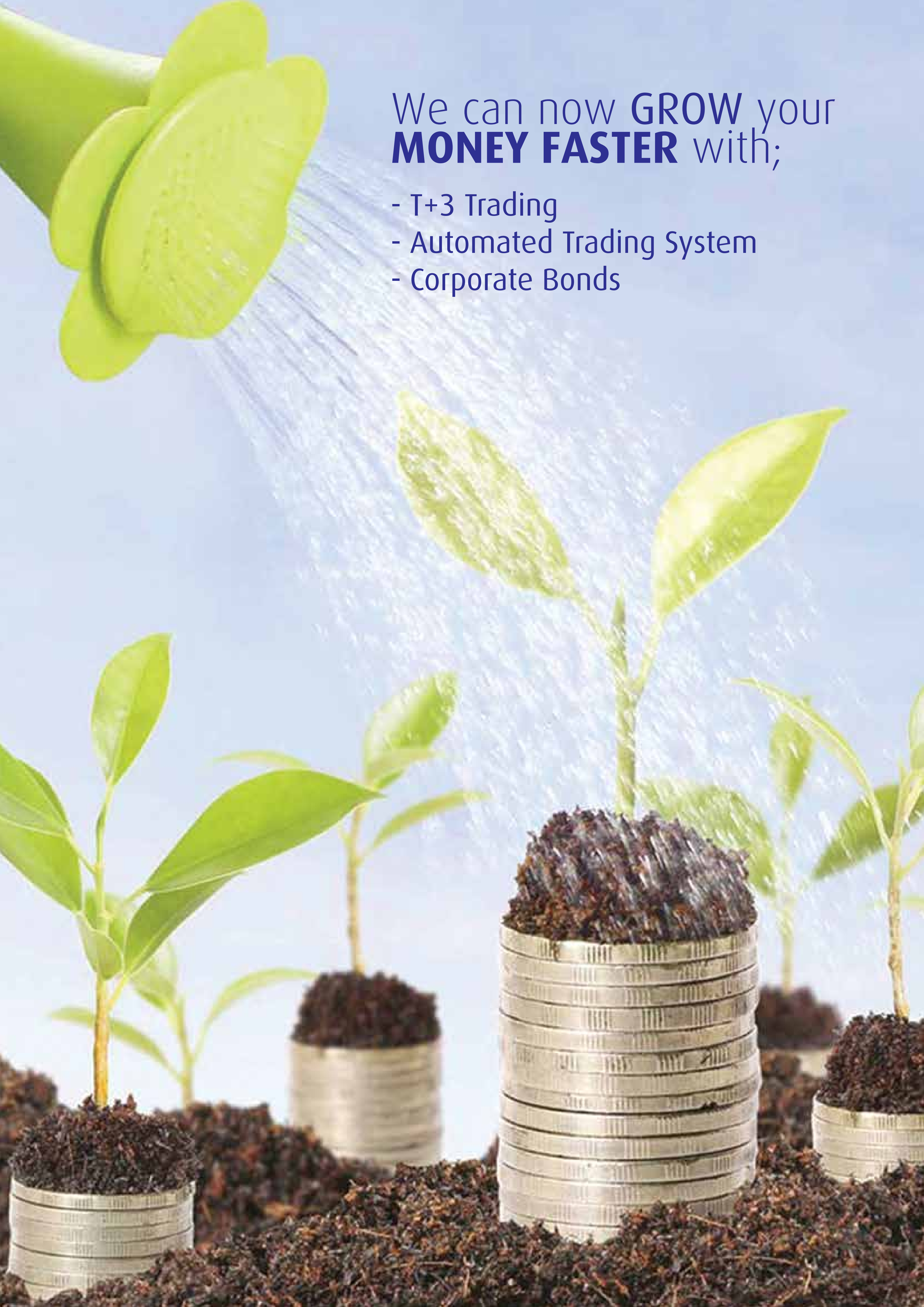
      ii.) Mr. Allan Ntagi

4. **AUDITORS**

   To appoint 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 conduct any other business that may be legally transacted in the meeting.


We can now **GROW** your
MONEY FASTER with;
- T+3 Trading
- Automated Trading System
- Corporate Bonds

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