SBG Securities Uganda Limited

Annual report and financial statements

For the year ended 31 December 2022

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Corporate Information

DIRECTORS

Agnes Konde Asiimwe (Chairperson)
Andrew Mashanda
Joram Ongura (Chief Executive)
Candy Wekesa Okoboi (resigned 21 October 2022)

COMPANY SECRETARY

Rita Kabatunzi

REGISTERED OFFICE

Crested Towers (Short Tower)
Plot 17 Hannington Road
P. O. Box 7395
Kampala

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Plot 1 Colville Street
Communications House
P. O. Box 882
Kampala

Chief Executive's Statement

Macro environment

Annual average headline inflation for the calendar year 2022 was 7.2%, higher compared to 2.2% registered in the calendar year 2021 driven by higher fuel and food prices witnessed in 2022. The pre COVID-19 annual average headline inflation for 2019 was 2.1%. This was attributed to disruptions in global supply chains and the invasion of Ukraine by Russia that put pressure on energy prices.

The Uganda Shilling was relatively stable in the fourth quarter of 2022 supported by strong seasonal inflows from remittances, coffee receipts and NGOs, the easing of the strengthening of the US dollar globally after the Fed announced the slowing down of the pace of monetary policy tightening and continued support from the domestic tight liquidity conditions in the money markets.

The USE All Share Index (ALSI) fell by 3.7% to close the fourth quarter of 2022 at 1,212.6 points from 1,259.1 points reported at the close of the third quarter. The ALSI declined because of share price losses recorded on six cross-listed counters – Centum, Jubilee Holdings Limited, Kenya Airways, Kenya Commercial Bank, Equity Bank Limited and Nation Media Group and four locally listed counters – National Insurance Corporation, Cipla Quality Chemicals Industries Ltd, MTN Uganda and DFCU Ltd. While the Uganda Securities Exchange Local Counter Index (LSI) was up 0.5%, closing the review period at 272.7 points from 271.4 points at the end of the third quarter of 2022. The growth in the LCI was a result of the share price increase on two locally listed counters – UMEME (37.5%) and UCL (14.7%).

Collective Investment Schemes Managers 'CIS' had an Industry total of Ushs 1,628.6 billion in Assets Under Management (AUM) at the end of the review period, representing a growth of 12.1% from Ushs 1,453.2 billion at the close of September 2022. The total number of active CIS accounts at the end of December 2022 was 40,201, compared to 40,155 active investor accounts at the end of the third quarter, an increase of 0.1%.

Operational Performance

We dominated trading at the Uganda Securities Exchange with 63.5% market share driven by various sales strategies implemented during the year.

In preparation of roll out of the Unit Trust product, SBG Securities undertook activities to ensure operational preparedness including internal trainings to ensure awareness of staff on the product. The soft launch of Unit Trusts in December was a success.

Assets Under Management ('AUM') as of 31 December 2022 was Ushs.18.5 billion and we delivered competitive returns to our unit holders.

The firm successfully set up a website, which through integration to our core system enables clients to onboard themselves at their own convenience.

We successfully acquired Equity Stockbrokers clients, doubling our client book.

Financial Performance and Risk

SBG Securities Uganda Limited posted a loss after tax of Ushs. 872 million in 2022 compared to 2021 profit after tax position of Ushs 725 million largely driven by bearish equities market.

Revenue from securities trading marginally increased to Ushs. 567 million in 2022 from Ushs. 339 million in 2021. The underlying driver of the growth includes secondary trades following the MTN Uganda listing. Revenue from our retail investors increased on account of dividends being re-invested.

Chief Executive’s Statement (continued)

Economic Outlook

Bank of Uganda forecasts Uganda’s economy to grow by between 5.0 – 5.3% in FY2022/23, driven by increased external demand for exports, significant rebound in foreign direct and private investment and better supply chain conditions.

2023 Strategic Priorities

- **Mass - Market Launch of the SBG Securities Wezimbe Unit Trust** – This will enable our clients to invest in a range of investment portfolios hence diversify their risk.

- **Market awareness**: Roll out a 360 Campaign to grow awareness of the Unit trust product and educational activity drives to demystify investments for the mass market.

- **Platform Business** – Transform our business operation by delivering a digital solution that allows our client to remotely access and consume our products in a seamless manner.

Joram Ongura
Chief Executive

29 March 2023

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2022, which disclose the state of financial affairs of SBG Securities Uganda Limited ("the Company").

Principal activities

The principal activities of the Company are provision of financial advisory and stock broking services. The Company is licensed by the Capital Markets Authority of Uganda as broker/dealer and Advisory.

Results and dividend

The loss for the year of Ushs 872 million (2021: profit of Ushs 725 million) has been transferred to retained earnings. The Directors do not recommend the payment of dividends for the year (2021: Nil).

Directors

The Directors who held office during the year and to the date of this report were:

Agnes Konde Asiimwe		Chairperson
Andrew Mashanda		
Joram Ongura	-	Chief Executive
Candy Wekesa Okoboi	-	Resigned 21 October 2022

Management by Third parties

None of the business of SBG Securities Uganda Limited has been managed by a third person or a company in which a Director has had an interest during the year.

