ANNUAL REPORT
2014

(b) Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposures to customers, including outstanding receivables.

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

None of the financial assets that are fully performing has been renegotiated in the last year.

Statements along with any concentration of risk.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet obligations as they fall due.

The company ensures its inflows and outflows are matched sufficiently to minimize its exposure on liquidity risk.

17. Capital management

The company's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk ;
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong asset base to support the development of business.

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions

and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. Consistently with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Capital comprises all components of equity (i.e. share capital and retained earnings)

RSE
Annual Report 2014

Our Vision

To be a big contributor to the economic development and key player in leading Rwanda to a Regional Financial Center Status

Mission

To provide the main platform for promotion of savings and raising funds for long term investments in Rwanda and beyond

Core Values

Efficiency,

Innovation,

Transparency,

Accountability,

Integrity,

LIST OF ACRONYMES AND ABREVIATIONS

ALSI : All Share Index
BCR : Banque Commerciale du Rwanda
BNR : Banque Nationale du Rwanda
Brwalirwa : Brasserie et Limonaderie du Rwanda
BK : Bank of Kigali
CEO : Chief Executive Officer
CSD : Central Securities Depository
EASEA : East Africa Stock Exchange Association
EASRA : East African Securities and Regulatory Authorities
ESMID : Efficient Securities Market Institutional Development
EMC : Emerging Markets Committee
IFAC : International Federation of Accountants
IFC : International Finance Corporation
IPSAS : International Public Sector Accounting Standards
IOSCO : International Organization of Securities Commissions
FSDRP : Financial Sector Development Regionalization Project
KCB : Kenya Commercial Bank
MINECOFIN : Ministry of Finance and Economic Planning
MoU : Memorandum of Understanding
OTC : Over The Counter
PSF : Private Sector Federation
RIEPA : Rwanda Investment and Exports Promotion Agency
RSE : Rwanda Stock Exchange
RSI : Rwanda Share Index
RSSB : Rwanda Social Security Board
SORAS : Société Rwandaise d'Assurance

RSE
Annual Report 2014

14. **Cash generated from operations**

	2014 Rwf	2013 Rwf
Reconciliation of profit before tax to cash generated from operations		
Profit before tax	60,282,742	120,101,881
Adjustments for:		
Depreciation on equipment (Note 8)	4,638,164	2,500,903
Amortization of grant equipment(Note 10)	13,416,536	
Interest expense		
Net foreign exchange (losses)		
Changes in working capital:		
Prior year adjustments	(216,101)	365,096
- trade and other receivables	(176,999,126)	7,666,576
- trade and other payables	(923,808)	52,152,190
Cash generated from operations	**(99,801,592)**	**182,786,646**

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 program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance.

Risk management is carried out by the board of directors. The board identifies, evaluates and hedges financial risks in close co-operation with various staff in the organization.

(a) **Market Risk**

- Foreign exchange risk

The company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US$. The risk arises from assets and liabilities in the balance sheet.

Baraka Capital	365,038	2,373,205
Core Securities	25,110	(54)
Mbea	98,253	24,913
Dyer & Blair	111,403	111,403
SBG	3,911	963
Renaissance Capital-Kenya	480,000	480,000
Mutara Entreprises	4,248	4,248
BK Securities	507,861	781,449
BNR	14,250,000	11,250,000
Prepayments	72,592,117	-
Receivable interest income	2,899,315	-
Short-term fixed deposit at Bank of Kigali	100,000,000	-
Rent deposit	11,248,794	10,071,433
	204,790,950	**27,791,824**

13. **Trade and other payables**

BNR/CDSC	50,467,985	53,981,288
Compensation fund	20,119,799	37,187,074
Doyelcy Ltd	170,000	294,779
International Travel Agency Ltd	2,685,220	-
KFM Radio	1,784,160	-
Radio 1	1,982,400	-
K-Smart	650,000	-
Mille Colline	1,920,000	-
Galaxy Hotel	1,474,400	-
Isango Star	1,890,000	-
Gasigwa General supplies	1,020,000	-
Strathmore Business School	5,000,000	-
Salaries payable	4,312,000	6,476,846
Suspense account	1,250,000	1,250,000
Securities Market Consultants(SITI)	900,000	-
TPR payable	3,843,809	4,097,720
RSSB payable	2,679,067	2,256,132
Withholding tax payable	1,198,288	-
Accrued audit fees	2,773,000	1,500,000
Dimension Technology Systems	-	96
	106,120,128	**107,043,936**

I. TABLE OF CONTENTS

Contents

ANNUAL REPORT 1

Government bond issuance 6

Police men and women at RSE 6

FINANCIAL HIGHLIGHTS (quick read) 7

Report of the Independent Auditor's 30

STATEMENT OF FINANCIAL POSITION 32

AS AT 31 DECEMBER 2014 34

Property and equipment for the Year ended 31 December 2014 42

IFC bond (Umuganda) listing ceremony at RSE

Stockbrokers at RSE trading board

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2014 Rwf	2013 Rwf
9.	**Long-term Investments**		
	IFC Long-term Bond	20,000,000	-
	3-year Treasury Bond	28,000,000	-
		48,000,000	**-**

10.	**Grant from CMA for equipment & software**		
	Balance as at 1st January	24,453,266	42,700,609
	Transfer from Treasury during the year	100,000,000	-
	Amortisation	(13,416,536)	(18,247,343)
	Balance as at 31st December	**111,036,730**	**24,453,266**

Amortization of grant equipment

	Communication equipment	Computers & I.T. equipment	Office furniture	Total
Cost				
At start of year	2,750,000	12,153,936.00	45,931,500	60,835,437
At end of year	**2,750,000**	**12,153,936**	**45,931,500**	**60,835,437**
Amortisation				
At start of year	1,239,583	10,907,775	23,399,376	35,546,734
Charge for the year	687,500	1,246,161	11,482,875	13,416,536
At end of year	**1,927,083**	**12,153,936**	**34,882,251**	**48,963,270**
Net book values	**822,917**	**-**	**11,049,249**	**11,872,166**

