SBG Securities
Uganda Limited

SBG Securities Uganda Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FOURTEEN MONTH PERIOD ENDED 31 DECEMBER 2021.

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SBG Securities Uganda Limited

Annual Report and Financial Statements

for the fourteen month period ended 31 December 2021

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Annual Report

Report of the independent auditor

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SBG Securities Uganda Limited
Corporate information

Directors.
Agnes Konde Asiimwe (Chairperson)
Date of appointment - 06 November 2020

Candy Wekesa Okoboi
Date of appointment - 06 November 2020

Joram Ongura (Chief Executive)
Date of appointment - 01 January 2021

Company Secretary
Rita Kabatunzi

External Auditor
PricewaterhouseCoopers
Certified Public Accountants
Communications House
1 Colville Street
P. O. Box 882, Kampala Uganda

Registered office
Crested Towers (Short Tower),
17 Hannington Road
P. O. Box 7395 Kampala Uganda

Agnes Konde Asiimwe
Chairperson

Candy Wekesa Okoboi
Non Executive Director

Joram Ongura
Chief Executive

Rita Kabatunzi
Company Secretary

Chief Executive's Statement

Joram Ongura

TOTAL REVENUE

USHS **2.3** BILLION
for the period from incorporation to 31 December 2021.

PROFIT AFTER TAX

USHS **724.5** MILLION

"The Ugandan Economy witnessed gradual recovery in 2021 with economic growth estimated between 6.5 – 7 percent" says Bank of Uganda.

Macros

There was a marked slowdown in July to August 2021 as the country underwent a second wave of the Covid-19 pandemic that resulted in implementation of stringent lockdowns. However, domestic demand had started to pick up in the last quarter of the year as most of these restrictions were lifted.

Economic outlook for 2022 remains positive spurred by full opening of economy and conclusion of the Final Investment Decision for the Oil sector with growth projections of 6-7 percent forecast for the year 2022. Risks to the growth outlook include slow execution of public investment projects, supply disruptions and tighter global monetary policies.

Inflation was benign in 2021 with annual core and headline inflation averaging 2.8 percent and 2.2 percent from 3.2 percent and 2.8 percent in 2020 respectively. Annual Headline inflation averaged 2.5 percent in the forth quarter 2021, up from 2.0 percent averaged in quarter three 2021 driven by higher prices of food and fuel. Higher fuel prices resulting from a rise in global oil prices and local supply constraints is forecast to lead to a rise in inflation over the short to medium term.

Bank of Uganda maintained an expansionary monetary policy stance over the past year with Central Bank Rate reduced to a record 6.5 percent. This was to further support economic recovery following impacts of the second wave of Covid-19.

The yield curve dropped by an average of 260 basis points in 2021 driven by the expansionary monetary policy stance adopted by the central bank in a bid to boost the economy plus sustained offshore investor interest in government paper.

The Uganda Shilling was stronger in 2021 gaining 3 percent during the year supported by inflows from Coffee exports and low demand from importers resulting from reduced economic activity.

Market analysis

The past year was a mixed bag amidst an unpredictable post lock down arising from the second wave of Covid-19 pandemic. The local stock market was bearish in the last quarter of the year with prices declining by 5 percent. The largest losers were Bank of Baroda and UMEME whose prices fell by 18 percent and 10 percent respectively.

Prices at the Nairobi Securities Exchange also declined by 6.6 percent during the fourth quarter of 2021 driven by reductions on blue chip counters including Safaricom, KCB, EABL and BAT Kenya.

Shares worth UShs 67.3 billion were traded in 2021 compared to UShs 66.5 billion in the preceding year. This is equivalent to a 1.2% growth year on year. Trading activity was mainly attributed to large Umeme and SBU foreign funds transactions.

The Company contributed UShs 47.96 billion to the annual market turnover which is equivalent to 71% of total trades closed at the Ugandan bourse.