Auditor

The Company's auditor, PricewaterhouseCoopers Certified Public Accountants continues in office in accordance with Section 167(2) of the Ugandan Companies Act.

By order of the Board

Rita Kabatunzi
Company Secretary

29 March 2023

Statement of Directors' Responsibilities

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

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and in the manner required by the Ugandan Companies Act and the Capital Markets Authority (Accounting and Financial Requirements) Regulations. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its loss in accordance with International Financial Reporting Standards and have been prepared in the manner required by the Ugandan Companies Act and the Capital Markets Authority (Accounting and Financial Requirements) Regulations. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors have assessed the Company's ability to continue as a going concern. The Directors hereby report that nothing has come to their attention to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Approval of the financial statements

The financial statements of SBG Securities Uganda Limited were approved by the Board of Directors on 29 March 2023 and were signed on its behalf by:

Agnes Konde Asiimwe	Joram Ongura
Chairperson	Chief Executive

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF SBG SECURITIES UGANDA LIMITED

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the state of financial affairs of SBG Securities Uganda Limited ("the Company") as at 31 December 2022, and of its loss and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been prepared in the manner required by the Ugandan Companies Act and the Capital Markets Authority (Accounting and Financial Requirements) Regulations.

What we have audited

The financial statements of SBG Securities Uganda Limited set out on pages 10 to 36 comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the 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 information.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("the IESBA Code") together with the ethical requirements that are relevant to our audit of financial statements in Uganda, and we have fulfilled our ethical responsibilities in accordance with those requirements and the IESBA Code.

Key audit matters

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 in the annual report but does not include the financial statements and our auditor's report thereon.

PricewaterhouseCoopers Certified Public Accountants, Communications House, 1 Colville Street, P. O. Box 882, Kampala Uganda. Registration Number 113042
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Partners: C Mpobusingye D Kalemba P Natamba U Mayanja

PricewaterhouseCoopers CPA is regulated by the Institute of Certified Public Accountants of Uganda (ICPAU), ICPAU No. AF0004

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF SBG SECURITIES UGANDA LIMITED (continued)

Report on the audit of the financial statements (continued)

Other information (continued)

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 identified above 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.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Ugandan Companies Act and the Capital Markets Authority (Accounting and Financial Requirements) Regulations and 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.

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.

The Directors are responsible for overseeing the Company's financial reporting process.

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 scepticism 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.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF SBG SECURITIES UGANDA LIMITED (continued)

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- 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 Directors' 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 the 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 those charged with governance, 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

The Ugandan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

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

- the Company's balance sheet (represented by the statement of financial position) and profit and loss account (represented by the statement of comprehensive income) are in agreement with the books of account.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF SBG SECURITIES UGANDA LIMITED (continued)

Report on other legal and regulatory requirements (continued)

The Capital Markets Authority (Accounting and Financial Requirements) Regulations require that in carrying out our audit, we consider and report to you on the following additional matters. We confirm that:

- the Company kept customer money segregated throughout the financial year in accordance with the Capital Markets Authority (Accounting and Financial Requirements) Regulations; and

- the Company has maintained systems adequate to identify documents of title, or documents evidencing title to securities held in safekeeping for the Company's customers in accordance with the Capital Markets Authority (Accounting and Financial Requirements) Regulations.

The engagement partner on the audit resulting in this independent auditor's report is CPA Uthman Mayanja – P0181.

PricewaterhouseCoopers

Certified Public Accountants
Kampala

5 April 2023

CPA Uthman Mayanja

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2022 Ushs' 000	(14 months) 2021 Ushs' 000
Revenue from contracts with customers	3	**670,981**	2,309,961
Employee benefit expenses	4	**(1,056,082)**	(670,735)
Depreciation and amortisation		**(73,716)**	(1,600)
Other operating expenses	5	**(751,889)**	(433,048)
Total operating expenses		**(1,881,687)**	(1,105,383)
Loss on purchase of branch net assets	13 (b)	**-**	(116,887)
(Loss) / profit before income tax		**(1,210,706)**	1,087,691
Income tax credit / (expense)	6 (a)	**338,214**	(363,158)
(Loss) / profit for the year		**(872,492)**	724,533
Other comprehensive income		**-**	-
Total comprehensive (loss) / income for the year/period		**(872,492)**	724,533

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The notes set out on pages 14 to 36 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	2022 Ushs' 000	2021 Ushs' 000
Assets			
Non-current assets			
Property and equipment	7 (b)	**327,178**	15,971
Intangible assets	7 (a)	**297,435**	-
Deferred tax asset	6 (b)	**377,344**	39,130
Total non-current Assets		**1,001,957**	55,101
Current Assets			
Cash at bank	9	**2,243,769**	1,182,093
Investment securities	10	**780,414**	-
Current income tax recoverable	6 (a)	**47,108**	46,017
Amounts due from group companies	13 (a, iii)	**42,892**	-
Trade and other receivables	8	**155,737**	2,853,517
Total current assets		**3,269,920**	4,081,627
Total assets		**4,271,877**	4,136,728
Equity and liabilities			
Equity			
Ordinary share capital	14 (a)	**1,000,000**	1,000,000
Ordinary share premium	14 (b)	**2,000,000**	2,000,000
(Accumulated losses) / retained earnings		**(147,959)**	724,533
Total Equity		**2,852,041**	3,724,533
Liabilities			
Non-current liabilities			
Lease liabilities	12	**40,699**	-
Current liabilities			
Amounts due to group companies	13 (a, ii)	**963,306**	51,132
Lease liabilities	12	**53,464**	-
Trade and other payables	11 (a)	**362,367**	361,063
Total current liabilities		**1,379,137**	412,195
Total liabilities		**1,419,836**	412,195
Total equity and liabilities		**4,271,877**	4,136,728

The notes set out on pages 14 to 36 form an integral part of these financial statements.

