



Capital Markets Authority
Protecting Your Investments

ANNUAL REPORT

2013



SETTING A NEW PATH

CMA Vision

To make Uganda's Capital Market the **MOST VIBRANT, EFFICIENT** and **COMPETITIVE CENTER** 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**

30th November, 2013

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, 2013.

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

Respectfully yours,



Grace Jethro Kavuma
Board Chairman

Chairman's Review



Grace Jethro Kavuma
Board Chairman

Getting Ready for THE HARVEST....

Like a farmer who sets out to prepare for the harvest, ensuring that the barns and granaries have enough room to secure the harvest; the 2012/2013 financial year at the Capital Markets Authority (CMA) has been a year of preparation for the anticipated growth in Uganda's capital markets.

A bigger part of the last 17 years since the Authority and the capital markets industry were established has been devoted to putting in place the requisite legal and regulatory framework to facilitate and promote a vibrant and dynamic capital market. Looking ahead, CMA is going to focus translating the good and robust laws we have developed into more listings on the stock exchange, especially the indigenous private companies. We would also like to see a more vibrant and liquid stock market that should be in position to sufficiently absorb the excess liquidity in the more developed markets; looking for high yield investments in emerging markets like Uganda.

The 2013/14-2015/16 strategic plan which the Authority launched this financial year lays out a clear path of how to achieve this goal. Emphasis will be placed on promoting the corporate bond market which has a lot of potential but it's yet to be fully utilized as an avenue for long-term finance for both the private and public sectors. The formalization of the pension sector with the coming into force of the Uganda Retirement Benefits Regulatory Authority (URBRA) Act is expected to unlock the potential of this sector to mobilize long-term savings. Such savings are meant to be invested in long-term finance products like corporate bonds and this is clearly stipulated in the URBRA Act.

Therefore the capital markets will not only provide a viable investment opportunity for the pension funds, but also a long-term funding opportunity for both the private and public sectors in Uganda. Uganda's capital markets are better placed to facilitate the financing of the on-going government drive to put in place sufficient infrastructure stock to provide a firm foundation to Uganda's economic growth. The successful Initial Public Offer (IPO) of UMEME Ltd aimed at raising capital to expand and upgrade Uganda's electricity distribution network is a sign of confidence and clear indicator of the vast untapped potential of Uganda's capital markets. The UMEME IPO was not only oversubscribed but was also able to raise a total Ushs 171 billion, the largest raised in the history of the capital markets industry in Uganda.

Growth in itself is not sufficient if it is not under guarded by a robust risk avoidance and mitigation framework. The recent global financial crisis is littered with examples of what unguarded growth can do to a market. The Authority, keen to avoid such pitfalls, plans to gradually adopt a risk based approach

to market supervision that takes into consideration both the inherent risks within market intermediaries and the industry-wide systemic risks.

What the Authority has 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 all our development partners and stakeholders for their support in promoting capital markets in this emerging industry. Particularly, appreciation goes to the Ministry of Finance, Planning and Economic Development, the Bank of Uganda, ACCA and the media for their financial and moral support.

I am grateful to my fellow board members, and confident that together, we will continue to steer CMA to greater heights. I also thank the management and staff of the CMA, ably led by the Chief Executive Officer, for their dedication, hard work and untiring efforts towards the regulation and development of capital markets in Uganda.



Grace Jethro Kavuma
Board Chairman

Chief Executive Officer's Review



Japheth Katto
Chief Executive Office

On THE RUN

In athletics, before you run, you first get on your marks, get set, then run. At the Capital Markets Authority (CMA), 2012-2013 was a year when we set out to make preparations to run.

The Authority has been in existence for seventeen years now and the most part of this period has been spent laying the foundations of a strong, vibrant and competitive capital market. In preparation to launch Uganda's capital markets industry into the growth mode, we completed the 2013/14-2015/16 strategic plan whose focus will be "Driving Growth".

