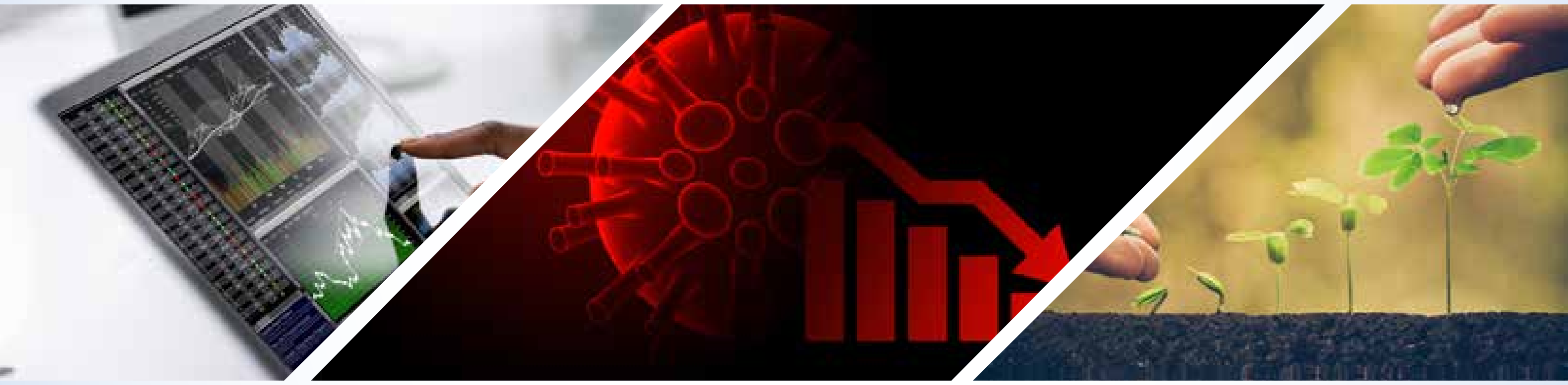
Uganda Securities Exchange

RESILIENCE
GROWTH & HOPE



Annual Report 2020

Uganda Securities Exchange

Guaranteed return with Government SECURITIES

For more information on **HOW TO INVEST, please contact your stockbroker**

Participation is subject to BOU Auction procedures and guidelines

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INSPIRING GROWTH.

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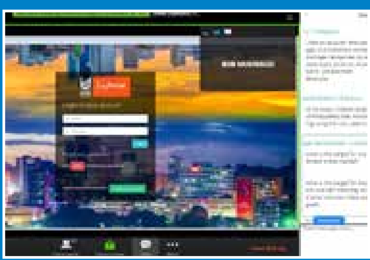

Tables & Figures List

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Acronyms' List

The ones highlighted will be confirmed after final proofreading.

ALSI	All Share Index
ATS	Automated Trading System
BBO	Broker Back Office
CEO	Chief Executive Officer
CMA	Capital Markets Authority
DVP	Delivery Versus Payment
EDMS	Electronic Data Management System
ERM	Enterprise Risk Management
FISMs	Fixed Income Securities Market Segment
GEMs	Growth Enterprises Market Segment
ICT	Information and Communication Technology
IPO	Initial Public Offering
IT	Information Technology
KYC	Know Your Client
LCI	Local Currency Index
MIMs	Main Investment Market Segment
SCD	Securities Central Depository
SCDA	Securities Central Depository Agent
SWIFT	Society for Worldwide Interbank Financial Telecommunication
USE	Uganda Securities Exchange


INSPIRING GROWTH.
Invest in
Patient Capital
to execute your
Business Strategy
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Uganda
Securities Exchange

Who **We Are**

WE PROVIDE A WELL-ORGANIZED, TRANSPARENT, AND REGULATED PLATFORM TO BRING TOGETHER SEEKERS OF CAPITAL

The Uganda Securities Exchange (USE) was licensed to operate as an approved Stock Exchange in June 1997 by the Capital Markets Authority (CMA) of Uganda under the Capital Markets (licensing) Regulations 1996.

USE began formal trading operations in January 1998 and is governed by the Uganda Securities Exchange Limited Rules 2003 (as Amended). It is registered as a public limited liability company and approved by the CMA to run as a demutualized Exchange under the laws of Uganda.

We provide a well-organized, transparent, and regulated platform to bring together seekers of capital (companies looking to raise finances) and providers of capital (investors).

We continue to leverage technology to support innovation and ease access to the market for both issuers and investors.

We boast of a diverse clientele that is comprised of retail and institutional investors, issuers, government, and data clients. USE Nominees Limited (which also trades as SCD Registrars) is established as a wholly owned subsidiary of the Uganda Securities Exchange.

The subsidiary's core mandate is to provide centralized depository, clearing and settlement services for the Ugandan Equity and Debt markets. It also offers share registry services.

Our Vision, Mission & Core Values

Our Vision

To be Uganda's preferred institution for investments and sourcing of capital.

Our Mission

We are committed to empower our customers through service excellence and innovation in order to promote safe, convenient, and sustainable investments.

Our Core Values

- Customer Focus
- Innovation
- Efficiency
- Integrity
- Teamwork

Our Trading Participants

Baroda Capital Markets (Uganda) Ltd.

Plot 18 Kampala Road
P. O. Box 7197, Kampala, Uganda
Tel: 0414- 237898 Fax: 0414 258 263
Email: bcm.ug@bankofbatoda.com

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

Crested Capital First Floor, Impala House
Plot 13/15 Kimathi Avenue
P. O. Box 31736, Kampala, Uganda
Tel: 0312-230900/0758-230900 **Fax:** 0414-230900
Email: info@crestedcapital.com

DYER & BLAIR
INVESTMENT BANK
WE KNOW. YOU KNOW.

Ground Floor, Rwenzori House
Plot 1 Lumumba Avenue
P. O. Box 36620, Kampala, Uganda
Tel: 0414 233 050 or 0312 265 469
Email: uganda@dyerandblair.com

EQUITY STOCK BROKERS
service · tradition · trust

Orient Plaza, Plot 6/6A, Kampala Road
P. O. Box 7539, Kampala, Uganda
Tel: 0417-719144/0417-719133
Email: equity@orient-bank.com

sbg securities
A member of Standard Bank Group

4th Floor, Crested Towers (Short)
17 Hannington Road
P. O. Box 7131, Kampala, Uganda
Tel: 0312 224 972 or 0312 224 965
Email: sbgstrading@standardbank.com

UAP OLDMUTUAL

2nd Floor UAP Nakawa Business Park
Block A Second Floor
Plot 3-5 New Port Bell Road
P. O. Box 20079 Kampala-Uganda
Tel: 0414332824. **Fax:** 0414-346449
Email: brokerageufs@uap-group.com

Our **Issuers**

USE Milestones

1997

01
The Licensing of the USE by the Uganda Capital Markets Authority to operate as an approved Stock Exchange in June 1997.

1998

02
The listing of USE's first security, the Ushs 10 billion 4 year East African Development Bank (EADB) Bond in January 1998.

1999

03
The listing of the 5-year Ushs 8.3 billion PTA Bond in March 1999.

2000

04
- The flotation and eventual listing of USE's first equity, the Uganda Clays Ltd share on the 18th of January. UCL shares were 15% oversubscribed.
- The flotation of the British American Tobacco (Uganda) Ltd –BATU share through the USE on 28th June. BATU shares were 5% oversubscribed and represented the second divestiture of government held shares in a company to take place through the Exchange.

2001

05
The first ever cross border listing in the East African market occurred with the listing of East African Breweries Ltd (EABL) on the Uganda Capital Market on 27th March. EABL is ranked among the top 10 companies on the Nairobi Stock Exchange (NSE) in terms of capitalization.

2002

06
- The listing of the Kenya Airways shares on the Uganda Capital Markets on the 28th of March becoming USE's second cross listed product. The shares currently have blue chip status on the Nairobi Stock Exchange (NSE).
- The first flotation of a commercial bank's shares on the Uganda Capital market occurred on the 2nd of September 2002 when Bank of Baroda offered 20% of its stock to the public through the USE. 80 million shares were on sale in multiples of 100 at Ushs 600 per share. Its shares were 16.7 % oversubscribed.
- Official listing of Bank of Baroda Uganda Ltd (BOBU) on the USE on 14th November making it the first financial institution to list on the Uganda Capital Market.

2003

07
- The listing of the first tranche (Ushs 24 billion) of the Ushs 54 billion UTL Medium term Note on Uganda Capital Market was on 16th September.
- The Launch of the USE All Share Index on 23rd October 2003.

2004

08
- Official Listing of the 2 year, Ushs 20 billion Uganda Government 20% Coupon Rate Treasury Bond on January 15th making it the first Government Bond to be listed on the USE. Currently there are two 2-year bonds, two 3-year bonds, a 5-year bond and a 10-year bond listed on the stock exchange. Please refer to our Listed Securities page for more information.
- DFCU group goes public making it Uganda's second financial institution to list on the Uganda Capital Market.
- New Vision offers 20% of its shareholding for sale to the public, making it the fifth local company to conduct an IPO in the Ugandan Capital market. New Vision Limited (NVL) is officially listed on 16 Dec 2004.

2005

09
The listing of the 8 year East African Development Bank (EADB) Bond in December 2005.

2006

10
Official cross-listing of Jubilee Holdings Limited (JHL) on the USE on 14th February making it the first insurance institution to list on the Uganda Capital Market.

2007

11
Stanbic Bank listed on the U
Jan following
IPO that was
subscribed.

Uganda is
USE on 25
a successful
200% over-

2008

12
Cross Listing of Kenya Commercial Bank.

2009

13
Listing of National Insurance Corporation.

2010

14
- Cross Listing of Nation Media Group.
- Automation of the Securities Central Depository.

2011

15
- Stanbic bank undertook a bonus share issue in the ratio of 1:1 bringing the total number of shares in issue to 5,118,867,000
- Cross Listing of Centum Kenya on the Uganda Securities Exchange.

2012

16
- Cross Listing of Equity Bank Kenya on the Uganda Securities Exchange.
- Stanbic Bank Uganda listed an additional 40,950,935,760 shares to the benefit of its shareholders being the bank's second bonus offer after the one done in 2011. It brought the total number of shares to 51,188,669,700.
- Umeme Limited was listed on the Uganda Securities Exchange following the offer of 622,378,000 to the public at a price of Ugx. 275.

2013

17
- African Development Bank (AfDB) listed its second two-year sh12.5b bond to fund strategic projects in Uganda.
- Cross Listing of Uchumi.

2014

18
- NIC undertook a rights issue of 192,000,000 million shares.
- NIC undertook a bonus issue from which an additional 819,661,942 bonus shares were listed on the Uganda Securities Exchange.
- ADB listed a 10-year bond
- DFCU Group undertook a bonus issue in the ratio 1:1
- Umeme Limited undertook a secondary offer in which part of the stake of the majority shareholder Umeme Holdings Limited was offered to the public at a price of Ush 340.

2017

19
Automation of trading through ATS and CSD systems.

2017

20
- Launch of the Easy Portal
- DFCU undertook a rights issue of 263,157,895 million shares
- Demutualization of the Exchange

2018

21
- The Rebrand of the Exchange
- CIPLA QCIL IPO

2020

22
- Launch of the Easy Portal Online Account Opening

Uganda Securities Exchange

Initial Public Offerings

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www.use.or.ug

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INSPIRING **GROWTH.**

Chairman's Statement

Slowdown in Uganda's economic growth due to the pandemic

0.5%
decline in 2020

Mr. Charles Mbire
Chairman

> ***There was a notable slowdown in trading turnover during the year as most foreign investors opted away from the equities market into fixed income markets and other global markets ...***

Most affected sectors

Industry & Services

Hospitality & Tourism

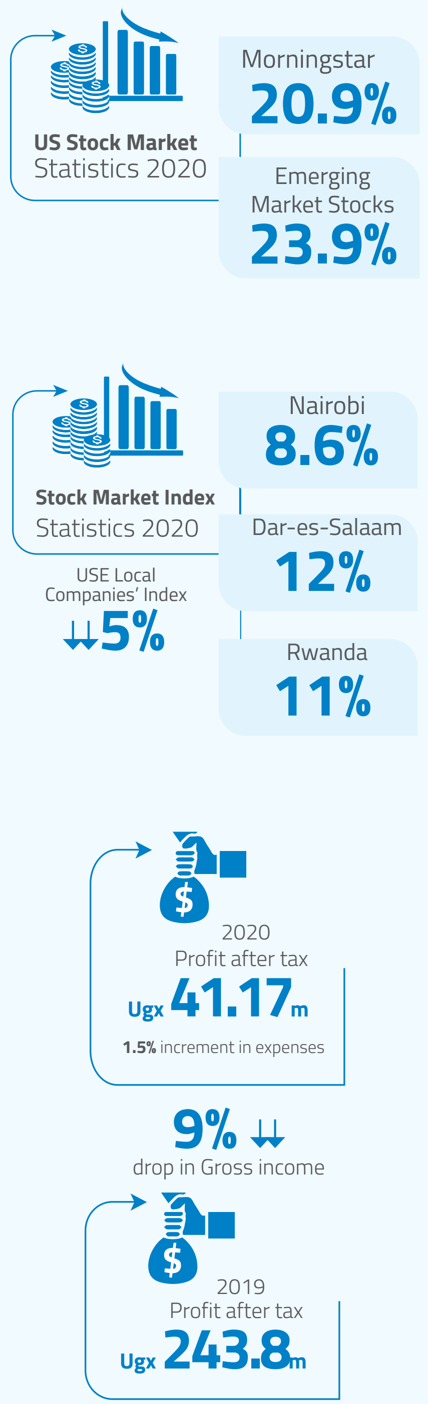
3.1%
drop

I am delighted to present our 2020 Annual Report which shows the company's resilience despite the challenges faced by the financial markets in the region and across the globe in the face of the COVID-19 pandemic.

Operating Environment

The pandemic resulted in an overall slowdown in Uganda's economic growth as government put in place mitigation measures to curb the spread of the disease to citizens. The most affected sectors were the industrial/manufacturing and services sector during the period whose growth averaged 0.4% and an annual drop of 3.1% during the past year. The hospitality and tourism sectors were constrained by the mandatory and voluntary standard operating procedures. According to the African Development Bank, Uganda's economy declined by 0.5% in 2020 from a growth of 7.5% posted in 2019.

Lower trading activity and drop in share prices on most stocks.



The Financial Markets industry was greatly impacted during the year as investors sought safer havens and more guaranteed returns considering the higher risk presented from the impact of the pandemic. Major global stock market indices registered large declines in Q1 2020 when the pandemic was at its peak. Statistics from Morningstar showed that the US Stock Market and Emerging Market Stocks declined by 20.9% and 23.9% respectively driven by huge sell offs during the period. There was a notable recovery for these markets by the end of 2020 as governments around the world intervened with stimulus packages and COVID-19 vaccines began to be rolled out which supported investor confidence.

Closer to home, the regional markets had significant impacts from the pandemic as seen by lower trading activity and declines in share prices on most stocks. The Nairobi All Share Index plummeted by 8.6% in 2020 compared to an 18.5% appreciation registered in 2019. On the other hand, the Dar-es-Salaam Stock market index (DSEI) and Rwanda Share Index were also down 12% and 11% respectively. The USE Local Companies' Index fell by 5% during 2020.

There was a notable slowdown in trading turnover during the year as most foreign investors opted away from the equities market into fixed income markets and other global markets which were closer to home and less risky.

The past year emphasized the need to have robust infrastructure and business continuity capabilities. We were able to leverage the benefits of our fully automated trading and settlement infrastructure to offer seamless support to our stockbrokers and custodian banks that in turn were able to serve the investor clientele with minimal disruptions during the period. This means that investors had access to the market within the usual trading hours. We also adjusted the USE working model by fully enabling all our staff to work remotely from home in a bid to safeguard them from contracting the Covid-19 virus.

Financial Performance:

The USE posted a profit after tax of Ugx 41.17 Million in 2020, a decline compared to Ugx 243.8 Million registered in 2019. The lower profitability was driven by a 9% drop in Gross income largely resulting from a 74% drop in trading turnover and a 1.5% increment in expenses which catered for seamless operations during the lockdown period.

Corporate Strategy and Governance:

During 2020, we enhanced our self-service online portal (USE Easy Portal) to allow for online account opening. This upgrade enables Ugandan investors to seamlessly open Securities Central Depository (SCD) accounts over the internet. It provides an easy, fast, and convenient experience to local investors while limiting physical interactions with the stockbroker which was restricted over the past year in a bid to control the spread of the COVID-19 pandemic. This initiative is in line with our strategy of convenient access for investors and will go to great lengths in increasing the number of investors at the Exchange. The platform will be further enhanced to enable online account opening for all categories of investors including East African, foreign, and institutional investors.

To further diversify revenues, the USE also implemented the Alternative Government Securities trading platform in collaboration with Centenary Bank as the Primary Dealer to enable investors access government securities, conveniently through their stockbrokers.

Over the past year, the USE also constituted a Business Development department which will be critical in ensuring the implementation of strategies to promote the growth of the business. The department will look to identify opportunities for more companies to use the Exchange to raise long term financing, diversify the USE product offering and grow the number of investors on the stock market. To ensure adequate strategic oversight to this new business approach, the Board during the year constituted a Business Development Committee.

The committee which had its inaugural sitting in December 2020 is the board's delegated authority in ensuring the development and implementation of a "fit-for- business" Business development strategy which will strengthen the Exchange 's position as a competitive capital raising platform and create real value for all stakeholders. Other details of the Committee and governance approach of the Board during the period is detailed in the corporate governance report on page xx.

Appreciation:
The USE remains well positioned and fundamentally strong to provide various financing solutions to businesses as the economy struggles to recover from the pandemic induced slowdown. We will continue to leverage innovation using technology to take up opportunities and collaborate with various sector players in the capital markets and Uganda's economy to provide solutions that support Uganda's economic recovery. This will ensure that we meet shareholder and stakeholder objectives.

I express my gratitude to Government, Stockbrokers, Custodians, Listed Companies and all our stakeholders for their active participation in ensuring the smooth operations of the Exchange over the past year and ensuring delivery of our mandate to investors over the past year.

I am grateful to the board of directors, management, and staff at the USE for the resilience expressed over the past year which ensured sustained operations of the business during the unprecedented times witnessed in the past year.

I also convey my appreciation to our regulator, Capital Markets Authority (CMA), for their partnership and support especially in the development and implementation of guidelines that accommodated Virtual Annual General Meetings for issuers that still guaranteed shareholders rights in accessing information and participation to the same degree as they would have, had they attended in person.

I express my gratitude to Government, Stockbrokers, Custodians, Listed Companies and all our stakeholders for their active participation in ensuring the smooth operations of the Exchange over the past year and ensuring delivery of our mandate to investors over the past year.

I reiterate our commitment to deliver on the promise of being Uganda's preferred institution for investments and sourcing of capital. We look forward to a more excellent year ahead as we play a part in Uganda's economic recovery and continue to pray for the safety and wellbeing of all citizens.

Chief Executive 's Statement

2020

73.7% Drop

Ugx33.4bn
Trading activity declined sharply as compared to **Ugx127bn** in 2019

Paul Bwiso
Chief Executive Officer

I extend my sincere appreciation to the company Board of Directors for the guidance provided in ensuring business resilience over the past year ...