The financial statements on pages 10 to 36 were approved for issue by the Board of Directors on 29 March 2023 and signed on its behalf by:

Agnes Konde Asiimwe
Chairperson

Joram Ongura
Chief Executive

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital Ushs' 000	Share Premium Ushs' 000	(Accumulated losses) / retained earnings Ushs' 000	Total Ushs' 000
Year ended 31 December 2022					
At start of year		**1,000,000**	**2,000,000**	**724,533**	**3,724,533**
Comprehensive income:					
Loss after tax		**-**	**-**	**(872,492)**	**(872,492)**
Other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive loss		**-**	**-**	**(872,492)**	**(872,492)**
At end of year		**1,000,000**	**2,000,000**	**(147,959)**	**2,852,041**
Year ended 31 December 2021					
At start of year		-	-	-	-
Transaction with owners:					
Issue of Shares	14	1,000,000	2,000,000	-	3,000,000
Comprehensive income:					
Profit after tax		-	-	724,533	724,533
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	724,533	724,533
At end of year		1,000,000	2,000,000	724,533	3,724,533

The notes set out on pages 14 to 36 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	2022 Ushs' 000	(14 months) 2021 Ushs' 000
Net cash flows from /(used in) operating activities	15	**2,437,464**	(1,800,336)
Cash flows from investing activities			
Purchase of property and equipment	7 (b)	**(221,667)**	(17,571)
Purchase of intangible asset	7 (a)	**(297,435)**	-
Investment securities	10	**(780,414)**	-
Net cash flows used in investing activities		**(1,299,516)**	(17,571)
Cash flows from financing activities			
Proceeds from issue of share capital		**-**	3,000,000
Payment of finance lease liabilities	12	**(76,272)**	-
Net cash flows (used in) / from financing activities		**(76,272)**	3,000,000
Net increase in cash		**1,061,676**	1,182,093
Cash at beginning of year		**1,182,093**	-
Cash at end of year	9	**2,243,769**	1,182,093

The notes set out on pages 14 to 36 form an integral part of these financial statements.

Notes

1. General information

SBG Securities Uganda Limited (the Company) is a limited liability company incorporated and domiciled in Uganda. The address of its registered office is:

Crested Towers, Short
Tower, Plot 17 Hannington road
P. O. Box 7131
Kampala Uganda.

For Ugandan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit or loss account by the statement of comprehensive income.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below, and are in accordance with International Financial Reporting Standards (IFRS). The financial statements are presented in Ugandan Shillings (Ushs).

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

New and amended standards adopted by the Company:

The Company has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2022.

Amendment to IAS 16, Property, Plant and Equipment — Proceeds before Intended Use

The amendments prohibit 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.

Amendment to IAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Notes (continued)

2 Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

New standards, amendments and interpretations issued but not effective:

Amendment to IAS 1, Classification of Liabilities as Current or Non-Current

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IFRS Practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to IAS 8 - Definition of Accounting Estimates

The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

The Directors do not plan to apply the above standards, until they become effective. Based on their assessment of the potential impact of application of the above, none of the above standards is expected to have a significant impact on the Company's financial statements in the current or future reporting periods and on near future transactions.

Notes (continued)

2 Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

New standards, amendments and interpretations issued but not effective (continued):

The directors do not expect that adoption of these standards and interpretations will have a material impact on the financial statements in future years The Company plans to apply the changes above from their effective dates.

The accounting policies are consistent with those reported in the previous year. There are no new or amended standards that are effective for the current reporting period. The Company also did not early adopt any amended standards during the current reporting period.

b) Critical accounting estimates and judgement

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The Directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- **Income taxes**

Significant judgment is required in determining the Company's provision for income taxes. There are a few transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made. Further details on taxes are disclosed in Note 6.

- **Receivables**

Application of the requirements of IFRS 9 in making provisions for expected credit losses (ECL) required the use of judgment in determining the following:

- methods to apply in making provisions; and
- determining inputs into the ECL computation that are not directly observable that is, probability of default and loss given default.

c) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the services rendered in the ordinary course of the Company's activities Revenue is shown net of value-added tax (VAT), rebates and discounts. The Company recognises revenue when it satisfies its performance obligations by delivering the services (or portions thereof) to a customer. The amount of revenue recognised is the amount the Company expects to receive in line with the contractual terms of delivery of services, which are triggered when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of customer, the type of transaction and the specifics of each arrangement.

