




Capital Markets Authority

Protecting Your Investments

ANNUAL REPORT

2013/14



A close-up, grayscale photograph of a stack of coins, likely Euro coins, resting on a document. The document contains some text, including the word 'ARVET' and '2007' in large, bold letters. The coins are stacked in a slightly curved line, and the background is a light-colored paper with some faint text and a grid pattern.

Sources some images
were got from Internet.



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CMA Vision

To make Uganda's Capital Market the most vibrant, efficient and competitive centre for investment in Africa.

CMA Mission

To foster a fair, transparent and robust capital market in Uganda through efficient and effective regulation and market development.

Functions

Under the Capital Markets Authority (CMA) Act Cap 84, the functions of CMA include:

- The Development of all aspects of the capital markets with particular emphasis on the removal of impediments to, and the creation of incentives for long term investments in productive enterprises;
- The Creation, maintenance and regulation through implementation of a system in which the market participants are self regulated to a maximum practicable extent, and of a market in which securities can be issued and traded in an orderly, fair and efficient manner;
- The Protection of investor interests;
- The Operation of an investor compensation fund.

Core Values

- Integrity
- Efficiency
- Fairness
- Firmness
- Excellence



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LETTER OF TRANSMISSION

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30th November, 2014

The Honorable Minister of Finance, Planning and Economic Development
Ministry of Finance, Planning and Economic Development
Apollo Kaggwa Road
P. O. Box 8147
Kampala

Dear Honorable Minister,

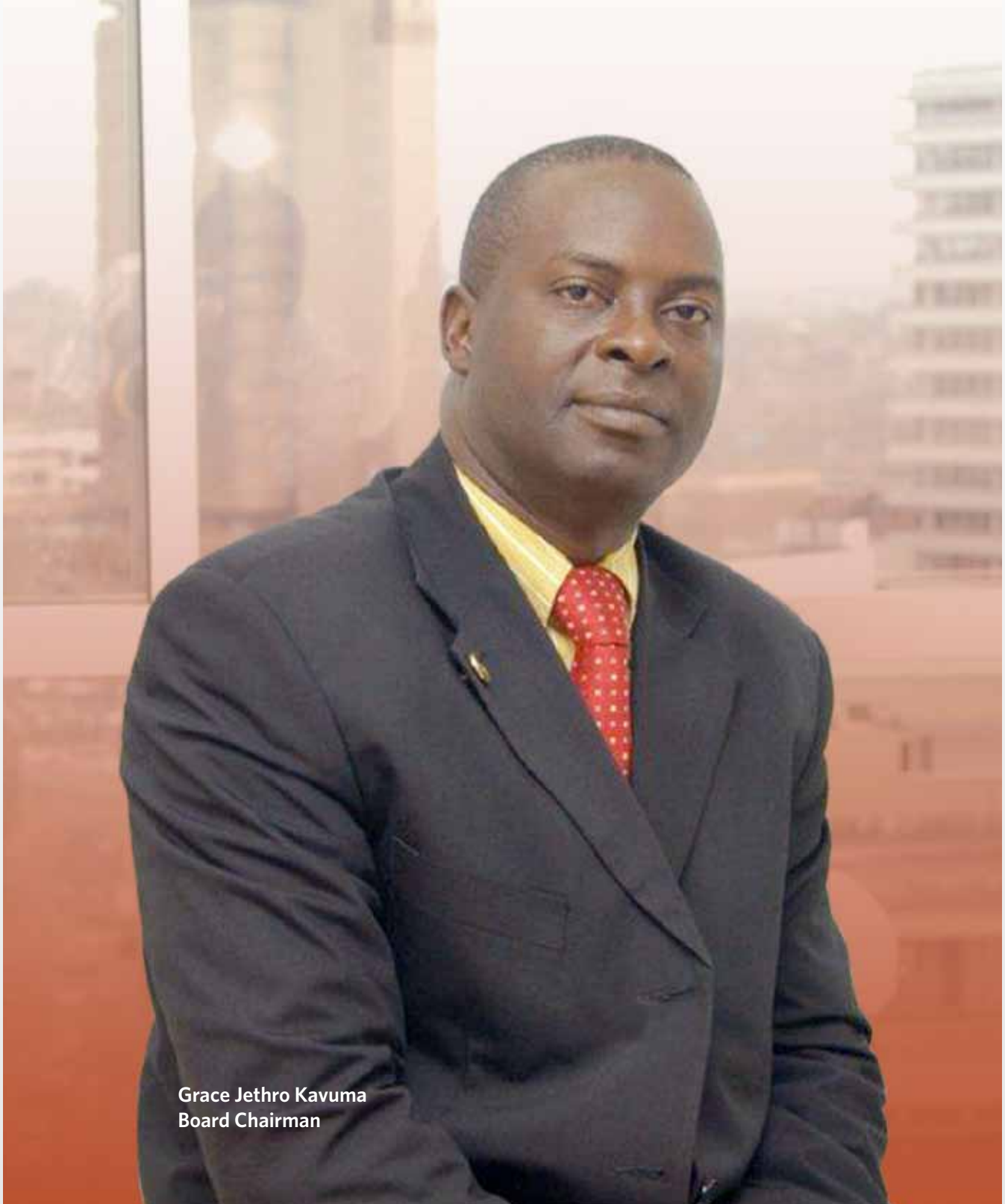
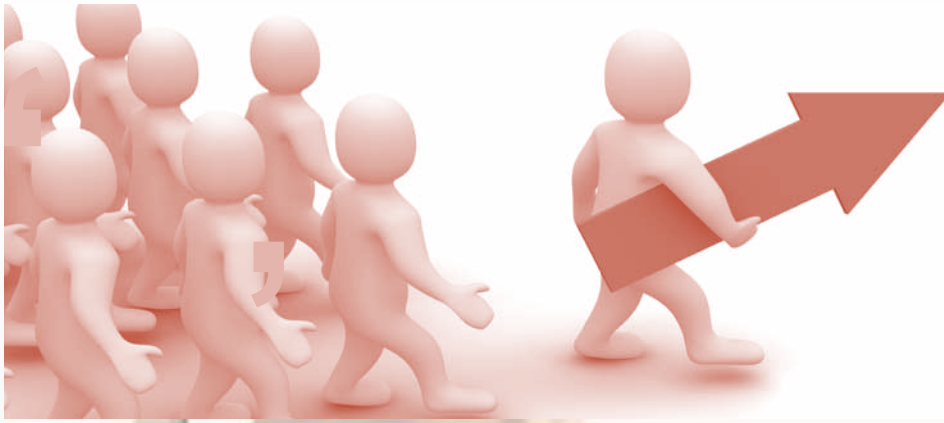
Pursuant to S.8 (6) of the Capital Markets Authority Act (CAP 84), I have the honor to submit to you the annual report and accounts of the Capital Markets Authority (CMA) in respect of the accounting period ended 30th June, 2014.

The report covers the activities, challenges, future plans and financial statements of Capital Markets Authority.

Respectfully yours,



Grace Jethro Kavuma
Board Chairman



Grace Jethro Kavuma
Board Chairman

CHAIRMAN'S REVIEW

It is one year since we launched the Authority's three year strategic plan with the new theme of "Driving Growth" in the capital markets industry and the broader Ugandan economy. The Government has continued to emphasize development of the country's electricity, roads, rail, agriculture as well as the oil and gas sector infrastructure.

These are large infrastructure projects several of which are already in the pipeline and require huge capital expenditure. This is therefore an appropriate time for the Capital Markets in the region to play a critical role in mobilizing long-term financing for these projects. It is for this reason that the Authority continues to promote the capital markets integration efforts through the umbrella body of the capital markets regulators; the East African Securities Regulatory Authorities (EASRA).

A paradigm shift is needed if the capital markets are to effectively play this role of financing growth and development in Uganda and the region. We recognize that bank financing is limited in its ability to bridge the huge financing gap that exists if Uganda is to realize its growth ambitions. It is therefore essential to tap into the synergies and immense opportunities that come with capital markets financing. Uganda is facing complex challenges that will require unconventional forms of financing. Emerging economies such as China, India, Malaysia, Brazil, South Africa, and Singapore have fully exploited the opportunities that capital markets provide to deliver high economic growth rates and improved living standards.

As clearly laid out in its mandate, the Authority is committed to working with government and all the stakeholders in the private sector and international community to promote capital markets development in Uganda. At the core of its mandate, the Authority will not relent in its commitment to ensuring an efficient, robust, fair and transparent capital markets in Uganda.

What we have been able to achieve so far and what it plans to do is only possible with the invaluable support of various key stakeholders. On this note therefore I would like to take this opportunity to thank the Ministry of Finance, Planning and Economic Development, the Bank of Uganda and the East African Community (EAC) Financial Sector Development and Regionalization Project (FSDRP) for their support in promoting Uganda's capital markets industry.

I am also grateful to my fellow board members, management and colleagues at the Capital Markets Authority, for their invaluable support, dedication, and untiring efforts towards the regulation and development of capital markets in Uganda, and I am confident that we shall continue to see more developments and progress that will transform our capital markets into the most competitive center for investment in Africa.