Trading Performance

2020

40% Deals

3,174deals
A **decline in Registered deals** as compared to **5,317 deals** in 2019

Dear Shareholders, it is with great pleasure that I present to you the operational and financial performance of the Exchange for the 12 months to 31st December 2020.

Trading Performance:
Trading activity declined sharply over the past year with the equities market turnover registering a 73.7% drop to Ugx 33.4 billion compared to Ugx 127 billion recorded in 2019. The total number of deals closed during the year were down 40% to 3,174 deals compared to 5,317 deals registered in 2019. Foreign investor participation declined to 42% in 2020 compared to over 70% participation registered in past years. Trading turnover drastically dropped all through April and was

40%
Foreign Investor Participation

compared to over **70%** participation registered in past years

Total market capitalization closed in 2020 at

Ugx 18.3 tn

30% drop

largely driven by price declines on most of the cross listed stocks

Business Performance

2020
Company's profitability
Ugx 41.2M
83% Decline
2019
Ugx 243.8M

2020
Expenses during the year
Ugx 2.6bn
1.5% Increase

2020
USE Balance sheet
Ugx 7.7bn
2% Increase

at its lowest in May since the automation of trading at the Exchange in July 2015. Furthermore, the Central Bank directive to Commercial Banks to defer payment of dividends also resulted in most investors opting to remain on the side-lines hence affecting overall activity on the market.

We also witnessed a decline in the total number of new SCD accounts opened during the year given the limitations in physical interaction especially in the second quarter of the year. A total of 1,176 SCD Accounts were opened last year compared to 2,601 accounts opened in 2019. Investors previously have had to physically visit SCD Agents offices to fill out forms to open trading investment accounts.

There was also a noted reduction in the number of Certificates immobilized during the past year which were recorded at 116 corresponding to 2.7 million shares compared to 303 certificates corresponding to 48 million shares immobilized in 2019.

Total market capitalization for 2020 closed at Ugx 18.3 Trillion from Ugx 26.2 Trillion at the start of the year, representative of a 30% drop largely driven by price declines on most of the cross listed stocks. The local market capitalization edged lower at Ugx 4.2 Trillion from Ugx 4.4 Trillion at the beginning of the year driven by price decreases on the large cap local company stocks including UMEME and Stanbic Uganda Holdings.

The main equity market trading metrics show the significant slowdown witnessed during the year as the financial markets felt the impact of the pandemic.

Business Performance:

The Company's profitability declined by 83% to Ugx 41.2 million in 2020 from Ugx 243.8 million recorded in 2019. This lower profit after tax was a result of lower brokerage commission fees which was down 74% and bonds listing fees which also declined by 39% year on year. SCD Income earned also fell by 40.9% during the year. Data vending income rose by 22% to Ugx 105 Million during the year. SCD Registry, a subsidiary of USE, also introduced virtual AGM services to clients and a total of Ugx 38 Million was realized from this revenue line. As a result, gross income fell by 9% to Ugx 2.7 Billion in 2020 from Ugx 2.97 Billion registered in 2019.

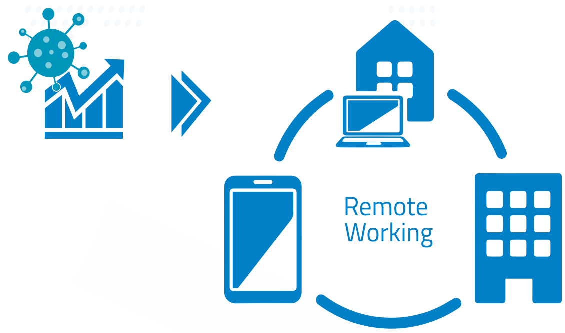
Expenses during the year edged higher by 1.5% to Ugx 2.6 Billion driven by higher administration and staff costs as the company put in place capabilities for staff to work remotely in light of the pandemic.

The USE's balance sheet size edged lower by 2% to end the year at Ugx 7.7 Billion.

Business Continuity in 2020:
Like other companies, the Exchange had to adjust its operations to the new normal considering the COVID-19 pandemic that called for a change in operations and lifestyles. We leveraged our technological infrastructure to adjust our operating model to support access to the trading platform by all participants who were working remotely from home. I am happy to report that the market remained open for trading during the usual trading hours throughout the period with minimal disruption and seamless settlement.

It was critical that shareholders and the public were fully aware of any changes to ensure that there were no information gaps which would affect their participation in the markets. The USE worked with Issuers and Capital Markets Authority to develop guidelines for Virtual Annual General Meetings to fit the circumstances which called for limited public gatherings. We continued to keep the pulse on expected industry and regulatory standards in relation to timely disclosure of material information and ensuring access to market information via print and electronic media channels.

Adjusted operations to the new normal considering the COVID-19 pandemic

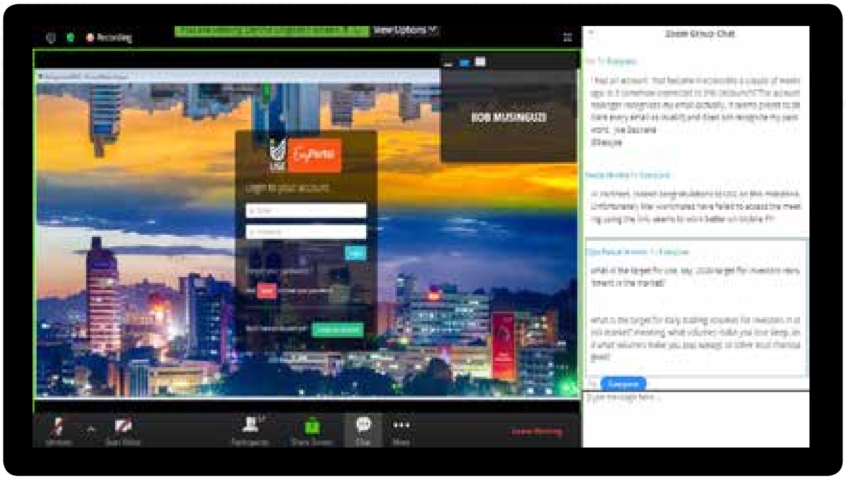


- leveraged our technology infrastructure
- The market remained open for trading during the usual hours

KEY MILESTONES IN 2020:

Ring the Bell for Gender Equality:
The USE joined 90 other stock exchanges and companies around the world in promoting Gender Equality in the workplace, marketplace, and community. The event had the CEO of Stanbic Holdings Uganda and Cipla Quality Chemicals ring the closing trading bell to draw attention to the critical role that businesses can and must play in tackling gender inequalities. Stanbic Holdings and Cipla Quality Chemicals also signed the UN Women's Empowerment Principles (WEP) as a pledge to continue to promote gender equality in the workplace.

Launch of Online Account Opening:
In a bid to align to the 'new normal' that called for limited physical interactions, the USE enhanced the USE Easy Portal platform to allow for local investors with a national ID to seamlessly open an SCD Account using their laptops and mobile phones over the internet. The USE Easy Portal ensures the collection of vital KYC details for an investor (Including, a front and back copy of one's National ID and a photo) and allows for the Information submitted by the investor to be passed on to the selected Stockbroker's back office for further verification and thereafter this information is sent to the Securities Central Depository for approval. The process should take between 24 to 48 hours.



Government Securities Alternative Trading:

The USE also implemented a market tailored solution that enables investors to trade government securities. This is aligned to the company's strategic initiative of expanding the asset class variety for investors. The solution is provided in collaboration with Centenary Bank as the primary dealer. Investors can conveniently participate in Government Securities' Treasury bills and bond auctions and also trade their holdings on the secondary market through their stockbrokers.

Awareness Programs:

In line with its mandate to raise awareness to investors and companies on investment and capital raising options available, the Exchange introduced webinar series made available to the public. We partnered with Uganda Bankers Association, Uganda Manufacturers Association, and trading participants to cover a wide array of topics targeting companies in various sectors. This initiative will go a long way in raising the Exchange's visibility to boost activity and attract more companies raising financing through various capital markets options.

2021 Outlook:

The Exchange used the unprecedented past year as an opportunity to accelerate efforts aimed at enhancing the number of products available on the platform and supporting the financial inclusion agenda. Following the impact of the pandemic on various sectors and businesses, the private and public sector require financing to bridge both temporary cash flow and long-term capital requirements to take up developing opportunities. Through its strategic intent, the Exchange will continue to provide versatile financing solutions to businesses in need of capital to support the overall economic recovery process.

We will continue to leverage technology to support innovation and will roll out further enhancements to the USE Easy Portal to increase its capabilities in providing an easy, fast, and convenient experience to investors on the trading platforms. This will be aimed at enhancing the capacity of retail investors to access investments in various asset classes offered at the Exchange.

Furthermore, we will establish and leverage partnerships with various stakeholders and sector associations in a bid to understand the diverse financing needs of the sectors and ensure that we design the appropriate financing solutions to businesses through the stock market.

The Exchange is committed to putting the lessons taken from the tough past year to accelerate and transform the business to ensure continued relevance and growth for all stakeholders.

Appreciation:

I extend my sincere appreciation to the company Board of Directors for the guidance provided in ensuring business resilience over the past year. I also thank the staff who served with dedication over the past year. I also thank our Regulator, Capital Markets Authority, Government, Issuers and trading participants for their support and dedication which resulted the resilience of the Exchange during the past year.

Board of **Directors**

Mr. Charles Mbire
Chairman,
Independent Non Executive

Mr. Paul Bwiso
Chief Executive Officer
Executive Director

Mr .Richard Byarugaba
Non- Executive

Dr. Rachel Mindra Katoorogo
Non- Executive

Ms. Jennifer Mwijukye Kabanyana
Non- Executive

Board of **Directors**

Mr. Dickson Musoni
(Exit date 30/07/2020)
Non- Executive

Mr. Simon Mwebaze
Non- Executive

Ms. Christine Nkundizana Muramuzi
(Appointed on 02/10/2020)
Non- Executive

Mr. Mohan Pranshantam
(Appointed on 02/10/2020)
Non- Executive

Mr. Samuel Frederick Mwogeza
Non- Executive

Management Committee

Mr. Paul Bwiso
Chief Executive Officer

Bob Musinguzi
Manager SCD

Allison Seruccaca Kwikiriza
Legal & Compliance Manager

Edward Serunjogi
Finance Manager

Dennis David Ongom
Information Systems Manager

Salma Nakiboneka Katamba
Business Development Manager

Andrew Mwima
Manager Trading & Research

2020 **Highlights**

UCL ANNIVERSARY

Uganda Clays Limited (UCL) celebrated its 20th Listing Anniversary on January 20th, 2020. The milestone which was jointly commemorated by the UCL Management team and USE Staff recognised UCL as the first company to be listed on the Exchange and its growth journey as a public listed company since then. With the dawn of a new decade as an Issuer, UCL highlighted its strategic priorities and reiterated their continued commitment to their obligations as a public listed company.

RING THE BELL FOR GENDER EQUALITY

On 6th March 2020, USE joined over 90 stock exchanges, International Finance Corporation (IFC), Sustainable Stock Exchanges Initiative (SSE), United Nations Global Compact, UN Women, World Federation of Exchanges (WFE), and Women in ETFs to ring the bell for gender equality in celebration of International Women's Day (IWD).

The event which involved ringing the market closing bell to draw attention to the critical role that businesses can and should play in tackling gender inequalities was attended by over 60 proffessionals and affiliates of the market and held under the theme:"I am Generation Equality: Realizing Women's Rights"

During the event, a women led panel discussed the business case for advancing gender equality and women's empowerment in the workplace, marketplace and community. Another key activity of the event was the signing of the CEO statement of Support of the UN Women's Empowerment Principles (WEP) by Issuers, Stanbic Uganda Holdings and Cipla Quality Chemicals Ltd .

The statement constitutes commitment by the signatory to use the seven Principles as guide posts for actions that advance and empower women in the workplace and community and to communicate their progress through sex-disaggregated data and other benchmarks.

BAT UGANDA ANNIVERSARY

On 10 September 2020, BAT Uganda celebrated its 20th anniversary of listing on the Uganda Securities Exchange. USE hosted BAT Uganda management and staff at a hybrid event where the bell was symbolically rung in commemoration of this milestone. BAT Uganda also presented an updated company strategy and purpose, as well as a new corporate brand identity, during the occasion.

BANKERS WEBINAR

USE on August 13th, 2020 in partnership with the Uganda Bankers Association (UBA) and Chartered Financial Analysts (CFA) Institute held a webinar to discuss the Role of Capital Markets in Addressing High Bank Lending Rates. The webinar which was held as part of the Exchange's financial awareness initiatives undertaken during the year underscored the various existing synergies between the capital markets and the banking sector in particular, the complementary nature of the stock market in expanding financing capabilities of financial institutions through provision of patient capital for deployment . The webinar also highlighted the importance of conducting more trend analysis of the prime lending rates over a full economic cycle to affirm whether there is a benefits factor to listing/ raising capital from the stock market and addressing any bottlenecks as a critical step towards increasing the attractiveness of this financing option.

ISSUERS FORUM

The annual USE Issuers Forum was held on 4th December 2020 under the theme Market Resilience and Adaptability. The virtual event which was attended by representatives from all the listed companies, select market advisors and the primary regulator, Capital Markets Authority held a round table discussion under the topic : Reflecting on Opportunities for sustainable recovery. The discussion provided participants from diverse sectors an opportunity to share key learnings from the covid-19 pandemic crisis in relation to the readiness of the market and its players to respond to the changing business environment and thrive .The discussion also explored the issue of the available opportunities within the market through which sustainable recovery and growth for Issuers could be achieved given the changed economic and business landscape and how the market can support this journey as a critical partner in driving this growth.

LAUNCH OF ONLINE ACCOUNT OPENING

On July 7th 2020, USE launched the online Account Opening module on its web based Easy. At the launch event held virtually, it was noted that the limitations to physical interactions that followed the Covid-19 pandemic accelerated USE's innovation efforts aimed at simplifying to market accessibility for retail investors and specifically, the process for opening a securities central depository (SCD) account. The new feature which further enhances the self-service platform is expected to encourage growth of the number of investors participating on the exchange.

INVESTING
Made Easy, Fast and Convenient

With the USE EasyPortal

Step 1: Visit the USE Easy Portal at http://scd.use.or.ug / and click "create an account".

Step 2: Enter your details and sing up.

Step 3: Check your email for the activation token and click on the link to activate your account.

Step 4: Log in using the email address and password you used to sign up

Step 5: Click "Link/Create SCD account"

Step 6: Click on "Open a new account"

Step 7: Fill in the details and then click on open account.

Step 8: Application submitted to broker for approval.

For any inquiries, please do not hesitate to contact us at
depository@use.or.ug

Uganda Securities Exchange

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1. PRODUCTS AND MARKETS

Market Activity:
Trading turnover declined by 72% to Ugx 35 billion in 2020 compared to Ugx 127 billion registered in 2019. Government Securities Trading contributed a 5% to total market activity following its introduction in December 2020.

The overall slowdown in market activity was attributed to increased perceived risk of the equity markets across the globe as the world grappled with the Covid-19 pandemic that resulted in slowdown in economic activity.

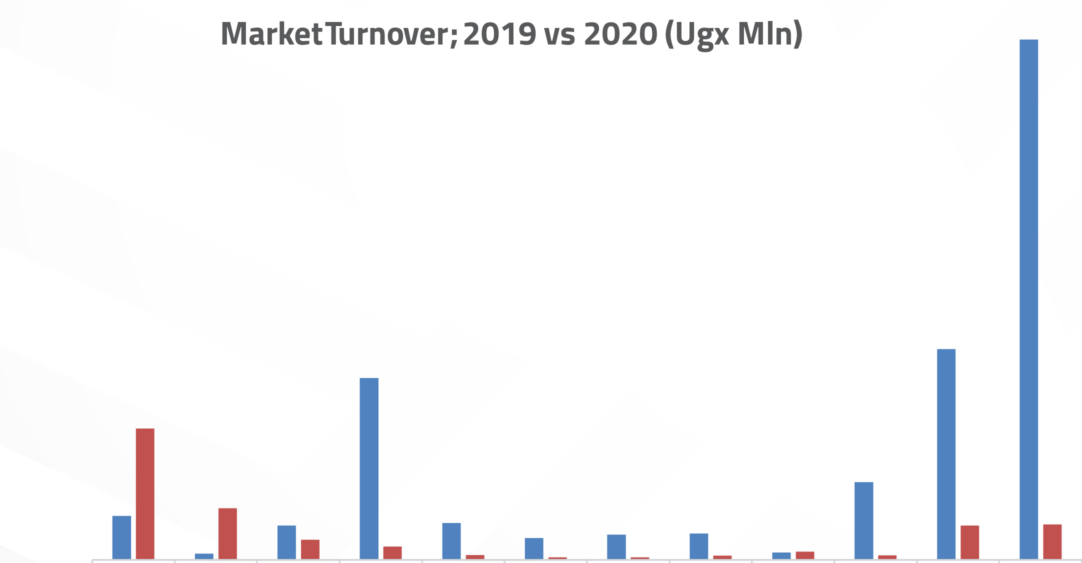
Equity Market Segment:
The USE Equity Market Segment did not register a listing on the Primary market in 2020, like 2019. Secondary market activity declined sharply in the second quarter of the year. The market registered the lowest turnover in July 2020 since the Exchange automated trading in 2015. Measures put in place by the Central Bank to safeguard the banking sector from the uncertainties arising from the economic impact of the pandemic saw banking stocks defer the payment of dividends declared for the FY2019. This affected overall activity since investors returns in terms of dividends were deferred. Market turnover recovered slightly in the last two months of the year as market sentiments improved especially with news of breakthroughs in the Covid-19 vaccines.

Total number of deals registered during the year declined by 40% to 3,174 in 2020 from 5,317 in 2019. A total of 510 million shares exchanged hands in 2020, down from 1.84 billion shares traded in 2019.

Trading activity was dominated by UMEME Ltd which posted an annual turnover of Ugx 20.4Billion equivalent to 61% of the total market turnover. Stanbic Uganda Holdings Ltd contributed 30% to the total market turnover with Ugx 9.96 billion.

None of the cross listed counters registered activity during the year.