Notes (continued)

2 Summary of significant accounting policies (continued)

c) Revenue recognition (continued)

Revenue is recognised as follows:

(i) Brokerage commission is recognised as the services are provided, for example when a sale or purchase of securities on behalf of the customer has been effected.

Other income:

(ii) Interest income is recognised on a time proportion basis using the effective interest method.
(iii) Placement fees are recognised at a point in time when the performance obligation of raising funds for the issuer is complete.
(iv) Asset management fees are recognised over a period of time accruing two percent of the daily assets under management.

(d) Translation of foreign currencies

Transactions in foreign currencies during the period are converted into Ugandan Shilling (the functional currency), at the rates ruling at the transaction dates.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The resulting differences from conversion and translation are dealt with in profit or loss in the period.

(e) Property and equipment

All equipment is initially recorded at cost and thereafter stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation on assets is calculated using the straight- line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Useful life:	Furniture and equipment	- 4 to 5 years
	Computer equipment	- 4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of furniture and equipment are determined by comparing the proceeds with the carrying amount and are considered in determining operating profit.

Notes (continued)

2 Summary of significant accounting policies (continued)

(f) Impairment of non-financial assets and intangible assets

At the end of each reporting year, the Company reviews the carrying amounts of its tangible 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).

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually.
An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(g) Financial instruments

- **Recognition**

Financial instruments are recognised when, and only when, the Company becomes party to the contractual provisions of the instrument. All financial instruments are recognised initially using the trade date accounting which is the date the Company commits itself to the purchase or sale.

- **Classification Financial assets**

The Company classifies its financial assets into the following categories:

(i) Amortised cost

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortised cost; The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured at the reporting date. The asset classified as such includes trade and other receivables at bank.

(ii) Fair Value Through Profit or Loss (FVTPL):

Financial assets that do not meet the criteria for amortised cost or Fair Value Through Other Comprehensive Income (FVTOCI) are measured at FVTPL. A gain or loss on a debt investment that is subsequently measure at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement. Financial assets that are not classified into one of the abovementioned financial asset categories.

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassesses its business models at each reporting period to determine whether the business models have changed since the preceding period.

For the current reporting period, the Company has not identified a change in its business models.

Notes (continued)

2 Summary of significant accounting policies (continued)

g) Financial instruments (continued)

- **Financial liabilities:**

All financial liabilities are classified and measured at amortised cost. All financial liabilities are classified as non-current except those expected to be settled in the Company's normal operating cycle, those payable or expected to be paid within 12 months of the reporting date and those which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

- **Derecognition of financial assets**

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Company has transferred substantially all risks and rewards of ownership, or when the Company has no reasonable expectations of recovering the asset.

Financial instruments that are subsequently measured at amortised cost are subject to impairment.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

- **Impairment**

The Company recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortised cost:

- Cash at bank;
- Trade and other receivables; and
- Investment securities.

No impairment loss is recognised on investments measured at FVTPL.

The Company applies the general impairment approach to measure ECL. The Company assesses at the end of each reporting period whether the credit risk on a financial instrument has increased significantly since initial recognition.

In the event of a significant increase in credit risk since initial recognition, the Company recognises an allowance (or provision) for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default, or otherwise credit-impaired, are in 'stage 3'.

The measurement of ECL under the general impairment approach reflects a profitability-weighted outcome, the time value of money and the best forward-looking information available to the Company. The probability-weighted outcome incorporates the probability of default, exposure at default, timing of when default is likely to occur, and loss given default.

The Company recognises in profit or loss, as an impairment loss or reversal, the amount of ECL (or reversal) that is required to adjust the loss allowance at the end of the reporting period. When a receivable is uncollectible, it is written off against the allowance for impairment for that receivable. Subsequent recoveries of amounts previously written off are recognised in the statement of comprehensive income.

Notes (continued)

2 Summary of significant accounting policies (continued)

(h) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank.

(i) Taxation

The income tax expense for the year comprises current and deferred income tax. Income tax expense is recognised in profit or loss, except to the extent that it relates to items recognised in the other comprehensive income or in equity. In this case, the income tax is also recognised in other comprehensive income or equity.

Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Ugandan Income Tax Act. The rates used are based on laws enacted or substantially enacted at the reporting date. The Directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate amounts to be paid to the tax authorities.

Deferred income tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilised.

Notes (continued)

2 Summary of significant accounting policies (continued)

(j) Leases

IFRS 16 significant accounting policies

Type and description	Statement of financial position	Income statement
Single lessee accounting model	**Lease liabilities:**	**Interest expense on lease liabilities:**
All leases are accounted for by recognizing a right-of-use asset and a lease liability except for: leases of low value assets; and leases with a duration of twelve months or less.	Initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case for the Company's) this is not readily determinable, in which case SPL's incremental borrowing rate on commencement of the lease is used. SPL's standardized funding transfer pricing rate is the base on which the increment- tal borrowing rate is calculated. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes: • Amounts expected to be payable under any residual value guarantee; • The exercise price of any purchase option granted in favor of SPL's, should it be reasonably certain that this option will be exercised; • Any penalties payable for terminating the lease, should the term of the lease be estimated on the basis of this termination option being exercised. Subsequent to initial measurement, lease liabilities in- crease as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.	A lease finance cost, determined with reference to the interest rate implicit in the lease or SPL's incremental borrowing rate, is recognized within interest expense over the lease period. **Depreciation on right-of-use assets:** Subsequent to initial measurement, the right- of-use assets are depreciated on a straight- line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter than the lease term unless ownership of the underlying asset transfers to SPL's at the end of the lease term, whereby the right-of-use assets are depreciated on a straight- line basis over the remaining economic life of the asset. This depreciation is recognized as part of depreciation and amortization.

