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# Governing Council



*(From Top left-Standing):* Mr. Geoffrey A. Onegi-Obel - Chairman, USE; Managing Director, G. A. Mr. Michael Opagi - Director, Privatisation and Utility Sector Reform Project

*(From left-Seated):* Mr. Samwiri Njuki - Director, Equity Stock Brokers (U) Ltd.; Mr. Robert Warlow - Managing

# Members of USE



Onegi-Obel & Co Ltd.; Mr. Andrew Owiny - Executive Director, MBEA Brokerage Services (U) Ltd.; (PUSR); Dr. Ram Jass Yadav - Director, Baroda Capital Markets (U) Ltd.; Director, Crane Financial Services Ltd.; Mr. Simon Rutega - Chief Executive, Uganda Securities Exchange Ltd.

# Chairman's Statement



Geoffrey A. Onegi-Obel,  
Chairman

“ To maintain and sustain the deepening of the financial sector, the USE Open Market Forum on Bonds Equities & Related Instruments [USE BERI Forum] was successfully inaugurated and is set to become the premier quarterly event for the financial services sector. ”

4.

USE Annual Report - 06

Chairman's Statement

On behalf of the USE Governing Council, I am pleased to report that 2005-2006 continued the USE tradition of solid growth across all parameters of new products and market milestones - the instrument driven and USE induced deepening of the Uganda Financial Sector continued.

As evidenced, I report a decidedly more stable yield curve for the economy during the year as compared to the previous year.

The challenge for members of

the USE Council [with the support of stakeholders] - has been to accelerate the structuring of benchmark instruments for the fastest growing sub sectors of the economy - energy and homeownership industry.

On this count , I am also pleased to report that for the most part, members and stakeholders [ led by the East Africa Development Bank - EADB] took position on the home ownership front - while an industry policy signal was still being awaited from the Energy Ministry by year end.

To maintain and sustain the deepening of the financial sector, the USE Open Market Forum on Bonds Equities & Related Instruments [USE BERI Forum] was successfully inaugurated and is set to become the premier quarterly event for the financial services sector.

I am pleased to report that through the BERI Forum - members of Council have risen to the challenge and are set to structure responsive instruments to exploit the substantial margins currently available in the

financial services sub sector.

I thank the USE Management for their sterling contribution in managing challenges to the USE as a trading platform during the year -and support to Council.

Finally, the Bank of Uganda and GTZ continued support is acknowledged and appreciated.



Geoffrey A. Onegi-Obel  
Chairman, USE



# Chief Executive Officer's Review



**Simon Rutega,**  
*Chief Executive*

*“Our intention is that subject to regulatory approval we should promote the mass cross listing agenda of equity issues on the three stock exchanges and aim to have one East African Stock Exchange trading platform in the next few years.”*

The Annual Report covering the period 2005/2006 marks the beginning of cross roads in our existence. This year, we are well on our way to achieving nine listed equity products from the one product we began with in the year 2000. We have also listed over twenty fixed income products since our first fixed income product in 1998. Our market capitalization currently stands at over four trillion Uganda shillings at the writing of this report. This is remarkable progress in a financial sector that one could describe as being fairly rudimentary in structure and form.

While, a lot still remains to be achieved in deepening our domestic financial system, the good news is the clear

realization that to achieve sustainable economic development, one of the major ingredients required is that the domestic financial architecture be effective and efficient in its capital mobilization and allocation functions. I want to take this opportunity to commend the NRM Government for providing the required macro economic fundamentals; especially coincident to this financial year is the progressive construction of yield curve, a critical component for the successful conduct and development of our business.

I want to reiterate that the USE will continue to provide the highest standards of confidence to the investing

public. We recognize that confidence is the fundamental building block in this business. In this regard, I am happy to report that USE will continue to conform to international standards of best practice towards the goal of providing effective, efficient and fair capital markets.

## **African Integration**

During the period under review, I have had the opportunity of chairing the East African Stock Exchange Association (EASEA). I want to take this opportunity to thank the Stock Exchanges of Kenya and Tanzania for their excellent cooperation and working relationship in all our EASEA initiatives. I have always been of the view that one cannot integrate effectively

unless there is a formidable domestic base to integrate with. I am happy to report that the three sister countries have now achieved an optimal base in which negotiations for a merger of trading, clearing and settlement functions can begin to take place in earnest. Our intention is that subject to regulatory approval we should promote the mass cross listing agenda of equity issues on the three stock exchanges and aim

to have one East African Stock Exchange trading platform in the next few years.

### **Appreciation**

I am grateful for the continued support and guidance extended to me by the Chairman and members of the Governing Council, the Privatization Unit, Ministry of Finance and Economic Planning, Bank of Uganda, SIDA/GTZ, USAID, NSE, DSE,

EASEA, all our listed entities and the thousands of stakeholders. I would also like to take this opportunity to thank the USE staff for their dedication, hard work and commitment throughout this financial year.

I am happy to report that the USE will remain at the forefront of promoting the development of a domestic medium-to-long term capital mobilization agenda.



**Simon Rutega**  
**Chief Executive, USE**

# Departmental Reports

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# Market Performance

## FY 2005/6

### Fixed Income Securities Market Segment (FISMS)

#### New Listings

Listings under the Government Treasury Bond programme grew as follows.

- 8 new bonds listed, bringing the total number of listed bonds to 15
- Total outstanding amount on all tenors as at June 30<sup>th</sup> 2006

stands at Ushs 655 billion – up 30% from 510bn last year.

#### Secondary Market Activity

- FY 2005/6 witnessed a remarkable increase in secondary market government bond activity, recording a total turnover of Ushs 38.37bn – more than ten times the value of trades in

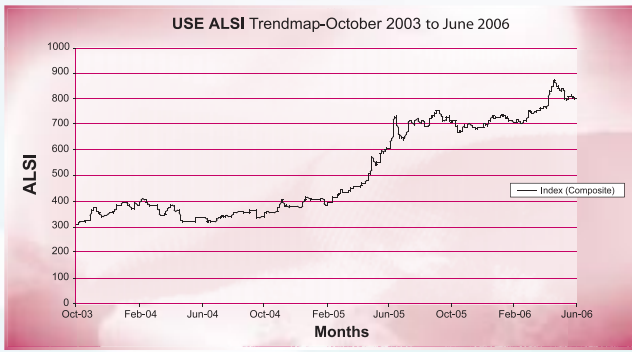
FY2004/5 (Ushs 3.3bn).

- Trading was concentrated on 2005 issuances. Over Ushs 26bn of the Ushs 38bn belonged to 2005 issuances.
- Secondary market activity in the corporate bond market was minimal in 2005/6.