Monthly Turnover Trend:



	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
2019	4,686	651	3,667	19,368	3,924	2,318	2,700	2,818	787	8,287	22,427	55,389
2020	13,990	5,490	2,138	1,409	502	280	272	449	878	482	3,645	3,772

■ 2019 ■ 2020

Source: USE Trading Department

Equities Trading by Quarter (2020):

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Total
Volume	274,070,717	21,241,269	33,889,799	185,518,755	514,720,540
Turnover (Ugx Mln)	21,505	2,191	1,599	7,899	33,194
Daily Avg T/O (Ugx Mln)	338	36	25	122	521
Deals	1,098	411	958	707	3,174
Trading Days	**64**	**61**	**65**	**65**	**255**

Source: USE Trading Department

Equities Trading Turnover by listed Issuer (2020):

	Deals	Volume	% Volumes	Turnover (Ugx)	% Turnover	Market Capitalization (Ugx Bn)	P/E	Dividend Yield (%)
BATU	2	5	0.0%	127,500	0.0%	1,472.4	73.8	0.5%
BOBU	269	2,199,644	0.4%	241,799,949	0.7%	300	3.6	2.1%
CQCIL	191	3,778,437	0.7%	216,029,616	0.6%	346.9	0.0	0.0%
DFCU	119	3,778,437	0.7%	2,436,406,116	7.3%	310.3	6.9	4.0%
NIC	72	902,012	0.2%	8,324,625	0.0%	12.7	5.8	11.1%
NVL	55	101,154	0.0%	31,762,960	0.1%	24.0	9.0	15.9%
SBU	1,214	409,663,944	80.3%	9,963,908,463	29.9%	1,228.5	5.1	4.9%
UCL	169	4,103,759	0.8%	34,154,605	0.1%	7.2	1.2	0.0%
UMEME	1,083	87,241,039	17.1%	20,452,811,217	61.3%	357.3	2.7	18.6%
Total	3,174	510,081,952		33,385,325,051		4,059.3		

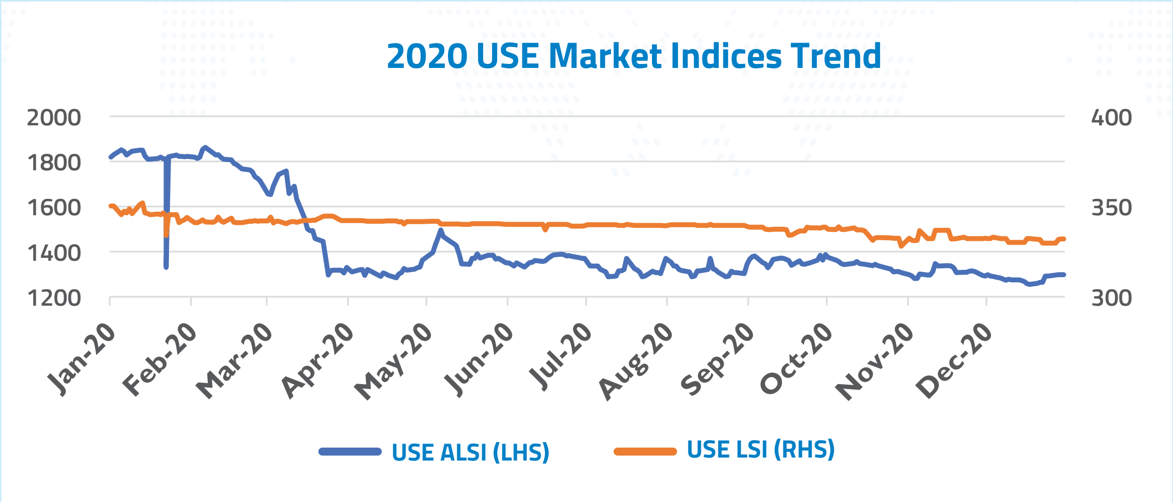
Source: USE Trading Department

Price Index Movement:

The USE All Share Index (Includes cross listed counters) plummeted by 27% in 2020 closing at 1,309.8 from an opening of 1,800.72. This performance is a decline compared to a 9% rise that the companies listed on the Exchange posted in 2019. The lower market index in 2020 was driven by price reductions on large cap cross listed stocks including EABL, Centum, Equity Group, Jubilee Holdings Ltd and KCB.

The USE Local Share Index posted a slower decline at 5% from 350.3 at the start of the year to 331.9 at the close of 2020. This was largely driven by price drops on UCL, SBU and NIC which fell by 16%, 12% and 10% respectively. UMEME Ltd share price was down 6% closing the year at Ugx 219 compared to Ugx 233 at the beginning of 2020.

Total market capitalization at the Ugandan bourse closed 2020 at Ugx 18.3 trillion equivalent to USD 5 Billion compared to Ugx 25 trillion (USD 7.1 Billion) at the end of 2019.



Source: USE Trading Department

2. SECURITIES CENTRAL DEPOSITORY (SCD)

The Securities Central Depository made new strides in leveraging technology to further enhance efficiency during 2020 despite the challenging environment witnessed during the year. The Depository installed SWIFT environment which will facilitate the ease of movement of funds and instructions from foreign investors and the subsequent linkage to Bank of Uganda.

A Memorandum of Understanding was also signed between the Bank of Uganda and USE to facilitate Cash Settlement through the National Payment System. This is important because it paves way for commencement of the process to settle using central bank money. This will enable us to achieve real DVP which is the industry standard (IOSCO Principles).

The depository also launched the online account opening module on the Easy Portal. This is in line with the Exchange's policy of automation of all operational processes. Given the prevailing business environment, it was a timely intervention that ensured business continuity.

SCD STATISTICS

I. Account Opening:

There was a notable slowdown in the number of SCD accounts opened in 2020 due to the implementation of Covid-19 measures which discouraged physical interaction. Investors were unable to physically visit stockbroker offices to open the accounts. The lockdown also impacted physical initiatives where SCD accounts are opened. The USE Easy Portal Online Account Opening which was launched in the second half of the year eases access to the market and eliminates the need for physical interaction since the entire online account opening process is done online using a mobile phone or computer.

Year	2018	2019	2020	Percentage Change
Opening Balance	29,416	33,610	36,211	7.74%
Closing Balance	33,610	36,211	37,387	3.25%
Accounts opened for the Period	4,194	2,601	1,176	(45.21%)

Source: SCD

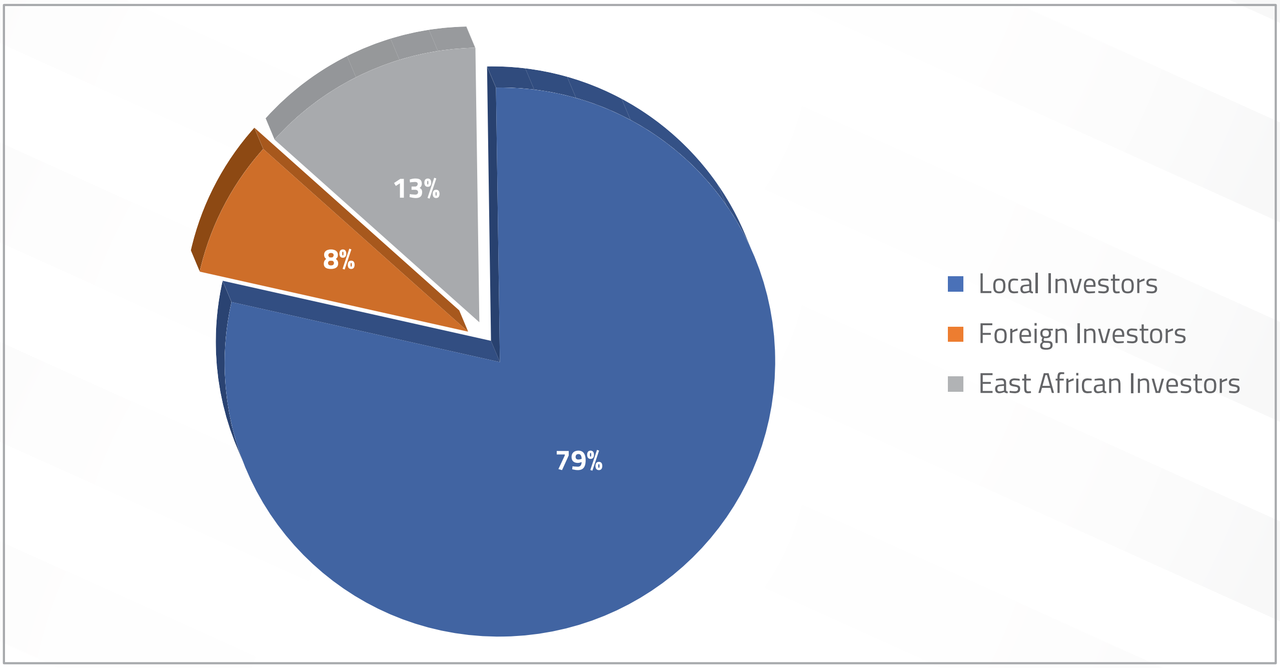
Online Account Opening

	June	July	August	September	October	November	December	Total
Equity Stockbrokers	1	13	14	9	10	14	2	63
Crested Stocks and Securities Ltd	5	10	12	13	2	9	6	57
UAP Old Mutual Financial Services	2	6	5	4	20	4	7	48
Dyer and Blair (U) Ltd	0	0	13	6	4	1	2	26
Standard Bank Group Securities	1	0	0	12	4	3	0	20
Baroda Capital Markets	0	3	4	2	0	1	0	10
Total	**9**	**32**	**48**	**46**	**40**	**32**	**17**	**224**

Source: SCD

II. Distribution of Accounts in the Depository

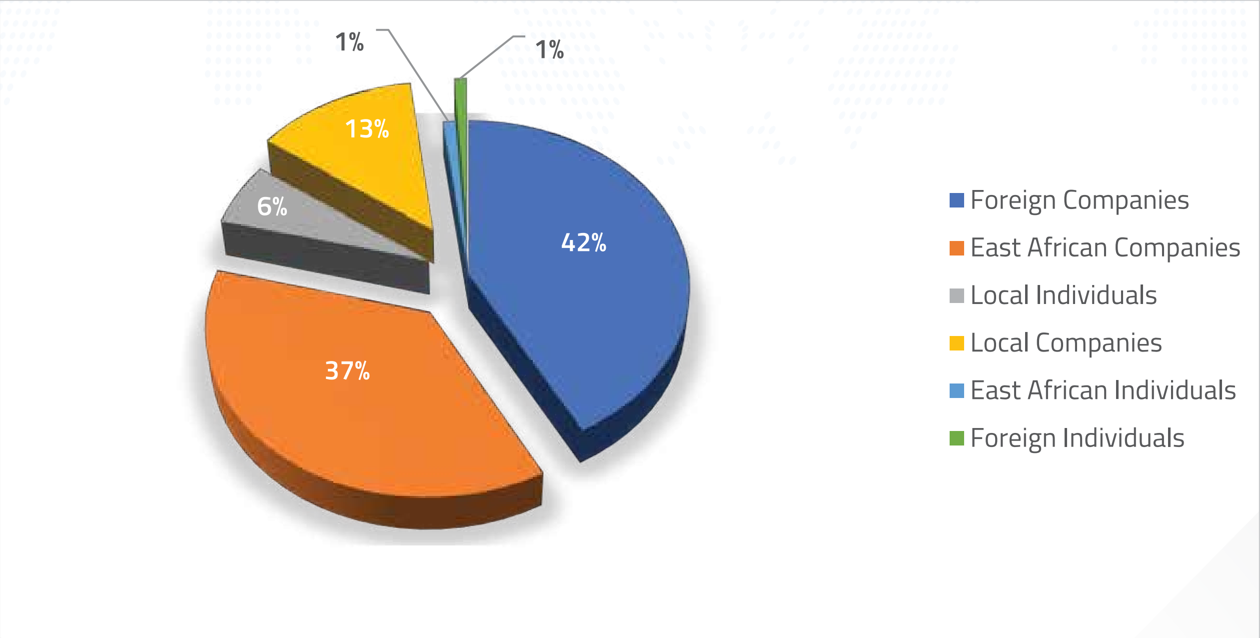
Accounts in the Depository are classified as Individual, Company and Minor. These are held under the categories of East African, Local and Foreign Investors.



Source: SCD

III. Trading Participation by Investor Category:

Foreign and East African Institutions accounted for the largest values of the transactions carried out at the Exchange during 2020. However, their combined participation fell to 79% compared to 93% in 2019. Participation from local individuals and companies improved to 6% and 13% in 2020 compared to 1.4% and 4.4% in 2019 respectively.



Source: SCD

IV. Immobilization Status:

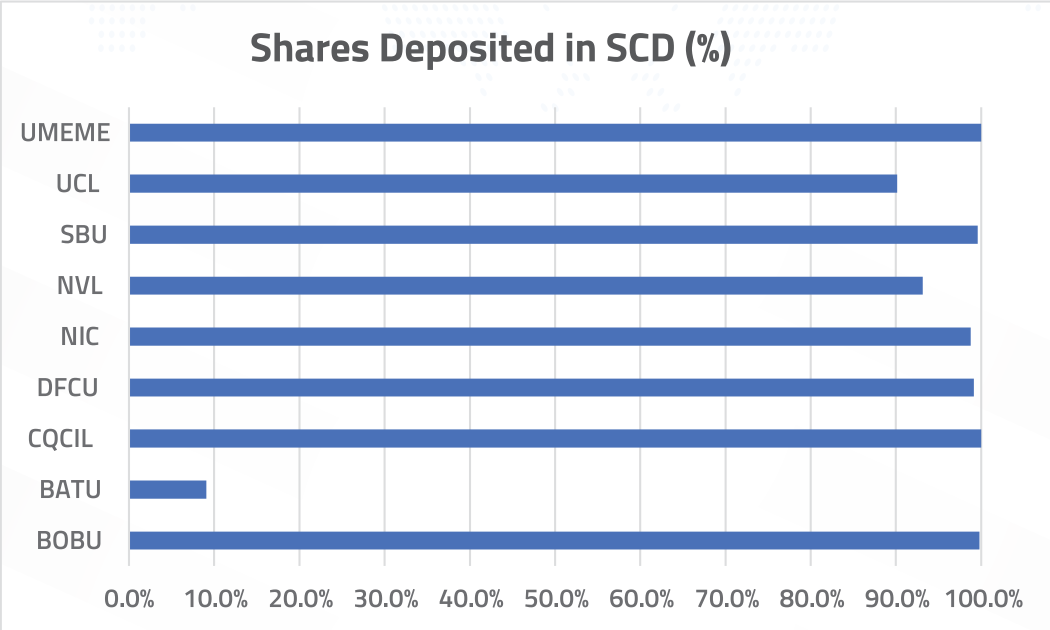
A total of 116 Certificates with shares worth 2,701,355 shares were immobilized in 2020, lower than 303 immobilized in the previous year with shares worth 48,117,507 shares.

The dematerialization process is still ongoing and currently stands at 87.74% overall for the whole market as of 31st December 2020. We expect this figure to greatly improve as several institutional investors are expected to immobilize their certificates in the coming year. These investors are mainly on the BATU counter.

Issuer	Issued Share Capital	Shares Deposited in SCD	% In SCD	% In Certificate
Bank of Baroda (U) Ltd	2,500,000,000	2,494,367,040	99.8%	0.2%
British American Tobacco (U) Ltd	49,080,000	4,454,147	9.1%	90.9%
Cipla Quality Chemicals (U) Ltd	3,651,909,200	3,651,909,200	100.0%	0.0%
DFCU Ltd	748,143,893	741,797,804	99.2%	0.9%
National Insurance Corporation	1,415,779,718	1,398,421,695	98.8%	1.2%
New Vision Ltd	76,500,000	71,247,675	93.1%	6.9%
Stanbic Uganda Holdings Ltd	51,188,669,700	50,989,336,857	99.6%	0.4%
Uganda Clays Ltd	900,000,000	811,470,226	90.2%	9.8%
UMEME Ltd	1,624,278,005	1,624,278,005	100.0%	0.0%
Total	**62,154,360,516**	**61,796,005,606**	**87.74%**	**12.26%**

Source: SCD

The graph below shows the percentage of shares deposited in the Securities Central Depository (SCD) per issuer.



Source: SCD

V. Broker & SCDA Performance:

UAP Financial services accounted for most of the accounts opened in 2020 with 51.87%; they were followed by Crested Stocks and Securities Ltd with 20.66%, Equity Stockbrokers 10.03%. The remaining accounts were distributed among the rest of the brokers and custodians as shown in the table below:

SCDA	East African Company	Foreign Company	Foreign Investor	Local Company	Local Investor	Minor	Total	%
UAP Financial Services Ltd	44	0	25	2	522	17	610	51.9%
Baroda Capital Markets	0	0	3	1	50	0	54	4.6%
Dyer and Blair (U) Ltd	32	0	2	0	44	1	79	6.7%
Equity Stockbrokers	0	0	2	1	114	1	118	10.0%
SBG Securities	0	0	1	1	25	0	27	2.3%
Crested Capital	12	0	9	3	214	5	243	20.7%
Bank of Africa	0	0	0	1	0	0	1	0.1%
Housing Finance Bank	0	0	0	0	2	0	2	0.2%
Stanbic Bank Uganda	0	3	0	7	0	0	10	0.9%
Standard Chartered Bank	0	27	4	1	0	0	32	2.7%
Total	**88**	**30**	**46**	**17**	**971**	**24**	**1,176**	**100.0%**

Source: SCD

Broker Ranking by trading activity

Equity Stockbrokers Limited was the overall leader accounting for 43.11% of the total turnover in 2020 followed by Crested Stocks and Securities with 30.63% then Standard Bank Group Securities Ltd with 15.15% and UAP Old Mutual financial Services with 8.79% for the year 2020. The rest of the brokers accounted for the remaining portion. Much of the performance was driven by foreign participants.

Broker	2020	2019	Percentage Change
Equity Stockbrokers	28,678,972,574	10,565,578,721	171.4%
Crested Capital	20,374,747,091	64,443,673,877	(68.4%)
SBG Securities Ltd	10,078,626,500	165,857,465,730	(93.9%)
UAP Financial Services Ltd	5,847,465,241	4,252,838,764	37.5%
Dyer and Blair (U) Ltd	775,253,450	1,003,840,242	(22.8%)
Baroda Capital Markets (U) Ltd	762,594,267	4,580,724,176	(83.4%)
African Alliance (U) Ltd	-	1,549,680,336	(100.0%)
TOTAL	**66,517,659,123**	**252,253,801,846**	**(73.6%)**

Source: SCD

Vi. Transfers

Inter – Depository Transfer:

There were no inter-depository transfers registered during 2020. The total shares of UMEME at the Nairobi Securities Exchange (NSE) stood at 121,852,957 as of 31st December 2020.

Debt Instruments: -

Treasury Bills and Treasury Bonds

A total of 89 Government Securities were issued in the year broken down as follows; 26 Treasury bonds amounting to 4,305 billion and 69 Treasury Bills worth 4,060 billion shillings.

The alternative Government Securities trading platform implemented by the Exchange in December 2020 posted transactions worth Ugx 1.7 billion traded. The bulk of this was through auctions held during the period.

Vii. Outlook

Further enhancements will be made to the USE Easy Portal to cater for account opening for companies and Foreigners to further enhance ease of access to all categories of target investors. Focus will also be on automation of all manual processes to ensure efficiency in execution of transactions on the Exchange. Implementation of the SWIFT messaging system to effect straight through processing of instructions in the clearing and settlement process.