11.	**Cash and cash equivalents**		
	BK Rwf 0465317-41	180,294,210	339,375,801
	BK Rwf 0319985-15	59,894,136	33,598,960
	Petty cash Rwf	74,200	107,010
		240,262,546	**373,081,771**

		2014 Rwf	2013 Rwf
12.	**Trade and other receivables**		
	Faida	233,374	96,651
	African Alliance	42,350	135,029
	CDH	1,929,176	2,462,584

Property, Plant & Equipment

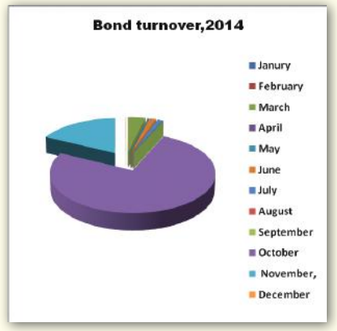
Year ended 31 December 2014

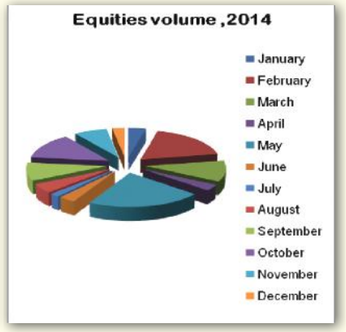
	Communication equipment	Computers & I.T. equipment	Office furniture	Total
	Rwf	Rwf	Rwf	Rwf
Cost				
At start of year	281,000	2,845,000	10,002,860	13,128,860
Additions	885,000	1,564,000	3,924,971	6,373,971
At end of year	**1,166,000**	**4,409,000**	**13,927,831**	**19,502,831**
Depreciation				
At start of year	70,250	763,583	1,667,070	2,500,903
Charge for the year	229,625	1,525,750	2,882,789	4,638,164
At end of year	**299,875**	**2,289,333**	**4,549,858**	**7,139,067**
Net book value	**866,125**	**2,119,667**	**9,377,973**	**12,363,764**

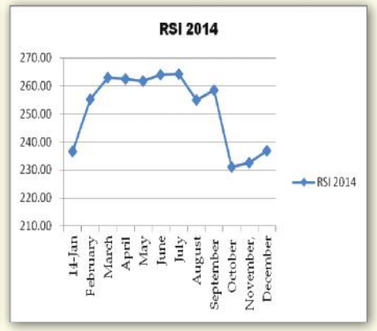
Year ended 31 December 2013

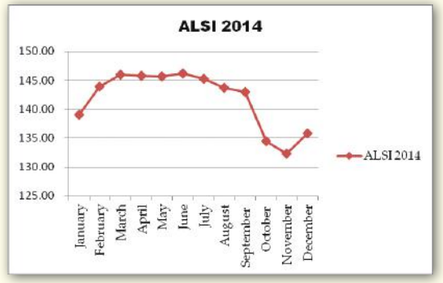
	Communication equipment	Computers & I.T. equipment	Office furniture	Total
	Rwf	Rwf	Rwf	Rwf
Cost				
At start of year	-	-	-	-
Additions	281,000	2,845,000	10,002,860	13,128,860
At end of year	**281,000**	**2,845,000**	**10,002,860**	**13,128,860**
Depreciation				
At start of year	-	-	-	-
Charge for the year	70,250	763,583	1,667,070	2,500,903
At end of year	**70,250**	**763,583**	**1,667,070**	**2,500,903**
Net book value	**210,750**	**2,081,417**	**8,335,790**	**10,627,957**

FINANCIAL HIGHLIGHTS

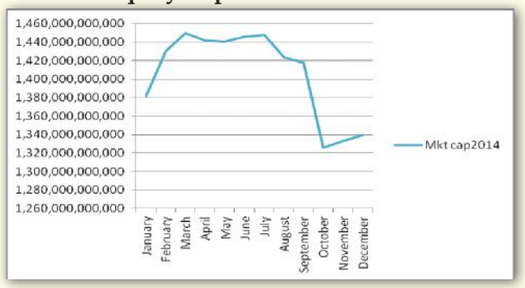




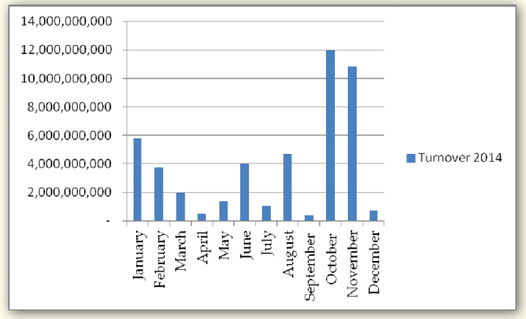




Equity Capitalization

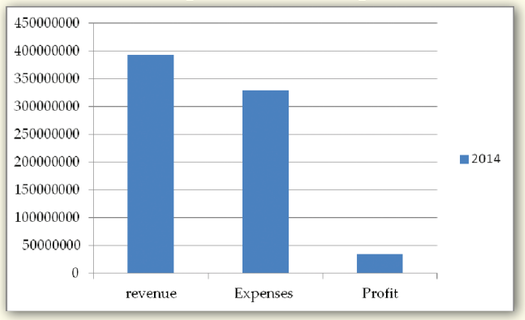


Equity Turnover



Market participation, 2014

Revenue, Expenses and Net profit, 2014



PROFILE OF BOARD OF DIRECTORS

Dr James NDAHIRO

Chairman

Dr. James NDAHIRO is the Rwanda Stock Exchange (RSE) Chairman. He is also the chairman for Zigama Credit and saving society and the chairman for societe Nouvelle d'Assurances du Rwanda (SONARWA).

He is Member of EAST African Legislative Assembly since where is the chairperson of the committee on communications, trade and investment which is one of the standing committees of the parliament.

He plays another role including Coordinator of Rwanda Investment Climate project (RICP) and Director for the Central African Affairs in the African Union of the blind.

He is also a member of the Association of Certified Chartered Accountants of England and Wales. He is a PhD holder in Accounting and Finance from the University of Manchester (UK) and an MBA in Accounting and Finance from Maastricht School of Management (Netherlands).