Notes (continued)

2 Summary of significant accounting policies (continued)

(j) Leases (continued)

Type and description	Statement of financial position	Income statement

IFRS 16 - Lessee Accounting policies

Single lessee accounting model	Lease liabilities:	Interest expense on lease liabilities:
	Right-of-use assets: Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for: • lease payments made at or before commencement of the lease; • initial direct costs incurred; and the amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset. The Company applies the cost model subsequent to the initial measurement of the right-of-use assets. **Termination of leases:** When the Company or lessor terminates or cancels a lease, the right-of-use asset and lease liability are derecognized.	**Termination of leases:** On derecognition of the right-of-use asset and lease liability, any difference is recognized as a derecognition gain or loss together with termination or cancelation costs in profit or loss.

Notes (continued)

3 Revenue from contracts with customers

	2022 Ushs' 000	(14 months) 2021 Ushs' 000
Recognised at a point in time:		
Brokerage commission	**567,346**	339,155
Placement fees	**-**	1,769,187
Other income	**42,098**	201,619
	609,444	2,309,961
Recognised over time:		
CIS Manager fees	**32,123**	-
Interest on Company Investment securities	**29,414**	-
	61,537	-
	670,981	2,309,961

Brokerage commission relates to revenue earned on facilitating selling and buying of shares by the Company as an agent on behalf of investors.

Placement fees relate to revenue earned from the MTN Uganda Limited Initial Public Offer (IPO) as a pre-agreed percentage of issue proceeds raised per broker.

Other income comprises of a margin made on the preauthorised lead retail broker (LRB) IPO related expenses of sourcing sales agents across all points of representation in the country. A portion of these expense recoveries spiled through early 2022.

Collective Investment Scheme (CIS) manager fees relate to the asset management fees earned by the CIS manager on the daily cumulative 2% of assets under management over the period. Interest earned on Company investment securities relates to the Company's Ushs. 750 million placements with the umbrella fund.

4 Employee benefits expenses

	2022 Ushs	(14 months) 2021 Ushs
Salaries and wages	**730,646**	417,004
Contributions to statutory and other defined benefit plans	**135,708**	72,597
Other (staff incentives accruals)	**189,728**	181,134
	1,056,082	670,735

Notes (continued)

5 Other operating expenses	2022 Ushs' 000	(14 months) 2021 Ushs' 000
Premises costs	**10,777**	4,670
Auditors' remuneration	**28,421**	18,000
Professional fees	**-**	50,573
Travel and entertainment	**74,388**	11,169
Marketing and advertising	**33,901**	22,290
Directors' fees and expenses	**11,505**	6,023
License and market entrance fees	**10,702**	106,755
Information Technology costs	**138,837**	-
Fines and penalties	**70,000**	-
Other operating expenses	**373,358**	213,568
	751,889	433,048

6 (a) Income tax expense	2022 Ushs' 000	(14 months) 2021 Ushs' 000
Current income tax	**-**	402,288
Deferred income tax (note 6 (b))	**(338,214)**	(39,130)
	(338,214)	363,158

Reconciliation of income tax expense to profit before tax is as below:

(Loss) / profit before tax	**(1,210,706)**	1,204,578
Tax calculated at the statutory tax rate of 30% (2021: 30%	**(363,212)**	361,373
Tax effect of:		
Expenses not deductible for tax purposes	**24,998**	1,785
Prior tax (over) / under provision	**-**	-
Income tax expense	**(338, 214)**	363,158

The movement in the current tax recoverable is as follows:

	2022 Ushs' 000	(14 months) 2021 Ushs' 000
Tax recoverable at the beginning of the year	**(46,017)**	-
Prior year tax (over) / under provision	**(1,091)**	-
Current income tax charge for the year	**-**	402,288
Income tax paid	**-**	(448,305)
	(47,108)	(46,017)

Notes (continued)

6 (b) Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax relate to the same fiscal authority. Deferred taxes are calculated on all the temporary differences under the balance sheet liability method using tax rates currently enacted.

	2022 Ushs' 000	(14 months) 2021 Ushs' 000
At start of year	**39,130**	-
(Credit) / charge to profit or loss	**338,214**	39,130
At end of year	**377,344**	39,130

The deferred income tax asset credited in the income statement is attributable to the following items:

	2022 Ushs' 000	14 months 2021 Ushs' 000
	Charged / (credited) to Income statement Ushs'000	
Property and equipment	**(4,586)**	(1,248)
Provisions and other timing differences	**342,800**	40,378
	338,214	39,130

7 (a) Intangible assets (work in progress)

	2022 Ushs' 000	(14 months) 2021 Ushs' 000
Cost		
At start of year	**-**	-
Additions	**297,435**	-
At end of year	**297,435**	-
Depreciation		
At start of year	**-**	-
Charge for the year	**-**	-
At end of year	**-**	-
Net book value	**297,435**	-

The intangible asset relates to the deployment of the brokerage and asset management core operating system as an enabler for client self-service. The full system deployment and data migration is expected to be complete in May 2023.