Uganda
Securities Exchange

Depository Services

Private Transfers | Immobilization | Liens | Statements | Amend KYCs | Reference Letters

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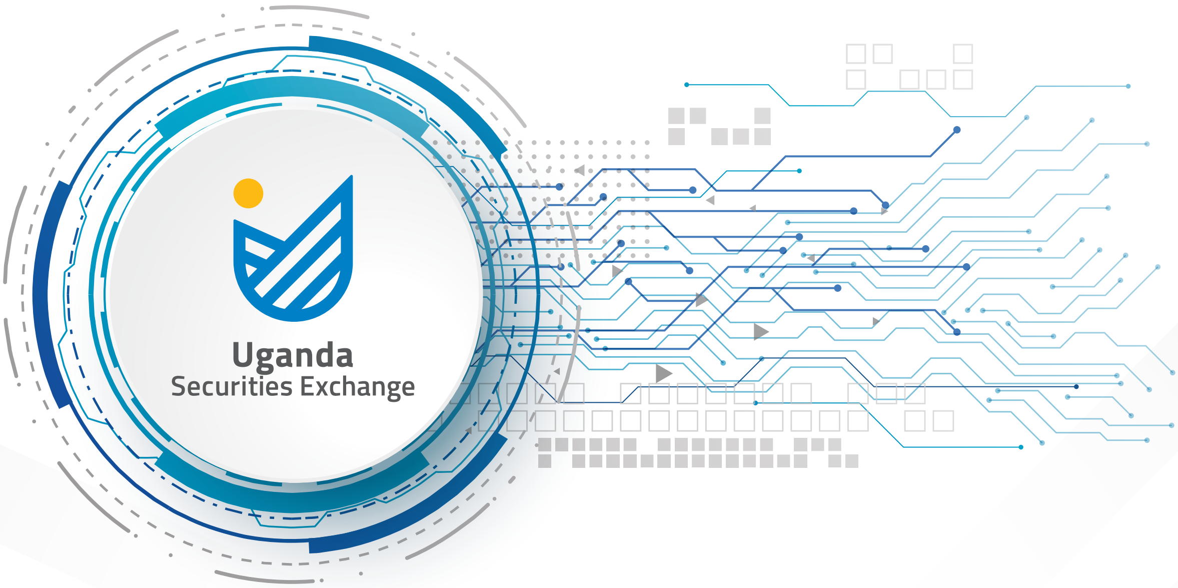
Information Systems



The COVID-19 pandemic caused major changes in the way businesses operated and were required to adapt because as a lot of companies asked their employees to work from home (remotely) keeping in the account of the public health concerns for everyone to try stave off the infection rates.

This elevated the importance of technology to our environment since ICT is central to the operations at the exchange. To mitigate the impacts of COVID-19, we needed to provide a range of IT resources to the staff and USE stakeholders, both to ensure continuity of business and to continue supporting users as they engaged in their activities remotely.

With all teams working closely, we were able to identify and facilitate different business needs and initiatives that were deemed critical for our continued operation. One of the important issues that we had to resolve was to redefine our method of collaboration from the traditional face to face to virtual collaboration and train the internal staff within a short amount of time. But we recognized that therein lay an opportunity for the organization to build a more flexible workforce that can work in both a virtual collaborative environment and the physical setting. Significant investments were therefore made in this regard and the adoption rate has also been exponential within the industry.

Another of our core objectives was to ensure the reliability of our systems to avoid any substandard quality of service experiences by our stakeholders. We did not experience any disruptions in our environment due to the migration of our important systems to Infrastructure as a Service. This offered us the ability to quickly scale capacity to manage the increase in traffic that we were experiencing as well reaping the benefits that came with using the service.

When it came to the risk, security and protection against cybercrime were top priorities during this period due to the increased attacks on remote workers. For this reason, we continued to be alert to the potential risks and performed inhouse trainings but still ensured that we secured our perimeter and have invested significantly in this regard. We continued to be involved in groups that consisted of organizations with similar concerns who all shared experiences about what they were doing to mitigate those risks.

The result of these interventions was that the industry operations were able to continue even during the periods of complete lock down in the country.
Going back to our conversation on technology, the journey has been an exciting one starting back in 2015 when we implemented our Automated trading System which has contributed a stable environment for our stakeholders to use. We have also continued to invest in applications that have taken our internal processes to the next level including market supervision and document management systems that have made our operations more efficient. This continuous investment in technology in areas identified as key to the growth of the exchange will place us on the same levels with other regional exchanges.

As part of the strategy, we will continue to convert most of our processes to digital by also making focused technology investments respond to ever changing market conditions with the larger core platforms already in enabling us to evolve as a financial institution.

This bodes well for our stakeholders most especially our clients who are always at the center of our focus and once we complete the development and implementation of our applications, will enable them to take part in a direct role in the industry. This started with the enhancement of our client facing platform the Easy Portal to allow self-registration and account opening for local individuals with further improvements to this portal and already being scoped for the next year majorly focused on finding innovative ways to improve service delivery.

To conclude, we believe that Digital technology plays a vital role in financial inclusion and is key in empowering our clients with a lot of them being technologically savvy and require everything on demand be it information or services. This is an area that we are working to cater for individual investors look towards rapidly offering these services to them.

To that end, are already exploring the use of mobile money platforms to improve efficiency in trading on the stock exchange. The use of this service is bound to improve accessibility to the market for retail clients and improve liquidity in the market. This innovation will make the market more attractive for investors and companies and ease business for existing shareholders.

Also, the exchange has started developing its own proprietary application programming interface commonly or APIS to foster innovation in the industry and to benefit from its potential to transform businesses. These APIs enable different software applications to easily exchange data without requiring significant changes to already existing systems that are in place. By supplying an avenue for other enterprises to connect to the exchange products, both can take advantage of the others specialty and quickly and contribute to each other's successes.

The team remains devoted to the ongoing initiatives to be accomplished in forth coming year and will ensure that we explore every opportunity presented by the market by efficiently and effectively utilizing technology available to us that will help us in achieving our strategy.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Corporate Governance

This Corporate Governance statement provides an overview of USE's governance framework and how this framework supports and challenges management to operate to high governance standards. It highlights the key governance activities of the Board during the 2020 financial year, in particular, focusing on the application of governance practices espoused in the Code of Corporate Governance, Table F Companies Act 2012 Laws of Uganda, and our evolving governance practices during a year where we first faced hit the Covid-19 pandemic global crisis.

BOARD COMPOSITION AND APPOINTMENTS

There have been changes to the Board's composition during the year. The purpose of the changes was to ensure the full representation of the trading participant in line with the Articles of Association of the Company, as well as ensure addition of relevant of experience and to enhance the strength of the Board.

Following considerations by the adhoc nominations committee and subsequently the Board, Mr. Mohan Prashantam and Mrs. Christine Nkundizana -Muramuzi were appointed to the Board as Non-Executive Directives representing the trading participants. Trading participant representatives are nominated by the trading participants through a process regulated by a collective Memorandum of Understanding signed by all trading participants of the Exchange. The new directors were taken through an induction (on-line) to broaden their knowledge of the Exchanges' operations, business strategy and priorities and the market's activities in general.

Other noteworthy appointments during the period include the re-appointments of Mr. Charles Mbire, Mr. Richard Byarugaba and Mr. Simon Mwebaze who pursuant to Articles 110 and 111 offered themselves for retirement by rotation and being eligible were re-elected to the Board.

Below is the composition of the Board during the period

No.	Name	Position
1.	Mr. Charles Mbire	Chairman Board Independent NED
2.	Mrs. Jennifer Mwijukye	Independent NED
3.	Dr. Rachel Mindra Katoroogo	Independent NED
4.	Mr. Richard Byarugaba	NED Issuer Representative
5.	Mr. Samuel Mwogeza	NED - Issuer Representative
6.	Mr. Simon Mwebaze	NED – Trading Participant Representative
7.	Mr. Mohan Pranshantam	NED – Trading Participant Representative (Effective 2nd October 2020)
8.	Mrs. Christine Nkundizana-Muramuzi	NED – Trading Participant Representative (Effective 2nd October 2020)
9.	Mr. Dickson Musoni	NED – Trading Participant Representative Up to 30th July 2020
10.	Paul Bwiso	Executive Director (CEO)

Skills mix and Diversity

The Board maintained a diverse range of technical expertise and experiences and continues to recognize the knowledge and understanding of various backgrounds including age, gender, ethnicity, religion, education, and skills background as important aspects of ensuring well-rounded perspectives during its decision-making processes.

Skills and professional experience mix of the board members includes business administration and management, global finance and investment law, certified accountancy and investment advisory, marketing, transport economics and logistics management, pension fund management, business management and entrepreneurship, financial reporting and auditing, Investment advisory and securities trading. The Board skills matrix is up to update and additional necessary skills required to enrich the existent mix are identified with a rolling training calendar for Directors throughout the year.

As at the end of the reporting period 33% of Board are females and 50% of the Board are within the millennial age bracket.

BOARD EFFECTIVENESS

Board performance review

The USE Board charter requires evaluation of the Board's performance at least every two years. The last evaluation exercise was undertaken in 2019, externally facilitated by the Institute of Corporate Governance Uganda (ICGU). This next review is scheduled for 2021 and a summary of the results and agreed areas of focus for the Board will be provided in the annual report for the period.

Independence of the Board

During the period, the Board maintained up to one-third of Independent Non- Executive Directors in keeping with its commitment to embrace independent judgment, expertise, and useful constructive challenge to its decision-making processes. The Independent Non-Executive Directors are noted on pg. xx of the report.

Conflict of interest management

In keeping with their fiduciary responsibility, Directors have a duty to avoid conflict of interest. USE Directors are required in every meeting to declare any interest in relation to any item on the agenda that is or could result in a conflict of interest. All declarations are documented and where an interest is declared, the declaring Director is required to exclude themselves from participating in making any decision in respect of a matter in which they are conflicted.

Board Committees

The Board has delegated to its committees' responsibility for maintaining effective governance in relation to: Audit and Risk management (Audit and Risk Committee), Director appointments (Nominations Committee), Finance, Human resources, and technology (Finance and HR Committee), Market Conduct (Business Development Committee) and Risk.

In December 2019, the Board approved the establishment of a new standing Committee, the Business Development Committee This Committee was established to support the Board provide oversight in developing and implementing the new proposed business development model of the Exchange as a demutualized entity with the aim of ensuring that the Company attains its full potential given the available opportunities. The core role of this Committee is to provide strategic guidance in shaping and progressively defining the Exchange's Business development strategy with a view to strategically position the Exchange as a competitive capital raising platform while leverage synergies across various stakeholders of the Exchange through strategic to create real value for all stakeholders.

This year, the Committee membership was constituted, and its terms of reference approved by the Board. Its inaugural sitting was held on 11th December 2020.

The Board currently had 04 standing committees: Audit and Risk Committee, Business Conduct Committee, Finance &HR Committee, Business Development Committee. It also has 02 adhoc committees the Listing Committee and the Nominations Committee

Board Meetings

Board and Standing Committee meetings for year 2020 were nine Board meetings of which six were scheduled meetings and three were additional meetings. All Board and Board committee meetings were held online due to restrictions on travel and in person meetings because of Covid-19. With frequency of committee meetings encouraged to facilitate in-depth discussion and guidance of Management's proposals to implement resilience measures to ensure quick adaptability to the new operating environment brought about by the pandemic.

In addition to the Board meetings, periodic covid management updates were circulated to the Board for Management briefs are concise with action–oriented and focused on material, relevant updates, and well supported requests for decision.

Comprehensive Board and Committee papers, comprising an agenda and formal reports and briefing papers are sent to Directors in advance of each meeting. Directors were also continually updated with written and verbal reports, from management.
Emphasis on leveraging the use of technology to facilitate quick and effective decision making was a key focus area for the Board. Management was encouraged to seek decisions for urgent matters via circular after provision of the relevant supporting documents giving the necessary information in a clear and concise manner to facilitate the decision-making process. We do expect online board meetings to continue for the foreseeable future.

Below is summary of the Board and Board committee meeting held during the reporting period and Directors' attendance.

A - Absent √- Present n/a - Not Applicable

Board

No.	Director	Sept 2020	Dec. 2020
1.	Mr. Charles Mbire	√	√
3.	Mr. Dickson Musoni (Left 30.07.2020)	n/a	n/a
4.	Mrs. Jennifer Mwijukye	n/a	√
5.	Dr. Rachel Mindra Katoroogo	√	√
6.	Mr. Richard Byarugaba	√	√
8.	Mr. Samuel Mwogeza	√	√
9.	Mr. Simon Mwebaze	√	√
10	Mr. Prashantam Mohan (Joined 02.10.2020)	n/a	√
11	Mrs. Christine Nkundizana (Joined 01.10.2020)	n/a	√
12.	Paul Bwiso	√	√

Audit and Risk Committee

No.	DIRECTOR	July 2020	Dec. 2020
1.	Mr. Richard Byarugaba (Chair)	√	√
2.	Mr. Dickson Musoni (Left 30.07.2020)	A	n/a
3.	Dr. Rachel Mindra Katoroogo	√	√
4.	Mrs. Christine Nkundizana-Muramuzi	n/a	n/a
5.	Mr. Samuel Mwogeza	√	√

Business Conduct Committee

No.	DIRECTOR	May 2020	Dec. 2020
1.	Dr. Rachel Mindra Katoroogo (Chair)	√	√
2.	Mr. Dickson Musoni	√	n/a
3.	Mr. Mohan Prashantam	n/a	√
4.	Mr. Richard Byarugaba	√	√

Finance and HR Committee

No.	DIRECTOR	Sept 2020	Dec 2020
1.	Mr. Simon Mwebaze (Chair)	√	√
2.	Mrs. Jennifer Mwijukye	√	√
3.	Mr. Samuel Mwogeza	√	√

Business Development Committee (Inaugural sitting)

No.	DIRECTOR	Dec 2020
1.	Mr. Simon Mwebaze (Chair)	√
2.	Mrs. Jennifer Mwijukye	√
3.	Mr. Samuel Mwogeza	√
4.	Mr. Mohan Prashantam (Joined 02.10.2020)	√

Directors dealing in Securities

All Directors are required to notify the Exchange prior to trading and are prohibited from trading in securities during the respective closed periods of listed companies and other periods where the Board is in possession of price sensitive information, in which case closed periods are imposed on the concerned Directors.

During the period, Directors updated their personal and relations information regarding their Securities Central Depository (SCD) Accounts as part of the company's efforts to ensure market transparency and compliance with insider trading rules applicable in the market.

Relationship with Shareholders.

Our flagship for key stakeholder engagement is our shareholders engagement strategy which the Board deems extremely important for good corporate governance. To this end the Board through the offices of the CEO, the Company Secretary and the Chair continues to ensure open channels of communication and access to information.

We consider the AGM to be a key shareholder engagement activity through which we maintain shareholder transparency and accountability. During the period, the AGM for the year ended 2019 was held virtually on 2nd October 2020. Voting which is usually by show of hands was this time indicated by individual confirmation on the electronic platform designated for polls and as per usual practice every item was presented and voted on separately.

While our preference had been to interact with shareholders in person, in light of the Covid-19 pandemic and related restrictions on public gatherings issued by Government of at the time, the virtual meeting model was deemed most prudent to ensure compliance with the said guidelines and to protect the health and safety of our shareholders, directors and staff.

Board remuneration

There were no changes implemented in the Board remuneration structure or rates during the period. The remuneration structure includes sitting allowances per meeting. The Board chairperson and committee chairpersons receive slightly higher fees in recognition of the additional responsibilities and contribution expected including availability for consultation in between Board meetings. Board remuneration is approved by shareholders on an annual basis and further details on Board remuneration are included in the audited financial statements on page 90

Inclusive stakeholder approach and Governance in the "New normal"

In a very unusual year, where all businesses have been impacted to different degrees, the Board had to quickly adopt individual stakeholder -specific support approaches to ensure that each key stakeholder's unique challenges were meaningfully addressed. However, in the application of the said approaches, the Board emphasized prudence to ensure a healthy balance between the different stakeholder interests. We highlight the stakeholder specific approaches which the Board facilitated management to undertake below:

Workforce.

The overarching priority when it came to work force engagement was and continues to be employee health and safety. The Board promulgated a remote working policy aimed at enabling staff work from home and with the necessary resources to support them effectively do the same. The Board emphasized employee engagement reporting and implementation of new tangible methods at management level to ensure that meaningful engagement was implemented consistently.

Issuers

Our primary customers the listed companies were regularly engaged by management with the oversight of the Business Conduct Committee of the Board. This allowed consideration of key challenges faced by the Issuers in achieving full compliance with Market regulation as a direct result of the Government of Uganda restrictions on physical gatherings and movement. To this end, the Board sanctioned moratoriums with respect to the financial reporting timelines for Issuers whose reporting preparations had been interrupted. The Board also approved guidelines for holding of virtual Annual General Meetings which provided guided the Issuers on preparing and hosting AGM as well as electronic approvals on any matters requiring approval under the USE Rules framework.

Investors

The Board's priority for both current and potential investors on the exchange has been supporting management deliver uninterrupted access to the market. Details of the specific activities implemented by management to achieve this are reported in detail in the CEOs report. Additionally, emphasis has been placed on ensuring transparency and full disclosure by listed companies on the impact of Covid-19 on their business, performance, and financials, both qualitatively and quantitatively so that investing public can make appropriate and informed investment decision .

Trading participants

Our business partners, the trading participants were fully facilitated to access the market remotely and with stand-by IT support to resolve any individual system access challenges experienced during trading hours. Through the Business Conduct Committee, considered moratoriums in relation to reporting timelines were granted on a case-by-case basis in view of the impact on Government of Uganda restrictions on movement which affected staff access to offices generally.

Our Governance approach in the "new Normal"

The Covid-19 pandemic forced the Board to further examine its vulnerabilities in effective and efficient communication and this has progressively left it better prepared for future disruptive scenarios. Our governance approach in the "new normal" is still a developing story. What is clear however is that an agile leadership and governance methodology is critical, and the Board has set the tone for Management in incorporating an agile approach in the Company's systems, processes, and work methods.

Another developing pillar of the Company's evolving governance approach is evaluating risks and opportunities in a manner that enables us to quickly harness change to maintain the company's competitive advantage and sustainability.

Emphasis on leveraging the use of technology to facilitate quick and effective decision making was a key focus area for the Board as a key governance enabler and we do expect online board meetings, AGMs, and other similar interactions to continue for the foreseeable future.

Ultimately, through this agile governance approach, the Board hopes to continuously enhance its capacity in elevating the Company's resilience, in keeping with their fiduciary responsibility under the Companies Act 2012, Laws of Uganda and their collective responsibility to ensure the long-term, sustainable success of USE, generate value for its shareholders and contribute to wider society.


Uganda Securities Exchange
Make sound judgement and informed investment decisions with our Market Data
DATA
Vending Services
For more information on Trading activity, contact us at trading@use.or.ug
@USEUganda
www.use.or.ug
INSPIRING GROWTH.

Risk Management

Responding to shocks of COVID-19 Pandemic

The coronavirus pandemic amplified the need for risk management, forcing many businesses to adapt to remote working, learn new technologies, and find different ways to serve and engage clients and stakeholders alike.

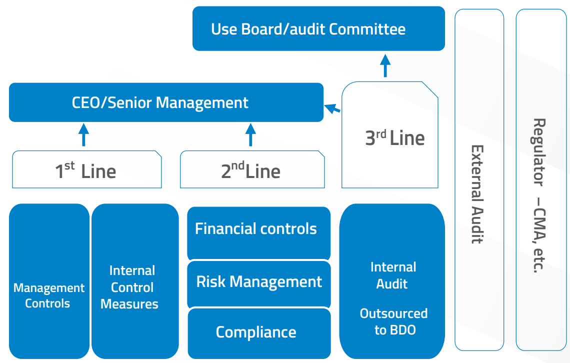
In our increasingly interconnected world, a health pandemic no longer only impacts the health of people, but also has a severe impact on society and the global economy. As many, if not all, are recovering from the actual exposure to the virus, the risk management gaps appeared more apparent to process and risk owners.