Dr James NDAHIRO

Chairman

		2014 Rwf	2013 Rwf
6.	Tax (Continued) The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic rate as follows:		
	Profit before tax	60,282,742	120,101,881
	Tax calculated at a tax rate of 30% (2013: 30%)	18,084,823	36,030,564
	Tax effect of:		
	expenses not deductible for tax purposes	23,833,218	2,640,262
		84,115,960	122,742,143
	Adjusted Profit	84,115,960	122,742,143
	Tax there on "30%	25,234,788	36,822,643
		(27,954,483)	-
		(2,719,695)	36,822,643
7.	**Share capital**		
	Authorised, issued and fully paid: 1,000,000 ordinary shares of Rwf 100 each	100,000,000	100,000,000

NOTES TO THE FINANCIAL STATEMENTS

		2014 Rwf	2013 Rwf
1.	**Revenue**		
	Transaction levies	129,746,436	151,150,658
	Membership fees	2,880,000	3,520,000
	Listing fees	161,500,000	86,000,000
	Total revenue	**294,126,436**	**240,670,658**
2.	**Other income**		
	Interest on short-term investments	5,589,237	-
	Grants	92,240,000	31,785,828
	Income from tenders	50,000	65,000
	Bad debts recovered	-	27,881,262
	Exchange gains	1,177,361	-
		99,056,598	**59,732,090**
3.	**Operating profit**		
	The following items have been charged/(credited) in arriving at operating profit/(loss):		
	Depreciation on equipment (Note 8)	4,638,164	2,500,903
	Staff costs (Note 4)	157,187,016	66,171,904
	Auditors' remuneration	2,773,000	1,500,000
4.	**Staff costs**		
	Salaries and wages	157,187,016	66,171,904
5.	**Tax**		
	Current tax payable/(recoverable)	(2,719,695)	37,272,642

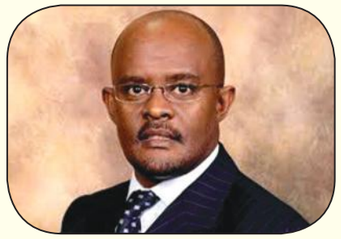
Mr. Bob KARINA

Vice Chairman

Mr. Karina is the Founder and Chairman of Faida Investment Bank and the Vice Chairman of the Nairobi Securities Exchange (NSE) Ltd. He is also the Vice Chairman of the Rwanda Stock Exchange, where he has played a key role in the set up of the Rwanda Stock Exchange (RSE) and serves as the Chairman of the Trading Committee. He is also a Board Member of the Central Depository and Settlement Corporation (CDSC), where he serves as the Chairman of the Finance Committee.

He is an accomplished stockbroker, an information technology professional and a successful businessman. He plays other roles including; Chairman of Asterisks Holdings, Chairman of Norwich Union Properties Ltd., Chairman of Association of Kenya Stockbrokers (AKS) Nominees Ltd and Founder Member of the Institute of Certified Securities and Investment Analysts (ICSIA). He is also a member of the Institute of Directors. He also served as the Director and Chairman of the Finance Committee of the National Chamber of Commerce and Industry.

Mr. Karina was instrumental in the establishment of the CDSC, the implementation of the NSE's Automated Trading System (ATS), the Wide Area Network (WAN), and the Broker Back Office (BBO) system, as the Chair of the implementation committees that spearheaded these developments in the Kenyan Capital Markets. He has broad experience in advising institutional and corporate investors, corporate finance consulting and research analysis. He holds a Master of Science (MSc) in Corporate Finance from the University of Liverpool, in the UK.



Mr. Kenneth Kitariko

Director of the Rwanda Stock Exchange (RSE); Chief Executive Officer/Executive Director of African Alliance Uganda; Director of the Uganda Securities Exchange (USE); Chairman of the Uganda Securities Exchange (USE) Listings and Membership Committee. Vice Chairman Stock Broker Association in Uganda; Vice chairman of the Issuers Sub-committee (Bank of Uganda's Financial Markets Development Committee)A commercial and finance lawyer with over 10 years experience and for the past five years has been intricately involved in the capital markets sector in Uganda and in diverse corporate finance transactions ranging from sourcing finance through bond and equity issuances, listings, hedging currency portfolios and investment and advisory services.

k) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

l) Taxation

Current tax
Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

Deferred tax
Deferred tax is provided using the liability method for all temporary timing 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 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.

m) Share capital

Ordinary shares are classified as equity.

n) Comparatives

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

f) Financial liabilities

Financial liabilities are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Trade and other payables are classified as financial liabilities.

g) Retirement benefit obligations

The company and its employees contribute to the "Rwanda Social Security Board", a statutory defined contribution scheme. The contributions are determined by the local statute and are currently limited to 5% of the employees gross salary excluding transport allowance per month. The company's RSSB contributions are charged to the income statement in the year to which they relate.

h) Government Grants

Government grants are recognized when there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is amortised over the expected useful life of the asset.

i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairement.

Impairment of trade receivables is recognised in the income statement under administrative

amounts due per the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default in payments are considered indicators that the trade receivable is impaired. The impairment provision is based on the difference between the carrying amount and the present fair value of the expected cash flows, discounted at the effective interest rate.

Receivables not collectible are written off against the impairment provision. Subsequent recoveries of amounts previously written off are credited to the income statement under administrative expenses in the year of their recovery.

j) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and financial assets with maturities of less than 3 months, net of bank overdrafts and money market lines.

RSE
Annual Report 2014

Mr Jonathan Hall

Executive Director/Vice Chairman of the Board and Managing Director, as of 16 January, 2012 Jonathan Hall, joined Heineken in Asia in 1997, where he was Marketing Director at Asia Pacific Breweries. From 2000 - 2007, he was marketing Director in Ireland and Indonesia. Prior to joining Heineken, Jonathan worked in East Africa from 1979 -1987 and Asia from 1987 - 2004.He joined Bralirwa Ltd in January 2012, after four years as Managing Director of the Heineken brewery in St. Lucia.