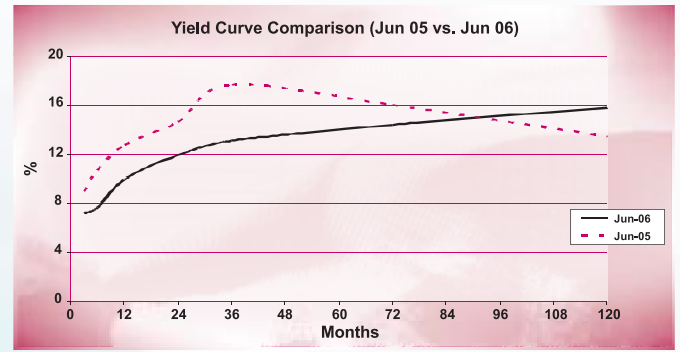
### Government bond schedule - FY 2005/6

Issue No	Issue Size (Ushs)	Issue Date	Current Coupon	Value (in Ushs)	PRIMARY DEALER INDICATIVE RATES		
					Mid Price at YTM (%)	Price at YTM (%)	
						Best Bid	Best Ask
FXD 2/2004/3	80bn	25/02/2004	10.25%	365,000,000	13.13	12.75	13.50
FXD 3/2004/5	40bn	24/03/2004	10.75%	1,800,000,000	14.43	14.10	14.75
FXD 4/2004/10	15bn	19/05/2004	11.00%	500,000,000	15.83	14.90	16.75
FXD 6/2004/3	90bn	07/10/2004	10.25%	10,000,000	13.13	12.75	13.50
FXD 1/2005/2	100bn	27/01/2005	10.00%	6,404,600,000	11.75	11.75	12.20
FXD 2/2005/3	25bn	21/4/2005	10.25%	9,556,400,000	13.13	12.75	13.50
FXD 3/2005/2	20bn	16/06/2005	10.00%	9,969,000,000	11.75	11.75	12.20
FXD 4/2005/3	50bn	28/07/2005	10.25%	1,824,000,000	13.13	12.75	13.50
FXD 5/2005/3	40bn	22/09/2005	10.25%	790,800,000	13.13	12.75	13.50
FXD 6/2005/2	55bn	15/12/2005	10.00%	2,000,000	11.75	11.75	12.20
FXD 1/2006/2	25bn	11/01/2006	10.00%	3,863,600,000	11.75	11.75	12.20
FXD 2/2006/3	25bn	08/02/2006	10.25%	2,002,000,000	13.13	12.75	13.50
FXD 3/2006/3	50bn	10/03/2006	10.25%	572,400,000	13.13	12.75	13.50
FXD 4/2006/2	30bn	06/04/2006	10.00%	-	11.75	11.75	12.20
FXD 5/2006/5	20bn	31/05/2006	10.25%	711,500,000	14.43	14.10	14.75

Compiled by: USE Trading Department



Source: USE Research Department



Source: USE Research Department

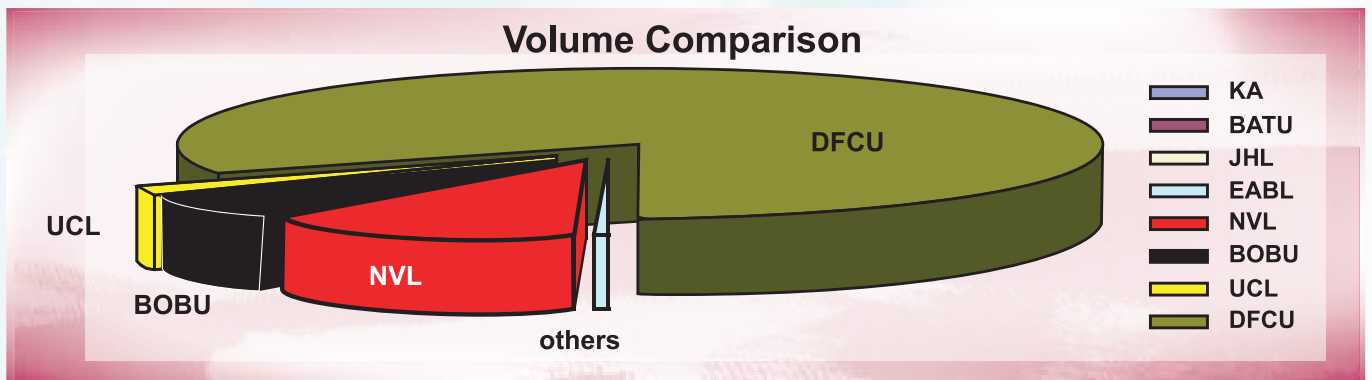
## Main Investment Market Segment

### Trading Activity

- FY 2005/6 produced new record in annual equity activity reporting a consistent growth rate of more than 100% for the second year in a row. The turnover of Ushs 7.75bn represents growth of approx 130%.
- Volumes rose to approx 11 million shares; up from 7.7 million recorded in FY 2004/5
- A breakdown of this trade activity can be seen below.

FY 2005/6 Trade Summary					
	Deals	Volume	Turnover Ushs	%Volume	% Turnover
BATU	10	6,600	4,322,000	0.06	0.06
BOBU	89	608,380	524,443,110	5.50	6.77
DFCU	563	9,042,879	3,712,478,400	81.75	47.89
EABL	5	17,280	57,482,400	0.16	0.74
KA	3	1,200	2,760,000	0.01	0.04
NVL	196	1,221,332	349,259,995	11.04	4.51
UCL	171	161,323	3,096,072,935	1.46	39.94
<b>Total</b>	<b>1,037</b>	<b>11,058,994</b>	<b>7,746,818,840</b>		

Source: USE Trading Department



Source: USE Trading Department

### Annual Volumes Comparison FY 2000/1 to FY 2004/5

	2005/6	2004/5	2003/4	2002/3	2001/2	2000/1
<b>Turnover (Ushs millions)</b>	7,746.8	3,348.5	321.4	1,108	942.4	532.5
<b>Shares Traded (thousands)</b>	11,061	7,715	471	584	1,401	370
<b>Deals</b>	1,042	490	229	437	301	294
<b>Market Capitalization (Ushs bn)</b>	3,996	3,014	1,342.2	376.2	268	2.3

Source: USE Trading Department

# Market Developments

## DEVELOPMENTS AT THE USE

### Jubilee Holdings Limited Cross Lists on USE

USE witnessed yet another cross listing on the main investment market segment. Jubilee Holdings Limited (JHL) which is listed on the Nairobi Stock Exchange became the third cross listed entity on the USE after East African Breweries Limited and Kenya Airways. The listing was attended by the Jubilee Holding Limited Group Managing Director, Mr. Zulfikar Mohamed together with other senior representatives from the financial sector.