Key Milestones

- The Company which was incorporated on 6 November 2020 also hired its first Ugandan CEO in 2021.
- Emerged top broker by turnover in the market with 71% equities market share equivalent to UShs 47.96 billion in 2021 compared to UShs 10 billion in 2020 by SBG Securities Uganda branch. This represents a growth of 376 % year on year.
- We were appointed the Lead Sponsoring Broker and Co-Lead retail sponsoring broker for the MTN Uganda Limited IPO which was the largest and first green (paperless) IPO in the history of Uganda Securities Exchange
- We grew our portfolio into the retail client space bringing our high-quality client experience to individuals in addition to the high net worth Corporate clients we were already servicing. Over 18,000 new Securities Central Depository (SCD) Accounts were opened during the year.
- We acquired a Collective Investment Scheme (CIS) Manager license from the Capital Markets Authority which will enable us to provide a variety of investment products to our clientele.

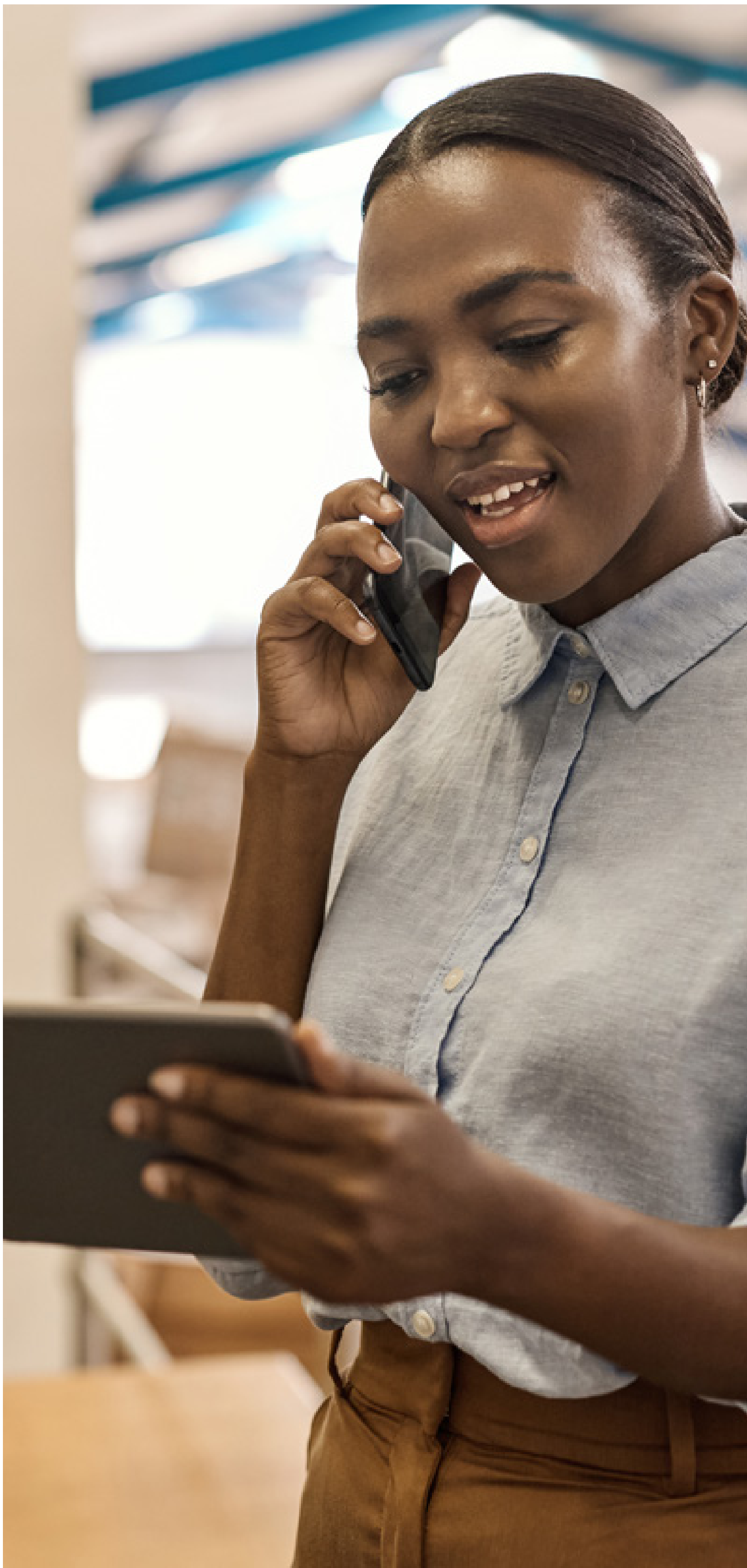
Financial Performance:

The Company posted a total revenue of UShs 2.3 Billion for the period from incorporation to 31 December 2021. The main contributor to this income was placement fees earned from the MTN Uganda Limited IPO. Operating expenses amounted to UShs 1.1 billion translating into a cost to income ratio of 48%.