The 2012-2013 financial year was a period of recovery in the capital markets industry, after a volatile 2011-2012 that witnessed one of the highest inflation rates in the last decade. The high inflationary environment adversely affected the growth and performance of the capital markets as investments were diverted to the more lucrative government bond markets. However, as the high inflation rate and government bond yields tempered off in 2012-2013, activity picked up in the capital markets. In the period under review, we witnessed the largest transactions in the history of Uganda's capital markets in both the equity and bond markets.

In July 2012, the Authority approved an African Development Bank, Ushs 125 Billion 10 year bond program. Two tranches of this bond program have since been issued totalling Ushs 25 Billion. Later that year in November, the Authority also approved the Umeme Initial Public Offer (IPO) amounting to Ushs 171 Billion, the largest IPO in the history of Uganda's capital markets. Umeme was the first private company to raise capital through an IPO as all the previous IPOs have had an element of government divestiture. Two commercial banks were also able to increase their capital base as required by Bank of Uganda by issuing bonus shares through the capital market. The market also witnessed the first mergers and acquisitions transaction in 2012-2013 valued at Ushs 112 Billion when Actis sold its 45% stake in DFCU Group to Rabo Development BV and Norwegian Fund for Developing Countries (Norfund). All these developments are an indication of increased confidence in Uganda's capital market and also a sign of better times ahead.

The Authority continued to pursue the amendment of the Capital Markets Authority (CMA) Act CAP 84 in order to be admitted to Appendix A of the International Organisation of Securities Commissions (IOSCO) Multi-Lateral Memorandum of Understanding (MMoU), to enhance the corporate governance standards in the

market and to implement the relevant requirements of the EAC Common Market Protocol. Regarding IOSCO, Uganda is still in Appendix B which includes those jurisdictions that have expressed willingness to comply with the provisions of the IOSCO MMoU which focus on strengthening the information sharing mechanisms

However as the high inflation rate and government bond yields tempered off in 2012-2013 activity picked up in the capital markets.

among IOSCO members. While the Authority was unable to get the amendments in the 2012-2013 financial year, this will continue to be a priority in the 2013-2014 financial year. Admission to Appendix A is critical for investor confidence in Uganda's capital markets.

In addition to the developments on the market and legal fronts, the Authority also continued to promote the capital markets through public education. In the period under review the Authority's public education programs mainly focused on facilitating the

establishment of and strengthening the existing investment clubs in Universities. Investment clubs not only leverage group dynamics in investment but also build the capacity of the university students to actively participate in the capital markets industry both as investors and market participants. The focus on investment clubs notwithstanding, the Authority continued reaching out to potential individual investors and other stakeholders such as financial journalists through seminars, workshops and exhibitions.

At the regional front the Authority engaged with the different stakeholders through various forums like the East African Securities Regulatory Authorities (EASRA) to further the East African capital markets integration agenda. One of the key highlights on this front was the adoption of the Regional Fixed Income Regulations by EASRA to facilitate cross border issuance of fixed income securities in the East African capital markets. These once domesticated in the different national laws of the East African Community (EAC) Partner States will enable issuers of bonds to obtain approval from one regulator which will be recognised by the other capital markets regulators in the EAC. In addition, work is on-going on the development of EAC Securities Directives that will provide a legal framework on various cross border activities in the EAC regional capital markets.

Mindful of the fact that human capital is a critical pillar to the growth and development of any organisation, the Authority undertook a structural review to keep in line with the changing dynamics in Uganda's capital markets industry. This review is expected to greatly enhance the institutional capacity of the Authority to better regulate and promote the capital markets in Uganda. It is envisaged under the new organisational structure that the Authority will in three years have a total staff count of forty-five (45) up from the current twenty-three (23).

Looking forward to 2013-2014, the Authority is going to do a "Kiprotich" in that it will accelerate at full speed from the consolidation stage to the growth stage. Getting more companies to tap into the vast funding opportunities in the corporate bond market will be one of the Authority's main thrust. With the pending liberalisation of the pension sector, we expect to see the growth of the institutional investors such as pension funds that invest long-term. The bond market is well suited for this type of investors. Of course we will not ignore the equity market and will continue advocating for the sale of Government shares in viable companies, encouraging companies to take advantage of the Growth Enterprise Market Segment (GEMS) at the USE and providing new legal and regulatory frameworks for product development.