### Corporate Bond Listings on the USE

During the fiscal year, the East African Development Bank (EADB) and Standard Chartered Bank (SCB) listed 5-year and 10-year corporate bonds respectively on the Uganda Securities Exchange FISMS board. The Standard Chartered Bank bond became the fourth listed corporate bond after PTA, EADB and UTL bonds.

### Government Bond Listings

The year in review saw Bank of Uganda through the Uganda Securities Exchange list approximately eight government bonds, bringing the total number to fifteen from nine that were listed in the previous financial year. This brought the total issued amount to Ushs 645bn.

### USE Securities Industry Training Center (SITC)

During the financial year, USE continued to offer training under the Securities Industry Training Centre (SITC) whose sole aim is providing a standard of excellence in securities and financial training. As the education and training arm of Uganda Securities Exchange, the SITC facilitates the promotion of professionalism, transparency and expertise among the securities market investors and intermediaries.

#### *As part of its goals, SITC aims at:*

*Educating current and prospective investors on investment risks and rewards, financial planning and their rights and responsibilities;*

*Promoting professionalism and expertise among market intermediaries;*

*Broadening the academic and professional scope with regard to financial relate areas amongst the target groups.*

*Facilitating the development of educational programs for local university students and academicians;*

*Providing training assistance to other players within the region.*

### USE Open Forum

USE held its first Open Forum on 10<sup>th</sup> October 2005. The Forum involved a discussion on the possible challenges of attaining sustainable development in Uganda and how best to overcome them. The Forum was attended by representatives from the World Bank

### IOSCO Cultural Dinner

USE organized a successful cultural night dinner to mark the end of the of the ISOCO conference that was hosted by the Capital Markets Authority Uganda. The chief guest at the function was Her Royal Highness the Nabagereka of Buganda. The function also marked the USE Annual event.

### Nile Bank shareholders visit USE

USE hosted Board of Governors of Nile Bank Uganda Limited who were met by the USE Chief Executive, Mr. Simon Rutega, the CMA Chief Executive Mr. Japheth Katto and the Resident Advisor, US Department of the Treasury, Mr. Bill Donovan.

The half-day function was used as a platform to edify the Nile Bank shareholders on the operations and relevancy of the Capital Markets' Industry to the economy.





*(L-R) Mr. Onegi Obel Chairman - USE, Mr. David Cutting (ringing bell) MD. Standard Chartered Bank & Mr. Simon Rutega, CEO-USE at the listing of the SCB Bond.*



*Officials from the World Bank at the USE Open Forum.*



*Her Royal Highness the Nabagereka of Buganda (Right) at the ISOCO Cultural Dinner flanked by Mr. Onegi-Obel, Chairman-USE (Centre).*

## Market Developments

*continued...*

### PUBLIC EDUCATION

#### Basic Securities Course

USE successfully conducted the Basic Securities course (Module I). The module which was held in October 2005 attracted various participants from the financial sector. USE continues to offer more of such modules to the professionals in the private and public sectors, as a means towards widening the knowledge base in our market.

#### Advocates Workshop

Uganda Securities Exchange (USE) together with the Uganda Law Society (ULS) successfully organized a half-day training programme for lawyers in the private and public sector. The programme under the theme "Understanding Financial Statements", sought to enable lawyers improve advocates' understanding and interpretation of financial statements. The Guest Speaker of the day was Mr. Bill Donovan, the Resident Advisor, US Department of the Treasury.

#### Citibank Group Visits to the USE

USE hosted officials from Citibank Group. The officials, who were met by the Chief Executive Mr. Simon Rutega, were given a brief on the operations and functions of the Exchange, and the relevance of USE to the Capital Markets Industry and the

# Market Developments

*continued...*

Financial Sector at large. The group pledged to participate in the capital markets operations going forward.

## **International and Regional Trade Fair Exhibitions**

USE has continued to take part in Trade Fair Exhibitions organized by Uganda Manufacturers' Association. During the year under review, USE participated in both the International Trade Fair in Kampala and the Regional Trade Fair in Mbarara. These Trade Fairs have played a vital role in the promotion of public awareness among the population on matters concerning the Stock Exchange and its viability to Ugandans.

## **Secondary School's Educational Programme**

USE under the school's educational programme, hosted students from various Secondary Schools. The students got the opportunity to witness trading on the USE Trading Floor and later interacted with USE officials who educated them on matters concerning the Securities Exchange and its significance to the economy.

## **University students Visit USE**

USE under its Tertiary Institutions Educational Programme (TIEP) hosted post graduate and under graduate students from various universities. The students

witnessed trading and also interacted with the USE staff and Broker/Dealers who took them through the various operations of the Stock Exchange.

## **Facts behind the Figures Conference**

USE organized another of its Facts behind the figures initiative aimed at giving top management of listed companies an opportunity to interact with the media and the investment advisors. The Facts behind the Figures conference this fiscal year attracted different listed companies.

## **Financial Deepening Budget Deficit Meeting**

During the year under review, USE led a team from Capital Markets Authority Uganda and Ministry of Finance, Planning and Economic Development, to Malaysia with a view to positioning the Ugandan Financial sector for the financing of the emerging budget deficit and related challenges in Uganda's Financial Sector.

## **REGIONAL INTERGRATION**

### **9<sup>th</sup> ASEA Conference held in Egypt**

USE participated in the 9<sup>th</sup> Annual African Stock Exchange Association (ASEA) Conference held in Cairo from 10<sup>th</sup> – 12<sup>th</sup> September, 2005. The three day conference that brought

together government and business delegates discussed among other issues, the integration of Africa's Capital Markets and Investment opportunities.

## **EASEA Meetings**

The year under review saw the three East African Markets participate in the East African Stock Exchange Association (EASEA) meetings. The meetings which were held on several occasions in all the three countries were used as a platform to mainly premeditate on among other issues, matters pertaining to the mass cross listings regional IPOs, and automated trading systems.

## **Regional Meeting on Investment Promotion and Corporate Governance**

USE Participated in a regional meeting on Investment Promotion in Arusha, Tanzania, had an opportunity to review the investment opportunities, identify constraints to expansion of such investments and suggest policies and measures that can attract investments more efficiently in the sub region.

Delegates from 13 countries attended the meeting, including Burundi, Comoros, DRC, Djibouti, Eritrea, Ethiopia, Madagascar, Rwanda, Kenya, Seychelles, Somalia, Tanzania and Uganda.



# Market Developments

*continued...*

## CAPACITY BUILDING

### PSFU Workshop

USE participated in a workshop organised by PSFU under the second Private Sector Competitiveness Project (PSCP II) with the aim of addressing how best the project could be implemented. The workshop was attended by over 50 members of the PSFU.