The company posted a net profit of UShs 724.5 million in the period from incorporation to 31 December 2021. The Company total assets size closed the year at UShs 4.2 billion.

2022 Strategic Priorities:

- **Product Diversification:** Following the acquisition of the Collective Investment Scheme Manager license, we will launch client centric products which will ensure that we offer more investment products to our clients.
- **Digitization:** To enhance business efficiency, we will implement our digitization and automation plan. This will also enhance our clients' experience.
- **Strategic Partnerships:** We will also develop strategic partnerships that are targeted at increasing awareness of capital markets, investment products and bringing investment opportunities to the 'grass roots.'



Directors' report

Ritah Kabatunzi –
Company Secretary

The Directors submit their report together with the audited financial statements for the fourteen months period ended 31 December 2021, which disclose the state of affairs of SBG Securities Uganda Limited ("the Company").

Incorporation
The Company was incorporated on 06 November 2020 and started trading upon obtaining a brokerage licence from the Capital Markets Authority on 12 April 2021.

Principal activities
The principal activities of the Branch 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.

Directors and Secretary
The Directors who held office during the year and to date of this report are shown on page 4 of this report.

Business Review
The equities market activity at the Uganda Securities Exchange relatively remained flat in 2021 compared to 2020, reporting a slight uptick in market turnover as measured by the value of equity transactions through the exchange. The turnover for year 2021 slightly increased from UShs 66.5 billion reported in year 2020 to UShs 67.3 billion in year 2021. The market share of the Company was 71.3% in year 2021 and was ranked 1st in broker rankings.

Principal risks and uncertainties
The current risks and uncertainties facing the Company are: Compliance risks and changing legislation.

In addition to the business risks discussed above, the Company's activities expose it to a number of financial risks which are described in detail in Note 14 to the financial statements.

Results
The Company recorded a profit of UShs 725 million for the fourteen month period ended 31 December 2021. The detailed results of the Company are shown on page 16.

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 was appointed during the year and continues in office in accordance with Section 167(2) of the Ugandan Companies Act.

By Order of the Board

Rita Kabatunzi
Company Secretary
28 March 2022

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 SBG Securities Uganda Limited 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. In performing this assessment, the Directors have considered the results of the Company's assessment of the possible impact on its cash flows and operations as a result of the macroeconomic impact of COVID-19 on the local Ugandan market and wider international economy. 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 28 March 2022 and were signed on its behalf by:

....	....
Agnes Konde Asiimwe	**Joram Ongura**
Chairperson	Chief Executive
28 March 2022	


FINANCE

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 2021, and of its profit and its cash flows for the fourteen month period 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 16 to 31 comprise:

- the statement of financial position as at 31 December 2021;
- the statement of comprehensive income for the fourteen month period then ended;
- the statement of changes in equity for the fourteen month period then ended;
- the statement of cash flows for the fourteen month period 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.

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 F Kamulegeya P Natamba U Mayanja

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

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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.

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.
- 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.

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
29 March 2022

CPA Uthman Mayanja

ANNUAL **FINANCIAL STATEMENTS**

FOR THE FOURTEEN MONTH PERIOD ENDED 31 DECEMBER 2021

STATEMENT OF COMPREHENSIVE INCOME

	Notes	14 months 2021 UShs' 000
Revenue from contracts with customers	3	**2,309,961**
Employee benefit expenses	4	**(670,735)**
Other operating expenses	5	**(434,648)**
Total operating expenses		(1,105,383)
Loss on purchase of Branch net assets	12 (b)	**(116,887)**
Profit before income tax		**1,087,691**
Income tax expense	6 (a)	(363,158)
Profit for the period		**724,533**
Other comprehensive income		-
Total comprehensive income for the period		**724,533**