On behalf of Management and staff of CMA, I would like to thank the CMA Board for their unwavering support and guidance during the period under review. I also wish to thank the many local, regional and international partners, who have supported our efforts to regulate and develop the market.

As this will be my last report in my sixteen years at the Authority as I will be leaving at the end of 2013, I would like to take this opportunity to appreciate the support the capital markets fraternity has accorded me and the Authority during my tenor of service. Special thanks go to the Board members who have provided guidance over the years, the Minister of Finance, Planning and Economic Development, Ministers responsible for various aspects in the Ministry of Finance, the Permanent Secretary/Secretary to the Treasury and his team at the Ministry, the Governor and Deputy Governor Bank of Uganda and their senior staff. Last but by no means least, I wish to thank the exceptional CMA staff for their commitment, hard work, passion and innovation and for supporting me in the development of a fair, transparent and efficient capital market. Clearly I have had an AAA+ team.



Japheth Katto
Chief Executive Officer



Board of **Directors**



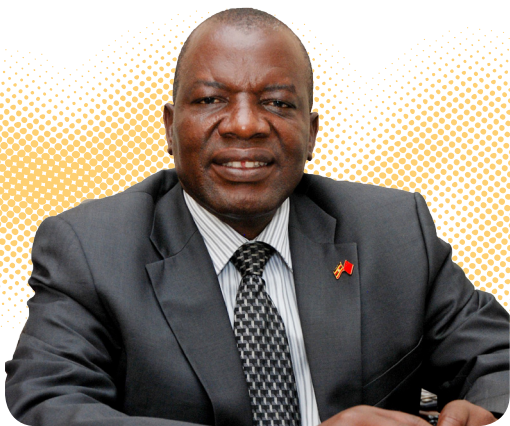
BOARD of Directors



Grace J Kavuma
Chairman



Japheth Katto
Chief Executive Office



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



Harriet Lwabi
Represents the **Solicitor General**



Awel Uwhanganye
Represents **Uganda National Chamber of Commerce & Industry**



Emmanuel Muwazi
Represents **Institute of Certified Public Accountants of Uganda**



Agnes Tibayeita Isharaza
Represents **Uganda Bankers Association**



Paul Patrick Mwanja
Represents the **Permanent Secretary / Secretary to the Treasury Ministry of Finance, Planning and Economic Development**



Bemanya Twebaze
Registrar General

The Capital Markets Authority (CMA) is committed to the highest level of corporate governance and conducts its affairs in line with the principles set out in the Capital Markets Corporate Governance Guidelines, 2003 and international best practice in 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. Details of the Board and Committee meetings held in the year under review and attendance of those meetings are set out in Table B, on page 14.

The Board fulfils key functions, including 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 (Legal & Compliance Director of CMA), 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 as required under the Conflict of Interest Guidelines which apply to both Board and Staff.

Board Training

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

The Board of Directors (as at 30th June 2013)

The CMA Board is composed of 12 members including the CEO in line with the CMA Act.

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 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

TABLE B: CMA BOARD MEMBERS MEETING ATTENDANCE (JULY 2012- JUNE 2013)

Board Member	Board Meetings	Legal & Market Supervision Committee	Finance & Planning Committee	Human Resource & Admin. Committee	Audit & Risk Mgt Committee	Research & Market Dev. Committee ¹
Grace Jethro Kavuma	11/11	NA	NA	NA	NA	NA
Harriet Lwabi	6/11	2/4	NA	2/5	NA	NA
Miriam Magala	10/11	NA	1/2	3/5	NA	1/1 Chairperson
Deo J.B Kayemba	9/11	NA	2/2	4/5 Chairperson	NA	NA
Paul Patrick Mwanja	7/11	NA	2/2 Chairperson	NA	NA	0/1
Agnes Tibayeita Isharaza	11/11	4/4 Chairperson	1/2	NA	NA	NA
Emmanuel Muwazi	8/11	NA	NA	5/5	2/3 Chairman	NA
John Fisher Kanyemibwa	9/11	4/4	NA	5/5	3/3	NA
Awel Uwhanganye	10/11	NA	NA	NA	1/3	1/1
Philip Wabulya	7/11	1/4	NA	NA	NA	1/1
Twebaze Bemanya	4/11	0/4	NA	NA	1/3	NA
Japheth Katto (CEO)	11/11	3/4	2/2	5/5	NA	1/1