### Emerging Markets Programme

The year under review, saw USE participate in a 7-day Programme on Emerging Markets. The Programme which run from 24<sup>th</sup> to 30<sup>th</sup> September was under the auspices of the Securities Industry Development Center (SIDC) Malaysia and the Malaysian Technical Cooperation Programme.

### EAC Post Budget Consultations

During the Fiscal Year, USE participated in the pre and post budget meetings of the East African Community. The meetings that were held in Arusha Tanzania between 24<sup>th</sup> to 30<sup>th</sup> August 2005 were attended by representatives from the Government, Central Banks and Chief Executives of the Capital Markets Authorities and Stock Exchanges.

### Treasury Skills/Bourse Game Workshop

USE staff participated in a four day Treasury Skills workshop/ Bourse Game. The workshop which was attended by several participants from various Financial Institutions was facilitated by Citibank Uganda.



*Mr. David Jamwa, Pricewaterhouse Coopers lectures at the Securities course.*



*Mr. Bill Donovan, Resident Advisor US Department of Treasury presenting to participants.*



*University students at an educational visit to the USE.*

# Legal & Surveillance

## Report 2005/2006

### Legislative Developments

The Securities Central Depositories Bill proposed by the Capital Markets Authority and the Companies Bill under the auspices of the Uganda Law Reform Commission are still pending. USE is informed that these Bills will be considered during the next financial year.

### Listing Rules

The Listing Rules were reviewed during the year and amendments made to the fee schedule for cross listed securities. The initial listing fee for cross listing securities is now set at a maximum of ten million shillings and a minimum of four million shillings. Similarly, the maximum annual listing fees payable by a cross listed issuer is twenty million shillings. The amendments took effect on 15<sup>th</sup> December 2005. The revision of cross listing fees was effected in order to address the concerns regarding fees raised by cross listed securities and companies considering cross listing.

Further revision has been proposed to the schedule of fees by requiring listed entities to pay annual listing fees for the year by 2<sup>nd</sup> January of each year in order to comply with International Auditing Standards. This is a change from the previous rule that recognized the anniversary of listing as the due date for annual listing fees.

### Uganda Securities Exchange Rules

The USE Trading Rules were amended to include Monday as a trading day thus increasing the number of trading days to three days each week. In addition stiffer penalties were introduced

for bad deliveries in a bid to ensure that the Exchange, which has had its turnover increase greatly, maintains its good delivery and settlement record. The additional trading day was introduced to enable broker/dealers effect client orders more efficiently. These amendments were issued on 13<sup>th</sup> June 2006 to take effect on 1<sup>st</sup> July 2006.

### Other Rules

The Insider Trading Rules were drafted and will be presented to the target audience for consultation during the next financial year. The Board Procedures Manual similarly has been drafted and will be presented for consideration and approval during the next financial year.

### Human Resources

The Department was enriched by the recruitment of a Legal Officer who brings to the Exchange experience gained through private legal practice and an advanced degree in law. The Legal Officer assumed office in February 2006. The Department has benefited from this recruitment through improved productivity and will continue to provide efficient services to USE and its stakeholders.

### Governing Council Matters

The Department has continued to perform its function as Secretary to the Governing Council. The Governing Council formed various Committees during the year. These include the Finance and Projects Committee, the Human Resources Committee and the Business Development Committee with the Department serving as Secretary to all Committees save

the Business Development Committee. This function has occupied a considerable amount of the Department's time.

The Governing Council raised the broker/dealer guarantee to forty million shillings. All broker/dealers are required to comply with this resolution by 1<sup>st</sup> January 2007.

During the year under review, the Governing Council formed the Open Market Forum on Bonds, Equities and Related Instruments. The Forum which will be constituted by financial sector institutions, will hold a breakfast meeting every quarter to deliberate upon pertinent issues. The inaugural Forum meeting is scheduled to take place on 17<sup>th</sup> July 2006.

### New Listings

The Department continues to serve as Secretary to the Listing Committee in addition to having the duty of reviewing applications submitted to the Committee for legal efficacy. Jubilee Holdings Limited (JHL) applied to list during the year. The Department played its legal advisory role. JHL was listed on the Exchange on 14<sup>th</sup> February 2006 bringing the number of cross listed securities to three.

Similarly, during the year under review, East African Development Bank (EADB) listed a U.Shs.20 billion seven year corporate bond on 20<sup>th</sup> December 2005. Standard Chartered Bank Uganda Limited listed a ten year corporate bond on 30<sup>th</sup> May 2006 bringing the total number of corporate bonds listed on the Exchange to three. Government Bonds continued to



## Legal & Surveillance Report *continued...*

be listed with various re-openings of the 2 and 3 year bonds.

### **New Membership**

Renaissance Capital Limited (RCL) was admitted to USE membership as a broker/dealer during the financial year. RCL is a subsidiary of Renaissance Financial Holdings Limited a company incorporated and active in the capital market of Zimbabwe.

### **Training/Public Education**

The Exchange (represented by the department) in partnership with the Uganda Law Society (ULS) offered a half day course for advocates on Understanding Financial Statements; another half day course on Analysis of Financial Statements; and a half day course on Due Diligence. The courses were well attended and were instructive to the participants furthering their knowledge of financial matters. USE and ULS plan to offer a whole day course on Understanding and Analysis of Financial Statements during the first quarter of the next financial year.

### **Surveillance**

The Legal & Surveillance Department in carrying out its

surveillance function, seeks to ensure compliance by issuers and the members of Uganda Securities Exchange Limited (USE) to the various Rules of the Exchange. Surveillance is undertaken through reporting requirements where member firms are required to send quarterly and annual reports to USE. Issuers are required to send interim (half yearly) and annual reports to the Exchange. The Department has worked with the listed companies on compliance with the continuing listing obligations. Generally, the listed companies have complied.

Surveillance visits were undertaken during May and June 2006 and the member firms were found to be generally compliant. On site inspection is carried out on an annual basis and can be undertaken on spot where necessary.

### **Regional Integration**

EASEA has during the period under review held a number of meetings. A proposal on mass

cross listing was finalized after a Stakeholders Forum convened by EASEA and hosted by Nairobi Stock Exchange (NSE) in Nairobi in February 2006. The Forum which had participation from listed companies, market players, the central banks of Kenya and Uganda and the Ministry of Finance, Kenya gave invaluable input to the final EASEA mass cross listing proposal. The proposal will be forwarded to the East African Securities Regulatory Authorities Association (EASRA) for its consideration.

During the period under review, EASEA deliberated on cross border initial public offers and will finalise a proposal during the next financial year.

The Department continued to serve as Secretary to EASEA during the year.