The notes set out on pages 20 to 31 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	2021
		UShs' 000
Assets		
Non-current assets		
Property and equipment	8	15,971
Deferred tax asset	7	39,130
Total non-current Assets		**55,101**
Current Assets		
Cash at bank	10	1,246,426
Current tax asset	6 (b)	46,017
Trade and other receivables	9	2,853,517
Total current assets		4,145,960
Total assets		**4,201,061**
Equity and liabilities		
Equity		
Ordinary share capital	13 (a)	1,000,000
Ordinary share premium	13 (b)	2,000,000
Retained earnings		724,533
Total Equity		**3,724,533**
Liabilities		
Current liabilities		
Amounts due to group companies	12 (a, ii)	51,132
Trade and other liabilities	11	425,396
Total liabilities		**476,528**
Total equity and liabilities		**4,201,061**

The financial statements on pages 16 to 31 were approved for issue by the Board of Directors on 28 March 2022 and signed on its behalf by:

....

Agnes Konde Asiimwe
Chairman

....

Joram Ongura
Chief Executive

The notes set out on pages 20 to 31 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital UShs' 000	Share Premuim UShs' 000	Retained earnings UShs' 000	Total UShs' 000
Balance as of 6 November 2020		-	-	-	-
Transactions with owner					
Issue of Shares	13	1,000,000	2,000,000	-	3,000,000
Comprehensive income					
Profit for the period		-	-	724,533	724,533
Other comprehensive Income		-	-	-	-
Total comprehensive income		-	-	724,533	724,533
Balance as of 31 December 2021		1,000,000	2,000,000	724,533	3,724,533

The notes set out on pages 20 to 31 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	14 months 2021 USh's' 000
Cash used in operations	14	**(1,287,698)**
Income taxes paid	6 (b)	**(448,305)**
Net cash flows used in operating activities		**(1,736,003)**
Cash flows from investing activities		
Purchase of equipment	8	**(17,571)**
Net cash flows used in investing activities		**(17,571)**
Cash flows from financing activities		
Proceeds from issue of share capital and share premium	13	**3,000,000**
Net increase in cash and cash equivalents	10	**1,246,426**
Cash at the beginning of the period		**-**
Cash at the end of the period		**1,246,426**

The notes set out on pages 20 to 31 form an integral part of these financial statements.

Notes

1 GENERAL INFORMATION

SBG Securities Uganda Limited (the Company) is a limited liability Company incorporated on 06 November 2020 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 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 afect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may difer from these estimates.

New standards, amendments and interpretations issued but not effective:

- **Amendments to IAS 1 'Classification of Liabilities as Current or Non-current (issued in January 2020),** effective for annual periods beginning or after 1 January 2023, clarify a criterion for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement for at least 12 months after the reporting date.

- **Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use'** (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 prohibit entities from 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 costs of producing those items, in profit or loss.

- **Amendments to IAS 37 'Onerous Contracts - Costs of Fulfilling a Contract' (issued in May 2020),** effective for annual reporting periods beginning on or after 1 January 2022, specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

- **Amendment to IAS 41 Agriculture 'Taxation in fair value measurements' (issued in May 2020),** effective for annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted, removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

- **Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards 'Subsidiary as a first-time adopter' (issued in May 2020),** effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a). This ammendment is not applicable to the Company.

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.

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.

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. However, the Company did not earn any interest income in 2021.

(iii) Placement fees are recognised at a point in time when the performance obligation of raising funds for the issuer is complete.

(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) 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 taken into account in determining operating profit.

(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

1. 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.

2. 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.

3. 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.

4. 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:

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

5. 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

No impairment loss is recognised on investments measured at FVTPL.

The Company recognises a loss allowance for expected credit losses on financial instruments that are measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(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.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

	14 months 2021 Ushs'000
Recognised at a point in time:	
Brokerage commission	339,155
Placement fees	1,769,187
Other income	201,619
	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.