As we start to phase out of the lockdown and slowly move back to normal, christened "the new normal", an organisation's established risk management processes ought to ensure continuity and resilience. This requires engagement and collaboration between all stakeholders to ensure the business moves smoothly through the anticipated phases.

1.0 USE'S RISK MANAGEMENT APPROACH

1.1 USE's Risk governance

The Board of Directors of the Exchange has the primary responsibility for risk oversight of the Exchange with the Board's standing committees supporting oversight of the risks inherent in their respective areas of oversight. In executing its oversight mandate the Board has adopted a risk governance approach based on the Lines of Defense (LOD) Model. The model emphasizes a fundamental concept of risk management by clarifying roles and responsibilities of the key players, with each line of defence playing a distinct role within the Company's wider governance framework with the ultimate aim of enabling the Exchange successfully achieve its overall objectives relies on both individual responsibility and collective oversight, supported by comprehensive reporting.



1.2 ROLES IN RISK MANAGEMENT

(a) The Board

The Board of Directors retains the ultimate responsibility for ensuring that USE maintains an effective risk management system. This includes setting USE's risk appetite and the overarching principles for the management of the various business risks.

The Board ensures that processes for risk management and systems of internal control are implemented. The Board has delegated its risk-related responsibility to the Audit and Risk Committee

(b) Board Committees

USE Audit and Risk Board Committee (ARC) reviews USE's financial position and makes recommendations to the Board on all financial matters, financial risks, internal financial controls risks, to the extent they impact financial reporting. The ARC is responsible for assessing the integrity and effectiveness of accounting, financial compliance and control systems of the Exchange. The Board relies on this committee to satisfy itself of the accuracy and integrity of financial information including the annual audited and half year unaudited financial accounts.

The Exchange heavily relies on technology to carry out its core and auxilliary business activities, effective 2019, the USE Finance and HR Board Committee received the Board's delegated mandate to review IT related risks and make recommendations to the Board on matters specific to the management of IT related risk. The Information system department on a quarterly basis appraises the committee on the IT risks landscape.

(c) Management

The senior management, headed by the CEO; is the ultimate risk owner, provides the tone for risk management and is responsible for the management of enterprise risks. The senior management is also responsible for the implementation and management of the ERM program, processes, and support integration of risk management into the business. Senior management is charged with the responsibility of ensuring that the risk management policies and procedures are consistent with their company's strategy and risk appetite. The different business unit managers champions risk management, by assisting in risk assessments and promoting risk management culture, awareness within the organisation and escalating risks within their respective departments as appropriate.

(d) Internal Auditors

While the Management and the Board play a role in ERM at USE, the Internal Audit ("IA") is the function that provides assurance to the Board on the effectiveness of risk management. USE outsourced the Internal Audit function to BDO East Africa (BDO) effective August 1, 2018. A core role of BDO is to provide objective assurance that the major business risks faced by the Exchange are being managed appropriately and providing assurance that the adopted risk management and internal control framework is operating effectively. The Board of Uganda Securities Exchange (the Exchange) renewed the appointment of BDO East Africa ("BDO") to provide internal audit services with quarterly reporting obligations. BDO's interactions with the Board and management are guided by an Internal Audit charter and an annually approved internal audit plan.

2.0 A RESPONSIVE RISK MANAGEMENT FRAMEWORK

With the Board and management, BDO as (USE)'s risk management custodians have been and will continue to build Exchange's ability to take advantage of the established risk management framework through the following:

Enhancing the reaction to assessing the 'new normal'

USE's response to adjusting to the COVID-19 entailed the evaluation of the inherent short and long-term impacts of the recent lockdown on the economy and the Exchange. With its novel aspects and mass misery which has equally proved the interconnectedness of risks and its impacts on the entire value chain, there is need to identify and integrate information from all stakeholders to further ground a sustainable response immediately and for the future.

Facing the effects head on – a test of organisational resilience

With the experiences from the pandemic on businesses and indeed entire lifestyle disruptions show that external risks can be far more damaging than merely the internal risks on which our risk management focus has been. USE has established some risk mitigants to limit the negative impacts of future events like adopting to remote working environment by establishing the required infrastructure and supporting the staff and all the stakeholders to enjoy seamless services experience.

However, as the external risks prove more devastating and threaten the business continuity, USE is therefore focussing on the Business Continuity Management. As the internal auditors, we have further initiated the discussion on the review of the entire risk environment to evaluate the changes in the risks behaviour as a result of the pandemic and ensure that the right risks and at the same time pay attention to new emerging risks and potential 'black swans'.

By identifying the critical functions, prioritizing the goals and exposing the expected risk containment effects, we are confident the Exchange shall sustain its resilient business model.

Alignment for full operational recovery

The pandemic has made its mark and led to a world in a permanent state of change that requires continuous assessment of the recovery strategies. The Exchange, appreciates that recovery involves taking relevant actions to ensure risk assessment and control activities are aligned to take rapid actions in case a risk materialises.

Through our interactions we have facilitated the establishment of a mutual appreciation that recovery also presents an opportunity to promote improved preparedness for testing and monitoring of the Exchange's risk and control environment.

Our audit methodology and approaches have been revised to examine adequacy and effectiveness of the controls to ensure efficiency of operations, reliability of reporting and overall compliance with laws and regulation.

Accepting the new normal – a new reality

With the recent audit of the Exchange's stakeholder engagement processes and assessment of the pandemic-related responses, we are confident that USE has adequately positioned itself for the new reality – a new normal.

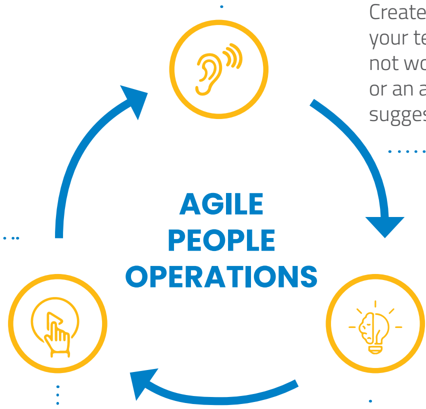
The strategic focus shall, however, require accommodating the additional changes and necessities in technology platforms to enhance the experience of the stakeholders.

Our commitment as the Exchange's risk management consultants will be to assess what this will mean for the Exchange's risk exposure with a keen review of the risk management policies and procedures that focuses on changes in risk profiles due to changes in workforce, remote working and other measures. We are confident that this approach will, accelerate of digitalisation, automation and deployment of other technologies in response to COVID-19 and enhanced risk management practices

Conclusion

The pandemic has inevitably disrupted the entire world economy and all organisations have been impacted . The severity of the impact however continues to vary based on the response and frameworks in place. By exposing the expected containment effects using a robust ERM framework, the Exchange is expected to continually develop and implement enhanced risk management practices.

USE Internal Auditors
BDO East Africa



1. Listen
Create a safe environment for all members of your team to bring up what's working and what's not working. This may mean an open door policy or an anonymous survey for them to submit their suggestions.

2. Learn
Learning from the feedback means that you're digger deeper to figure out: Is this a one-time issue or a more prevalent problem? What drivers of employee engagement (ie. role clarity, communication, etc.) are your strengths, and which are the areas you need to improve on?

3. Action
After deciding on an area(s) of focus, generate ideas for action. Then take an experimental approach to driving actions. If you can break projects down into smaller bite-size pieces, test to see what works, and then decide whether to adopt as is, or adapt further for greater success.

HUMAN RESOURCE

Resilient and Agile People Operations

Our business growth model is largely centered around agile people operations and recognizes that our people are our most significant asset. Accordingly, in the wake of the pandemic the team's safety and health remained a key business priority.

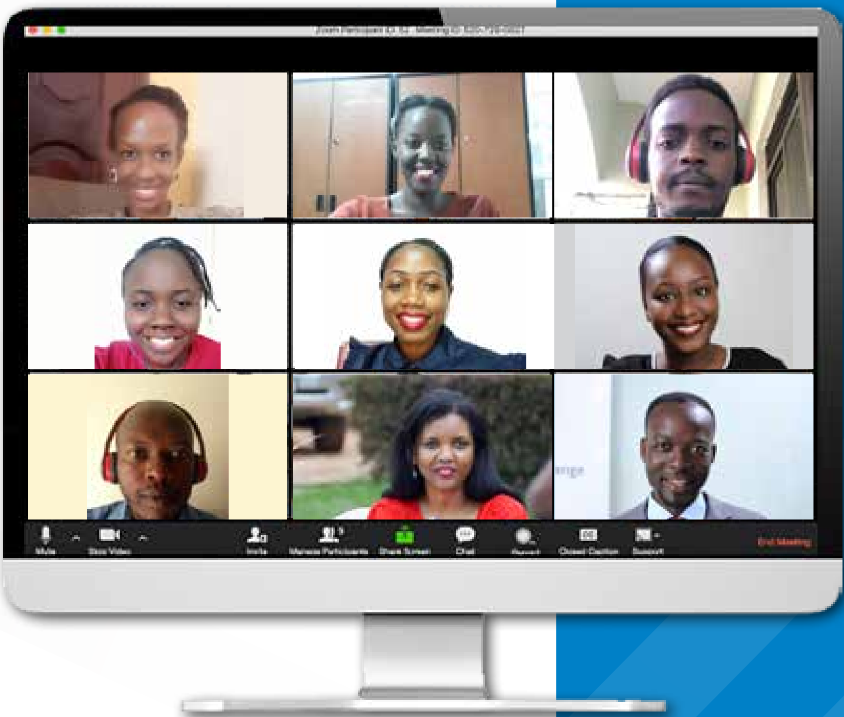
Proactive people-focused business continuity planning enabled the Exchange to make timely decision on implementing a functional remote working model that primarily leveraged the use of technology to facilitate seamless internal and external collaboration. This timely decision also gave our workforce a head start in adapting to the changing working environment and easily navigating transition interruptions and collaboration gaps that were commonplace at the height of implementation of the physical gathering and in-country movement restrictions put in place as part of the covid-19 pandemic management measures.

Aside from health, other people related risks arising from a novel work environment including heightened cyber insecurity due to increased reliance on technology for all internal process were countered through aggressive risk management capacity building in recognition of people as the first line of defence. Additionally, to ensure adequate oversight of the different operational risks heightened by the changing work environment, a remote working policy was rolled out to put in place clear guidance on the obligations and responsibilities of both the Company and the employees. In particular, the policy highlights various risks peculiar to a remote working environment and the role of employees in mitigating the same.

Delivering value from our Intellectual Capital

As work models rapidly evolved during the year, the organization deemed it vital to ensure that the appropriate productivity monitoring, capacity building and staff engagement approaches were applied.

In addition to use of technology-supported productivity analytics, Organizational Key Results (OKR) performance assessment technique was incorporated in the Company's performance appraisal system as part of the productivity management strategy.



Cross-functional project execution also emerged as winning strategy, driving creativity and keeping with the Company's core values of innovation, efficiency and teamwork.

Our reward practices during the year remained consistent with our strategy to maintain a highly motivated workforce by supplementing remuneration and statutory benefits packages with discretionary incentives, enhanced health benefits, a voluntary contribution scheme among others. This approach will be sustainably maintained as a means to continually unlock the value embedded in the Company's intellectual capital for the benefit of the wider stakeholder community.

The Company also purposes to maintain a highly effective workforce, through an all-inclusive, bespoke training plan. Our overall training objective for 2020 was the improvement of knowledge and capacity in internal systems usage, enterprise

'If you take care of your employees they will take care of your customers and your business will take care of itself".

J.W Marriot

risk evaluation and management and performance management at management level.

Workforce metrics and Diversity

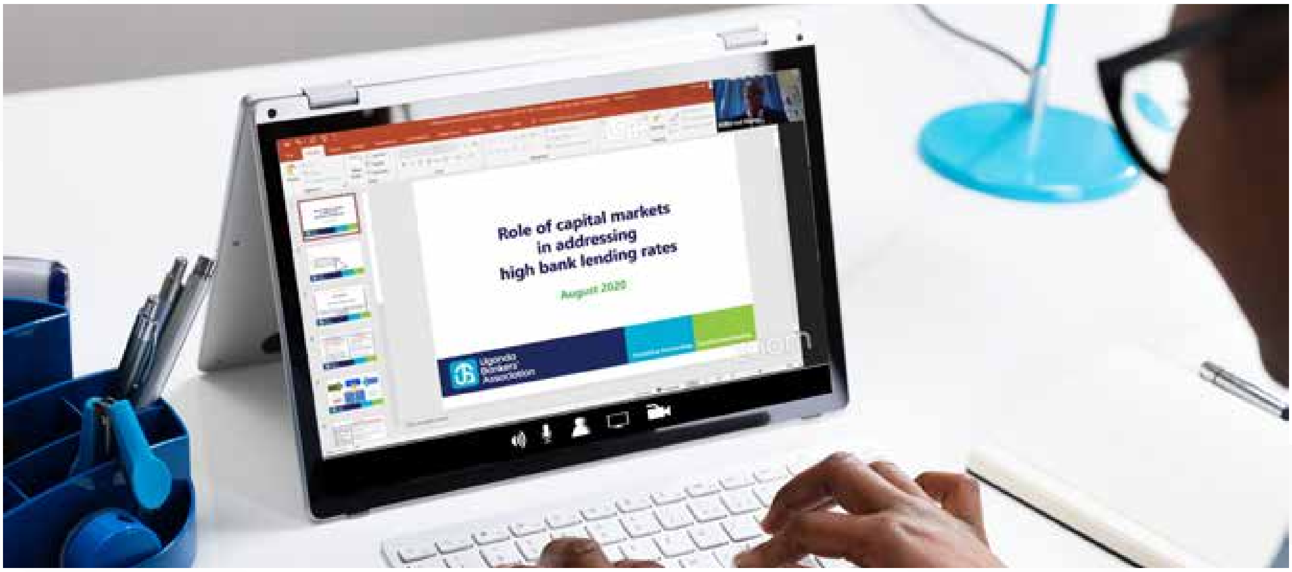
In a time rife with uncertainty, maintenance of stable workforce metrics was deemed a desirable target for the Company's human capital management.

Accordingly, key quantitative workforce metrics of headcount, cost per employee remained relatively stable with staff costs marginally increasing compared to prior year. Our work force diversity status also remained optimal during the year with a balanced gender ratio of 53% female employees to 47% male employees as at the end of the year. In terms of age diversity, the workforce is majorly "millennial" but with considerable representation from other generation age bands.

Workplace Experience

Building a fit-for purpose workplace in the year 2020 has been a learning curve. In the new workplace environment of remote working / "working from home" ushered in during the year, new challenges and opportunities alike were poised to staff engagement. The workspace as we knew it metamorphosed, notably, with the increased role of technology in facilitating virtual engagements to mirror interactions and activities previously held physically. Finding our footing remains a promising work-in-progress with key emphasis being placed on providing necessary tools to augment our peoples remote work-place environment, guarantee seamless access to work resources and to facilitate meaningful internal communication and collaboration. Our commitment towards optimizing workplace experience in the new normal is to elevate our well-being programmes, monitor and test emerging recommended practices, and continuously evaluate employee feedback for a holistic approach towards improved collective and individual experience in the workplace- wherever that may be.

FINANCIAL AWARENESS AND INCLUSION



The Uganda Securities Exchange undertakes several financial literacy and awareness activities in a bid to support financial inclusion. These activities ensure community resilience and long-term value creation in the investment industry. This is aligned to the Exchange's strategic objectives of increasing the number of participating investors and issuers on the platform by 2024. It is also in line to the objectives of the Sustainable Stock Exchanges, which the USE is a part, that encourages sustainable investment. These initiatives support the achievement of SDG 8 which deals with SME Growth and Sustainable development. Stock Exchanges contribute to this development through mobilisation of resources (both domestic and foreign portfolio flows) for sustainable economic growth and development.

The USE University Challenge is an investment education initiative whose main objective is to develop and encourage the culture of saving and investment, to enhance financial management and entrepreneurial skills and to foster a sense of ownership, teamwork, critical thinking, and problem solving among the youth. Each participating student is given virtual start-up capital to invest using the USE Real-Time information for a period of 3 months, learn the prudent process of investment decision making and portfolio management. This programme started in 2017 and has reached over 2,000 students from 10 universities across various regions in Uganda. This programme presents an opportunity to the USE to nurture a new generation of investors which supports further growth and sustainability of the Investments industry.

The Exchange also conducts outreach programmes to various groups (Investment Clubs and SACCOs) and individuals to raise awareness and support their participation in the stock market. The content is usually centred around introduction to the stock market, how to participate in trading at the Exchange, how to gain and monitor their investment portfolio at the Exchange.

Due to limitations in movements and physical interactions resulting from the Covid-19 pandemic, The Exchange implemented the financial awareness initiatives through webinars. Partnerships with various stakeholders including the Uganda Bankers Association and Uganda Manufacturers Association were undertaken to ensure increased reach. The points of discussion were largely on how various institutions could use the Stock Market to raise much needed patient capital amidst the economic crisis created by the pandemic. The Exchange also held online outreach meetings to several investment clubs during the year to highlight on the opportunities available for investment on the market.

The USE is committed to further enhancing these financial literacy initiatives by complementing the physical outreach programs with virtual outreach initiatives with frequent webinars and digital platforms to ensure financial empowerment to more groups of people within Uganda and therefore support mobilisation of savings and investments.

RINGING THE BELL FOR GENDER EQUALITY

USE is a member of the UN Sustainable Stock Exchanges Initiative (SSE). Annually, the Exchange commemorates International Women's Day by joining other stock exchanges globally to "Ring the Bell for gender equality" inorder to draw attention to the critical role businesses must play in tackling gender inequality.

In recognition of the potential markets have to increase gender diversity, USE joined the initiative so that in partnership with other Exchanges around the globe we can be practical influencers in the gender equality agenda, given the unique position of the Exchange, as a first line regulator and business partner of key stakeholders in the market.

Since joining the Initiative in 2017, USE has held the event 04 times (this year inclusive) and has used the opportunity to raise awareness on the role that the private sector can play in advancing women's economic empowerment and promoting gender equality overall.

A key objective of this initiative is to encourage companies listed on the Exchange to adopt the Women Empowerment principles by signing the CEO statement of Support. The Statement encourages business leaders to use the seven principles as guideposts for actions that advance and empower women in the workplace, marketplace, and community and to communicate progress through sex-disaggregated data and other benchmarks. These principles are the result of collaboration between the UN Global Compact and UN Women, and are adapted from the Calvert Women's Principles which are informed by real-life business practices and input gathered from across the globe.