# Information Technology

## Report 2005/2006

**Activities in the Information Technology (IT) department focused on the consolidation of the IT infrastructure built in the previous Financial Year (FY) by continuing to enhance service delivery, preparing the Central Depository System's (CDS) operational infrastructure and creating awareness among IT users on the potential that IT offers to improve day to day efficiency.**

This therefore means that the major departmental achievement of FY 2005/06 was the implementation of the approved Uganda Securities Exchange (USE) IT Security Strategy and Security Policies to give guidelines on the use of IT services and infrastructure within and outside of the organization.

### ACCOMPLISHMENTS

#### IT Strategy and Security Policies

The IT strategy and Security policies were approved by the Governing Council at their 65<sup>th</sup> sitting in September 2005. These guidelines form the basis for delivery and use of IT services and infrastructure at USE. As a direct result, a number of policies relating to the use of IT infrastructure, resource sharing and disaster preparedness have been fully implemented and are under continuous review. The department was also

involved in refining and documenting IT Support procedures so as to minimize the time taken to avail services for new installations and / or resolution of service failures. These procedures are used to support IT systems and IT users within USE.

#### Installation of CDS software

A test environment for the CDS software was installed and its operation extensively tested. Live operation of the CDS awaits enactments of the CDS Bill. An internal CDS Management committee has been constituted to over-see the completion of the remaining phases of the project that have been mapped out into a manageable critical path.

#### Trade Transactions Database

As an in-house initiative in conjunction with the Trading department, a Trade Transaction Database (TTD) application was designed, developed and implemented to centralize and ease the recording, tracking, billing and reporting of the trade activities at the USE. This is an interim solution meant to fill the gap created by the delayed implementation of the CDS.

#### Network Infrastructure

The configuration of the local area network (LAN) was cleaned in the last quarter of the FY, and high speed data exchange over the network has been observed.

However, communication with the rest of the stakeholders is still constrained by the slow internet link currently providing 32 Kb/s throughout. Upgrading of the link is planned for FY 2006/07.

#### Training Centre

Computers, Visual and Audio presentation equipment were successfully installed in the training centre, and are fully functional.

#### Upgrade of E-mail services and the Mailing List (E-mail Database)

The hardware and software of the E-mail server were upgraded, an exercise that has enabled installation of value-added services.

A webmail interface was installed to avail USE staff connectivity to the office e-mail system while away from office using the USE www portal. This was achieved to address the need to keep in touch with office communication while away from office on duty calls.

An e-mail database (mailing list) of all parties interested in the market activities at the USE was created, and is currently maintained by the Trading/IT departments to ease communication with the market participants.

The list is automated to manage subscriptions and postings

# Information

## Technology Report *continued...*

thereby controlling abuse and at the same time freeing the resources at USE from mundane tasks.

Readers interested in free reports and updates on activities at the Exchange can subscribe by visiting <http://lists.use.or.ug/mailman/listinfo/reports> or sending an e-mail to: [reports-request@use.or.ug](mailto:reports-request@use.or.ug) with subject: Subscribe.

### Information dissemination

In support of USE's communications plan, IT was employed in keeping the investors well informed through regular update of the USE website and use of email to communicate internally and beyond. The www traffic has more than doubled over the last year.

A review to enhance the www portal so as to avail more information and exciting features has been completed and implementation of the recommendations therein planned for FY 2006/07.

### General Office Automation

The department continued to plan and lay strategies to support day to day office activities through review and maintenance of office applications. Basic office automation has been achieved at USE, and is an on-going activity.

### USE staff Training

#### Technical Training

- The department participated in the Oracle Technology Day training on Grid technologies held in June, 2006, Kampala. These emerging technologies will be paramount in helping Medium - To - Large establishments (MLEs) to leverage their IT resources through optimisation, sharing and also foster collaborations through workflow management initiatives.

- Training was also undertaken for the administration of Sun Solaris Operating System infrastructure at the Sun Training and Development Centre, Pretoria, South Africa.

This has enabled the department to better support the installed CDS infrastructure consisting of the Sun Solaris Operating System, a paramount component in running and maintaining systems and databases at the USE.

### User Training

- The department conducted four (4) user training sessions on business applications for the Finance & Admin and Trade & Research departments covering useful topics like Business Intelligence using MS Excel, Getting maximum results out of Power Point presentations.

### Shortcomings/ Challenges

- The department faced challenges including the failure to

complete the CDS project as per planned project timelines. The time variance resulted from the delay to enact the CDS Bill.

- The failure to exploit power features of installed IT infrastructure due to limited user training programs was evident.

- Coping with fast evolving technologies in the face of limited budget allocations.

### Proposed Improvements and future plans

The future focus is to give special attention to the CDS project while at the same time emphasizing development of in-house applications and automations of reporting routines to bridge the gap created by the delayed implementation of the CDS.

The future looks bright with planned installation of a Wide Area Network (WAN) infrastructure to interconnect with offices of stakeholders thereby further lowering the cost of transacting at the exchange.

New initiatives are planned to support the full potential of USE's communication plan and thus the overall vision of the Exchange. An example of an exciting plan is the enhancement of the www portal which will also include the implementation of an exciting on-line bourse game for the market.



Uganda Securities Exchange Limited  
*(A Company Limited by Guarantee)*

# Financial Statements

30<sup>th</sup> June, 2006

Uganda Securities Exchange Limited  
Contents of Directors' Report  
and Financial Statements  
30<sup>th</sup> June 2006

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## General Information

for the year ended 30<sup>th</sup> June 2006

### Directors

- Baroda Capital Markets (U) Ltd.
- Crane Financial Services Ltd.
- Equity Stock Brokers (Uganda) Ltd.
- Geoffrey A. Onegi-Obel & Co. Ltd.
- MBEA Brokerage Services (Uganda) Ltd.
- Mr. Michael Opagi - Privatization Unit.
- Mr. Simon Rutega,  
CEO Uganda Securities Exchange.

### Company Secretary

Simon Rutega  
P.O. Box 23552,  
Kampala

### Registered Office

Uganda Securities Exchange  
Workers' House  
Plot 1  
Pilkington Road,  
2<sup>nd</sup> Floor, Northern Wing  
P.O. Box 23552,  
Kampala

### Bankers

Stanbic Bank Uganda Limited  
City Branch  
12 Kampala Road  
P.O. Box 7131,  
Kampala

### Citibank Uganda Limited

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

### Auditors

Ernst & Young  
Ernst & Young House  
18 Clement Hill Road  
Shimoni Office Village  
P.O. Box 7215,  
Kampala

## Report of the Directors for the year ended 30<sup>th</sup> June 2006

The directors of the company present their report together with the audited financial statements for the year ended 30 June 2006, which disclose the state of affairs of the company.

### Principal Activity

The company continues to provide, maintain and regulate suitable premises and facilities for conducting all the business of securities exchange.

### Results

The results for the year are set out on page 25.