Mr. Bahati MPUNIKA

He joined the Board of Directors of RSE in 2011. He is a graduate from Adventist University of Central Africa (AUCA). He started his career in 2006 as an auditor in a local audit firm prior to joining Caisse Sociale du Rwanda (Currently Rwanda Social Security Board) as an investment analyst in January 2007. He has since held different positions within the investment department until September 2011. This led to the position of Head of Investment Department from October 2011 up to now. He is now member of Various Board of Directors in Rwanda and a candidate to be a member of the Association of Chartered Certified Accountant (ACCA).

Mrs Amina Umulisa RWAKUNDA

Mrs. Amina Umulisa RWAKUNDA is a Board Director of the Rwanda Stock Exchange (RSE) since 2012. She is the current Senior Economist/ Director of Macroeconomic Policy at the Ministry of Finance and Economic Planning; and board Director of the NISR (National Institute of Statistics Rwanda). Mrs. Rwakunda is an Economist with over 12 years experience and a seasoned negotiator on regional integration matters where she has been serving as the Deputy Chief Negotiator for Rwanda's High Level Task Force on the EAC Monetary Union and she is also involved in negotiations on fiscal related policies.

Mrs. Rwakunda holds a Masters in Globalisation and Development Economics from the University of Antwerp.

	Rate %
Furniture & fittings	25
Equipments	25
Computers	50

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 property and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit.

d) Translation of foreign currencies

Transactions in foreign currencies during the period are converted into Rwandese Francs (the functional currency) at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Rwandese Francs at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the income statement in the period in which they arise.

e) Financial assets

The company's financial assets which includes cash and cash equivalents and trade and other receivables fall into the following category:

- **Loans and receivables:** financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the balance sheet date. All assets with maturities greater than 12 months after the balance sheet date are classified as non-current assets. Such assets are carried at amortised cost using the effective interest rate method. Changes in the carrying amount are recognised in the income statement.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the company commits to purchase or sell the assets. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the company has substantially transferred all risks and rewards of ownership.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate. Impairment losses are taken into account for determining operating profit.

SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise Stated.

a) Basis of preparation

The financial statements are prepared on a historical cost basis in accordance with International Financial Reporting Standards (IFRS).

b) Revenue recognition

Initial listing income is recognised in the year in which the listing company makes the floatation. Additional listing income is recognised during the year in which the issuing company makes announcement of the bonus/right issue.

Transaction levy income is based on a percentage of the value of shares traded and is recognised on the date of the transaction.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have
been met for the company's activity as described below. The amount of revenue is not considered
to be reliably measured until all contingencies relating to the sale have been resolved. The company
bases its estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement.

c) Equipment

All equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. 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 can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation on other assets is calculated on straight line basis to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

Mr. Pierre Celestin RWABUKUMBA

Pierre Celestin RWABUKUMBA, a Rwandan national born in 1974, is the current Chairman of the East African Securities Exchanges Association (EASEA) and Chief Executive Officer of the Rwanda Stock Exchange Ltd. He is the Co- founder and Chairman of Kigali Cement Company, a private company that produces, Markets and sells cement in Rwanda and neighboring countries, he is also a non Executive Director in Athi River Mining – Rwanda Ltd, and non Executive Director in Atlantis Microfinance (AMF) Ltd. He is also involved in different investment projects ranging from Real Estate, Poultry and Agro – processing to Energy production.

Mr. Rwabukumba started his career in financial services in New York City more than a decade ago after graduating from the University of Buffalo (UB), New York in the United States with A bachelors Degree in Economics. He worked in different professional positions as a stock broker, in Compliance and Operations and Institutional Investors' Sales before he joined the Central Bank of Rwanda in 2004 to help start the Capital Market Development Project in Rwanda. Mr. Rwabukumba is also a seasoned negotiator as he has been instrumental in different negotiations on regional integration of the East African Community. He has served on different Capital Market Committees both at the national and the regional level the latest being the High Level Task Force negotiating the EAC Monetary Union. He is currently pursuing an Executive MBA at the East Southern African Management Institute (ESAMI) - Kampala, Uganda.

BRIEF DESCRIPTION OF RWANDA STOCK EXCHANGE (RSE)

A Stock Exchange is an Organized and regulated financial market where securities are bought and sold at prices governed by the forces of demand and supply. Stock exchanges impose stringent rules, listing requirements, and statutory requirements that are binding on all listed and trading parties.

The Rwanda Stock Exchange Limited was incorporated on 7th October 2005 with the objective of carrying out stock market operations. The Stock Exchange was demutualised from the start as it was registered as a company limited by shares. The company was officially launched on 31st January, 2011.

RSE OWNERSHIP STRUCTURE

RSE OWNERSHIP STRUCTURE

The ownership structure of Rwanda Stock Exchange is as follows:

- Government of Rwanda Ltd. : 20%
- Faida Securities Rwanda Ltd. : 10%
- African Alliance Rwanda Ltd. : 10%
- CDH Capital Ltd. : 10%
- Baraka Capital Ltd. : 10%
- MBEA Brokerage Services Rwanda Ltd. : 10%
- Dyer & Blair Rwanda Ltd. : 10%
- RSSB : 10%
- BRD : 8%
- SONARWA General Insurances Company Ltd. : 1%
- SORAS General Insurance Ltd. : 1%

RSE BOARD COMPOSITION & REPRESENTATION

The Rwanda Stock Exchange Board is comprised of 7 members distributed as follows:

- Government of Rwanda has one representative
- Members have three representatives
- Institutional investors have one representative
- Members of the public and/or professional bodies have one representative
- Listed companies have one representative

CASH FLOW STATEMENT

	Notes	2014 Rwf	2013 Rwf
Operating activities			
Cash generated from operations	14	(99,801,592)	182,786,647
Tax paid		(65,227,125)	(37,272,642)
Net cash generated from operating activities		(165,028,717)	145,514,005
Investing activities			
Purchase of equipment	8	(6,373,971)	(13,128,860)
Long-term Bonds	9	(48,000,000)	-
Net cash (used in) investing activities		(54,373,971)	(13,128,860)
Financing activities			
Grants	10	86,583,464	
Net cash (used in) finacing activities		86,583,464	-
Increase/(decrease) in cash and cash equivalents		(132,819,225)	132,385,145
Movement in cash and cash equivalents			
At start of year		373,081,771	240,696,626
Increase/(decrease) in cash and cash equivalents		(132,819,225)	132,385,145
At end of year	11	240,262,546	373,081,771