In addition to signing the CEO statement of support itself, USE has so far been able to enlist 02 local listed companies to adopt the Women Empowerment Principles and we reiterate our commitment to continuously reach out to all market players, in particular listed companies with a view of motivating them to join the Exchange as partners in implementing the ideals that the principles espouse

Uganda Securities Exchange

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Corporate Information

Mr. Charles Mbire (Chairman)	Independent Non-Executive
Mr. Richard Byarugaba	Non-Executive (Issuer Representative)
Mr. Dickson Musoni (outgoing)* (30/07/2020)	Non-Executive (Trading Participant Representative)
Mr. Simon Mwebaze	Non-Executive (Trading Participant Representative)
Mr. Samuel F. Mwogeza	Non-Executive (Issuer Representative)
Dr, Racheal Mindra Katoroogo	Independent Non-Executive
Ms. Jennifer K. Mwijukye	Independent Non-Executive
Mr. Paul Bwiso (CEO)	Executive Director

COMPANY SECRETARY
Ms. Alison Kwikiriza Serucaca
Uganda Securities Exchange Ltd
4th Floor, Block A Nakawa Business Park
Plot 3-5 Port Bell Road Nakawa, Kampala

REGISTERED ADDRESS OF COMPANY
Uganda Securities Exchange Limited
4th Floor, Block A Nakawa Business Park
Plot 3-5 Port Bell Road
Nakawa, Kampala

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

LAWYERS
Engoru Mutebo Advocates
Ground Floor Rwenzori House
Plot 1 Lumumba Avenue
P. O. Box 22510, Kampala

Sebalu & Lule Advocates and Legal Consultants
S&L Chambers, Plot 14,
MacKinnon Road, Kampala
P. O. Box 2255 Kampala

BANKERS
CitiBank Uganda Ltd
Plot 4 Ternan Avenue
P. O. Box 7505, Kampala

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements of Uganda Securities Exchange Limited ("USE"/"the Company") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

Following the enactment of the Capital Markets Authority (Amendment) Act 2016 on 20th May 2016, demutualization became a regulatory requirement to be fulfilled within 2 years from the date of enactment thus requiring USE to comply with the law by 20th May 2018.

In accordance with the above requirement, Uganda Securities Exchange Limited was incorporated on 18th May 2017 as a public Company limited by shares with authorised share capital of Uganda shillings 1 billion (Ushs 1,000,000,000) divided into 100 million shares of a nominal value of Ushs 10 shillings each. Current issued and paid up share capital of the Company is Uganda Shillings four hundred and twenty million (Ugx 420,000,000) (see note 18).

Uganda Securities Exchange Limited is a Company limited by shares and incorporated in Uganda under the Companies Act, 2012 Laws of Uganda. The principal activity of the entity is to provide, maintain suitable premises and facilities for conducting all the business of a securities exchange and to regulate trading participants and ensure day to day management of trading, settlement, delivery and other activities on dealing in securities in accordance with the Rules and procedures of USE.

The Uganda Securities Exchange Limited 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 regulated by the Capital Markets Authority.

	2020	2019
	Ushs'000	Ushs'000
FINANCIAL RESULTS		
Profit for the year	**84,040**	393,470
Tax charge	**(42,880)**	(149,677)
Profit for the year transferred to retained earnings	**41,160**	**243,793**

BOARD OF DIRECTORS

The present membership of the Board of Directors is set out on page 1.

COMPANY SECRETARY

Allison Kwikiriza Serucaca

AUDITOR

The auditor, KPMG, being eligible for reappointment has expressed willingness to continue in office in accordance with Section 167 (2) of The Companies Act, 2012 Laws of Uganda

Approval of financial statements

The financial statements were approved at a meeting of the Board of Directors held on........................ 2021.

BY ORDER OF THE BOARD

Company Secretary Kampala

..20th August....... 2021

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Company's directors are responsible for the preparation of financial statements set out on pages 7 to 47 that give a true and fair view of Uganda Securities Exchange Limited comprising the statement of financial position as at 31 December 2020, and the statement of comprehensive income, the statement of changes in equity and statement of 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 in the manner required by the Companies Act, 2012 Laws of Uganda.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

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

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2012 Laws of Uganda.

Approval of the financial statements

The financial statements of the Company, as indicated above, were approved and authorised for issue by the Board of Directors on .... 2021.

....
Chief Executive Officer

....20th August..........2021

....
Chairman of the Board

....20th August...... 2021

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Uganda Securities Exchange Limited ("the Company") set out on pages 7 to 47, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Uganda Securities Exchange Limited as at 31 December 2020, and its financial performance and its cash flows for the year ended in accordance with the International Financial Reporting Standards (IFRSs), and in the manner required by the Companies Act,2012 Laws of Uganda.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Company in accordance with the "International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)" (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Uganda Securities Exchange Limited Annual Report and financial statements for the year ended 31st December 2020 but does not include the financial statements and our auditor's report thereon.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the IFRSs and in the manner required by, the Companies Act, 2012 Laws of Uganda, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the Companies Act, 2012 Laws 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 statements of financial position and comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Asad Lukwago - P0365.

CPA Asad Lukwago

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

Date: 20th August **2021**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Notes	Ushs'000	Ushs'000
Fees and commissions	5	1,505,782	1,653,265
Revenue grant	6	25,000	62,500
Other Income	7(a)	437,974	545,6750
Interest income	7(b)	728,647	706,529
Gross income		2,697,403	2,967,969
Operating expenses	8	(148,444)	(300,754)
Administration expenses	9	(1,131,646)	(1,049,006)
Impairment of financial assets	25(a)	(41,391)	(31,589)
Staff costs	10	(1,175,813)	(1,055,506)
Finance costs	15(b)	(115,274)	(132,707)
Foreign exchange loss		(795)	(4,937)
Profit before taxation	11	**84,040**	**393,470**
Tax charge	12(a)	**(42,880)**	(149,677)
Profit for the year		**41,160**	**243,793**
Other comprehensive income		-	-
Total comprehensive income for the year		**41,160**	**243,793**

The notes on pages 11 to 47 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020

	Notes	2020 Ushs'000	2019 Ushs'000
ASSETS			
Current Assets			
Bank and Cash Balances	22	41,321	81,281
Fixed Deposit	20	5,910,860	5,437,284
Trade and other receivables	19	247,711	568,922
Due from Related Parties	16(b)	18,618	292,131
Tax recoverable	12(d)	149,628	-
		6,368,138	**6,379,618**
Non-current assets			
Intangible assets	13	146,598	75,627
Equipment	14	290,508	394,981
Right of Use	15(a)	749,179	936,473
Unquoted investments	17	65,176	65,176
Deferred tax asset	12(c)	117,156	42,432
		1,368,617	**1,514,689**
Total assets		**7,736,755**	**7,894,307**
EQUITY AND LIABILITIES			
Equity			
Share capital	18	420,000	420,000
Proposed dividend	18	14,406	-
Retained earnings	24	5,980,289	5,953,535
Total equity		**6,414,695**	**6,373,535**
Non-current liabilities		**-**	-
Current liabilities			
Amounts due to related parties	16(c)	1,741	1,741
Lease liability	15(b)	893,633	977,777
Trade and other payables	21	426,686	427,440
Tax payable	12(d)	-	113,814
		1,322,060	**1,520,772**
Total equity and liabilities		**7,736,755**	**7,894,307**

The financial statements on pages 7 to 47 were approved by the Board of Directors on ………..… 2021 and signed on its behalf by:

……………………………………
Chief Executive Officer

……………………………………………………
Chairman of the Board of Directors

The notes set out on pages 11 to 47 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capital	Retained earnings	Proposed Dividends	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
1 January 2019	**420,000**	**5,709,742**	**-**	**6,129,742**
Total comprehensive income for the year	-	243,793	-	243,793
At 31 December 2019	**420,000**	**5,953,535**	**-**	**6,373,535**
Balance at 1 January 2020	**420,000**	**5,953,535**	**-**	**6,373,535**
Total comprehensive income for the year	-	41,160	-	41,160
Proposed Dividends	-	(14,406)	14,406	-
At 31 December 2020	**420,000**	**5,980,289**	**14,406**	**6,414,695**

The notes set out on pages 11 to 47 from an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020	2019
		Ushs'000	Ushs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		84,040	393,470
Adjusted for:			
Depreciation	14&15(a)	302,662	245,120
Amortisation	13	102,701	81,518
Interest on lease liabilities	15(c)	115,274	132,707
ECL on fixed deposits		942	1,718
		605,619	**854,533**
Changes in working capital balances			
Decrease/(increase) in trade and other receivables		321,213	(126,931)
Decrease in amounts due from related parties		273,512	69,041
(Decrease)/increase in trade and other payables		(754)	261,462
Cash generated from operating activities		**1,199,590**	**1,058,105**
Tax paid	12(d)	(381,047)	(27,557)
Interest paid on Lease liability	15(c)	(115,274)	(132,707)
Net cash generated from operating activities		703,269	897,841
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	14	(10,895)	(305,633)
Purchase of Intangible assets		(173,673)	-
Investments in fixed deposits		(474,518)	(581,174)
Net cash used in investing activities		**(659,086)**	**(886,807)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of principal portion of lease liability		(84,143)	(133,182)
Net cash generated from financing activities		(84,143)	(133,182)
Decrease in cash and cash equivalents		**(39,960)**	**(122,148)**
Cash and cash equivalents at beginning of year		**81,281**	**203,429**
Cash and cash equivalents at end of year		**41,321**	**81,281**
Represented by:			
Bank and cash balances	22	**41,321**	**81,281**

The notes set out on pages 11 to 47 from an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. REPORTING ENTITY

Uganda Securities Exchange Limited is a Company limited by shares and incorporated in Uganda under the Companies Act, 2012 Laws of Uganda.

For purposes of Companies Act, 2012 Laws of Uganda, 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. BASIS OF PREPARATION

(a) Basis of accounting

The financial statements of Uganda Securities Exchange Limited have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2012 Laws of Uganda.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except where otherwise stated in the accounting policies below.

(c) Functional and presentation currency

The financial statements are presented in Uganda Shillings (Ushs '000), which is the Company's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES

a) RECENTLY ISSUED ACCOUNTING STANDARDS/ NEW ACCOUNTING PRONOUNCEMENTS

a) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2020

The International Accounting Standards Board (IASB) issued new IFRSs and amendments to the existing standards which came into effect in the current year. Of these, the following new standards which are effective from 1 January 2020 led to changes in the Company's significant accounting policies.

New amendments or interpretation effective for annual periods beginning on or after 1 January 2020 are summarised below;

New amendments or interpretation	Effective date
▪ Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
▪ Definition of a Business (Amendments to IFRS 3)	1 January 2020
▪ Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
▪ Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
▪ COVID-19-Related Rent Concessions (Amendments to IFRS 16)	1 June 2020

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

Amendments to References to Conceptual Framework in IFRS Standards

The IASB decided to revise the Conceptual Framework because certain important issues were not covered, and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

— A new chapter on measurement;

— Guidance on reporting financial performance;

— Improved definitions of an asset and a liability, and guidance supporting these definitions

— Updated recognition criteria for assets and liabilities; and

— Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which outlines the consequential amendments made to affected IFRS standards. This was done to support transition to the revised Conceptual Framework for companies that develop and apply accounting policies using the Conceptual Framework when no IFRS standard or interpretation applies to a particular transaction.

The revised Conceptual Framework will form the basis of new IFRS standards set by the IASB as well as future amendments to existing IFRS standards.

The adoption of these amendments did not have a significant impact on the financial statements of the Company.

Definition of a Business (Amendments to IFRS 3)

Defining a business is important because the financial reporting requirements for the acquisition of a business are different from the requirements for the purchase of a group of assets that does not constitute a business. The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS3.

In October 2018 the IASB issued this amendment to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments:

- Confirm that a business must include inputs and a process and clarified that: (i) the process must be substantive and (ii) the inputs and process must together significantly contribute to creating outputs.
- Narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- Add a test that makes it easier to conclude that a Company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The adoption of these amendments did not have an impact on the financial statements of the Company.

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in definition of material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments.

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.

The adoption of these amendments did not have a significant impact on the financial statements of the Company.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Amendments to IFRS 9, IAS 39 and IFRS 7 have now been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform.

The adoption of these amendments did not have a significant impact on the financial statements of the Company.

COVID-19-Related Rent Concessions (Amendments to IFRS 16)

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession.

The practical expedient will only apply if:

- The revised consideration is substantially the same or less than the original consideration;
- The reduction in lease payments relates to payments due on or before 30 June 2021; and
- No other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:

- That fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- The amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

The adoption of these amendments did not have a significant impact on the financial statements of the Company

ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2020

At the date of authorization of the financial statements of Uganda Securities Exchange Limited for the year ended 31 December 2020, the following Standards and Interpretations were in issue but not yet effective:

New amendments or interpretation	Effective for annual periods beginning on or after
▪ Interest Rate Benchmark reform-Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
▪ Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
▪ Annual Improvements to IFRS Standards 2018–2020	1 January 2022
▪ Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
▪ Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
▪ Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
▪ IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
▪ Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28	Available for optional adoption/ effective date deferred indefinitely

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

Onerous Contracts: Cost of Fulfilling a Contract (Amendments to IAS 37)

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, issued by the International Accounting Standards Board, clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both:

- The incremental costs – e.g. direct labour and materials; and
- An allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments will be recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives will not be restated. Earlier application is permitted.

The amendments are not expected to have a material impact on the Company.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

Companies will therefore need to distinguish between:

- Costs associated with producing and selling items before the item of property, plant and equipment is available for use; and
- Costs associated with making the item of property, plant and equipment available for its intended use.

The amendments apply for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments. The amendments are not expected to have a material impact on the Company.

Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendment has:

- Updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- Added to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- Added to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendment is effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The amendments are not expected to have a material impact on the Company.

IFRS 17 Insurance Contracts (and its related amendments)

IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI. The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

The standard is effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted only if the entity applied IFRS 9.

The amendments are not expected to have a material impact on the Company.

Classification of liabilities as current or non-current (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.

The amendments are to be applied retrospectively from the effective date.

The amendments are not expected to have a material impact on the Company.

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 IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted. When a parent loses control of a subsidiary in a transaction with an associate or joint venture (JV), there is a conflict between the existing guidance on consolidation and equity accounting.

Under the consolidation standard, the parent recognises the full gain on the loss of control. But under the standard on associates and JVs, the parent recognises the gain only to the extent of unrelated investors' interests in the associate or JV.

In either case, the loss is recognised in full if the underlying assets are impaired.

In response to this conflict and the resulting diversity in practice, on 11 September 2014 the IASB issued Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

The amendments are not expected to have a material impact on the Company.

Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

Change in basis for determining cash flows

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

Hedge accounting

- The amendments provide exceptions to the hedge accounting requirements in the following areas:
- Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to bebased on the alternative benchmark rate on which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to sub- groups based on the benchmark rates being hedged.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

Disclosure

The amendments will require the Company to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities.

b) REVENUE RECOGNITION

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Information about the Company's accounting policies relating to contracts with customers is provided in Note 5(b).

c) 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.

d) 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.

e) 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.

f) 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.

g) 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 recognizes its share of assets at cost less impairment and amortization in accordance with IAS 38 and recognizes its share of income and expenses on accruals basis.

h) 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.

i) FINANCIAL INSTRUMENTS

I. Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

II. Classification and subsequent measurement Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

Financial assets

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual per amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de- recognition is also recognized in profit or loss.

III. De-recognition Financial assets

The Company derecognizes 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 of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not de-recognized.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

IV. Offsetting

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

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.

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.

j) 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.

k) LEASES

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to the lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

— Fixed payments, including in-substance fixed payments;

— Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— Amounts expected to be payable under a residual value guarantee; and

— The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is re- measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. When the Company acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

l) 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.

m) 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.

n) 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.

o) 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.

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.

p) Dividends

Dividends on ordinary shares are recognised as a liability in the Company's financial statements in the period in which they are declared by the Company. In the case of interim dividends, these are considered to be declared when they are paid. The Company evaluates the financial position to determine ability to pay dividends to its shareholders in any particular year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Company's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical judgments in applying accounting policies

Measurement of ECL allowance for trade receivables:
The Company uses the provisional matrix to measure the ECL of trade receivables from individual customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

Deferred tax:
Management makes assumptions with regards to availability of future taxable profits against which deductible temporary differences and tax losses carried forward can be utilised;

Right of Use Asset:
IFRS 16 states that one has the right to direct how and for what purpose the asset is used throughout its period of use or the relevant decisions about use are pre-determined and one has the right to operate the asset throughout the period of use without having the right to change these operating instructions. The Right of use asset involves estimating the lease term and the discount rate.

The lease term is the non-cancellable period and any optional renewal periods if the Company reasonably with certainty exercises it and periods after the termination date if lessee is reasonably certain not to terminate.

(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.

(iii) Comparatives

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

(iv) Share Capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

5. FEES AND COMMISSIONS

a) Revenue Streams

The company has several revenue streams which stem primarily from fees charged by the exchange to listed entities, brokers and custodians, traded equity instruments such as government treasury bonds and corporate bonds. The company recognizes revenue at the point the fees are charged.

These are detailed below:

	2020 Ushs'000	2019 Ushs'000
Equity listing fees	**763,580**	724,753
Bonds listing fees	**12,747**	21,053
Brokerage commission	**79,155**	299,959
Membership fees	**15,000**	17,500
Government treasury bonds	**600,000**	590,000
SCD Swift Fees	**35,300**	-
	1,505,782	**1,653,265**

b) Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including payment terms, and the related revenue recognition policies.

Type of Product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Equity listing	These are fees charged to clients who list their shares on the exchange. This is charged at the beginning of the year.	Revenue from this service recognised over time as the services are provided.
Bonds Listing	These are fees charged on the listing of government treasury bonds on an annual basis. This fee is charged at the point of listing of the bonds.	Revenue related to transactions is recognised at the point in time when the transaction takes place.
Brokerage	The exchange offers trading services to brokers and custodians. Brokerage fees are charged on a monthly basis based on fixed rates.	Revenue from this product is recognised at a point in time as and when brokers and custodians make trades.
Membership	The exchange charges annual membership fees to members	Revenue from this service recognised over time as the services are provided.
Government Treasury bonds	These are fees charged on the listing of government treasury bonds on an annual basis. This fee is charged at the point of listing of the bonds.	The company recognizes this revenue over time as the service is provided.

Access to SCD Platform	These are servicing fees that are charged for access to the SCD platform in order to carry out trades.	The company recognizes the revenue as when the members pay for use of the SCD Platform

The entity generates its revenue from six major forms of income as stated above. These are charged according to USE rules, charges and penalties rules 2012. The Company recognises 85% of the revenue (brokerage commission) generated from the use of the Automated Trading System (ATS) as disclosed under Note 13.

6. REVENUE GRANT

	2020 Ushs '000	2019 Ushs '000
Revenue grant	**25,000**	**62,500**

This relates to grant received on an annual basis from Bank of Uganda to assist the Company in carrying out its operations. The bank contributed a grant of Ushs 75 million towards the operational expenses for the financial year 2018/19 (Government's financial year). No new grant was received for the financial year 2019/20 (Government's financial year).