### Reserves

The reserves of the company are set out on page 28.

### Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office and do so under the terms of section 159 (2) of the Companies Act (cap 110)

By Order of the Board

Secretary



24<sup>th</sup> October 2006

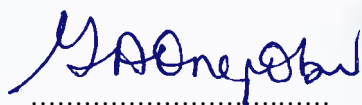
## Statement of Directors' Responsibilities for the year ended 30<sup>th</sup> June 2006

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with generally accepted accounting practice.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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



.....  
Director

24-10-2006  
.....

Date



.....  
Director

24-10-2006  
.....

Date



## Independent Auditor's Report to the members of Uganda Securities Exchange Limited

We have audited the financial statements set out on pages 25 to 35, which have been prepared on the basis of the accounting policies set out on pages 29 to 30. We obtained all the information and explanations, which we considered necessary for our audit.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND THE INDEPENDENT AUDITORS

We have audited the accompanying balance sheet of Uganda Securities Exchange Limited as at 30 June 2006, and the related statements of income, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management as stated on page 23. Our responsibility is to express an opinion on these financial statements based on our audit.

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Financial Statements

Independent Auditor's Report

### BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 30 June 2006, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act.

KAMPALA



..... 24<sup>th</sup> October ..... 2006

# Income Statement

for the year ended 30<sup>th</sup> June 2006

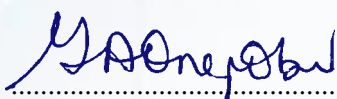
	Note	June 2006 Ushs	June 2005 Ushs
Revenue	2	720,728,753	1,035,043,120
Other income	3	25,169,002	17,155,182
Capital Grants Transferred		<u>55,508,907</u>	<u>44,894,439</u>
		801,406,662	1,097,092,741
<b>Expenditure</b>			
Administrative expenses	4	(360,218,909)	(280,011,777)
Staff costs	5	(498,359,399)	(455,803,106)
Other operating expenses	6	<u>(207,828,171)</u>	<u>(135,901,588)</u>
Total expenditure		(1,066,406,479)	(871,716,471)
<b>(Loss)/ profit from operations before finance costs</b>		(264,999,817)	225,376,270
Finance costs	7	<u>(2,745,499)</u>	<u>(1,933,606)</u>
<b>(Loss)/ profit before tax</b>		(267,745,316)	223,442,664
Income tax expense	9	—	—
<b>(Loss)/ profit for the year</b>	8	<u>(267,745,316)</u>	<u>223,442,664</u>

# Balance Sheet

as at 30<sup>th</sup> June 2006

	Notes	June 2006 Ushs	June 2005 Ushs
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property & equipment	10	96,146,677	152,141,466
Investments	11	65,175,674	69,548,102
Intangible assets	12	<u>24,661,575</u>	<u>43,124,303</u>
		185,983,926	264,813,871
<b>Current assets</b>			
Trade and other receivables	13	56,530,306	193,652,697
Cash and bank balances	14	<u>174,566,450</u>	<u>245,846,968</u>
		231,096,756	439,499,665
<b>TOTAL ASSETS</b>		<u>417,080,682</u>	<u>704,313,536</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Retained earnings		308,365,774	576,111,090
Capital grants		<u>60,855,028</u>	<u>116,363,935</u>
<b>Total equity</b>		369,220,802	692,475,025
<b>Current liabilities</b>			
Trade and other payables	15	<u>47,859,880</u>	<u>11,838,511</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>417,080,682</u>	<u>704,313,536</u>

The financial statements were approved by the Board of Directors on .....13<sup>th</sup> September..... 2006 and were signed on its behalf by: -

  
.....

Director

  
.....

Director

# Cash Flow Statement

## for the year ended 30<sup>th</sup> June 2006

	Note	June 2006 Ushs	June 2005 Ushs
<b>Cash flows from operating activities</b>			
Net (loss)/profit before taxation		(267,745,316)	223,442,664
Adjustment for: -			
Depreciation		60,051,402	60,172,948
Amortization of capital grants		(55,508,907)	(44,894,439)
Amortization of intangible asset		18,462,728	11,153,980
Income from investments		(3,558,498)	(8,826,500)
Profit on disposal of asset		<u>(2,000,000)</u>	-
Operating profit before working capital changes		(250,298,591)	241,048,653
Decrease/(increase) in trade and other receivables		137,122,391	(111,747,460)
Increase in trade and other payables		<u>36,021,369</u>	<u>1,198,386</u>
<b>Net cash flows from operating activities</b>		<u>(77,154,831)</u>	<u>134,499,579</u>
<b>Cash inflow/(outflow) from investing activities</b>			
Purchase of property, and equipment		(4,056,613)	(13,186,670)
Purchase of intangible asset		-	(548,100)
Long-term investment in Central Depository System		(25,751,124)	-
Sale of office partitions		2,000,000	-
Investment income		3,558,498	8,826,500
Redemption of investment in T/Bonds		<u>30,123,552</u>	-
<b>Net cash inflow/(outflow) from investing activities</b>		<u>5,874,313</u>	<u>(4,908,270)</u>
Net increase/decrease in cash and cash equivalents		(71,280,518)	125,591,309
Cash and cash equivalents at start of year		<u>245,846,968</u>	<u>120,255,659</u>
<b>Cash and cash equivalents as at 30 June 2006</b>	14	<u>174,566,450</u>	<u>245,846,968</u>



## Statement of Changes in Equity for the year ended 30<sup>th</sup> June 2006

	Capital grants Ushs	Retained earnings Ushs	Total equity Ushs
At 1 July 2004	17,854,144	352,668,426	370,522,570
Surplus for the year-	-	223,442,664	223,442,664
Capital Grants during the year	143,404,230	-	143,404,230
Amortization of grants	<u>(44,894,439)</u>	<u>-</u>	<u>(44,894,439)</u>
<b>At 30 June 2005</b>	<b><u>116,363,935</u></b>	<b><u>576,111,090</u></b>	<b><u>692,475,025</u></b>
At 1 July 2005	116,363,935	576,111,090	692,475,025
Profit for the year	-	(267,745,316)	(267,745,316)
Capital grants during the year	-	-	-
Amortization of Capital grant	<u>(55,508,907)</u>	<u>-</u>	<u>(55,508,907)</u>
<b>At 30 June 2006</b>	<b><u>60,855,028</u></b>	<b><u>308,365,774</u></b>	<b><u>369,220,802</u></b>

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Financial Statements

Statement of Changes in Equity

# Notes

## to the Financial Statements as at 30<sup>th</sup> June, 2006

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of accounting

The financial statements have been prepared on a historical cost basis and are presented in Uganda shillings.