STATEMENT OF CHANGES IN EQUITY

	Share capital Rwf		Retained earnings Rwf	Grant Rwf	Total Rwf
Period ended 31st December 2013					
At start of year		100,000,000	84,826,075	42,700,609	227,526,684
Prior year adjustment		-	365,096	-	365,096
Restated	**100,000,000**		**85,191,171**	**42,700,609**	**227,891,780**
Amortisation of grant	-		-	(18,247,343)	(18,247,343)
Profit for the year		-	82,829,239	-	82,829,239
At end of year	100,000,000		168,020,410	24,453,266	520,365,456
Period ended 31st December 2014					
At start of year	100,000,000		168,020,410	24,453,266	292,473,676
Prior year adjustment			(216,101)		(216,101)
Grant transfers	-		-	100,000,000	100,000,000
Amortisation of grant	-		-	(13,416,536)	(13,416,536)
Profit for the year		-	35,047,954	-	35,047,954
At end of year	100,000,000		202,852,263	111,036,730	413,888,993

CORPORATE INFORMATION

Directors

1.	Dr. James Ndahiro	Chairman
2.	Mr. Bob Karina	Vice Chairman
3.	Mr. Kenneth Kitariko	Member
4.	Mr. Bahati Mpunikira	Member
5.	Mrs. Amina Umulisa Rwakunda	Member
6.	Mr. Jonathan Hall	Member
7.	Mr. Simon Karenzi	Member (Retired and replaced by Andrew Otengo Owiny)
8.	Mr. Pierre Celestin Rwabukumba	Member

Registered Office

KCT Building 1st Floor,

Avenue du Commerce,

P O Box 5337 Kigali- Rwanda

Bankers

Bank of Kigali

Plot No.6112,

Avenue de la Paix

P.O. Box 175, Kigali, Rwanda

Auditors

MN&Associates

Rue de Akagera, Plot No 1432, Kiyovu

P.O. Box 1863

Kigali - Rwanda

CHAIRMAN'S STATEMENT

Dr. James Ndahiro

It is my pleasure to report that 2014 was a good year for Rwanda Stock Exchange (RSE). As the fundamentals of our economy continue to improve despite challenges we see our role as stock exchange becoming even more relevant. Given the fact that the RSE was established to facilitate implementation of the country's economic reforms and encourage wider ownership of public resources, collaborative and support from the Government and other key stakeholders continues to be key towards supporting the country's economic development. The RSE strategy and Plans therefore, aims at positioning the RSE as the focus for raising capital for private enterprises and to the Government development projects through providing the platform for mobilizing savings for productive investments activities and creating investment opportunities for investors.

During 2014, RSE embarked on the implementation of its new 5 year strategic plan where efforts and resources were directed towards preparation for the sensitization on the Small and Medium Enterprises Market Segment (SMEMS), increasing on efficiency levels and raising the profile of the exchange.

The Outlook is exciting, as these efforts start to bear fruits i.e. increase activity, broaden the range of products, streamline the operations and commercialization of the RSE as an entity.

During the year the RSE Blue Print was reviewed so as to address and improve on various areas in line with the current market developments. The newly drafted RSE Rules Book has been approved by the Regulator and now awaits publication in the first quarter of 2015.

During this period we continued our efforts towards the automation of the exchange. During the year the Market Capitalization revolved around the USD 2 billion mark. This achievement is attributed by efforts that we utilized to increase the market efficiency such as increased public awareness initiatives.

With regard to the fixed income securities, there was a resumption of the government bond issuance program on a quarterly basis with an average of 153% subscription rate. This triggered secondary trading activity in the fixed income securities which was quasi nonexistent previously.

The recorded performance positively impacted the financial performance during the year. The RSE internally generated revenues increased by 22.2% from Rwf 240.6 million in 2013 to Rwf 294.1 million in 2014. We have delivered another year of strong cash flow, which is enabling us to invest in the business and serve the market efficiently.

RSE
Annual Report 2014

COMPREHENSIVE INCOME STATEMENT

	Notes	2014 Rwf	2013 Rwf
Revenue	1	294,126,436	240,670,658
Other Income	2	99,056,598	59,732,090
Operating expenses		(328,262,128)	(177,799,964)
Depreciation		(4,638,164)	(2,500,903)
Operating profit/ (loss)	3	60,282,742	120,101,881
Tax	6	(25,234,788)	(37,272,642)
Profit/(loss) for the year		35,047,954	82,829,239

STATEMENT OF FINANCIAL POSITION

	Notes	2014 Rwf	2013 Rwf
CAPITAL EMPLOYED			
Share capital	7	100,000,000	100,000,000
Retained earnings		202,852,263	168,020,410
Shareholders' funds		302,852,263	268,020,410
Grant	10	111,036,730	24,453,266
		413,888,993	292,473,676
REPRESENTED BY			
Non-current assets			
Property, Plant & Equipment	8	12,363,764	10,627,957
Grant equipment	10	11,872,166	25,288,702
Long-term Investment Bonds	9	48,000,000	-
		72,235,930	35,916,659
Current assets			
Cash and cash equivalents	11	240,262,546	373,081,771
Trade and other receivables	12	204,790,950	27,791,824
Recoverable income tax	6	2,719,695	
		447,773,191	400,873,595
Current liabilities			
Trade and other payables	13		
		106,120,128	107,043,936
Tax payable	5	-	37,272,642
		106,120,128	144,316,578
Net current assets		341,653,063	256,557,017
		413,888,993	292,473,676

statements on pages 6 to 19 were approved for issue by the Board of Directors on 28/03/ 2015 and were signed on its behalf by:

DIRECTOR

On behalf of the Board of Directors, Management and the rest of the members of staff at Rwanda Stock Exchange, I wish to acknowledge and extend our appreciation to the continued support of the Government of Rwanda through the Ministry of Finance to the CMA. It is our sincere belief that the Government will continue supporting the RSE for the foreseeable future.