7. OTHER OPERATING INCOME

		2020 Ushs'000	2019 Ushs'000
(a)	**Other income**		
	Securities Central Depository (SCD) income	188,773	319,230
	Miscellaneous income	23,912	30,309
	University challenge	-	22,500
	Registry services	62,123	61,504
	Data vending services	105,115	86,132
	Penalties	20,000	26,000
	Virtual AGM Fees	38,051	-
		437,974	**545,675**
(b)	**Interest income**		
	Interest earned on investments	716,169	703,988
	Interest earned on bank account	12,478	2,541
		728,647	**706,529**

8. OPERATING EXPENSES

	2020 Ushs'000	2019 Ushs'000
SCD Operational expenses	3,020	3,000
SCD Operational Expenses- Swift fees	31,167	-
University challenge	-	73,802
Regional meetings and travel	-	104,131
Motor vehicle and equipment costs	1,109	18,309
Withholding tax	1,397	5,512
African Securities Exchange Association expenses	6,709	5,549
Hardware maintenance and repairs	9,512	8,054
Software licenses	40,659	36,750
Board meetings and Board of Directors expenses	23,600	45,647
Annual Subscription	8,196	-
Virtual AGM Expenses	23,075	-
	148,444	**300,754**

9. ADMINISTRATIVE EXPENSES

	2020 Ushs'000	2019 Ushs'000
Telephone	21,935	10,275
Post	1,365	3,446
Internet - admin costs	56,839	49,876
Medical insurance	33,983	35,116
Group personal accident	17,750	14,609
Motor vehicle insurance	17,184	3,342
Office equipment and furniture insurance	4,222	7,790
Professional indemnity and fidelity insurance	7,873	7,108
Depreciation	115,368	57,825
Amortisation of intangible assets	102,699	81,518
Advertising and publicity	45,737	135,469
Electricity	18,757	29,564
Fuel and lubricants	8,292	21,987
Auditor's remuneration	25,000	25,000

Internal audit services	32,000	30,000
General office expense	7,022	12,138
External legal services	12,652	11,719
Stationery and photocopying	3,252	5,698
Cleaning and fumigation	6,000	9,000
Newspapers and magazines	2,967	2,722
Security	3,348	2,903
Bank charges	6,021	8,328
Membership and subscription	31,178	3,059
Entertainment/marketing	1,597	4,934
Consultancy fees	64,032	91,987
Data Center Costs	297,279	188,191
Bad Debts	-	8,107
Depreciation – Right of use	187,294	187,295
	1,131,646	**1,049,006**

10. STAFF COSTS

	2020 Ushs'000	2019 Ushs'000
Salaries and wages	975,155	882,339
Staff welfare	42,193	66,666
Staff training	13,922	18,358
NSSF contribution	97,446	88,143
5% Staff Provident Fund	47,097	-
	1,175,813	**1,055,506**

11. PROFIT BEFORE TAXATION

	2020 Ushs '000	2019 Ushs '000
The profit before taxation is arrived at after charging:		
Auditor's remuneration	25,000	25,000
Staff costs	1,175,813	1,055,506
Depreciation	115,368	57,825
Amortization of intangible assets	**102,701**	**81,518**

12. TAXATION

		2020 Ushs '000	2019 Ushs '000
(a)	Taxation charge		
	Current taxation	114,544	157,994
	Deferred tax credit	(74,724)	(8,317)
	Over provision of corporation tax in prior years	(2,179)	-
	Penalty for under estimation	5,239	-
		42,880	**149,677**

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:

		Effective Tax rate	2020 Ushs '000	Effective Tax rate	2019 Ushs '000
(b)	Reconciliation of taxation charge				
	Accounting profit before taxation		84,040		393,470
	Tax applicable rate of 30%	30%	25,212	30%	118,041
	Tax effect of non-deductible expenses	17%	14,014	4%	12,002
	Prior year under provision on deferred tax	4%	3,654	5%	19,634
		51%	**42,880**	**34%**	**149,677**

(c) Deferred income tax asset

	2020 Ushs '000	2019 Ushs '000
The movement in the deferred income tax asset is as follows:		
1 January	(42,432)	(34,115)
Income statement credit	(74,724)	(8,317)
Balance at 31 December	**(117,156)**	**(42,432)**

Deferred tax assets as at 31 December 2020 and 31 December 2019 are attributable to themovement in temporary differences between calculations of certain items for accounting and for taxation purposes as detailed below: -

12. TAXATION (CONTINUED)

31 December 2020

	31-Dec-19	Movement	31-Dec-20
	Ushs '000	Ushs '000	Ushs '000
Accelerated capital allowances	(28,217)	(40,337)	**(68,554)**
Unrealized foreign exchange losses	(4,937)	4,142	**(795)**
Provisions	(108,287)	(53,245)	**(161,532)**
Total temporary differences	**(141,441)**	**(89,440)**	**(230,881)**
Deferred tax asset	**(42,432)**	**(74,724)**	**(117,156)**

31 December 2019

	31-Dec-18	Movement	31-Dec-19
	Ushs '000	Ushs '000	Ushs '000
Accelerated capital allowances	(37,151)	8,934	(28,217)
Unrealized foreign exchange losses	-	(4,937)	(4,937)
Provisions	(76,565)	(31,722)	(108,287)
Total temporary differences	**(113,716)**	**(27,725)**	**(141,441)**
Deferred tax asset	**(34,115)**	**(8,318)**	**(42,432)**

		2020	2019
		Ushs'000	Ushs'000
(d)	**Tax payable/ (recoverable)**		
	1 January	113,814	(16,623)
	Tax charge for the year	114,544	157,994
	Prior year over provision for corporation tax	(2,178)	-
	WHT paid	(381,047)	(27,557)
	Penalty for under estimation	5,239	-
	31 December	**(149,628)**	**113,814**

13. INTANGIBLE ASSETS

	ATS Software Ushs'000	SCD Software Ushs'000	Other Software Ushs'000	Work in progress Ushs '000	Total Ushs'000
COST					
At 1 January 2019	675,111	529,051	116,535	-	1,320,697
Additions	-	-	-	-	-
At 31 December 2019	**675,111**	**529,051**	**116,535**	**-**	**1,320,697**
At 1 January 2020	675,111	529,051	116,535	-	1,320,697
Additions	-	-	32,542	141,130	173,672
At 31 December 2020	**675,111**	**529,051**	**149,077**	**141,130**	**1,494,369**
AMORTISATION					
At 1 January 2019	524,560	524,509	114,483	-	1,163,552
Charge for the year	74,937	4,529	2,052	-	81,518
At 31 December 2019	599,497	529,038	116,535	-	1,245,070
At 1 January 2020	599,497	529,038	116,535	-	1,245,070
Charge for the year	74,939	-	27,762	-	102,701
At 31 December 2020	**674,436**	**529,038**	**144,297**	**-**	**1,347,771**
NET BOOK VALUE					
At 31 December 2020	**675**	**13**	**4,780**	**141,130**	**146,598**
At 31 December 2019	**75,614**	**13**	**-**	**-**	**75,627**

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 under ATS software 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 annual fees generated by the Company through the use of ATS as license, support and maintenance fees. This arrangement qualifies as a joint operation under IFRS 11.

The arrangement is governed by a contract between Uganda Securities Exchange Limited and TSTI indicating the annual fees payable to TSTI from the use of the ATS and the agreement specifies the ratios to be used in the arrangement. The corresponding annual license, support and maintenance fees due to TSTI for the year is Ushs 14 million (2019: 53m) as shown below. The revenue sharing was effective on 17 July 2016.

Details	2020 Ushs'000	2019 Ushs'000
Brokerage commission (USE)-See note 5	**79,155**	299,959
Brokerage commission (TSTI)	**13,969**	52,933
Total brokerage commission	**93,124**	**352,892**

14. EQUIPMENT

	Motor vehicles Ushs'000	Furniture and fittings Ushs'000	Office Partitions Ushs'000	Computer equipment Ushs'000	Total Ushs'000
COST					
At 1 January 2019	80,307	332,919	49,462	454,282	916,970
Additions	278,936	20,000	-	6,697	305,633
At 31 December 2019	359,243	352,919	49,462	460,979	1,222,603
At 1 January 2020	**359,243**	**352,919**	**49,462**	**460,979**	**1,222,603**
Additions	-	-	-	10,895	10,895
At 31 December2020	**359,243**	**352,919**	**49,462**	**471,874**	**1,233,498**
DEPRECIATION					
At 1 January 2019	80,307	217,923	48,792	422,775	769,797
Charge for the year	5,811	31,116	670	20,228	57,825
At 31 December 2019	**86,118**	**249,039**	**49,462**	**443,003**	**827,622**
At 1 January 2020	86,118	249,039	49,462	443,003	827,622
Charge for the year	69,734	32,842	-	12,792	115,368
At 31 December 2020	**155,852**	**281,881**	**49,462**	**455,795**	**942,990**
NET BOOK VALUE					
At 31 December 2020	**203,391**	**71,038**	**-**	**16,079**	**290,508**
At 31 December 2019	**273,125**	**103,880**	**-**	**17,976**	**394,981**

15. LEASES

Leases (IFRS 16)

The Company leases a building apartment where its offices are located. The lease runs for a period of 5 years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals.

The building apartment lease was entered into in 2014.

Information about the lease for which the Company is a lessee is presented below;

a) Right of use asset

	2020 Ushs '000	2019 Ushs '000
As at 1 January	1,123,768	1,123,768
Additions	-	-
As at 31 December	**1,123,768**	**1,123,768**
Depreciation		
As at 1 January	187,295	-
Charge for the year	187,294	187,295
As at 31 December	374,589	187,295
Net Book Value		
As at 31 December 2020	**749,179**	**936,473**

b) Lease Liability

	2020 Ushs '000	2019 Ushs '000
Balance at 1 January	977,777	1,110,959
Payments made during the year	(199,417)	(265,889)
Interest for the year	115,274	132,707
Balance as at 31 December	893,633	977,777

c) Amounts recognised in the statement of comprehensive income

	2020 Ushs '000	2019 Ushs '000
Leases under IFRS 16		
Interest on lease liabilities	115,274	132,707
Depreciation	187,294	187,294

d) Amounts recognised in the statement of cash flows

	2020 Ushs '000	2019 Ushs '000
Interest expense payment	115,274	132,707
Principal payment	84,143	133,182
Total cash outflow for leases	**199,417**	**265,889**

16. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Related parties include:

Shareholders

- Baroda Capital Markets Limited
- Crested Stocks and Securities Limited
- UAP Financial Services Limited
- Equity Stockbrokers (U) Limited
- Dyer and Blair Uganda Limited

Other related parties

- Securities Industry Training Institute
- SBG Securities Limited

The Company is limited by shares. The Company has authorised share capital of Ushs 1 billion comprising of 100,000,000 shares of Ushs 10 each. 6 million shares were issued to each of the above shareholders implying that 42 million shares were issued out of the 100 million shares. Of the total issued share capital, only 60,000,000 is paid up and the balance is included under note 15 (b) as amounts due from related parties.

The related parties stated above are also brokers through which the public is able to buy shares from the listed entities.

(b) Amounts due from related parties

	2020 Ushs'000	2019 Ushs'000
African Alliance Uganda Limited	880	880
Baroda Capital Markets Limited	1,237	385
Dyer and Blair Uganda Limited	2,647	602
Equity Stock Brokers (U) Limited	1,195	13,731
Crested Stocks and Securities	6,180	16,281
SBG Securities Limited	10,073	260,807
UAP Financial Services Limited	2,657	1,049
Expected Credit Losses	(6,251)	(1,604)
	18,618	**292,131**

Movement in Expected Credit Losses		
At start of the year	(1,604)	(7,134)
Credit to profit and loss account	7,855	5,530
At end of the year	**6,251**	**(1,604)**

Outstanding balances at the year-end are unsecured, interest free and have no fixed repayment date. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2020, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2019: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. The above receivables relate to the unpaid share capital and brokerage fees not settled at year end.

(c)	Amounts due to related parties	2020 Ushs '000	2019 Ushs '000
	Crane Financial Services Limited	1	1
	Securities Industries Training institute	1,740	1,740
		1,741	**1,741**

(d)	Related party transactions comprise		
	Brokerage commission	11,241	125,063
		11,241	**125,063**

Brokerage commission is paid to Uganda Securities Exchange Limited by brokers. This is computed basing on the total trade considerations for the year.

(e)	Key management compensation	2020 Ushs'000	2019 Ushs'000
	Salaries and benefits	300,000	300,000
(f)	**Directors' emoluments**		
	Board allowances	23,000	27,100

17. UNQUOTED INVESTMENTS

	2020 Ushs'000	2019 Ushs'000
CDSC Kenya	65,176	65,176
As 31 December	**65,176**	**65,176**

The unquoted investment relates to an equity investment in the CDSC Kenya 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.

18. SHARE CAPITAL

Following the enactment of the Capital Markets Authority (Amendment) Act 2016 on 20th May 2016, demutualization became a regulatory requirement to be fulfilled within 2 years from that date and hence USE was required to comply with the law by 20th May 2018.

In accordance with the above requirement, Uganda Securities Exchange (USE) Limited was incorporated on 18th May 2017 as a public Company limited by shares with authorized share capital of Uganda shillings 1 billion (Ushs 1,000,000,000) of 100 million shares of a nominal value of Ushs 10 shillings each.

Issued share capital is Uganda Shillings four hundred twenty million (Ushs 420,000,000) of 42 million shares. Each shareholder has 6,000,000 shares at a nominal value of Ushs 10 shillings each and each shareholder at incorporation currently holds 14.29% of the Company. All shared capital is paid up. The initial shareholders are African Alliance Uganda Ltd, Baroda Capital Ltd, Crane Financial Services Ltd, Crested Stocks and Securities, Dyer and Blair Uganda Ltd, Equity Stock Brokers Ltd and UAP Financial Services Ltd. There is no ultimate controlling party. Each trading participant is required to reduce their shareholding to not more than 10% within 3 years of incorporating the demutualized exchange. All trading participants will not hold more than 40% collectively after 3 years from incorporation.

	2020 Ushs'000	2019 Ushs'000
Authorised and not Issued:		
At 01 January		
58,000,000 Ordinary shares of Ushs 10 each	580,000	580,000
At 31 December	**580,000**	**580,000**
Authorised and Issued:		
	2020 Ushs'000	**2019 Ushs'000**
At 01 January		
42,000,000 Ordinary shares of Ushs 10 each	420,000	420,000
At 31 December	**420,000**	**420,000**
Issued and fully paid		
As at 1 January	420,000	60,000
Ordinary Share capital paid during the year	-	360,000
As at 31 December	**420,000**	**420,000**

The total authorised and fully paid up number of ordinary shares is 42,000,000 with a par value of Ugx 10 per share. Each ordinary share is entitled to one vote per share at annual and other general meetings of the Company. Holders of ordinary shares are entitled to dividends when declared.

Distribution made and proposed	**2020 Ushs'000**	**2019 Ushs'000**
Dividend Proposed	14,406	-

19. TRADE AND OTHER RECEIVABLES

	2020	2019
	Ushs'000	Ushs'000
Trade receivables	334,839	197,815
Staff advances	482	481
Other receivables	16,583	214,528
WHT Receivable	21,653	245,238
Guarantee fund	10,827	-
Expected Credit Losses	(136,673)	(89,140)
Net trade receivables	**247,711**	**568,922**

During the year, the receivables were impaired in accordance to IFRS 9. The carrying amounts of the trade and other receivables approximate their fair value

Movement in Expected Credit Losses		
At start of the year	89,140	53,220
Charge to profit and loss account	47,533	35,920
At end of the year	**136,673**	**89,140**

20. FIXED DEPOSITS

	2020	2019
	Ushs'000	Ushs'000
Fixed deposits	5,929,086	5,454,568
Expected Credit Losses	(18,226)	(17,284)
	5,910,860	**5,437,284**

USE has two fixed deposits. One fixed deposit held with Orient Bank and the other fixed deposit held with DFCU Bank Limited at an interest rate of 13% and 12% respectively. These deposits mature on 06 April 2021 and 17 December 2021 for Orient and DFCU Bank Limited respectively.

Movement in Expected Credit Losses		
At start of the year	17,284	15,566
Charge to profit and loss account	942	1,718
At end of the year	**18,226**	**17,284**

21. TRADE AND OTHER PAYABLES

	2020 Ushs '000	2019 Ushs '000
Trade payables	291,855	268,058
Accrued expenses	50,615	72,053
Other payables	76,667	78,857
Guarantee fund	-	22
WHT payable	7,549	8,450
	426,686	**427,440**

The carrying amounts of the above trade and other payables approximate their fair values.

22. BANK AND CASH BALANCES

	2020 Ushs '000	2019 Ushs '000
Bank balances	41,704	80,893
Expected Credit Losses	(383)	388
Net bank and cash balances	**41,321**	**81,281**
Movement in Expected Credit Losses		
At start of the year	388	(131)
(Charge)/credit to profit and loss account	(771)	519
At end of the year	**(383)**	**388**

23. SUBSIDIARY

USE Limited has a subsidiary Uganda Securities Exchange Nominees Limited with a shareholding of 99%. It is not consolidated in these financial statements, as it is immaterial.

24. RETAINED EARNINGS

	2020 Ushs '000	2019 Ushs '000
At 1 January	5,953,535	5,709,742
Total comprehensive income for the year	41,160	243,793
At 31 December	**5,994,695**	**5,953,535**

25. 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 board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. 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.

(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 carrying amount of financial assets represents the maximum credit exposure. Impairment losses on financial assets recognised in profit or loss were as follows:

	2020 Ushs'000	2019 Ushs'000
Impairment		
Impairment charge on trade receivables -note 19	47,533	35,920
Impairment credit on due from related parties -note 16(b)	(7,855)	(5,530)
Impairment charge on fixed deposits -note 20	942	1,718
Impairment charge/(credit) on bank balance-note 22	771	(388)
	41,391	**31,720**

Trade receivables

The Company's exposure to credit risk is influenced mainly by the characteristics of each customer.

The risk management committee has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one and three months for individual and corporate customers respectively.

More than 85% of the Company's customers have been transacting with the entity for over four years, and none of these customers' balances have been written off or are credit-impaired at the reporting date.

The Company does not require collateral in respect of trade and other receivables. The entity does not have trade receivable for which no loss allowance is recognised because of collateral.

At 31 December 2020, the exposure to credit risk for trade receivables was as follows:

	2020 Ushs'000	2019 Ushs'000
Impairment		
Trade and other receivables	384,384	658,062
Expected credit losses	(136,673)	(89,140)
	247,711	**568,922**

At 31 December 2020, the exposure to credit risk for due from related parties was as follows:

	2020 Ushs'000	2019 Ushs'000
Impairment		
Due from related parties	24,868	293,734
Expected credit losses	(6,251)	(1,604)
	18,617	**292,130**

An analysis of the credit quality of trade receivables and due from related parties that were neither past due nor impaired and the ageing of trade receivables that were past due and impaired as at 31 December 2020 is as follows:

As at 31 December 2020	Not credit impaired Ushs'000	Credit Impaired Ushs'000	Total Ushs'000
Trade receivables	49,187	131,240	180,427
Other receivables	-	16,583	16,583
Due from related parties	19,276	5,073	24,349
Total	**68,463**	**152,896**	**221,359**

An analysis of the credit quality of trade receivables and due from related parties that were neither past due nor impaired and the ageing of trade receivables that were past due and impaired as at 31 December 2019 is as follows:

As at 31 December 2019	Not credit impaired Ushs'000	Credit Impaired Ushs'000	Total Ushs'000
Trade receivables	56,496	141,319	197,815
Other receivables	199,493	15,035	214,528
Due from related parties	292,588	1,146	293,734
Total	**548,577**	**157,500**	**706,077**

Expected credit loss assessment for individual customers as at 31 December 2020

The Company uses a provisional allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers and due from related parties.