¹ No meeting held during the year

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

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 2012 - 2013 the Legal & Market Supervision Committee convened four meetings to consider applications for licenses for Unit Trust Schemes, Unit Trust Managers, Trustee and Investment Advisor. Application for issuance of bonus shares, application for issuance of bonds, application for approval of a prospectus for book building purposes and application for approval of amendments to the Uganda Securities Exchange (USE) rules and the draft Depository Receipt Rules.

The Finance & Planning Committee

The Committee is responsible for guiding the Board on policy matters relating to Finance & Planning. The Authority submitted to the Ministry of Finance, Planning and Economic Development, quarterly reports of activities and financial matters. 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 two meetings during the period to consider the CMA budget for the financial year 2013/2014 as well as to review the annual operational plan and amendments to the Finance and Accounting Manual.

The Human Resource & Administration Committee

Committee assists the Board in the formulation of policies geared towards recruitment, retention and development of qualified personnel to discharge the functions of the Authority. The Committee is also responsible for monitoring and appraising performance of management, handling disciplinary matters and determining remuneration. The Committee held five meetings during the period under review to consider the review of the CMA organisational structure and recruitment of staff.

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 and Risk Management Committee plays a critical role in the corporate governance structure by overseeing internal controls, accountability, reporting structures and risk management. The Audit Committee held three meetings during the period under review to consider the audited financial statements for the year ended 30th June 2012, the Internal Audit work plan and the Internal Audit quarterly reports. The Committee also considered the CMA Risk Management quarterly reports and amendments to the CMA Risk Management Manual. The Committee also considered the report on the audit of the CMA by the Ministry of Finance, Planning and Economic Development.

Research & Market Development Committee

The role of the Research and Market Development Committee is to assist the Board in the formulation of policies that are geared towards research and market development. The Research and Market Development Committee met once 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 brief on the macro-economic impact on stock market performance in Uganda.

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.

LEGAL AND COMPLIANCE REPORT



The Legal and Compliance Department drives the key functions of CMA, which are regulating and promoting a fair transparent and efficient capital markets industry in Uganda; and protecting investors' interests.

THE LEGAL AND COMPLIANCE DEPARTMENT'S ROLE IN SETTING A NEW PATH

- ✓ We approve all public offers of securities (shares, bonds and units in a collective investment scheme). No entity can issue securities to the public without CMA's approval. Every entity that wishes to issue securities in Uganda must publish a detailed prospectus. The prospectus is a formal legal document that provides details about an investment offering of securities for sale to the public and contains the facts that an investor needs to make an informed investment decision. In line with the investor protection mandate of CMA, the Legal and Compliance Department reviews the submitted prospectus to ensure compliance with the Capital Markets Laws and Regulations, and an approval of the prospectus and public offer of securities is granted if the requirements are met.
- ✓ We license and/or approve all market intermediaries. These are;
 - Stock Exchanges
 - Broker/dealers
 - Investment Advisors including Fund Managers
 - Unit Trust Managers
 - Collective Investment Schemes
 - Trustees/Custodians
 - Securities Central Depositories (SCDs)

The market intermediaries are licensed to ensure that they provide quality services to the investors. They report to CMA on a regular basis and CMA also inspects their operations to ensure they comply with the relevant law. CMA is looking towards the introduction of risk based supervision; a new and pragmatic path in enhancing compliance of the market intermediaries.

DEVELOPMENT OF A LEGAL FRAMEWORK

The CMA Board approved the Capital Markets (Regional Bonds Issuance) Regulations, 2013 in a bid to create an enabling environment for raising capital at a regional level.