I am also grateful to all our development partners such as Financial Sector Development Plan (FSDP), Banque Nationale Du Rwanda (BNR) and the Private Sector Federation (PSF) for their support in developing the market. During the year under review we started the Public awareness campaigns for Small and Medium Enterprises Market Segment at the RSE. We believe through these we will envisage to result into an appetite for Small & Medium Enterprises raising capital and list on the Exchange.

Again in a special way I acknowledge with appreciation the outstanding role played by all my colleagues (the Members of Board of Directors) for their continued contribution and commitment to the development of the Exchange .The concerted efforts by the Management and the Board should push even further the development agenda of the RSE in years to come.

On behalf of the Board, I would like to also thank the RSE Management and entire team of staff for their dedication and commitment in ensuring that the Exchange meets its strategic objectives even during challenging moments.

In the longer term, we remain very positive about the opportunities to grow our Exchange as we are well positioned to capitalize on the ongoing economic reforms and development in the country through providing efficient capital raising platform to support growth.

Dr James NDAHIRO

Chairman

MANAGEMENT

The management of RSE during the year and to the date of this report was:

Mr. Pierre Celestin RWABUKUMBA	Chief Executive Officer
Ms. Iribagiza Alice	In Charge of Administration and Finance
Mr. Robert Twagira	In charge of Information and Technology
Mr. Mitali David	In charge of Operations

RSE
Annual Report 2014

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of Rwanda Stock Exchange 31st December 2014 and of its financial performance and cashflows for the year then ended in accordance with International Financial Reporting Standards (I.F.R.S.) in the manner required by law No. 07/2009 of 27/04/2009 relating to companies.

Report on other legal requirements

As required by the company law In Rwanda we report to you, based on our audit:

(i) We have no relationship, interests or debts in the company.

(ii) 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;

(iii) in our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and

(iv) We have communicated to you through the management letter, internal control weaknesses identified in the course of our audit including our recommendations with regard to those matters.

Partner

MN&Associates

Rue de Akagera, Plot No 1432, Kiyovu

P.O Box 1863

Kigali

Certified Public Accountants

Kigali

_____**2015**

The Certified Public Accountant responsible for the audit resulting in this independent auditors report is C.P.A. Michael Maina Ndung'u who holds practising certificate number PC/CPA 0061/0011.

REPORT OF THE INDEPENDENT AUDITOR'S

TO THE BOARD MEMBERS OF RWANDA STOCK EXCHANGE

Report on the financial statements

We have audited the accompanying financial statements of Rwanda Stock Exchange set out on pages 6 to 19 which comprise the statement of financial position as at 31st December 2014, the comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended and a
Summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors' are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (I.F.R.S.) and the requirements of Law No. 07/2009 of 27/04/2009 relating to companies. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable
Assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

RSE
Annual Report 2014

1. ECONOMIC PERFORMANCE

1.1. 2014 Economic overview

Over the past two decades our country has experienced high rate of growth due to economic reforms, sound macroeconomic policies and the expending of both public and private sector. The rate of growth of Rwanda Gross Domestic Product (GDP) for the year 2014 was 7% which resulted an increase of 48.9 compared to the same period of 2013 where the GDP growth was 4.7%.

1.2. Price Movement (Inflation)

The annual headline inflation slightly declined from 3.7% in December 2013 to 2.1% in December 2014. The decrease in inflation was due to continued to decline reflecting abundant supply, increased haverst, weak global demand and strong US dollar.

2. MARKET PERFORMANCE

On the Rwanda Stock Exchange (RSE), equities trading continued on an upward trend. The two counters of BRALIRWA and Bank of Kigali still dominate in volumes, transactions and price changes.

2.1. Primary market

In a bid to develop the Rwandan bond market, the Government of Rwanda has published its bond issuance program in February 2014, where it will be coming to the market every quarter. In that spirit a three Government bonds with a face value of Frw 42.5 billion was issued in February, August and November of 2014 and with an average subscription of 153%.

The primary market remained quiet on the equities side as there was no IPO for the period for the period under review.

2.2 Secondary market

2.2.1 Bond market

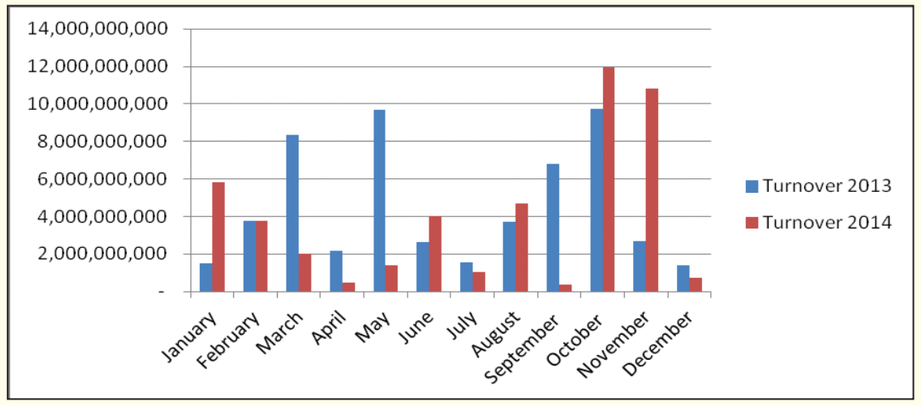
Three governments bonds with a value of Rwf 42.5 billion listed on RSE market and one Corporate (Supranational) bond issued by the International Finance Corporation (IFC) listed on 3rd July, 2014 with a value of Rwf 15 billion with a tenor of 5 years. During the period under review the debt instruments market recorded a total turnover of Rwf 1,018,550,000 from 985 million of bonds (885 million Government bonds and 100 million IFC bonds).