As at 31 December 2020 Receivables	Weighted Average lossrates Ushs'000	Gross carrying amount Ushs'000	Loss allowance Ushs'000
Financial assets			
1-31 days past due	10%	29,167	2,973
32-62 days past due	29%	6,455	1,853
63- 92 days past due	62%	9,230	5,643
93- 123 days	100%	8,514	8,514
More than 123 days	100%	117,654	117,654
		171,020	**136,673**

As at 31 December 2020 Due from related parties	Weighted Average loss rates Ushs'000	Gross carrying amount Ushs'000	Loss allowance Ushs'000
Financial assets			
1-31 days past due	10%	2900	296
32-62 days past due	29%	-	-
63- 92 days past due	62%	1,435	883
93- 123 days	100%	2,536	2,536
More than 123 days	100%	2,536	2,536
		9,407	**6,251**

The loss rates are based on actual credit loss experience over the past three years.

As at 31 December 2019 Receivables	Weighted Average loss rates Ushs'000	Gross carrying amount Ushs'000	Loss allowance Ushs'000
Financial assets			
1-31 days past due	18%	34,837	6,158
32-62 days past due	49%	66,001	32,179
63- 92 days past due	82%	25,721	21,008
93- 123 days	100%	30	30
More than 123 days	100%	29,765	29,765
		156,354	**89,140**

As at 31 December 2019 Due from related parties	Weighted Average loss rates Ushs'000	Gross carrying amount Ushs'000	Loss allowance Ushs'000
Financial assets			
1-31 days past due	18%	2,179	385
32-62 days past due	49%	(4,459)	(2,174)
63- 92 days past due	82%	180	147
93- 123 days	100%	(30)	(30)
More than 123 days	100%	3,276	3,276
		1,146	**1,604**

Cash and cash equivalents

The Company held cash and cash equivalents of Ushs 41,704 thousand as at 31 December 2020 (2019: Ushs 80,893 thousand). The cash and cash equivalents are held with the bank (Citibank), which is rated AA- to AA+, based on [Rating Agency Y] ratings.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The amount of impairment allowance as at 31 December 2020 is Ushs (383,275) (2019: Ushs 387,527)

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.

The table below summarizes the exposure to interest rate risk. Included in the table are the Company's assets and liabilities at carrying amounts, categorized by the earlier of contractual dates and the maturity dates. All balances are in Ushs.

31 Dec 2020	**Matured**	**< 3 months**	**3 to 12 months**	**>1 year**	**Non-interest bearing**	**Total**
	Ushs '000	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**
Assets						
Trade & other receivables	-	-		-	247,711	247,711
Fixed deposits	-	-	5,910,860	-	-	5,910,860
Amount due from related parties	-	-		-	18,618	18,618
Bank and cash balances	-	-		-	41,321	41,321
Total assets	**-**	**-**	**5,910,860**	**-**	**307,650**	**6,218,510**
Liabilities						
Trade and other payables	-	-	-	-	426,686	426,686
Lease liability	-	-	-	893,633	-	893,633
Amount due to related parties	-	-	-	-	1,741	1,741
Total liabilities	-	-	-	893,633	428,427	1,322,060
Gap:						
As at 31 December 2020	**-**	**-**	**5,910,860**	**(893,633)**	**(120,777)**	**4,896,450**

31 Dec 2019	**Matured**	**< 3 months**	**3 to 12 months**	**>1 year**	**Non-interest bearing**	**Total**
	Ushs '000	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**
Assets						
Trade and other receivables	-	-	-	-	568,922	568,922
Fixed deposits	-	-	5,437,284	-	-	5,437,284
Amount due from related parties	-	-	-	-	292,130	292,130
Bank and cash balances	-	-	-	-	81,281	81,281
Total assets	**-**	**-**	**5,437,284**	**-**	**942,333**	**6,379,617**
Liabilities						
Trade and other payables	-	-	-	-	427,440	427,440
Lease Liability	-	-	-	977,777	-	977,777
Amount due to related parties					1,741	1,741
Total liabilities						
Gap:	**-**	**-**	**-**	**977,777**	**429,181**	**1,406,959**
As at 31 December 2019						
	-	**-**	**5,437,284**	**(977,777)**	**513,152**	**4,972,659**

(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.

Key currency exposures

31-Dec-20	Ushs '000	US dollar USD	TOTAL Ushs '000
Assets			
Trade and other receivables	231,973	15,738	247,711
Bank and cash balances	40,675	646	41,321
Total assets	**272,648**	**16,384**	**289,032**
Liabilities			
Trade and other payables	403,685	23,001	426,686
Total liabilities	**403,685**	**23,001**	**426,686**
Net exposure:			
As at 31 December 2020	**(131,037)**	**(6,617)**	**(137,654)**

31-Dec-19	Ushs '000	US dollar USD	TOTAL Ushs '000
Assets			
Trade receivables and prepayments	524,613	44,309	568,922
Bank and cash balances	78,354	2,927	81,281
Total assets	**602,967**	**47,236**	**650,203**
Liabilities			
Trade and other payables	377,730	49,710	427,440
Total liabilities	**377,730**	**49,710**	**427,440**
Net exposure:			
As at 31 December 2019	**225,237**	**(2,474)**	**222,763**

Foreign currency risk sensitivity analysis

Foreign exchange risk – appreciation/depreciation of Ushs against other currencies by 5%. The following sensitivity analysis shows how surplus/ (deficit) would be affected if the market risk variables had been different at reporting date with all other variables held constant.

31-Dec-20	US dollar Ushs '000	Total Ushs '000
-5% Ushs Movement	(121)	(121)
+5% Ushs Movement	121	121
31-Dec-19		
-5% Ushs Movement	(542)	(542)
+5% Ushs Movement	(542)	(542)

(c) Capital Management

The Company is limited by shares and has a share capital of Ushs 420,000,000 which is fully paid up.

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's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company is not subject to any externally imposed capital requirements.

Capital risk management table

The Company's net debt to equity ratio as at 31 December 2020 was as follows:

Details	2020 Ushs '000	2019 Ushs '000
Total liabilities	1,322,060	1,520,772
Less; Cash and cash equivalents	(41,321)	(81,281)
Net debt	**1,280,739**	**1,439,491**
Equity	6,414,695	6,373,535
Net debt to equity ratio	**0.20**	**0.22**

(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 Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk through continuous monitoring of forecast and actual cash flows.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 12 months.

Liquidity risk management (Continued)

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

31 December 2020	3 to 12 months Ushs'000	>1 year Ushs'000	Total Ushs'000
Assets			
Trade and other receivables	247,711	-	247,711
Amounts due from related parties	18,618	-	18,618
Fixed deposits	5,910,860	-	5,910,860
Bank and cash balances	41,321	-	41,321
Total assets	**6,218,510**	**-**	**6,218,510**
Liabilities			
Trade and other payables	426,686		426,686
Lease liability	199,418	1,063,558	1,262,976
Amount due to related parties		1,741	1,741
Total liabilities	626,104	1,063,559	1,691,403
Liquidity gap:			
As at 31 December 2020	**5,592,406**	**(1,063,559)**	**4,527,107**

31 December 2019	3 to 12 months	>1 year	Total
Assets	**Ushs'000**	**Ushs'000**	**Ushs'000**
Trade receivables and other receivables	568,922	-	568,922
Amounts due from related parties	292,131	-	292,131
Fixed deposits	5,437,284	-	5,437,284
Bank and cash balances	81,281	-	81,281
Total assets	**6,379,618**	**-**	**6,379,618**
Liabilities			
Trade and other payables	427,440	-	427,440
Lease Liability	-	977,777	977,777
Amount due to related parties	-	1,740	1,740
Total liabilities	427,440	979,517	1,406,957
Liquidity gap:			
As at 31 December 2019	**5,752,178**	**(979,518)**	**4,972,661**

26 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 2020 and 31 December 2019 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 2020

	Level 1 Ushs '000	Level 2 Ushs '000	Level 3 Ushs '000	Total Fair Value Ushs '000	Carrying amount Ushs '000
Assets					
Trade and other receivables	-	-	247,711	247,711	247,711
Amounts due from related parties	-	-	18,618	18,618	18,618
Fixed deposits	-	5,910,860	-	5,910,860	5,910,860
Cash and cash equivalents	-	-	41,321	41,321	41,321
Total	**-**	**5,910,860**	**307,650**	**6,218,510**	**6,218,510**
Liabilities					
Trade and other payables	-	-	426,686	426,686	426,686
Lease liability	-	-	893,633	893,633	893,633
Amounts due to related parties	-	-	1,741	1,741	1,741
Total	**-**	**-**	**1,322,060**	**1,322,060**	**1,322,060**

31 December 2019

	Level 1 Ushs '000	Level 2 Ushs '000	Level 3 Ushs '000	Total Fair Value Ushs '000	Carrying amount Ushs '000
Assets					
Trade and other receivables	-	-	568,922	568,922	568,922
Amounts due from related parties	-	-	292,131	292,131	292,131
Fixed deposits	-	5,437,284	-	5,437,284	5,437,284
Cash and cash equivalents	-	-	81,281	81,281	81,281
Total	**-**	**5,437,284**	**942,334**	**6,379,618**	**6,379,618**
Liabilities					
Trade and other payables	-	-	427,440	427,440	427,440
Lease Liability	-	-	977,777	977,777	977,777
Amounts due to related parties		-	1,740	1,740	1,740
Total	**-**	**-**	**1,406,957**	**1,406,957**	**1,406,957**

27. COMMITMENTS

The Company had no commitments in 2020 (2019: Nil).

28. ULTIMATE CONTROLLING PARTY

The Company is limited by shares and does not have any immediate or ultimate controlling party.

29. CONTINGENT LIABILITIES

The Company had no contingent liabilities in 2020 (2019: Nil).

30. COUNTRY OF INCORPORATION

Uganda Securities Exchange Limited is incorporated in Uganda under the Companies Act, 2012 Laws of Uganda as a Company limited by shares and domiciled in Uganda.

31. EVENTS AFTER THE REPORTING PERIOD

At the date of finalisation of the annual financial statements, there were no material events that occurred subsequent to the statement of financial position date that require adjustment in the financial statements.

SCD REGISTRARS

OUR SERVICES:

- Shareholder services(Call Centre & Customer service)
- Corporate Actions
- Virtual AGM Services
- Administration of AGMs/EGM & Annual Report Dispatch
- IPO Processing & Register Creation
- Register Maintenance
- Processing of dividends & other entitlements
- Unclaimed Dividends Management
- Registration of Share Transfers and Transmission
- Regulatory Reporting

For more information on SCD Registrars, contact us at **scdregistras@use.or.ug**

@USEUganda

www.use.or.ug

INSPIRING **GROWTH.**

Notice of **AGM**

NOTICE IS HEREBY GIVEN that the 4th Annual General Meeting ("AGM") of **UGANDA SECURITIES EXCHANGE LIMITED** ("the Company") for the year ended December 2020 will be by electronic means on **Tuesday 22nd September 2021** at **10:00am** to conduct the following business:

PRELIMINARIES

1. To table the proxies and to note the presence of quorum.
2. To read the notice convening the meeting and confirm Any other Business for which notice has been received by the Secretary at least 48 hours before the meeting.
3. To receive communication from the Chairman.
4. To confirm the minutes of the 3rd Annual General Meeting for the year ended 2020.

ORDINARY RESOLUTIONS

5. To consider and if deemed fit, approve the audited financial statements for the year ended 31st December 2020 together with the reports of the Chairman, the Directors and the external auditors.
6. **Appointment and Re-election of New Directors**
   To consider and if deemed fit confirm the appointment and re-election of Directors in accordance with the provisions of the Company's Articles of Association as follows:

   (i) To approve the appointment of a new Director (trading participant representative) to fill the casual vacancy created by the resignation of a Director during the current period 2021.

   Rotation of Directors under Articles 110 & 111

   (ii) Mr. Samuel Mwogeza who was appointed to the Board in September 2019 retires by rotation and being eligible offers himself for re-election

   (iii) Ms. Jennifer Mwijukye Kabanyana who was appointed to the Board in September 2019 retires by rotation and being eligible offers herself for re-election'

   (iv) Dr. Rachel Mindra Katoroogo who was appointed to the Board in September 2019 retires by rotation and being eligible offers herself for reelection
7. To receive and approve the remuneration for Non-Executive Directors as provided for in the financial statements.
8. To consider and if deemed fit, approve the re-appointment of External Auditors KPMG for the year ending 31st December 2021 and authorise the Directors to fix their remuneration.

Dated 30th August 2021

BY ORDER OF THE BOARD

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Alison Kwikiriza- Serucaca
Company Secretary

Shareholders are urged to note the following information:

(1) Audited financial statements: The audited financial statements, annual report and minutes of the previous meeting will be circulated to shareholders via e-mail ahead of the meeting.

(2) Proxies: A shareholder who is unable to attend the AGM may appoint a proxy to attend the meeting on his or her behalf.

a. A copy of the proxy form accompanies this notice

b. Duly completed proxy forms must be emailed to the company secretary at address **akwikiriza@use.or.ug** to be received at least 48 hours before the meeting.

(3) Scheduling of the AGM: Article 95 of the Articles of Association of the company, an annual general meeting may be held by audit or audio-visual means. The Board in a meeting held on 14th July 2021 approved convening and conduct of the AGM for the year ended 2020 electronically

(4) Inorder to access the meeting, shareholders or their proxies should login through the Zoom meeting platform via the link and/ or the login details below:
https://us02web.zoom.us/j/85994607054?pwd=L1ZoQ1NtK0huQmR0OGFRY0VLQTFQQT09

Meeting ID: **859 9460 7054**

Passcode: **016366**

Proxy Form

For the Attention of:
The Company Secretary
Uganda Securities Exchange Limited
4th Floor Block A Nakawa Business Park
P. O. Box 23552 Kampala
Email: **akwikiriza@use.or.ug**

I/We the under signed, being a shareholder the above company hereby appoint _______________

____ of

address____ as my/ our proxy to attend and vote on my behalf at the 4th Annual General meeting of the Company to be held at electronically on Wednesday 22nd September 2021 ,at 10:00 a.m or to any adjournments thereof.

Signed: ____________________________________

Name: ____________________________________

Date: ____________________________________

Notes:

1. This proxy should be delivered to the Company Secretary not later than 48 hours before the time appointed for the meeting, and in default, the instrument of proxy shall be treated as invalid. Please note that delivery by electronic mail copy will be deemed delivery of the Proxy Form. The original hard copy shall however be required to be submitted by the appointed proxy.

2. In case of a corporation, the proxy must be signed by an authorized official of the shareholder company.

3. The completion and lodging of this form does not preclude the ordinary representative of the shareholder from attending the AGM instead of the proxy.

Uganda
Securities Exchange

BANK OF UGANDA GOVERNMENT SECURITIES AUCTION CALENDAR FY 2021-2022

TREASURY BILLS

TENURE

91, 182, and 364 days

AUCTION DATE (WEDNESDAY)	SETTLEMENT DATE (THURSDAY)
7-Jul-21	8-Jul-21
21-Jul-21	22-Jul-21
4-Aug-21	5-Aug-21
18-Aug-21	19-Aug-21
1-Sep-21	2-Sep-21
15-Sep-21	16-Sep-21
29-Sep-21	30-Sep-21

TENURE

91, 182, and 364 days

AUCTION DATE (WEDNESDAY)	SETTLEMENT DATE (THURSDAY)
13-Oct-21	14-Oct-21
27-Oct-21	28-Oct-21
10-Nov-21	11-Nov-21
24-Nov-21	25-Nov-21
8-Dec-21	9-Dec-21
22-Dec-21	23-Dec-21

TENURE

91, 182, and 364 days

AUCTION DATE (WEDNESDAY)	SETTLEMENT DATE (THURSDAY)
5-Jan-22	6-Jan-22
19-Jan-22	20-Jan-22
2-Feb-22	3-Feb-22
17-Feb-22	18-Feb-22
2-Mar-22	3-Mar-22
16-Mar-22	17-Mar-22
30-Mar-22	31-Mar-22

TENURE

91, 182, and 364 days

AUCTION DATE (WEDNESDAY)	SETTLEMENT DATE (THURSDAY)
13-Apr-22	14-Apr-22
27-Apr-22	28-Apr-22
11-May-22	12-May-22
25-May-22	26-May-22
8-Jun-22	10-Jun-22
22-Jun-22	23-Jun-22

For more information on how to participate please contact your stockbroker

***Participation is subject to BOU Auction Procedures and guidelines**

Uganda Securities Exchange

BANK OF UGANDA GOVERNMENT SECURITIES AUCTION CALENDAR FY 2021-2022

TREASURY BONDS

Auction Date (Wednesday)	Settlement Date (Thursday)	2YR	3 YR	5 YR	10 YR	15 YR	20 YR
14-Jul-21	15-Jul-21			UG12J0605277 16.000% 06-MAY-2027			UG12L0111405 17.500% 01-NOV-2040
11-Aug-21	12-Aug-21		UG0000001517 17.000% 16-JAN-2025			UG12K0811352 16.250% 08-NOV-2035	
8-Sep-21	9-Sep-21	New 7-Sep-2023			UG12K0403325 16.375% 04-MAR-2032		
6-Oct-21	7-Oct-21			UG12J0605277 16.000% 06-MAY-2027			UG12L0111405 17.500% 01-NOV-2040
3-Nov-21	4-Nov-21		UG0000001517 17.000% 16-JAN-2025			UG12K0811352 16.250% 08-NOV-2035	
1-Dec-21	2-Dec-21	Re-open 7-Sep-2023			UG12K0403325 16.375% 04-MAR-2032		
29-Dec-21	30-Dec-21			UG12J0605277 16.000% 06-MAY-2027			UG12L0111405 17.500% 01-NOV-2040
27-Jan-22	28-Jan-22		UG0000001517 17.000% 16-JAN-2025			UG12K0811352 16.250% 08-NOV-2035	
23-Feb-22	24-Feb-22	Re-open 7-Sep-2023			UG12K0403325 16.375% 04-MAR-2032		
23-Mar-22	24-Mar-22			UG12J0605277 16.000% 06-MAY-2027			UG12L0111405 17.500% 01-NOV-2040
20-Apr-22	21-Apr-22		UG0000001517 17.000% 16-JAN-2025			UG12K0811352 16.250% 08-NOV-2035	
18-May-22	19-May-22	Re-open 7-Sep-2023			UG12K0403325 16.375% 04-MAR-2032		
15-Jun-22	16-Jun-22			UG12J0605277 16.000% 06-MAY-2027			UG12L0111405 17.500% 01-NOV-2040

Kindly note that there is only one new bond (2-year) in the year; the rest are re-openings.
The indicated bonds are only indicative and may be changed to other suitable bonds with similar maturities or new issues if market conditions warrant so.

For more information on how to participate please contact your stockbroker

***Participation is subject to BOU Auction Procedures and guidelines**

UGANDA SECURITIES EXCHANGE

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Plot 3 - 5 New Port Bell Road. P. O. Box 23552 Kampala, Uganda.
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