4. EMPLOYMENT BENEFITS AND EXPENSES

	14 months 2021 Ushs'000
Salaries and wages	417,004
Contributions to statutory and other defined benefit plans	72,597
Other (performance bonus, leave pay and medical benefits)	181,134
	670,735

5. OTHER OPERATING EXPENSES

	14 months 2021 Ushs'000
Premises expenses	4,670
Auditor's remuneration	18,000
Professional fees	50,573
Travel and entertainment	11,169
Marketing and advertising	22,290
Directors' fees & expenses	6,023
Depreciation and amortisation	1600
License and market entrance fees	106,755
Other operating expenses	213,568
	433,048

6. (a) INCOME TAX EXPENSE:

	14 months 2021 Ushs'000
Current income tax	402,288
Deferred income tax (see note 7)	(39,130)
	363,158

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

	14 months 2021 Ushs'000
Profit before tax	1,204,578
Tax calculated at the statutory tax rate of 30% (2020: 30%)	361,373
Tax effect of:	
Expenses not deductible for tax purposes	1,785
Income tax expense	**363,158**

6 (b) The movement in the current tax recoverable is as follows:

	14 months 2021 Ushs'000
Tax recoverable at the beginning of the year	-
Tax charge for the year	402,288
Tax paid	(448,305)
Tax recoverable at the end of the year	**(46,017)**

7. 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.

The movement in the deferred income tax account is as follows:

Deferred tax

	14 months 2021 Ushs'000
At the start of the year	-
Charge for the year	39,130
At end of year	**39,130**

	14 months 2021 Ushs'000
Deferred income tax assets	
Provisions differences	40,378
Deferred income tax liabilities	
Accelerated tax depreciation	(1,248)
	39,130

The deferred income tax asset/(credit) in the income statement comprise the following categories

	14 months 2021 Ushs'000
	Charged / (credited) to P&L Shs'000
Property and equipment	(1,248)
Provisions differences	40,378
	39,130

8. EQUIPMENT

	Furniture, fittings, and equipment USHs' 000	Computer equipment USHs' 000	Total USHs' 000
14 month period ended to December 2021			
Cost			
6 November 2020	-	-	-
Additions	8,143	9,428	17,571
At 31 December 2021	**8,143**	**9,428**	**17,571**
Depreciation			
6 November 2020	-	-	-
Charge for the year	(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**

9. TRADE AND OTHER RECEIVABLES

	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 loss	-
Net receivables	**2,700,816**
Deposit with Uganda Securities Exchange	122,614
Other assets	30,087
Total	**2,853,517**

The deposit with Uganda Securities Exchange relates to a security deposit held with the securities Exchange (Section 43A. 1 (d) of the Capital Markets Authorities Act) and is refundable upon exit of a broker (less any dues owed to an investor or the Exchange).

10. CASH AT BANK

	2021 Ushs'000
Current account	1,246,426
	1,246,426

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

	2021 Ushs'000
US Dollars	678,281
Uganda Shillings	568,145
	1,246,426

11. TRADE AND OTHER LIABILITIES

	2021 Ushs'000
Uganda Revenue Authority - tax revenue collections	35,437
Accruals	116,500
Staff benefits and incentive provision	116,594
Commission rebates and client deposits	130,440
Other payables	26,425
Total	**425,396**

Reconciliation of Staff benefits and incentive provision to staff benefits under note 3

Contributions to statutory and other defined benefit plans	116,887
Other (staff incentives accruals)	181,135
Total staff benefits expensed as per note 3	298,022
Less outstanding pension contribution, leave provision and staff bonus provision at period end.	116,594
Staff benefits paid during the year	181,428

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 recieves client deposits for pre funded trades with Stanbic Bank Uganda Limited.

Client funds for pre funded trades are maintained on the client trust account and a separate current account is used for the Company's operations.

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

12 (a) RELATED PARTY TRANSACTIONS

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.

TRANSACTIONS WITH RELATED PARTIES

	2021 Ushs'000
(i) Amounts held by group companies	
Cash at bank (Cash deposit with Stanbic Bank Uganda Limited)	1,246,426
	1,246,426
(ii) Amounts due to group companies	
Nontrade payables (Stanbic Uganda Holdings Limited and Stanbic Bank Uganda Limited)	51,132
	51,132
(iii) Key management compensation	
Salaries and other short-term employee benefits	270,000
	270,000
(iv) Non-Executive Directors remuneration	
Non-Executive Director emoluments.	5,625
Other director expenses	398
	6,023

The Expected Credit Loss on the Cash deposit with Stabic Bank Uganda Limited is nil.