Grace Jethro Kavuma
Board Chairman

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Keith Kalyegira
Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S REVIEW

The period 2013/14 marked my first year as Chief Executive Officer and it was a period of getting the priorities of the capital markets right; locally, regionally and internationally, and the sector's relevance to Uganda's economic development. To this end, I am grateful to the Board for ceaselessly providing the conducive environment to enable management execute its work, not only for the growth of the Authority, but that of the entire capital markets industry.

A lot of effort has been put into strengthening internal systems to ensure better delivery of our mandate. Time and effort have been invested in reinforcing the internal performance management framework and this process entailed re-alignment of departments, departmental and individual roles, as well as setting out priority areas. As a result, all staff members have measurable performance targets which feed into the overall objective of the Authority.

One of the major challenges we have faced is to make issuers appreciate the role of the capital markets in raising long term patient financing for their businesses. It has also been an uphill task to demonstrate the contribution of capital markets have in enhancing economic performance, more specifically with regards to financing private or public infrastructure developments and projects. Public education remains key in raising awareness of the capital markets. During the year, focus was placed on developing a feasible public education drive targeting savers who have the potential to invest some of their incomes or savings in the various capital markets products, as a means to increasing their wealth. The Authority recruited over twenty experienced Ugandans as Resource Persons to amplify the message about the benefits of investing in our market, a strategy we hope will see us reach out to more Ugandans faster.

2013/14 registered the highest level of turnover on the Uganda Securities Exchange, which is now comparing favourably with similar sized securities exchanges. The challenge however remains to see our market capitalization grow to at least 10% of GDP over the next five to seven years.

Further, in a bid to see more products traded at the exchange, the Authority approved Altx Exchange Ltd as the country's second securities exchange. The new

exchange will provide a securities and derivatives market for the entire East African region, using an automated platform based on the GEMX technology and we hope this comes to fruition. During the year, a total of four new licenses (one broker /dealer license and three Collective Investment Scheme Licenses) were issued. We are positive that the licensees will increase the number of investment opportunities for individual and institutional investors as they increasingly give companies confidence in the capital markets as a source of long term patient capital for growth and expansion.

It's worth noting that in a relatively young capital markets like Uganda's, private placements are vital in the raising of patient capital. During the year under review, CMA received notification of four private placements. This is a positive step towards embracing equity financing and we hope these transactions translate into listings by introduction in the near future, and eventually into full blown public offers.

The Authority also remains an active member of the International Organization of Securities Commissions (IOSCO), which has enabled us to continually benchmark ourselves against more developed capital markets regionally and globally.

As we move forward, our commitment to Ugandans is to make it "simpler", "faster", and "cheaper" for entrepreneurs seeking capital and savers (investors) to access our capital markets. There is increasing recognition that the capital markets are a necessity that will act as a catalyst for the realization of national economic goals, and not a luxury. I have no doubt that we shall continue getting all the support that we require from our government and look forward to a great year ahead.



Keith Kalyegira
Chief Executive Officer

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BOARD OF DIRECTORS



Grace J. Kavuma
Chairman



Keith Kalyegira
Chief Executive Officer



Deo J.B. Kayemba
Represents Uganda Manufacturers Association



Miriam Magala
Represents Insurance Institute of Uganda



Phillip Wabulya
Represents the Governor, Bank of Uganda



John Fisher Kanyemibwa
Represents Uganda Law Society



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Harriet Lwabi
Represents the Solicitor General



Paul Patrick Mwanja
Represents the Permanent Secretary/Secretary to the Treasury - Ministry of Finance, Planning & Econ. Dev't



Agnes Tibayeita Isharaza
Represents Uganda Bankers Association



Bemanya Twebaze
Registrar General



Emmanuel Muwazi
Represents Institute of Certified Public Accountants of Uganda



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CORPORATE GOVERNANCE

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The Capital Markets Authority (CMA) is committed to the highest level of corporate governance and conducts its affairs in line with the principles of corporate governance.

Board of Directors

The CMA is governed by a unitary Board comprising a Chairperson and representatives from the private and public sectors. Six members are ex-officio, by virtue of their public offices while the other six members represent private sector interests. The roles of Chairman and Chief Executive are separate and distinct. With the exception of the Chief Executive Officer (CEO), all members of the Board are Non Executive

The Board is appointed by the Minister of Finance, Planning and Economic Development and is accountable to the Minister, for ensuring compliance with the Capital Markets Authority Act (Cap 84).

The Board members have experience and expertise in legal, financial, business and administrative matters. Upon joining the Board, new members receive an induction and industry study tour organized by the Authority. Day to day operations of the Authority are performed by the Management team led by the CEO. The CEO develops and delivers the strategic objectives agreed to with the Board.

The Board meets at least once every three months to carry on the business of the Authority. During the year, the board met eight times to carry out their key functions. The key functions of the board include reviewing, guiding and approving corporate strategy, operational plans, risk policy, annual budgets and business plans; setting performance objectives; monitoring corporate performance; and overseeing major capital expenditures.

The Board Secretary (Director Legal and Market Supervision), is responsible for proper administration of the Board proceedings, the provision of administrative and secretarial services as well as legal advice to the Board. The Chairman and the Board Secretary ensure that the agenda of the Board is in tandem with CMA's priorities. The Board Secretary also reviews papers before circulation to Board Members to ensure that the information is accurate and clear. The Members of the Board have all the resources required to carry out their roles and responsibilities.

The Board Members adhere to the standard of conduct expected of them and prescribed in the board manual. Instances of conflict of interest are addressed through disclosure and declaration of the interest is required under the Conflict of Interest Guidelines which apply to both Board and Staff members.

Board Training

During the year, the Board received continuous professional development on issues that are pertinent to capital markets development.

Remuneration of the Board

The Members of the Board are entitled to remuneration and allowances out of the general fund of the Authority, as determined by the Minister of Finance, Planning and Economic Development. Below is a table summarizing the remuneration and allowances relating to meetings.

TABLE A: ALLOWANCES RELATING TO MEETINGS

	Retainer Per Month	Sitting allowance Per Meeting
Chairman	UGX 300,000	UGX 300,000
Members	UGX 200,000	UGX 250,000

Board Committees

The CMA Board exercises its oversight role through a governance structure comprising various committees namely;

- Finance & Planning Committee
- Legal & Market Supervision Committee
- Research & Market Development Committee
- Human Resource & Administration Committee
- Audit & Risk Management Committee



CORPORATE GOVERNANCE continued...

All Board Committees are governed by terms of reference developed by the Board and are mandated to make recommendations to the Board on all matters under their consideration. The function and structure of the Committees for the year under review are described below. In terms of composition, the Committees comprise Board Members with pertinent expertise in the various areas in order to maximize technical capability at the Committee level, where issues are dealt with in depth. The quorum for each Committee is at least half of the appointed Members. Each Committee determines its own procedures.

Legal & Market Supervision Committee

The purpose of the Legal & Market Supervision Committee is to oversee the development of an appropriate legal and regulatory framework for the capital markets industry. The Committee oversees the implementation and enforcement of compliance matters by the Authority. During the period July 2013 - June 2014, the Legal & Market Supervision Committee convened ten meetings to consider applications for licenses for broker dealers, Unit Trust Schemes and Unit Trust Managers. The Committee met to consider the amendments to the CMA Act and to approve applications for cross listing of securities as well as public offers of debt securities. They also met to consider the amendments to the USE Fees Charges and Penalties Rules.

The Finance & Planning Committee

The Committee is responsible for guiding the Board on policy matters relating to Finance and Planning. The Authority submitted quarterly reports of activities and financial matters to the Ministry of Finance, Planning and Economic Development. At the end of every financial year, the Authority submits its annual report and audited accounts which are published and made available to the public. The Committee convened three meetings during the period to consider the CMA budget for the financial year 2014/2015 as well as to review the financial performance for 2013/2014 and proposals for amendment of the CMA fees structure.

The Human Resource & Administration Committee

The Human Resource & Administration Committee assists the Board in fulfilling its governance responsibilities with respect to human resources. The Committee reviews and recommends to the Board material policies governing the Authority's human resources and any amendments thereto intended to attract, develop and retain qualified and high performing talent for achievement of the Authority's strategic objectives. The Committee held four meetings during the period under review to consider the realignment of the organisational structure and review of human resource policies.

The Audit & Risk Management Committee

The critical role of internal audit makes it imperative to have an independent Audit Committee. In terms of its functions, the Audit & Risk Management Committee plays a critical role in the corporate governance structure by overseeing internal controls, accountability, reporting structures and risk management. The Committee held three meetings during the period under review to consider the audited financial statements for the year ended 30th June 2014, the Internal Audit work plan and the internal Audit quarterly reports. The Committee also considered the CMA Risk Management quarterly reports.

Research & Market Development Committee

The role of the Research & Market Development Committee is to assist the Board in the formulation of policies that are geared towards research and market development. The Committee met twice during the year to consider the findings from the Capital Markets Investors and Players Survey, development and future plans for research and market development and a policy paper on Real Estate Investment Trusts (REITs).

LEGAL AND MARKET SUPERVISION

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New Licenses Issued

Licensing of a second stock exchange

The CMA Board of Directors approved the Altx Exchange Ltd as the country's second securities exchange. The Altx Exchange aims to provide a securities and derivatives market in Uganda and the East African region. As part of its offering, the Altx Exchange will provide an automated trading platform based on GMEX technology, develop derivatives products, host other exchanges' products on its platform and host order books for products trading on other exchanges.