#### Statement of compliance

The financial statements of Uganda Securities Exchange Limited have been prepared in accordance with International Financial Reporting Standards (IFRS).

#### Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

#### Revenue recognition

Gross revenue represents the amounts earned from the company activities during the year. Income is recognized on an accrual basis.

#### Foreign currency translation

The functional and presentation currency of Uganda Securities Exchange Limited is the Uganda Shilling (Ushs). Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary

assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

#### Property and equipment

Property and equipment is stated at cost less any accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Office Partitions	33 1/3%
Computers	33 1/3%
Office equipment	12 1/2%
Furniture, fixtures and fittings	12 1/2%
Motor vehicles	25%

The carrying values of Property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating

units are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of net selling price and value in use.

An item of property, and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the item is derecognised.

# Notes

## to the Financial Statements as at 30<sup>th</sup> June, 2006 *(continued)*

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Financial Statements

Notes Continued

### **Intangible assets (Software)**

Intangible assets are capitalised at cost. The useful lives of these intangible assets are assessed to be finite. Amortisation is charged on these assets with finite lives, this expense is taken to the income statement through the 'administrative expenses' line item.

### **Recoverable amount of non-current assets**

At each reporting date, management assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, management makes a formal estimate of recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

### **Investment securities**

#### ***Held to maturity investments:***

Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held to maturity, and are carried at amortised costs using the effective yield method, less any provision for impairment.

#### ***Available for sale investments:***

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity, or changes in interest rates, exchange rates or equity prices are classified as available for sale and are initially recognized at cost. Available for sale investments are subsequently re-measured at fair value, where the fair value can be reliably determined.

### **Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

### **Cash and cash equivalents**

Cash and bank balances in the balance sheet comprise cash at bank and in hand. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

### **Grants**

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the year necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a capital grant account and is released to the income statement over the expected useful life of the relevant asset by equal annual installments.

# Notes

## to the Financial Statements as at 30<sup>th</sup> June, 2006 *(continued)*

	June 2006 Ushs	June 2005 Ushs
<b>2. REVENUE</b>		
Listing fees	428,005,361	793,805,745
Membership fees	8,000,000	6,000,000
Revenue Grants	247,500,000	225,000,000
Brokerage Commission	21,723,39	9,237,375
Application and entrance fees	<u>15,500,000</u>	<u>1,000,000</u>
	<u>720,728,753</u>	<u>1,035,043,120</u>
<b>3. OTHER INCOME</b>		
Miscellaneous Income	<u>18,139,886</u>	<u>5,779,273</u>
Finance income		
Interest income	3,395,304	1,994,924
Income from investments	3,558,498	8,826,500
Exchange gain	<u>75,314</u>	<u>554,485</u>
Total finance income	<u>7,029,116</u>	<u>11,375,909</u>
	<u>25,169,002</u>	<u>17,155,182</u>
<b>4. ADMINISTRATIVE EXPENSES</b>		
Depreciation and amortization:		
Depreciation	60,051,402	60,172,948
Amortization of software	<u>18,462,728</u>	<u>11,153,980</u>
	<u>78,514,130</u>	<u>71,326,928</u>
Other Administrative expenses:		
Board allowances	8,100,000	8,400,000
Advertising	7,347,478	6,124,200
Audit fees	5,184,746	3,389,830
VAT expense	915,254	610,169
Printing and stationery	8,032,484	6,525,846
Membership and subscriptions	10,980,000	12,740,98
Telephone, fax and postage	30,652,938	27,297,216
Maintenance of equipment	2,607,837	4,083,933
Vehicle maintenance and fuel expenses	30,727,587	24,650,580
Venture capital initiative	17,190,000	15,558,750
Office rent	125,095,222	74,692,800
Insurance	4,276,849	3,231,444
Electricity and water	3,003,304	2,247,114
Office general expenses	15,739,708	14,504,304
Consultancy	2,325,000	758,160
Corporate social responsibility	1,100,000	1,938,500
Institutional training	4,810,900	947,800
Withholding tax	1,615,472	983,218
Purchase of set of law books	<u>2,000,000</u>	<u>-</u>
	<u>281,704,779</u>	<u>208,684,84999</u>
	<u>360,218,909</u>	<u>280,011,777</u>



# Notes

to the Financial Statements as at 30<sup>th</sup> June, 2006 (continued)

	June 2006 Ushs	June 2005 Ushs
<b>5. STAFF COSTS</b>		
Salaries & Wages	374,363,667	336,381,348
Staff welfare	90,537,732	84,734,158
NSSF Employer's contribution	33,458,000	30,048,500
Allowances	-	4,639,100
	<u>498,359,399</u>	<u>455,803,106</u>
<b>6. OTHER OPERATING EXPENSES</b>		
Board retreat	7,013,497	-
CDS installation expenses	2,639,351	-
CDS Operational expenses	10,260,672	14,918,180
Publication, newspapers & magazines	11,924,885	11,969,824
Public Education, Training & Travel	175,989,766	109,013,584
	<u>207,828,171</u>	<u>135,901,588</u>
<b>7. FINANCE COSTS</b>		
Exchange loss	-	-
Bank charges	(2,745,499)	(1,933,606)
Total finance costs	<u>(2,745,499)</u>	<u>(1,933,606)</u>
<b>8. PROFIT FROM OPERATIONS BEFORE TAXATION</b>		
Profit before taxation is stated after charging: -		
Depreciation	60,051,402	60,172,948
Auditors' remuneration	5,184,746	3,389,830
Employees' retirement benefit scheme:- NSSF (employer's contribution)	33,458,000	30,048,500
Directors' emoluments:-		
As Executives	90,000,000	90,000,000
As Non Executives	8,100,000	8,400,000
Foreign exchange gain	75,314	554,485
<b>9. INCOME TAX</b>		

The company is tax exempt, in view of the nature of its operations. A formal exemption was obtained from the relevant authorities.