12 (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	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 aquisition of net assets	Expense	116,887

13. (a) SHARE CAPITAL

	2021 Ushs'000
At 6 November 2020	-
Issue of shares par value UGX 1	1,000,000
	1,000,000

13. (b) SHARE PREMIUM

	2021 Ushs'000
At 6 November 2020	-
Consideration net of share capital in note 13 (a) above	2,000,000
	2,000,000

On 31 March 2021, the Company issued 1,000,000,000 shares with a norminal 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. Share issue costs were nil.

14. CASH USED IN OPERATING ACTIVITIES

		2021 Ushs'000
Reconciliation of profit before income tax to cash generated from operations		
Profit before income tax in the income statement		1,087,691
Adjustment for:		
Depreciation	8	1,600
Increase in trade and other receivables	9	(2,853,517)
Decrease in trade and other payables	11,12 (a,ii)	476,528
Cash used in operations		**(1,287,698)**

15. 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 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.

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 had no exposure to interest rate risk for the as at 31 December 2021 (2020: Nil), since no interest- bearing deposit accounts were held, and no borrowing existed.

(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 2021 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 2021 is made up as follows:

As at 31 December 2021	Gross carrying amount Ushs '000	Exposure to credit risk Ushs '000
Trade receivables	2,700,816	2,700,816
Cash at bank	1,246,426	1,246,426
Deposit with Uganda Securities Exchange	122,614	122,614
Other receivables	30,087	30,087
Total	4,099,943	**4,099,943**

Credit quality

Trade recievables 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 assesses on a forward-looking basis the expected credit loss (ECL) associated for all financial assets measured at amortised cost. The inputs, assumptions and techniques used in measuring ECL is explained below.

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether the asset is considered to be credit-impaired. ECL's are the discounted product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD).

PD represents the likelihood of a counterparty defaulting on its financial obligation, either over 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. EAD is based on the amounts the Company expects to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (lifetime EAD).

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from any collateral. Significant increase in credit risk in terms of the general model for impairment.

The Company considers financial assets subject to assessment for ECL in terms of the general model for impairment to have experienced a significant increase in credit risk (SICR) since the time of initial recognition when one or more of the following quantitative, qualitative or backstop criteria has been met.

- Internal and external credit ratings
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- Changes in general economic and/or market conditions
- Changes in the amount of financial support available to the counterparty
- Expected delay in payment
- Expected or potential breaches of covenants
- Backstop indicator is applied if the borrower is more than 30 days past due on its contractual payments. The assessment of SICR happens on an annual basis for all financial assets.

The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Chief Executive. Impairment for cash at bank ECL of cash at bank are calculated in terms of the general model for impairment. Cash at bank and placement fees were determined to be in stage 1 as the counterparties have low risk of default and a strong capacity to meet contractual cashflows. There was no significant increase in credit risk of the Company's cash at bank. The ECL was therefore limited to a 12-month ECL and the identified impairment loss was immaterial.

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.

(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

MATURITY ANALYSIS OF PAYABLES

As at 31 December 2021	0 to 30 Days Ushs '000	31 to 90 Days Ushs '000	Total
Payables	341,934	134,595	476,529

(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 as disclosed disclosed in the statement of financial position.

The Company's internal minimum capital thresholds are above the regulatory minimum of Ushs 15,000,000 (Regulation 16 (1) of the Capital Markets (Licensing) Regulations).

16. SUBSEQUENT EVENTS.

The Directors have not identified any adjusting or non-adjusting events occurring after the end of the year.

17. COVID-19

Covid adversely affected securities trading globally and locally as governments-imposed lockdown measures that impacted economic activity including capital markets. Trading volumes on the Uganda Securities Exchange significantly decreased as market turnover measured by the value of equity transactions through the exchange dropped from Ushs 255 billion reported in the year 2019 to Ushs 66.5 billion in the year 2020 and Ushs 67.3 billion in the year 2021. The Company has actively embarked on the necessary procedures to obtain a Collective Investment Scheme licence to diversify the Company's revenue sources.

The Company was committed to ensuring safety for all staff in accordance with the Government of Uganda ministry of health guidelines, providing necessary equipment, and facilitating Covid-19 tests.

A positive outlook is expected in 2022 and beyond as the government restrictions are eased and increased vaccination uptake continues coupled with full re opening of all sectors of the economy.

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