Broker /Dealer License

The CMA Board approved an application for a broker/dealer's license by Burbidge Capital.

Collective Investment Schemes

The Board granted Collective Investment Scheme (CIS) Licences to Stanlib Kenya, UAP Financial Services Ltd and ICEA Investment Services Ltd. This brought the number of licensed CIS to four. The licensing of the CIS is expected to provide a cost-effective and diversified product offering to both institutional and retail investors in Uganda's capital markets.

IOSCO Self-Assessment

CMA undertook a self-assessment as part of an East African Community (EAC) Secretariat project aimed at assessing the level of compliance with the new International Organisation of Securities Commissions (IOSCO) principles touching on: systemic risk; conflict of interest; auditor oversight; auditor independence; audit standards; credit rating agencies; other services and hedge funds (Principle 6, 7, 8, 20, 21, and 22).

CMA Amendment Bill

Cabinet approved the Principals for amendment of the Capital Markets Authority Act. The amendments are to strengthen governance of the securities market and the Authority; Compliance with the IOSCO Multi-lateral Memorandum of Understanding (MMoU) on information sharing among international securities

regulators; and compliance with the East African Community Common Market Protocol.

Public Offers and Listings

Uchumi Supermarkets Limited (USL) cross Listing

The Authority approved the application of Uchumi Supermarkets Limited (USL) to cross-list 265 million shares on the Uganda Securities Exchange (USE). USL is primarily listed at the Nairobi Securities Exchange (NSE) and has 33 branches in Kenya, Uganda and Tanzania. The USL cross-listing brought the number of cross-listed counters at the USE to eight with all being primarily listed at the NSE.

National Insurance Corporation Rights issue

The CMA approved the application of the National Insurance Corporation (NIC) to have a rights issue. NIC offered 323 million shares at a discounted price of Ush 26 (US \$ 0.01) with a target of raising Ush 8.4 billion (US \$ 3.33 million). The proceeds of the rights issue will be utilized in enhancing the capital base of the organization and increase its capacity to underwrite bigger risks.

Kakira Sugar Limited Medium Term Note (MTN) program

CMA approved a Ush 75 billion (US \$ 30 million) Medium Term Note program by Kakira Sugar Limited (KSL). The 10 year note program will allow KSL to continuously issue notes tailored to meet its funding needs, subject to terms set out in the information memorandum. Ugandan investors will gain access to a variety of debt securities based on the type of notes purchased, maturity dates and shilling amounts



LEGAL AND MARKET SUPERVISION

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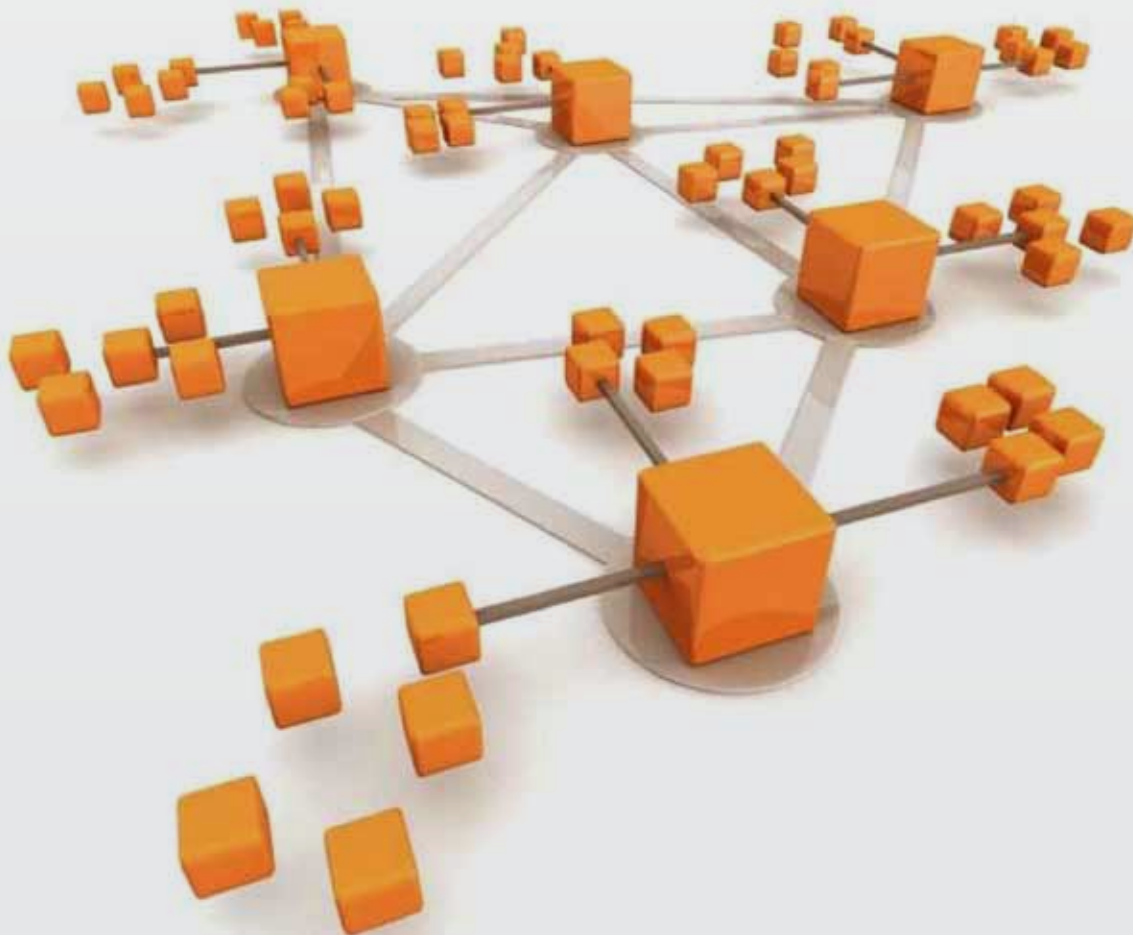
Amendment to the Uganda Securities Exchange (USE) Rules

The CMA approved amendments to the USE Fees Charges and Penalties Rules 2012 to insert a cap on all listing fees. The Authority also approved amendments to trading rules to allow for more liquidity in equities trading.

Regional Intergration

The harmonisation of the East African Community (EAC) Securities Legal and Regulatory framework has been identified as a priority area in the implementation of

the EAC Common Market Protocol. This harmonisation is to proceed by way of EAC Council Directives. The Capital Markets Authority approved the submission of the EAC Council Directives on Public Offers for Equity, Fixed Income and Asset Backed Securities; Collective Investment Schemes; Corporate Governance for Market Intermediaries; Listing; Licensing of Market Intermediaries; and Admission to a Secondary exchange, to the partner states Council of Ministers. The Council of Ministers approved the Directives which will be transposed into domestic law.



COMMUNICATION AND INVESTOR EDUCATION

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Improving Communication, Investor Education for Market Development

During this financial year, emphasis was placed on improving the communication lines with external stakeholders. The media, being a critical stakeholder were a key focus since they are a major ally in the dissemination of information about the market.

The department embarked on bridging the existing information gap using new media channels to ensure that more people are reached. Below are the key highlights of the FY 2013/14.

Capacity building for financial journalists

A total of fifteen financial reporters and editors were trained under the partnership with the Association of Chartered Certified Accountants (ACCA) Uganda. The training held on 15th April, 2014 addressed the media's role in enhancing Corporate Governance, and the gate keeping role of accountants. The training yielded good media coverage as reporters were equipped with information and knowledge on various practical issues relating to governance.

Information dissemination through exhibitions, seminars/ workshops

The Department disseminated information through exhibitions, most of them organized by entities associated with CMA. Information was also shared during the various events that were organized by CMA, where opportunities to exhibit were arranged. These included the following seminars, workshops and conferences:

1. The Domestic Investors Expo organized by the Ministry of Finance, Planning and Economic Development, together with Uganda Investment Authority and held on 20th September, 2013 at Hotel Africana. The Expo was aimed at showcasing Government's initiatives that benefit the Ugandan investor to create continually improving business operating conditions across all sectors. CMA was invited as one of the agencies to participate in the organising committees and as exhibitors at the

expo. The expo attracted hundreds of people and was opened by Vice President, H. E Edward Kiwanuka Sekandi. The expo attracted over sixteen government agencies.

2. The Financial Literacy Week held from 21st- 23rd November, 2013 at the Uganda Manufacturers Association Main Hall. CMA exhibited and information material was distributed at the three day event that attracted over 500 people including students, professionals (nurses, soldiers, etc.), members of investment clubs and SACCOs, among others.
3. The 3rd annual directors and company secretaries' conference, under CMA's partnership with the Institute of Chartered Secretaries and Administrators (ICSA) Uganda. The one day conference on "Enterprise Governance; Governance for All" took place on 21st February, 2013 at the Protea Hotel. Over 200 participants, including directors of companies, CEOs, company secretaries, business men, lawyers and accountants attended. CMA's CEO, Mr. Keith Kalyegira made the opening remarks where he appealed to private companies to consider the option of listing to grow their businesses. CMA made a presentation on corporate bond issuance in Uganda and also exhibited and distributed information material during this conference.
4. The Banking, Finance and Insurance Expo which took place from 20th - 22nd March, 2014 at the Uganda Manufacturers Association Exhibition hall; organised by Royal Way Media limited. CMA exhibited and distributed information material during this event which was attended by over 5,000 people. These included banking and insurance practitioners, students, government officials, CEOs of various organizations, and other regulators including the Bank of Uganda, Insurance Regulatory Authority and Uganda Retirement Benefits Regulatory Authority.