RSE CEO charts with the IFC Executive Vice-President & CEO

2.2.2 Equity market

On the equities market during this period under review no new listing took place on Rwanda secondary market. The equity market continued an upward trend in share prices and recorded a slight increase in total turnover during the period from January – December 2014. The market recorded a total turnover of Rwf 45.2 billion from 135.23 million shares and in 1,542 deals compared to the same period for the previous year of 2013 where the market recorded a total turnover of Rwf 53.6 from 108.4 million shares in 1,738 deals. This is a decrease of 15.6% in turnover, an increase 24.7% in volume and a decrease 11.27% in number of transactions respectively over the same period.

Comparison between turnovers for the year 2012-2013



Source: RSE, 2014

1. ADMINISTRATION AND FINANCE COMMITTEE

1. The mandate of administration and finance committee is to review the economy, efficiency and effectiveness of operations including non-financial control of the company and make recommendations to the management as well as to evaluate the performance of human resources manual and monitor the profile of the company's workforce items of consistency with the company's objectives.

Members

1. Mr. Kenneth KITARITO Chairman
2. Mr. Bahati MPUNIKIRA Member

2. MARKET DEVELOPMENT COMMITTEE

The mandate of market development committee to develop and implement marketing initiatives and activities to increase awareness of the company as well as providing compelling and innovative promotional and marketing materials in order to enhance attendance at RSE training programs.

Members

1. Bob KARINA Chairman
2. Umulisa Amina Rwakunda Member

3. AUDIT COMMITTEE

Audit committee is a committee of the board of directors responsible for oversight of the financial reporting process, selection of the independent auditor, and receipt of audit results both internal and external. The committee assists the board of directors fulfill its corporate governance and overseeing responsibilities in relation to an entity's financial reporting, internal control system, risk management system and internal and external audit functions. Its role is to provide advice and recommendations to the board within the scope of its terms of reference / charter.

Members

1. Mr. Bahati MPUNIKIRA Chairman
2. Mr. Kenneth KITARITO Member

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act of Rwanda 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 operating results for that year. It also requires the directors to ensure the company keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act of Rwanda. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

The financial statements, as indicated above, were approved by the Board of Directors on 26 September, 2014 and were signed on its behalf by:

Chief Executive Officer **Date** 24/11/2015

Director **Date** 24/11/2015

Board Committees

1. The RSE's boards of directors divided into four committees:
2. Administration & Finance and listing committee
3. Market development and Operations committee
4. Audit committee

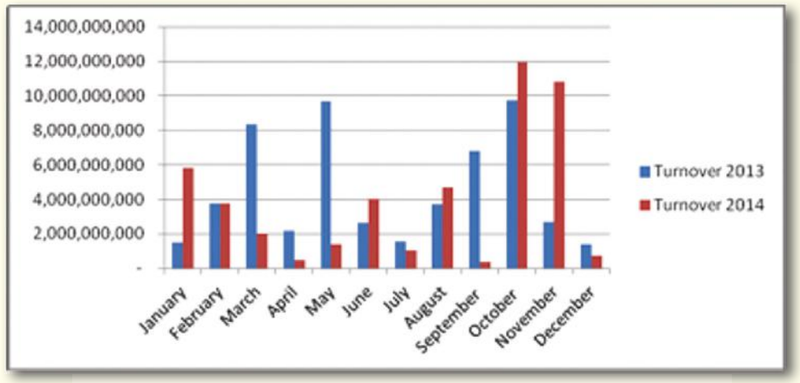
RSE
Annual Report 2014

Indices

The stock market index is defined as a statistical indicator used in measurement and reporting of changes in the market value of a group of stocks/shares. It is also defined as a method of measuring a section of the stock market. Many indices are cited by news or financial services firms and are used as benchmarks, to measure the performance of portfolios such as mutual funds.

Under measuring market performance Rwanda Stock Exchange (RSE) has two types of indices used to measure the performance which are Rwanda Shares Index (RSI) and All share Index (ALSI). During this period under review both indices performed slightly as illustrated in figures thereafter.

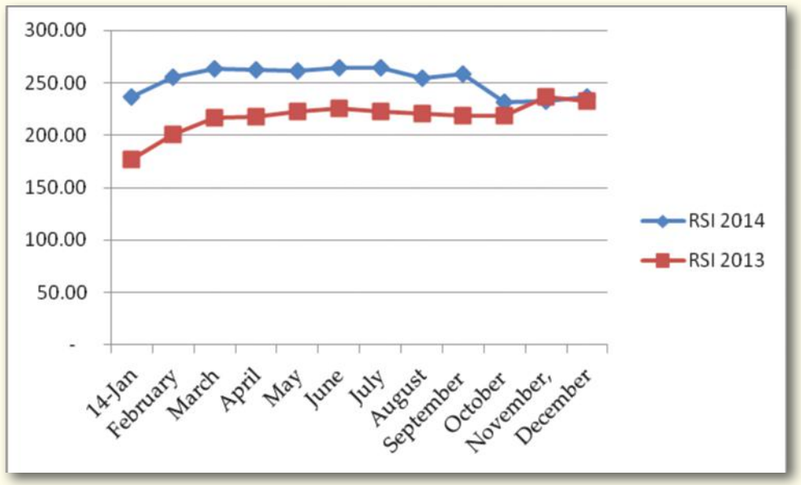
Comparison between RSI for the year 2013 and 2014



Source: RSE, 2014

From January –December, 2014 for the year under review the RSI recorded an increase of 1.88%

Comparison between ALSI for the year 2013 and 2014



Source: RSE, 2014

The market capitalization stood at USD 1.9 billion at the end of December, 2014 which resulted a drop of 6.8 % in consideration with the same period in 2013 whereby the market capitalization was USD 2.04 billion.

1.2.4 Market participation

For this period under review active investors stood at 11,360 of which 8,784 were domestic investors 2,254 were the rest of East Africa Community and 322 were foreigners. This means that local investors covered 77% EAC 20% and the remaining 3% are foreign investors.

Figure 4: Investment participation on RSE, 2014

1. Activities report

3.1 Public education and Marketing

During the period under review the RSE also conducted Radio and TV shows and other media outlets (print and electronic and social) to promote investments through the stock market.