## 10. PROPERTY AND EQUIPMENT

### 30 JUNE 2006

	Office Partitions  Ushs	Computer Equipment & Accessories  Ushs	Vehicles  Vehicles Ushs	Furniture, Fixtures & Fittings Equipment Ushs	Total  Ushs
Net carrying value at 1 July 2005	1,364,250	75,190,472	14,018,789	61,567,955	152,141,466
Additions-		2,301,113		1,755,500	4,056,613
Depreciation charge for the year	(606,333)	(38,260,339)	(7,852,123)	(13,332,607)	(60,051,402)
<i>At 30 June, net of accumulated depreciation</i>	<u>757,917</u>	<u>39,231,246</u>	<u>6,166,666</u>	<u>49,990,848</u>	<u>96,146,677</u>
<b>At 30 June 2006</b>					
Cost	15,819,000	150,245,051	58,011,327	111,113,400	321,188,778
Accumulated depreciation	(1,061,083)	(111,013,805)	(51,844,661)	(61,122,552)	(255,042,101)
Net carrying amount	<u>757,917</u>	<u>39,231,246</u>	<u>6,166,666</u>	<u>49,990,848</u>	<u>96,146,677</u>
<b>At 30 June 2005</b>					
Cost	1,819,000	147,943,938	58,011,327	109,357,900	317,132,165
Accumulated depreciation	(454,750)	(72,753,466)	(43,992,538)	(47,789,945)	(164,990,699)
<b>Net carrying amount</b>	<u>1,364,250</u>	<u>75,190,472</u>	<u>14,018,789</u>	<u>61,567,955</u>	<u>152,141,466</u>

### PROPERTY AND EQUIPMENT (Continued)

### 30 JUNE 2005

	Office Partitions  Ushs	Computer Equipment & Accessories  Ushs	Vehicles  Vehicles Ushs	Furniture, Fixtures & Fittings Equipment Ushs	Total  Ushs
Net carrying value at 1 July 2004	-	19,968,094	22,021,621	65,808,679	107,798,394
Additions	1,819,000	93,702,540	-	8,994,480	104,516,020
Depreciation charge for the year	(454,750)	(38,480,162)	(8,002,832)	(13,235,204)	(60,172,948)
<i>At 30 June, net of accumulated depreciation</i>	<u>1,364,250</u>	<u>75,190,472</u>	<u>14,018,789</u>	<u>61,567,955</u>	<u>152,141,466</u>
<b>At 30 June 2005</b>					
Cost	15,819,000	147,943,938	58,011,327	109,357,900	321,188,778
Accumulated depreciation	(14,454,750)	(72,753,466)	(43,992,538)	(47,789,945)	(178,990,699)
Net carrying amount	<u>1,364,250</u>	<u>75,190,472</u>	<u>14,018,789</u>	<u>61,567,955</u>	<u>152,141,466</u>
<b>At 30 June 2004</b>					
Cost	14,000,000	54,241,398	58,011,327	109,357,900	226,616,145
Accumulated depreciation	(14,000,000)	(34,273,304)	(35,989,706)	(34,554,741)	(118,817,751)
<b>Net carrying amount</b>	<u>-</u>	<u>96,968,094</u>	<u>22,021,621</u>	<u>65,808,679</u>	<u>107,798,394</u>

# Notes

## to the Financial Statements as at 30<sup>th</sup> June, 2006 *(continued)*

	June 2006 Ushs	June 2005 Ushs
<b>11. INVESTMENT</b>		
2 year Government Treasury Bond	-	30,123,552
Central Depository System	<u>65,175,674</u>	<u>39,424,550</u>
	<u>65,175,674</u>	<u>69,548,102</u>
(i) The 2 year investment in Government Treasury bond of Shs. 30,123,552 was redeemed in February 2006.		
(ii) The CDS investment relates to an investment in the East African Central Depository System up to 2.5% shareholding and is classified as available for sale and is carried at cost. During the year, an additional Shs. 25,751,124 was paid to bring the investment to Shs. 65,175,124.		
<b>12. INTANGIBLE ASSETS (SOFTWARE)</b>		
Cost as at 1 July net of accumulated amortization	43,124,303	1,655,303
Additions	-	52,622,980
Amortization	<u>(18,462,728)</u>	<u>(11,153,980)</u>
At 30 June	<u>24,661,575</u>	<u>43,124,303</u>
<b>At 1 July 2004</b>		
Cost (gross carrying amount)	55,388,183	2,765,203
Accumulated amortization	<u>(12,263,880)</u>	<u>(1,109,900)</u>
Net carrying amount	<u>43,124,303</u>	<u>1,655,303</u>
<b>At 1 July 2005</b>		
Cost (gross carrying amount)	55,388,183	2,765,203
Accumulated amortization	<u>(30,726,608)</u>	<u>(12,263,880)</u>
<b>Net carrying amount</b>	<u>24,661,575</u>	<u>43,124,303</u>
For the year ended 30 June 2006, the intangible asset is capitalized at cost; this intangible asset was assessed as having a finite life as at 1 July 2005 and is amortized under the straight-line method over a period of 3 years. This asset is tested for impairment where an indicator on impairment arises.		
<b>13. TRADE AND OTHER RECEIVABLES</b>		
Listing fees	30,000,000	177,136,539
Advances to staff	1,100,000	5,550,000
Accrued Brokerage Commission	14,789,803	7,010,069
Other receivables	10,290,503	3,856,089
Refundable deposit	<u>350,000</u>	<u>100,000</u>
	<u>56,530,306</u>	<u>193,652,697</u>

# Notes

## to the Financial Statements as at 30<sup>th</sup> June, 2006 (continued)

	June 2006 Ushs	June 2005 Ushs
<b>14. CASH AND BANK BALANCES</b>		
For purposes of the cash flow statement, cash and cash equivalents comprise the following at 30 June		
Cash at bank	174,511,750	245,811,968
Cash at hand	<u>54,700</u>	<u>35,000</u>
	<u>174,566,450</u>	<u>245,846,968</u>
<b>15. Trade and other payables</b>		
Refundable listing fees	3,084,032	3,084,032
Prepayments	1,080,302	-
Accruals	<u>43,695,546</u>	<u>8,754,479</u>
	<u>47,859,880</u>	<u>11,838,511</u>
<b>16. ASSET ADDITIONS</b>		
Asset additions for the year include:		
Property and equipment	4,056,613	91,329,350
Intangible assets	<u>-</u>	<u>52,074,880</u>
	<u>4,056,613</u>	<u>143,404,230</u>

### 17. EMPLOYEES

The average number of employees of the company during the year ended 30 June 2006 was 13 (2005:13).

### 18. COMMITMENTS AND CONTINGENCIES

There were no commitments and contingencies as at 30 June 2006 that require disclosure.

### 19. EVENTS AFTER THE BALANCE SHEET DATE

The directors are not aware of any post balance sheet items that require amendment or adjustment to the financial statements as at the date of this report.

### 20. COMPARATIVE AMOUNTS

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

### 21. INCORPORATION

The company is incorporated in Uganda under the Companies Act.

### 22. CURRENCY

These financial statements are presented in Uganda Shillings (Ushs) and the exchange rate applied at the close of the year for Balance Sheet items was Ushs 1,875: \$1



# MEMBER FIRMS

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*Broker/Dealer, Investment Advisor*

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## **Dyer & Blair (U) Ltd.**

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*Broker/Dealer, Investment Advisor.*

## **Equity Stock Brokers (U) Ltd.**

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*Broker/Dealer, Investment Advisor*

## **G.A. Onegi - Obel & Co. Ltd.**

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*Investment Advisor*

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