Investor/ Issuer outreaches

210 secondary school students were reached through the secondary school seminars held during the year. These were from Masaka SS, St. Henry's College Kitovu



COMMUNICATION AND INVESTOR EDUCATION continued...



and Masaba SS in Mbale. 200 potential investors, who comprised of university students, Rotaractors and Investment club members were educated about investing in the securities market. A total of 172 senior officials from various organizations were reached with respect to issuance of securities. These included CEOs, CFOs and directors of companies.

In May 2014, CMA organized a Corporate Evening, where over 100 potential issuers were invited to listen to ARM Kenya's CEO, Mr. Pradeep Paurana as he shared his company's growth story from a family owned business into a top listed company in Kenya, with operations across the African continent. Up to 80 potential issuers attended the event. Hon. Maria Kiwanuka was the chief guest. A panel comprising a tax expert, businessman, lawyer and investment banker discussed Mr. Paurana's presentation, putting his experience into perspective for the Ugandan businessmen.

The annual Kikonyogo Capital Markets Award

The Communication and Investor Education Department spearheaded the organization of the 11th Kikonyogo Capital Markets Award (KCMA) held on 31st October, 2013 at the Kampala Serena Hotel. The award was organised under the theme, "Driving Growth in the Capital Markets". Mr. James Mworira, the CEO of Centum Investment Company Limited was the key note speaker and delivered a speech titled, "The Role of Capital Markets in Financing East Africa's Growth through

Infrastructure". The event, which attracted over 150 guests from the private and public sectors, was graced by two ministers, the Minister of Finance, Planning and Economic Development, Hon. Maria Kiwanuka, who was also the chief guest, and the State Minister for Investments, Hon. Gabriel Ajedra Ajidri. The 11th KCMA was held to recognise outstanding service to the capital markets through the following categories: Financial Literacy, Financial Journalism, Fund Management and Outstanding Contribution to the sector. A total of seven licenses exhibited at the event, which was sponsored by Umeme Limited, Bank of Uganda, Centum Investment Limited, ACCA Uganda, Citi Bank and the New Vision Publications.

Using social media as an education tool

Social media continues to be a critical platform for engaging with CMA's audiences especially in today's cyber era where communication has been transformed by such small and mobile devices as phones. CMA has three social media platforms, these are facebook, twitter and linkedin. The facebook page (www.facebook.com/cmauganda) saw an increase in the number of likes from 182 at the end of June 2013 to 380 at the end of June 2014. The twitter handle (www.twitter.com/cmauganda) number of followers increased from 827 to 1,030. The LinkedIn page which was opened on 31st August, 2013 stood at 30 followers as at the end of June 2014. The pages have been largely utilized to communicate the developments within CMA and the market in general.





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Market Activity at the Uganda Securities Exchange

All major securities market indicators were in positive territory during the financial year. Share volume transacted rose by 84.8% to 2,436.45 million shares from 1,318.25 million shares transacted in a similar period during the previous financial year. Turnover¹ was also up by 66.4% to close at Ush 333 billion compared to Ush 200 billion the previous financial year.

Total market capitalization rose by 19.8% to Ugx 23.16 trillion from Ugx 19.33 trillion reported in the previous financial year (see figure 1). On the other hand, domestic market capitalization was also up by 20.15% to close the period under review at Ush 3.16 trillion from Ush 2.63 trillion previously. The USE All-Share index that tracks share price movements closed 14.54% higher at 1,696.84 points from the previous close of 1,481.38 points.

The stellar performance at the USE was as a result of the prevailing low inflation, a stable domestic currency, the sale of Umeme shares by Actis and a drop in yields on treasury securities.

Figure 1: Trends in Equity Turnover and Share Volume (Financial Year 2009/10-2013/14)





Table 1: Summary of Market Activity at the USE (2012/13-2013/14)²

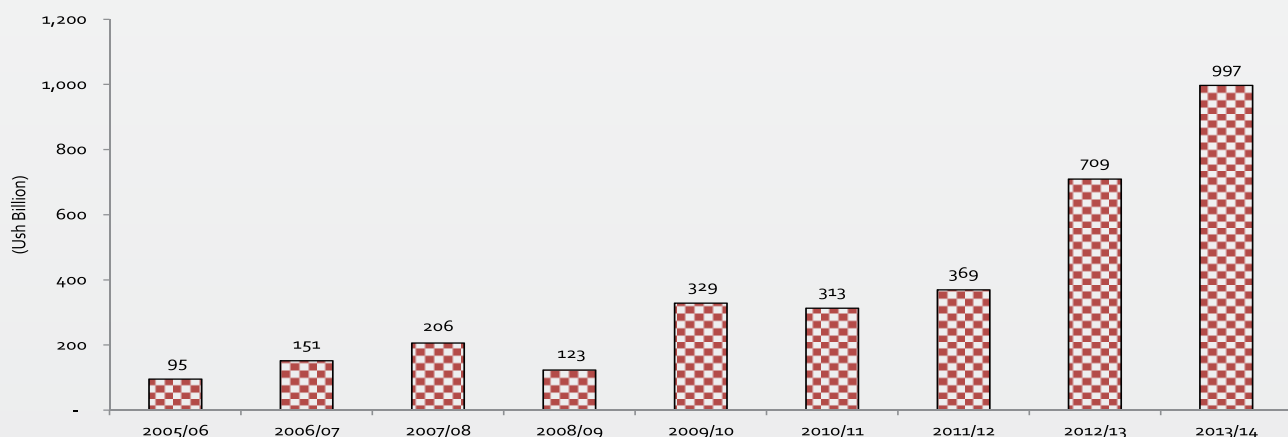
	2013/14	2012/13	Percentage change (%)
Share Volume (Million)	2,436.45	1,318.25	84.82
Turnover (Ugx Billion)	333.09	200.19	66.37
Market Capitalization (Ugx Trillion)	23.16	19.33	19.81
Domestic Market Capitalization (Ugx Trillion)	3.16	2.63	20.15
USE All Share Index	1,696.84	1,481.38	14.54

Source: Uganda Securities Exchange

Fund Management

Funds under management by Fund Managers licensed by CMA rose by 41% from Ush709 billion at the end of the previous financial year to Ush 997 billion (see figure 2). The growth in funds under management was due to increased returns from underlying assets under management and addition of new clients by various schemes with funds under management.

Figure 2: Trends in Funds under Management (2005/06 - 2013/14, Ush Billion)



Source: CMA Legal and Market Supervision Department

Research and Market Development

CMA continued with efforts aimed at disseminating research information relevant to a wide spectrum of stakeholders within the capital markets industry in Uganda. Towards this end, CMA undertook the annual Capital Markets Players Survey, which aims at collecting data on performance indicators of intermediaries licensed by CMA in order to guide intervention measures aimed at growing the market. Additionally, policy papers on Real Estate Investment Trusts (REITs) and Fees in the capital markets were also completed. Through these research efforts pertinent information on various aspects of the capital markets was disseminated to various stakeholders.

²Figures as at the 30th June in each fiscal year

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Staff Recruitment

Following the retirement of the Chief Executive Officer, Mr. Japheth Katto in December, 2013, a new Chief Executive Officer - Mr. Keith Kalyegira was appointed with effect from January 2014 for a five year renewable term.

Structural Adjustments

In line with the strategic plan, the department undertook the implementation of structural adjustments recommended by Ernst & Young and approved by the Board in the previous financial year to facilitate the attainment of short and long term strategic goals.

The review also led to the creation of a new department - Communication and Investor Education which was tasked with the role of public education as well as addressing CMA's communication needs.