Notes (continued)

7 (b) Property and equipment

	Furniture and fittings	Computer equipment	Office equipment	Right of use asset	Total
	Ushs' 000	Ushs' 000	Ushs' 000	Ushs' 000	Ushs' 000
Year ended 31 December 2022					
Cost					
At 1 January 2022	**8,143**	**9,428**	**-**	**-**	**17,571**
Additions	**204,247**	**-**	**17,420**	**163,256**	**384,923**
At 31 December 2022	**212,390**	**9,428**	**17,420**	**163,256**	**402,494**
Depreciation					
At 1 January 2022	**(814)**	**(786)**	**-**	**-**	**(1,600)**
Charge for the year	**(29,521)**	**(2,357)**	**(1,024)**	**(40,814)**	**(73,716)**
At 31 December 2022	**(30,335)**	**(3,143)**	**(1,024)**	**(40,814)**	**(75,316)**
Net book value					
At 31 December 2022	**182,055**	**6,285**	**16,396**	**122,442**	**327,178**
14-month period ended December 2021					
Cost					
At 06 November 2020	-	-	-	-	-
Additions	8,143	9,428	-	-	17,571
At 31 December 2021	8,143	9,428	-	-	17,571
Depreciation					
At 06 November 2020	-	-	-	-	-
Charge for the period	(814)	(786)	-	-	(1,600)
At 31 December 2021	(814)	(786)	-	-	(1,600)
Net book value					
At 31 December 2021	7,329	8,642	-	-	15,971

Notes (continued)

8 **Trade and other receivables**	2022 Ushs' 000	2021 Ushs' 000
Placement fees receivable (IPO)	-	1,769,187
Lead retail broker expenses recoverable (IPO)	-	931,629
Gross receivables	-	2,700,816
Expected credit losses	-	-
Net receivables	-	2,700,816
Deposit with Uganda Securities Exchange	**122,614**	122,614
Other assets	**33,123**	30,087
Total	**155,737**	2,853,517

The Company maintains a security deposit with the Uganda Securities Exchange in accordance with section 43A. 1 (d) of the Capital Markets Authorities Act, which is refundable upon exit of a broker from the market (less any dues owed to an investor or the Exchange).

9 **Cash at bank**	2022 Ushs' 000	2021 Ushs' 000
US Dollar	**677,866**	678,281
Uganda Shillings	**1,565,903**	503,812
	2,243,769	1,182,093

The Company's cash at bank balance is held with Stanbic Bank Uganda Limited. For the purpose of the statement of cash flows, cash and cash equivalents comprise the above. The carrying amounts of the Company's cash at bank is denominated in the following currencies:

10 **Investment securities**	2022 Ushs' 000	2021 Ushs' 000
SBG Securities unit trust investments	**780,414**	-

During August 2022, the Company invested Ushs 250 million in each of the SBG Securities Balanced Fund, Bond Fund and Money Market Fund, collectively forming the SBG Securities Umbrella Fund (unit trust scheme) authorised by the Capital Markets Authority. Interest of Ushs 30 million had accrued on the units held by the Company by 31 December 2022. The interest had not been received as at the end of the period.

Notes (continued)

11 (a) Trade and other payables

	2022 Ushs' 000	2021 Ushs' 000
Uganda Revenue Authority - Tax revenue collections (WHT and reverse charge VAT)	**61,113**	35,437
Accruals	**83,497**	116,500
Staff benefits and incentive provision	**113,478**	116,594
Commission rebates	**104,279**	66,107
Other payables	**-**	26,425
	362,367	361,063

11 (b) Client deposits

For purposes of section 67 of the Capital Markets Authority Act Cap 84, the Company maintains a separate bank account designated as a client trust account that receives client deposits for prefunded trades with Stanbic Bank Uganda Limited.

Client funds for prefunded trades are maintained on the client trust account and a separate current account is used for the Company’s operations. These balances are off-balance sheet items and were Ushs 236 million as at 31 December 2022 (2021: Ushs 64 million).

Commission rebates are pre-agreed commission sharing arrangements with other brokers that refer clients.