The RSE coached many interns from different higher institutions of learning and universities in Rwanda. In collaboration with INES-Ruhengeri and the School of Finance and Banking the RSE organized public education sessions on the importance of saving and investing through the capital market whereby SME members, institutions, students and staff members were targeted people. In partnership with CMA and MINECOFIN, the RSE organized Municipal Debt Financing seminars for Districts authorities and Kigali City.

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31st December 2014, which disclose the state of affairs of the company.

PRINCIPAL ACTIVITIES

The Rwanda Stock Exchange is responsible for carrying out financial securities market operations.

RESULTS

	2014 Rwf	2013 Rwf
Profit/(loss) before tax	60,282,742	120,101,881
Tax	(25,234,788)	(37,272,642)
Profit for the year	35,047,954	82,829,239

DIVIDENDS

The directors do not recommend the declaration of dividend for the period (2013: Nil).

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 1.

AUDITORS

The company's auditors, MN & Associates were appointed during the year and continue in office in accordance with Law No. 07/2009 0f 27/04/2009 relating to companies.

BY ORDER OF THE BOARD

DIRECTOR
KIGALI

Date 24/08/ 2015

RSE management continued to be part of two Technical Working Groups of the EAC, the Capital Market Infrastructure project (CMI) and the TWG on the Capital market Directives. Both projects are at advanced stages where the infrastructure project was at phase one of procurement for the trading and settlement infrastructure and the on the legal framework 7 regional directives including the following were developed and published:

1. EAC Directive on Public offers (Equity)
2. EAC Directive on Public offers (Debt)
3. EAC Directive on Collective Investment Schemes
4. EAC Directive on Public Asset Backed Securities
5. EAC Directive on Corporate Governance for securities intermediaries
6. EAC Directive on admission to secondary trading
7. EAC Directive on listing

A new set of 13 directives has also been developed and been subjected to stakeholders in each Partner State to give their comments before it is approved by the relevant Authorities and published.

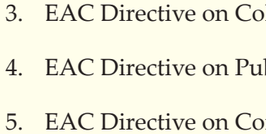
Apart from regional meetings the RSE participated in international forums and conferences held United State of America and Africa Summit.

The RSE representatives participated in Uganda-Rwanda Business Forum held at Kampala and then attended ASEA and EASEA conference at Mombasa.

3. Information technology infrastructure development

The Information Technology department at the Rwanda Stock Exchange (RSE) is one that nurtures creativity, change and holds the core principles of the Exchange's strategy at every stage of growth and innovation. The ICT policy and procedures manual for the department were updated to keep assisting the Exchange's Business units to enhance productivity through the innovative use of Technology. The Exchanged has continued to review its ICT infrastructure in order to cope with growing information needs of the Exchange market in Rwanda.

Pierre Celestin RWABUKUMBA



Chief Executive Officer

Public lecturing at College of Business Economic (CBE)

The RSE in partnership with the Private Sector Federation (PSF) targeted the SMEs to conduct public awareness under the theme **"capital market as a channel or source of raising long term capital for your business.**

The Rwanda Stock Exchange in collaboration with MINECOFIN, CMA and BNR participated in different road shows where 23 districts countrywide were visited in February, August and in November targeting different groups including women, youth, Provincial Investment Groups and SACCOs. These activities preceded each issuance of government bonds.

The Rwanda Stock Exchange also organized public education in partnership with the private Sector Federation (PSF) on how capital market is channel or source of raising capital where a breakfast workshop organized by RSE and took place at the Hotel des Milles Collines on 14/11/2014 and Gold and Circle group was targeted.

Golden and Circle members' breakfast at the Mille Collines Hotels

- Under the open house program which has the purpose of promoting capital market investment skills in schools and the general public, different groups visited Rwanda Stock exchange under different themes:
- In collaboration with National Police College, 38 police men and women visited Rwanda Stock Exchange whereby they have explained trading techniques, procedures and investors protection.
- Under investor's protection and rights on capital market; the school of Law from the University of Rwanda visited Rwanda Stock Exchange with an audience of 12 students.
- In collaboration with Kigali Independent University (ULK), RSE hosted 28 students from the department of Economics.
- One school, the Riviera High School visited RSE for the purpose of awareness of Capital Market operations; the group comprised 38 students.
- With the purpose of increasing capital market skills, 28 students from Institute of Lay Adventist of Kigali Visited Rwanda Stock Exchange
- A local NGO supporting SMEs, Inkomoko staff visited Rwanda Stock exchange during this year to familiarize themselves with the operations of the Exchange and see ways of cooperation.

Inkomoko Enterprise & NASDAQ staff at RSE

In collaboration with ISAE/BUSOGO, 40 students from the faculty of Rural Development and Agriculture visited Rwanda stock exchange.

- RSE in collaboration with CMA and Ministry of Finance organized and BNR organized road shows for government of Rwanda Bond FXD1/2014/3Yrs within 16 Districts and 4 institutions (MTN Ltd, CSS ZIGAMA, RSSB and RCA) in February, 2014.
- In partnership with CMA, the RSE organized the University Challenge competition in the year of 2014.

University challenge competition participants at ULK

3.2 Capacity building

RSE has developed an in-house training program for new entrants into the Rwanda Capital Market. RSE in partnership with SITI-East Africa organized three training sessions for the market participants with the aim of increasing their skills in trading on the secondary market especially fixed income trading and simulation.

The staff members also participated in different workshops, seminars and conferences in and outside the country.

3.3 Regional integration

RSE continued to participate in regional integration initiatives through the East African Securities Exchanges Association (EASEA) and the Capital Market and Insurance and Pensions Committee (CMIPC). In April RSE had the privilege of hosting the 23rd EASEA Consultative meeting which was attended by EASEA Executives from the five members to consider issues of common interest namely the progress of the regional capital market infrastructure project (CMI) and its legal framework, the developments of the Securities Industry Training Institute (SITI East Africa) and receive updates from the EAC FSDRP project management team on their different efforts to support regional integration.