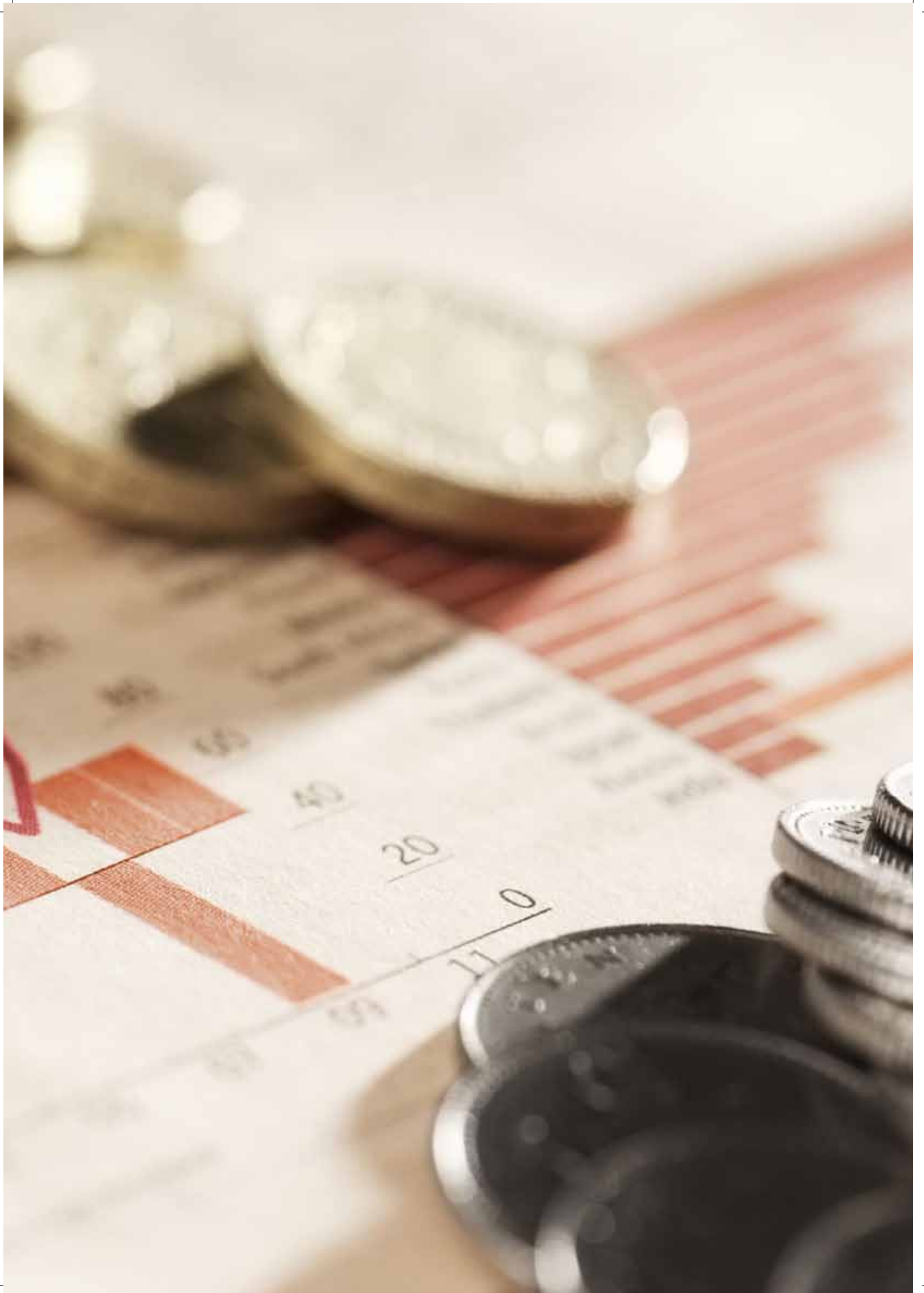
Staff training and development

Staff training remains an essential area of focus for CMA because the human resources are the engine of the Authority. Both technical and behavioral competencies are necessary for attaining the desired targets from each individual. More than 50% of the staff undertook training from local, regional and international training centers. This percentage is in line with the commitment made in the Human Resource manual to ensure that at least half of the staff is trained annually as part of skills enhancement. Some of the training areas included Leadership & Management; Market Development and Supervision and Financial Reporting

Performance management

Effective performance management is critical to retaining good employees and achieving a productive workforce. The department embarked on the process of revising the performance management framework to ensure effective monitoring and measurement of individual, departmental and organizational outputs. The new tool will be ready for use for the next performance appraisal period.







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One of CMA's key objectives in driving growth was to ensure financial sustainability by enhancing the Authority's revenue while reducing unit expenditure. This was achieved in 2013/2014 whereby the Authority posted a surplus of UGX 0.5 Billion, although this showed a 42% drop from UGX 0.9 Billion posted in 2012/2013.

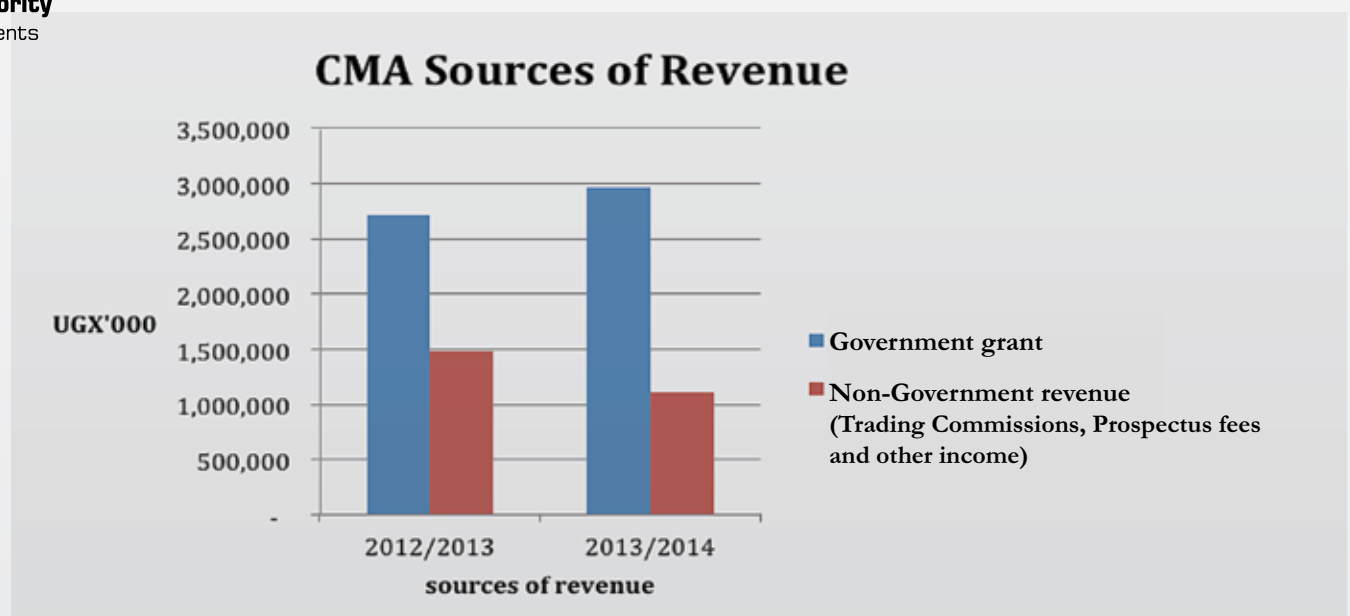
STATEMENT OF FINANCIAL POSITION

Revenue

The Authority continued to raise revenues from the same sources with Government funding (UGX 2.7 Billion) comprising 65% of the total revenue which is consistent with the CMA Act cap 84 that stipulates Government as the main funder of the Authority. Income from trading commission increased by 61% to UGX 0.9 Billion in 2013/2014 from UGX 0.6 Billion in 2012/2013. This was largely due to the Umeme secondary offer. Prospectus & Floatation fees (UGX 0.2 Billion) were boosted by issue fees worth UGX 0.08 Billion collected from Kakira Sugar Limited which sought to raise USD 30 Million in a Corporate Bond issue.

Below is a graph showing the various revenue sources over the years 2012/13 and 2013/2014

Figure 1: Revenue Sources over the years 2012/13 and 2013/2014



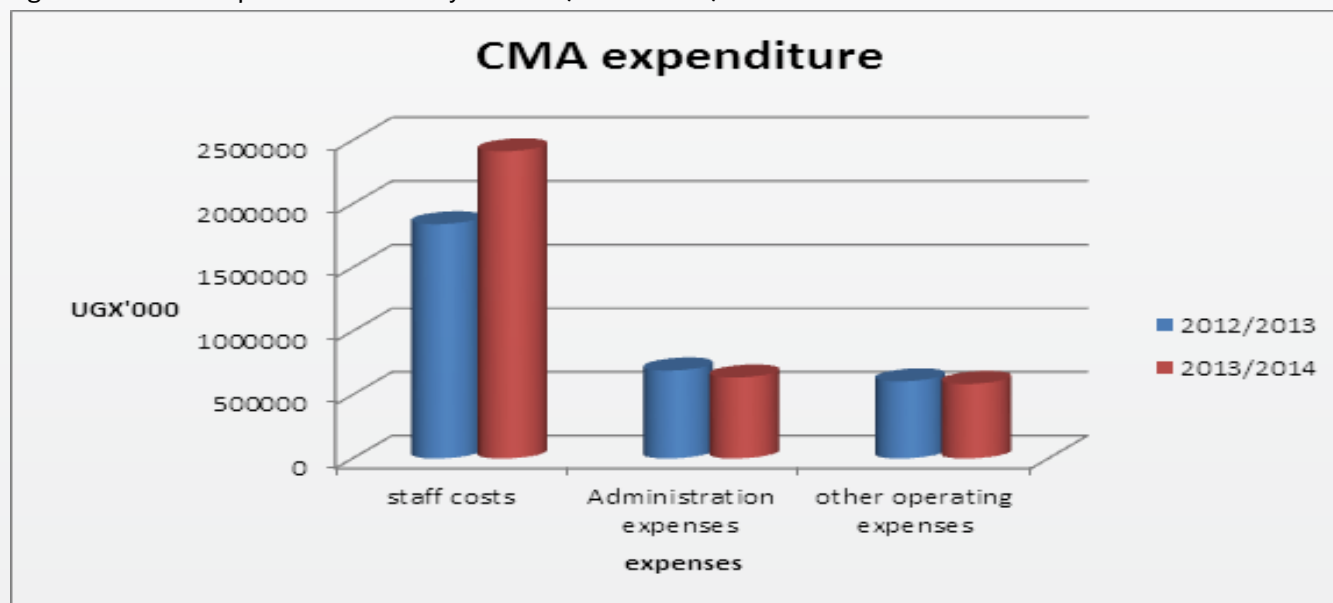
Expenses

The total expenditure incurred by the Authority in 2013/14 increased by 16% from UGX 3.1 Billion in 2012/2013 to UGX 3.6 Billion in 2013/2014. This was due to staff costs which increased by 31% from UGX 1.8 Billion in 2012/2013 to UGX 2.4 Billion in 2013/2014 as a result of the implementation of the organizational structure review recommendations.