Notes (continued)

12 Lease liabilities

2022	**At start of the year Ushs'000**	**Additions Ushs'000**	**Interest Expense Ushs'000**	**Payments Ushs'000**	**At end of year Ushs'000**	**Current Liability Ushs'000**	**Non-current Liability Ushs'000**
Buildings	**-**	**163,256**	**7,179**	**(76,272)**	**94,163**	**53,464**	**40,699**
2021							
Buildings	-	-	-	-	-	-	-

The future minimum lease payments due on leases are as follows:

	Gross amount Ushs'000	**Interest Ushs'000**	**Net amount Ushs'000**
1 Year	60,070	6,606	53,464
2 years	43,870	3,171	40,699
	103,940	9,777	94,163

The total expenses recognised for the year in respect of leases are summarised below:

	2022 Ushs'000	**2021 Ushs'000**
Depreciation on right of use asset	**54,418**	-
Interest expense on the unwinding of the lease liability	**7,179**	-
	61,597	**-**

Notes (continued)

13 (a) Related parties

SBG Securities Uganda Limited is a fully owned subsidiary of Stanbic Uganda Holdings Limited (SUHL), which is in turn a subsidiary of Stanbic Africa Holdings Limited, incorporated in the United Kingdom. The ultimate parent of the group is Standard Bank Group Limited, which is incorporated in South Africa.

Related party legal entities incorporated in Uganda are Stanbic Bank Uganda Limited (SBU), Stanbic Properties Limited, Stanbic Business Incubator Limited, FLYHUB Uganda Limited and Stanbic Uganda Holdings Limited. The ultimate parent has a presence in eighteen countries in Africa: Uganda, Kenya, Tanzania, Angola, Botswana, Cote d'Ivoire, Democratic Republic of Congo, Eswatini, Ghana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Zambia, Zimbabwe and South Africa.

In the normal course of business, the bank performs the following transactions with its related parties:

		2022 Ushs' 000	2021 Ushs' 000
(i)	**Amounts due from group companies**		
	Cash at bank	**2,480,248**	1,246,426
(ii)	**Amounts due to group companies**		
	IPO share of proceeds due to Standard Bank Group Limited	**944,145**	-
	Non-trade payables	**19,161**	51,132
		963,306	51,132
(iii)	**Amounts due from group companies**		
	Non-trade receivables from Stanbic Uganda Holdings Limited	**42,892**	**-**
(iv)	**Key management compensation**		
	Salaries and other short-term employee benefits	**486,233**	270,000
(v)	**Non-Executive Directors remuneration (included within key management compensation above)**		
	Non-Executive Director emoluments.	**11,505**	5,625

The Expected Credit Loss on the Cash deposit with Stanbic Bank Uganda Limited is nil. (2021: Nil)

Notes (continued)

13 (b) Purchase of Uganda branch net assets from SBG Securities Kenya Limited

On 12 April 2021, the Company acquired the net assets and business of the SBG Securities - Uganda branch from SBG Securities Kenya Limited

The Company paid a cash consideration of UGX 2,118,569,665 to acquire net assets resulting in a loss on asset acquisition as per the summary below:

Description	Category	2021 Ushs' 000
Assets acquired at book value	Cash	1,878,904
Assets acquired at book value	Sundry Deposit	122,614
Assets acquired at book value	Other recoverable	358
Liabilities acquired at book value	Sundry creditors	(193)
Net purchase consideration	Cash	(1,906,713)
WHT at 10% on purchase consideration	WHT Payable	(211,857)
Loss on acquisition of net assets	Expense	116,887

14 (a) Share capital

	2022 Ushs' 000	2021 Ushs' 000
At start of year	**1,000,000**	-
Issue of shares par value UGX 1	**-**	1,000,000
	1,000,000	1,000,000

(b) Share premium

	2022 Ushs' 000	2021 Ushs' 000
At start of year	**2,000,000**	-
Consideration net of share capital in note 14 (a) above	**-**	2,000,000
	2,000,000	2,000,000

On 31 March 2021, the Company issued 1,000,000,000 shares with a nominal value of Ushs 3 per share at a price of Ushs 1 per share resulting in share premium per share of Ushs 2 and aggregate share premium of Ushs 2,000,000,000.

Notes (continued)

15 Cash used in Operating activities

	Notes	2022 Ushs' 000	2021 Ushs' 000
Reconciliation of (loss)/ profit before income tax to cash generated from operations			
(Loss) / Profit before income tax		**(1,210,706)**	1,087,691
Adjustment for:			
Depreciation	7	**73,716**	1,600
Interest expense	12	**7,179**	-
Change in trade and other receivables	8	**2,697,780**	(2,853,517)
Change in amounts due from group companies	13 (a)	**(42,892)**	-
Change in current income tax recoverable		**(1,091)**	-
Change in trade payables	11	**1,304**	361,063
Change in amounts due to group companies	13 (a)	**912,174**	51,132
Cash generated from operations		**2,437,464**	(1,352,031)
Interest paid		**-**	-
Income taxes paid	5 (b)	**-**	(448,305)
Net cash from operating activities		**2,437,464**	(1,800,336)

Notes (continued)

16 Risk management objectives and policies

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company does not hedge any risks.

Financial risk management is carried out by the Company's Chief Executive under policies approved by the Board of Directors. 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 the changes in market conditions, products and services offered.

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

The Board of Directors is responsible for monitoring compliance with the Company's risk management policies and procedures, and for reviewing the adequacy of the management framework in relation to the risks faced by the Company. The Company's Board of Directors is assisted in these functions by the Stanbic Uganda Holdings Limited Group's internal audit department. Internal audit undertakes regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(a) Market risk

Foreign exchange risk

The Company is not significantly exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar and Uganda shillings. All the Company's income is billed and earned in local currency and a portion of expenses particularly for audit fees are incurred in foreign currency. Foreign exchange risk arises due to differences in value as well as timing between the income and expenditure.

Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies. At 31 December 2022, if the UGX had strengthened/ weakened against USD by 5% with all other variables held constant, the net assets for the year would have been Ushs 33 million higher/lower, as a result of foreign exchange losses on translation of USD denominated receivables and payables (2021: Ushs 25 million).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk as at 31 December 2022 was limited to the Ushs 750 million investment in the SBG Securities Umbrella Fund. (2021: Nil). This investment is carried at amortised cost and is therefore not exposed to cash flow or fair value interest rate risk.

Notes (continued)

16 Risk management objectives and policies (continued)

(b) Credit risk

Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk for the Company during the period and as at 31 December 2022 arises from cash at bank.

Credit risk assessment involves evaluating the credit quality of each counterparty taking into the party's financial position, experience and other factors. The Company does not have any significant concentrations of credit risk.

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2022 is made up as follows:

	Gross carrying amount	Exposure to credit risk
	Ushs' 000	**Ushs' 000**
As at 31 December 2022		
Investment securities	**780,414**	**780,414**
Cash at bank	**2,243,769**	**2,243,769**
Deposit with Uganda Securities Exchange	**122,614**	**122,614**
Other receivables	**33,123**	**33,123**
Total	**3,179,920**	**3,179,920**
As at 31 December 2021		
Trade receivables	2,700,816	2,700,816
Cash at bank	1,182,093	1,182,093
Deposit with Uganda Securities Exchange	122,614	122,614
Other receivables	30,087	30,087
Total	4,035,610	4,035,610

Credit quality

Trade receivables (2021) comprise of placement fees and lead retail broker reimbursable expenses from MTN Uganda Limited, a company with a strong liquidity position.

The deposit with Uganda Securities Exchange is guarantee refundable to the Company or investor upon exit. The cash is held with Stanbic Bank Uganda Limited a bank regulated and licensed by the Bank of Uganda and with a strong liquidity position. No collateral is held for the above asset.

Impairment

The Company has performed an assessment of expected credit losses on cash at bank, investment securities and other financial assets using the general model in IFRS. In applying the general model, the Company has applied the low credit risk exemption from performing a significant increase in credit assessment to these assets in view of the financial strength of the underlying counter-parties, being Stanbic Bank Uganda Limited, Uganda Revenue Authority and Government of Uganda.

In estimating ECLs for these assets, the Company applied the highest probability of default applicable to investment grade financial instruments and assumed a loss given default of 100%. The identified expected credit loss was immaterial for 2022 and 2021.

Notes (continued)

16 Risk management objectives and policies (continued)

(b) Credit risk (continued)

Write-off

Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 365 days past due.

Impairment losses on financial assets are presented as net impairment losses within profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Management has applied the low credit risk exemption for bank deposits, other receivables and investment securities in view of the financial strength of the counterparties involved.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances and availability of funding to meet the Company's short-term obligations. The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the Statement of financial position date to the contractual maturity date.

The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

As at 31 December 2022	0 to 30 Days Ushs '000	31 to 90 Days Ushs '000	90 Days and Above Ushs '000	Total Ushs '000
Payables	362,367	-	-	362,367
Lease liabilities	4,455	10,562	88,923	103,940
	366,822	10,562	88,923	466,307

As at 31 December 2021	0 to 30 Days Ushs '000	31 to 90 Days Ushs '000	90 Days and Above Ushs '000	Total Ushs '000
Payables	361,063	-	-	361,063

Notes (continued)

16 Risk management objectives and policies (continued)

(d) Capital risk management

Capital risk is the risk of a Company failing to maintain sufficient funding reserves to sustain its operations or inability to afford investments that create additional shareholder value in the medium or long term. The Company's capital is made up of share capital and retained earnings as disclosed in the statement of financial position.

Under the Capital Markets Authority (Accounting and Financial Requirements) Regulations, 2022 which were issued in December 2022 with a commencement date of December 2023, the Company will be required to maintain minimum paid-up capital of Ushs 70 million and a minimum working capital of Ushs 60 million.

As at 31 December 2022, the Company's paid up share capital of Shs 1,000 million exceeds the minimum required regulatory amount of Shs 70 million. As at the same date, the Company's regulatory working capital of Shs 1,891 million – defined as its current assets less its current liabilities, exceeds the minimum required regulatory amount of Shs 60 million.

17 Third Party Assets Under Management

The Company earned CIS manager fees of Shs 32 million from its management services to SBG Securities Balanced Fund, Bond Fund and Money Market Fund, collectively forming the SBG Securities Umbrella Fund (hereinafter referred to as the Fund).

In accordance with the Collective Investment Scheme (Unit Trusts) Regulations 2003, the Company ensured that a Custodian holds the assets of the Fund. The Custodians provide custodial and fiduciary services to the members of the Fund.

Because the assets in the Fund are not assets of the Company, they are not recognized on the Company's balance sheet. Instead, they are disclosed as part of third-party assets under management.

As at 31 December 2022, the assets under management for SBG Securities Umbrella Fund was Shs 18,449 million.