The graph below shows CMA's expenses over the years 2012/13 and 2013/14.

Figure 2: CMA's expenditure over the years 2012/13 and 2013/14



STATEMENT OF FINANCIAL POSITION

Total Assets

The non-current assets reduced by 32% from UGX 0.2 Billion to UGX 0.1 Billion due to depreciation and amortization. The Held to Maturity investments reduced by 36% from UGX 1.6 Billion in 2012/2013 to UGX 1 Billion in 2013/2014 due to the maturity of some of the investments. The following graph shows movement in Assets over the years 2012/2013 and 2013/2014.

RESERVES & LIABILITIES

General fund

The general fund increased by 16% from UGX 2.5 Billion in 2012/13 to UGX 2.9 Billion in 2013/14. The growth is due to the surplus on the general fund totalling UGX 0.5 Billion Netted off 10 % (UGX 0.09 Billion) of the prior year's profit which was transferred to the Investor Compensation Fund. The general reserve will go a long way in funding the acquisition of the Authority's office space.


Investor Compensation Fund

The investor compensation fund is provided for in the CMA Act and it was set up primarily to enhance investor protection. The fund grew by 39% from UGX 0.7 Billion in 2012/2013 to UGX 1 Billion in 2013/2014. The growth was mainly because of contributions by broker/dealers which increased by 61% from UGX 0.08 Billion in 2012/2013 to UGX 0.1 Billion in 2013/2014.



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DIRECTORS

Mr. Grace Jethro Kavuma- (Chairman)
 Ms. Harriet Lwabi
 Ms. Miriam Magala
 Mr. Deo J.B. Kayemba
 Mr. Paul Patrick Mwanja
 Mrs. Agnes Tibayeita Isharaza
 Mr. Emmanuel Muwazi
 Mr. John Fisher Kanyemibwa
 Mr. Philip Wabulya
 Mr. Bemanya Twebaze
 Mr. Keith Kalyegira - (Chief Executive Officer)

REGISTERED OFFICE

Capital Markets Authority
 8th Floor, Jubilee Insurance Centre
 14 Parliament Avenue
 P O Box 24565
 Kampala

BANKERS

Stanbic Bank Uganda Limited
 17 Hannington Road
 Crested Towers
 P.O. Box 7131
 Kampala

Standard Chartered Bank Uganda Limited
 5 Speke Road
 P.O. Box 7111
 Kampala

COMPANY SECRETARY

Mrs. Angela Kiryabwire Kanyima
 Director Legal and Market Supervision
 Capital Markets Authority
 8th Floor, Jubilee Insurance Centre
 14 Parliament Avenue
 P.O. Box 24565
 Kampala

AUDITORS

Auditor General
 Ministry of Finance Building
 Plot 2/12 Apollo Kaggwa Road
 P.O. Box 7083
 Kampala

DELEGATED AUDITORS

Deloitte & Touche
 Certified Public Accountants (Uganda)
 3rd Floor Rwenzori House
 1 Lumumba Avenue
 P.O. Box 10314
 Kampala

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REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2014

The directors present their report together with the audited financial statements for the year ended 30 June 2014, which disclose the state of affairs of Capital Markets Authority ('the Authority').

PRINCIPAL ACTIVITY

The Authority was established under the Capital Markets Authority Act (Cap 84) for the purpose of promoting and facilitating the development of an orderly, fair and efficient capital markets industry in Uganda and regulating stock exchanges, brokers/dealers, investment advisors and all other persons dealing in securities business.

The Authority is mainly funded from the Government of Uganda consolidated fund as stipulated in section 8, sub-section 1 and 2 of the CMA Act (Cap 84).

RESULTS

	General Fund	Investor compensation Fund	Total
	Ushs'000	Ushs'000	Ushs'000
Surplus before tax	558,727	196,934	755,661
Withholding tax on investment income	(32,471)	(9,365)	(41,836)
Surplus for the year	526,256	187,569	713,825
	=====	=====	=====

DIRECTORS

The present membership of the board of directors is set out on page 24. Mr. Awel Uwihanganye resigned from the board on 3rd March 2014.

AUDITORS

In accordance with Article 163 of the Constitution of the Republic of Uganda and Sections 13 (1) (a), 17 and 23 of the National Audit Act, 2008, the financial statements of the Authority shall be audited once every year by the Auditor General. Section 23 of National Audit Act, 2008 permits the Auditor General to appoint private auditors to carry out such audit on his/her behalf. For the year ended 30 June 2014, Deloitte & Touche Certified Public Accountants were appointed to act on behalf of the Auditor General.

BY ORDER OF THE BOARD

DIRECTOR LEGAL & MARKET SUPERVISION/ SECRETARY TO THE BOARD

..... 2014
Kampala



STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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 the requirements of the Capital Markets Authority's Act, and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Capital Markets Authority Act. The directors are of the opinion that the accompanying financial statements give a true and fair view of the state of the financial affairs of the Authority and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Signed on behalf of the Board of Directors by:

Chairman

 Director
8th September 2014

CEO

 Director
8th September 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS AT 30TH JUNE, 2014

	Note	2014			2013		
		General Fund Ushs'000	Investor Compensation Fund Ushs'000	Total Ushs'000	General Fund Ushs'000	Investor Compensation Fund Ushs'000	Total Ushs'000
Revenue							
Government grants	5	2,719,189	-	2,719,189	2,967,031	-	2,967,031
Donations	6	48,400	-	48,400	43,200	-	43,200
Prospectus and floatation fees		177,750	-	177,750	171,909	-	171,909
Licensing fees income		67,198	-	67,198	60,158	-	60,158
Interest income		194,551	66,995	261,546	149,968	57,972	207,940
Other income	7	14,977	-	14,977	37,812	-	37,812
Release of capital grants	15	66,806	-	66,806	74,287	-	74,287
Commission income		908,089	130,344	1,038,433	565,741	80,821	646,562
		4,196,960	197,339	4,394,299	4,070,106	138,793	4,208,899
Expenses							
Staff costs	8	(2,414,365)	-	(2,414,365)	(1,841,209)	-	(1,841,209)
Administration expenses	9	(637,222)	(405)	(637,627)	(691,829)	(400)	(692,229)
Other operating expenses	10	(586,646)	-	(586,646)	(607,020)	-	(607,020)
		(3,638,233)	(405)	(3,638,638)	(3,140,058)	(400)	(3,140,458)
Surplus before tax	11	558,727	196,934	755,661	930,048	138,393	1,068,441
Withholding tax on investment income		(32,471)	(9,365)	(41,836)	(29,994)	(11,594)	(41,588)
Surplus for the year		526,256	187,569	713,825	900,054	126,799	1,026,853
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income for the year, net of tax		526,256	187,296	713,825	900,054	126,799	1,026,853

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STATEMENT OF CASH FLOWS AS AT 30TH JUNE, 2014

	General Fund Ushs'000
At 1 July 2012	
Total comprehensive income for the year	1,691,888
Transfer to Investor Compensation Fund	900,054
	(55,539)

At 30 June 2013	2,536,403
	=====
At 1 July 2013	2,536,403
Total comprehensive income for the year	526,256
Transfer to Investor Compensation Fund	(90,005)

At 30 June 2014	2,972,654
	=====

	Note	2014 Ushs'000	2013 Ushs'000
OPERATING ACTIVITIES			
Surplus before tax		755,661	1,068,440
Adjustment for:			
Interest income		(261,546)	(207,940)
Depreciation	12	66,806	74,287
Amortisation of software	13	5,856	7,083
Release of capital grants	18	(66,806)	(74,287)
Gain on disposal of property and equipment		-	(21,480)
Write-off of damaged software	13	-	26,773
		-----	-----
		499,971	872,876



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Decrease /(increase) in receivables		29,656	(221,651)
(Decrease)/increase in payables and accrued expenses		(50,231)	20,121
		_____	_____
Net cash flows generated from operating activities		479,396	671,346
		_____	_____
INVESTING ACTIVITIES			
Purchase of property and equipment	12	(32,110)	(20,969)
Proceeds from sale of property and equipment		-	21,480
Purchase of treasury bills & Fixed deposits		(4,178,590)	(5,440,957)
Interest income received on investments		175,402	128,976
Redemption of treasury bills & Fixed deposits		4,705,675	4,368,781
		_____	_____
Net cash flows generated from/(used in) investing activities		670,377	(942,689)
		_____	_____
FINANCING ACTIVITIES			
Capital grant received	18	32,110	20,969
		_____	_____
Net cash flows from financing activities		32,110	20,969
		_____	_____
Net increase /(decrease) in cash and cash equivalents		1,181,883	(250,373)
Cash and cash equivalents as at 1 July		1,010,080	1,260,453
		_____	_____
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	17	2,191,963	1,010,080
		=====	=====



2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2.1 *New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements*

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Authority has applied the amendments to IAS 1, Presentation of Items of Other Comprehensive Income, for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' (and the 'income statement' is renamed as the 'statement of profit or loss'). The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The new terminologies have been adopted in these financial statements.

Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)

The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Authority are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

IAS 19 Employee Benefits (as revised in 2011)

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

The application of the amendment had no effect on the Authority's financial statements as the Authority does not have defined benefit obligations and plan assets.



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2.2 Impact of new and amended standards and interpretations on the financial statements for the year ended 30 June 2014 and future annual periods.

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss. The directors of the Authority anticipate that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the Authority's financial assets and financial liabilities

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the Authority do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the financial statements as the Authority does not have any financial assets and financial liabilities that qualify for offset.

2.3 Early adoption of standards

The Authority did not early-adopt any new or amended standards in 2013/14.



3. SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards. For the purposes of the Capital Markets Authority Act, in these financial statements, the balance sheet is equivalent to the statement of financial position and the profit and loss account is represented in the statement of profit or loss and other comprehensive income.

BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention.

CURRENCY

The financial statements are presented in Uganda shillings (Ushs'000)

REVENUE RECOGNITION

Government grants and donations including non-monetary grants are only recognised when there is reasonable assurance that the grants and donations will be received and the Authority will be able to comply with the conditions attaching to them. The grants are recognised as income on a systematic and rational basis over the useful life of the assets they are used to acquire.

Interest income is recognised in the statement of comprehensive income on an accruals basis. Licensing fees from broker/dealers and investment advisers are recognised when the Authority has received an application for licence or renewal trading fees from brokers/dealers are recognised when received.

GOVERNMENT GRANTS

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

TRANSLATION OF FOREIGN CURRENCIES

Transactions in foreign currencies during the year are converted into Uganda shillings at rates ruling at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

MOTOR VEHICLES AND EQUIPMENT

Motor vehicles and equipment is stated at historical cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Depreciation is calculated on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

Office equipment	3 years
Furniture and fittings	5 years
Motor vehicles	4 years



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MOTOR VEHICLES AND EQUIPMENT (CONTINUED)

The Authority assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Authority estimates the asset's recoverable amount. Where the carrying amount of an asset exceeds its estimated recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Impairment losses are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An item of motor vehicle and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognized.

INTANGIBLE ASSETS

Where software is not an integral part of the related hardware, computer software is treated as an intangible asset. Intangible assets are measured initially at cost and are subsequently shown at historical cost less any accumulated amortization. Intangible assets are amortized on a straight-line basis over their useful lives of 4 years.

INVESTOR COMPENSATION FUND

The Investor Compensation Fund consists of contributions by the Authority (10% of any surplus for the prior year) from the general fund, compensation fund fees charged on brokers' commission and interest accruing from investment of the fund cash in treasury bills and other investments.

TAXATION

Capital Markets Authority is an exempt organization in accordance with Section 2 of the Income Tax Act 1997.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise of cash on hand, cash at bank, investments maturing within 3 months and other short term highly liquid investments.

FINANCIAL INSTRUMENTS

a) *Initial recognition of financial instruments*

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

b) *Finance assets*

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Authority commits to purchase or sell the asset.

The Authority's financial assets include bank balances, held-to-maturity investments and receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity investments when the Authority has the positive intention and ability to hold until maturity.



Bank balances and receivables

Bank balances and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'Financial assets held for trading', designated as 'financial Investments-available for sale' or 'financial assets designated at fair value through profit or loss'.

Subsequent measurement

After initial measurement, bank balances, held-to-maturity investments and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortisation is calculated by taking into account any discount or premium on acquisition fees and costs that are an integral part of the effective interest rate. The amortization is included in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Authority has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Authority has transferred substantially all the risks and rewards of the asset, or (b) the Authority has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

c) Financial liabilities

The Authority's financial liabilities include payables and broker dealer deposits.

Subsequent measurement

After initial measurement, the Authority's financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

De recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.



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IMPAIRMENT OF FINANCIAL ASSETS

The Authority assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can reliably be estimated.

Evidence of impairment may include indications that the debtor or group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE AUTHORITY'S ACCOUNTING POLICIES

In the process of applying the entity's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of judgement in applying the Authority's accounting policy are dealt with below:

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

Provisions

Where the Authority has a legal or constructive obligation as a result of a past event that will result in an outflow of economic benefits from the Authority, provisions are recognized. The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation at the reporting date.

Property and equipment

Estimates of useful lives of property and equipment are made.

The depreciation method reflects the pattern in which economic benefits attributable to the asset flows to the entity. The useful lives of these assets can vary depending on a variety of factors, including but not limited to technological obsolescence, maintenance programs, refurbishments and the intention of management.

The estimation of the useful life of an asset is a matter of judgement based on the past experience of the Authority with similar assets and the intention of management.

Motor vehicles and equipment

Critical estimates are made by the directors in determining depreciation rates for property and equipment.



	2014	2013
	Ushs'000	Ushs'000
5 GOVERNMENT GRANTS		
Bank of Uganda (note a)	417,890	529,031
Ministry of Finance, Planning and Economic Development	2,301,299	2,438,000
	<u>2,719,189</u>	<u>2,967,031</u>
	=====	=====
a) Bank of Uganda grant		
Total funds received	450,000	550,000
Transfer to capital grant (Note 18)	(32,110)	(20,969)
	<u>417,890</u>	<u>529,031</u>
	=====	=====
The transfers to the capital grant are used to purchase property and equipment.		
6 DONATIONS	2014	2013
	Ushs'000	Ushs'000
Orient Bank (car wash event)	-	5,000
Donations for the Kikonyogo Capital Markets Award (KCMA) event	48,400	38,200
	<u>48,400</u>	<u>43,200</u>
	=====	=====
7 OTHER INCOME		
Miscellaneous income	14,977	16,332
Disposal of property and equipment	-	2,480
	<u>14,977</u>	<u>37,812</u>
	=====	=====
8 STAFF COSTS		
Salaries and wages	1,656,712	1,245,370
Staff provident fund	239,473	165,670
NSSF contribution	146,772	94,274
Staff gratuity	43,599	79,207
Staff medical scheme	58,897	50,507
Staff welfare	261,918	200,150
Overtime & other allowances	6,994	6,031
	<u>2,414,365</u>	<u>1,841,209</u>
	=====	=====



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	2014	2013
	Ushs'000	Ushs'000
9 ADMINISTRATION EXPENSES		
Office general expenses	151,892	165,246
Office rent	205,649	146,216
Depreciation	66,806	74,287
Legal and compliance	13,163	19,509
Motor vehicle maintenance and fuel	33,552	47,166
Telephone, fax, postage and e-mail	16,262	14,202
Subscriptions	32,637	52,315
Publication, printing and stationery expenses	22,376	30,450
Statutory audit expenses	32,766	19,368
Consultancy fees	-	73,037
Internal audit fees	22,000	22,000
Office repairs and maintenance	11,601	11,430
Bank charges	5,623	5,393
Advertisement and media coverage	16,085	4,527
Foreign exchange loss	954	-
Amortisation of software	5,856	7,083
	<hr/>	<hr/>
	637,222	692,229
	=====	=====
10 OTHER OPERATING EXPENSES		
Mass education	129,928	133,867
Capacity building	182,870	204,757
Regional co-operation	170,901	129,894
Directors' fees and allowance	56,650	63,700
Other Board expenses	46,297	74,802
	<hr/>	<hr/>
	586,646	607,020
	=====	=====
11 SURPLUS BEFORE TAX		
The surplus before tax is stated after charging:		
Auditors' remuneration	32,766	19,368
Depreciation	66,806	74,287
Directors' fees and allowances	56,650	63,700
	<hr/>	<hr/>
	=====	=====



12 MOTOR VEHICLES AND EQUIPMENT

	Office equipment Ushs'000	Furniture& fittings Ushs'000	Motor vehicles Ushs'000	Total Ushs'000
Cost				
At 1 July 2012	219,311	299,890	484,702	1,003,903
Additions	17,360	3,609	-	20,969
Disposals	(86,612)	(4,229)	(65,429)	(156,270)
At 30 June 2013	150,059	299,270	419,273	868,602
At 1 July 2013	150,059	299,270	419,273	868,602
Additions	30,520	1,590	-	32,110
At 30 June 2014	180,579	300,860	419,273	900,712
Accumulated depreciation				
At 1 July 2012	204,698	285,754	302,283	792,735
Charge for the year	12,470	4,868	56,949	74,287
Disposals	(86,612)	(4,229)	(65,429)	(156,270)
At 30 June 2013	130,556	286,393	293,803	710,752
At 1 July 2013	130,556	286,393	293,803	710,752
Charge for the year	15,581	4,756	46,469	66,806
At 30 June 2014	146,137	291,149	340,272	777,558
Net Book Value				
At 30 June 2014	34,442	9,711	79,001	123,154
At 30 June 2013	19,503	12,877	125,470	157,850

As at 30 June 2014, motor vehicles and equipment with cost of Ushs 631,351,071 (2013: Ushs 601,965,424) was fully depreciated but still in use.



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	2014 Ushs'000	2013 Ushs'00
13 INTANGIBLE ASSETS		
Cost		
At 1 July	28,332	55,105
Write-offs	-	(26,773)
At 30 June	28,332	28,332
Amortization		
At 1 July	17,631	10,548
Charge for the year	5,856	7,083
At 30 June	23,487	17,631
Net Book Value	4,845	10,701
	=====	=====
Intangible assets include computer software.		
14 HELD-TO-MATURITY INVESTMENTS		
(a) Fixed deposits	1,582,175	-
	1,582,175	-
(b) Treasury bills		
Maturing within three months	135,387	1,851,595
Maturing after three months	-	348,744
	135,387	2,200,339
Total held-to-maturity investments	1,717,562	2,200,339
	=====	=====

The weighted average effective interest rate earned on the above investments for the year ended 30 June 2014 was 12% (2013: 11.83%).

	2014 Ushs'000	2013 Ushs'000
15 RECEIVABLES		
Staff advances	67,463	121,853
Prepayments	52,937	47,716
Activity advance	-	396
Sundry debtors	1,717	22,577
Dealers/brokers	161,171	120,402
	283,288	312,944
	=====	=====



Amounts due from dealer/brokers are non-interest bearing and have a 20 day payment period. The other receivables are non-interest bearing and are due on demand.

	2014	2013
	Ushs'000	Ushs'000
16 INVESTOR COMPENSATION FUND		
a) Investor compensation fund account	297,717	124,992
	=====	=====
b) Investor compensation fund liabilities		
Amount on investor compensation fund account (Note 16 (a))	297,717	124,992
Investments	672,119	573,036
Receivables	22,134	16,368
	-----	-----
	991,970	714,396
	=====	=====
c) Investor compensation fund account movement		
At 1 July	714,396	532,058
Interest on fixed income**	57,630	46,378
10% of surplus from general fund	90,005	55,539
Commission income	130,344	80,821
Bank charges	(405)	(400)
	-----	-----
At 30 June	991,970	714,396
	=====	=====
**Reconciliation of the interest on fixed income		
Interest on fixed income (gross)	66,995	57,972
Withholding tax on fixed deposits at 15% (Treasury Bills 20%)	(9,365)	(11,594)
	-----	-----
	57,630	46,378
	=====	=====
17 CASH AND BANK BALANCES		
Cash at bank	1,348,436	807,084
Cash at hand	1,302	637
*Matured Fixed deposit with DFCU bank	540,906	-
	-----	-----
	1,890,644	807,721
	=====	=====

*This amount relates to a fixed deposit investment held with DFCU bank which had matured by 30 June 2014. As at that date, the principal and interest earned were held with DFCU. The investment was rolled over after year end on 16th July 2014.



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For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments maturing within three months, net of bank overdrafts. The cash and cash equivalents at 30 June comprise the following:

	2014 Ushs'000	2013 Ushs'000
Broker/dealer bank account	3,602	77,367
Investor compensation fund bank account	297,717	124,992
Cash at bank and in hand	1,890,644	807,721
	<u>2,191,963</u>	<u>1,010,080</u>
	=====	=====
18 CAPITAL GRANT		
At 1 July	157,850	211,168
Capital grant received during the year	32,110	20,969
Release of capital grant to income	(66,806)	(74,287)
	<u>123,154</u>	<u>157,850</u>
	=====	=====
19 BROKER/DEALER DEPOSITS		
Broker/dealer deposits	120,000	115,000
	=====	=====
<p>Broker/dealer deposits relate to deposits received from licensees as stipulated by the licensing regulations at the time of commencing business and are refundable upon exit. There was one new licensee during the year under review.</p>		
20 PAYABLES AND ACCRUED EXPENSES		
Creditors	54,957	72,053
Other payables	58,077	96,212
	<u>113,034</u>	<u>168,265</u>
	=====	=====

The amounts payable do not attract any interest and are ordinarily settled within 30 days.

21 RELATED PARTIES

i) Transactions and balances with related parties

The following were the transactions carried out with related parties and the balances as at 30 June:

a) List of related parties

- Bank of Uganda
- Ministry of Finance Planning and Economic Development
- Directors



b) Amounts due from related parties

	2014	2013
	Ushs'000	Ushs'000
Bank of Uganda - Held-to-maturity investments	135,387	2,200,339
	=====	=====

c) Transactions with related parties

	2014	2013
	Ushs'000	Ushs'000
Bank of Uganda		
Interest income received from held-to-maturity investments	21,422	207,940
	=====	=====
Grant received	450,000	550,000
	=====	=====
Ministry of Finance Planning and Economic Development		
Grant received	2,301,299	2,438,000
	=====	=====
Board members' remuneration		
Members' fees and allowances	56,650	63,700
	=====	=====

The transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions.

ii) Key management compensation

Salaries and other short-term employment benefits	441,125	349,230
Gratuity	43,599	79,207
	=====	=====

22 CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 2014 (2013: Nil).

23 FINANCIAL RISK MANAGEMENT

The Authority has exposure to the following risks from its financial instruments.

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk

The Authority's business activities include the promotion and facilitation of the development of an orderly, fair and efficient capital markets industry in Uganda. Management endeavours at all times to minimise risks. Management has put in place policies in all its functions as a control against risk exposure.

The Authority generates some of its revenues by investing in various income generating activities which involve trading in Government securities. These activities expose the Authority to a variety of financial risks, including credit risk, liquidity risk and market risk. The Authority's overall risk management programme



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focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by management under policies approved by the Board. Management reviews the market trends and information available to evaluate the potential exposures and then develops strategies to mitigate against market risks. Management provides written principles for overall risk management, as well as written policies covering specific areas such as foreign currency risk, interest rate risk, credit risk and investing excess liquidity.

The Authority's risks are managed as follows:

(a) Credit risk

Credit risk arises from amounts receivables, bank balances and held-to-maturity investments. As part of the credit risk management system, management monitors the status of financial institutions where deposits are maintained.

The amount that best represents the Authority's maximum exposure to credit as at 30 June is made up as follows:

	2014	2013
	Ushs'000	Ushs'000
Bank and cash balances	2,191,963	1,010,080
Held-to-maturity investment	1,717,562	2,200,339
Receivables	283,288	312,944
	<u>4,192,813</u>	<u>3,523,363</u>
	=====	=====

All the above financial assets were fully performing and none are impaired. No collateral is held for any of the above financial assets. All financial assets that are neither past due nor impaired are within their approved credit limits, and no financial assets have had their terms renegotiated.

(b) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and market securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Authority monitors its risk to shortage of funds using budget analysis. This involves analysing maturities of both its financial assets and liabilities. The Authority's objective is to maintain a balance between continuity of funding and flexibility through the use of investments and cash collections from share trading operations on the Uganda Securities Exchange.

The table below summarises the maturity profile of the Authority's financial assets and liabilities based on contractual undiscounted payments.

	0-3months	4-6months	7-12months	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
At 30 June 2014				
Financial assets				
Cash & bank balances		2,191,963	-	-2,191,963
Held-to-maturity investments	658,581	1,058,981	-	1,717,562
Receivables	283,288	-	-	283,288



	3,133,832	1,058,981	-	4,192,813
Financial liabilities				
Payables and accrued expenses	55,408	-	57,625	113,033
Broker and dealer deposits	-	-	120,000	120,000
	55,408	-	177,625	233,033
Net liquidity gap	3,078,424	1,058,981	(177,625)	3,959,780
	=====	=====	=====	=====
(c) Liquidity risk				
At 30 June 2013				
Financial assets				
Cash and bank balances	1,010,080	-	-	1,010,080
Held-to-maturity investments	1,851,595	284,822	63,922	2,200,339
Receivables	312,944	-	-	312,944
	3,174,619	284,822	63,922	3,523,363
Financial liabilities				
Payables and accrued expenses	72,053	45,462	50,750	168,265
Broker and dealer deposits	-	-	115,000	115,000
	72,053	45,462	165,750	283,265
Net liquidity gap	3,102,566	239,360	(101,828)	3,240,098
	=====	=====	=====	=====

d) Market Risk

Foreign currency risk

The Authority undertakes certain transactions denominated in foreign currencies and is therefore exposed to exchange rate fluctuations. The Authority minimises the impact of foreign exchange rate fluctuations through negotiation of foreign exchange rates. In addition the Authority is looking at possibilities of opening a dollar account to handle foreign exchange transactions as well as holding accounts in banks where the exchange rates are favourable. As at year-end, there were no balances denominated in foreign currency.



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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 Authority's exposure to the risk of changes in market interest rate will arise from general increase in interest rates since the Authority invests mainly in fixed deposits with banks. The risk would be lost opportunities to invest funds at higher rates. Another risk that the Authority faces is loss of funds in case of bank failure since fixed deposits are not secured. The Authority invests in more than one bank and for shorter periods as a risk diversification strategy. The Authority does not have any interest bearing liabilities.

24 EVENTS AFTER THE REPORTING PERIOD

There are no reportable events after the reporting date.

25 COMMITMENTS AND CONTINGENCIES

The Authority had no capital commitments as at period end (2013: Nil)



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