MARKET SURVEILLANCE AND REGULATORY ACTIONS

Public Offers and Listings

1) African Development Bank Bond Note Programme

The CMA Board at the meeting held on 9th July, 2012 approved an application from African Development Bank (AfDB) to list its bond on the Uganda Securities Exchange (USE). The approved bond note programme was worth Ugx 125 Billion. Consequently, the AfDB bond was listed on the USE on 2nd August, 2012. The initial issue of Ugx 12.5 Billion was oversubscribed by 49%. AfDB listed the second tranche of Ugx 12.5 Billion on 25th June 2013.

2) Umeme Limited Initial Public Offering

The Board, on 11th October, 2012, approved the application by Umeme Limited to list shares on the USE. The shares were listed on 30th November, 2012. This brought the number of listed companies to 15. The Umeme Limited listing was the first private (Government NOT divesting of her shares in a company) listing in Uganda. With shares worth Ugx 171 Billion, the listing marked the biggest initial public offering in the history of the Ugandan capital markets.

3) Bank of Baroda Bonus Issue

In March 2013, the Board approved a Bank of Baroda bonus issue to enable the bank introduce an additional 1.5 Billion shares of par value Ugx 10 to the USE, with each shareholder receiving 1.5 bonus shares for every share held. The bonus issue was in compliance with the Financial Institutions (Revision in Minimum Capital Requirements) Instrument 2010, which requires commercial banks to raise their minimum unimpaired capital from Ugx 4 Billion to Ugx 25 Billion by 2013 in a phased manner. The bonus shares were capitalized from the bank's reserves and increased the paid up capital from Ugx 10 Billion to Ugx 25 Billion, the minimum capital threshold required by Bank of Uganda.

4) Merger transaction between Commonwealth Development Company (CDC), Norwegian Fund for Developing Countries (NORFUND) and Rabo Development B. V.s Bank for acquisition of shareholding in DFCU Limited

On 24th April 2013, the CMA Board approved the exemption to NORFUND and Rabo Development Bank from the Capital Markets (Takeovers and Mergers) Regulations 2012. NORFUND acquired 17.48% more shares in DFCU Limited, bringing their shareholding to 27.54% and Rabo Development Bank acquired 27.54% holding in DFCU Limited. This significantly reduced the shareholding of CDC in DFCU Limited. This was the first time CMA applied the Capital Markets (Takeovers and Mergers) Regulations 2012.

New and Renewed Licenses

During the period under review, the Board approved the following new licenses;

- ✓ Kenya Commercial Bank (U) Limited granted a Trustee License

- ✓ Standard Chartered Bank Ltd granted a Trustee License

With the licensing of the above new Trustees, this increased the providers of trustee services in Uganda from one to three. This sets a good ground for opening up of the collective investment schemes business that has been hindered by lack of other players in the trustee business. This would also open up more investment in the pensions sector that is currently undergoing liberalization.

The Board renewed eight broker dealer licenses; seven Investment Advisory Licenses (part A, B, C) (Fund managers), and 22 Investment Advisory Licenses (part A & B). The full list of licensees is at the back of this report.





PUBLIC EDUCATION REPORT



Increasing PUBLIC PARTICIPATION IN THE CAPITAL MARKET

While the capital market is a market for securities trading, it is important for us to observe that this market needs people - informed people. These are the investors. With information, decision making becomes a lot easier. Education therefore is a critical aspect of the capital markets, but the question is, does all education inform decision making?

The Public Education Unit in the past year has reviewed its strategy to ensure that a new path is set for a new beginning. The capital markets industry is on the route to growth. Markets are grown by people, and better markets are a result of more informed people participating in the business. The Unit, during the period under review, undertook the following initiatives.

1. Developing journalists' capacity; the CMA/ACCA media capacity building programme

Together with our partners, the Association of Chartered Certified Accountants (ACCA) of Uganda, the Public Education Unit organized various outreach programmes for the financial media. Two "short and sharp" journalists' seminars were held in the year. The first one held in December, 2012 focused on the new tax regime and its implication to the Ugandan trader. PWC and KACITA facilitated this seminar. The second one was held on 30th April, 2013, and focused on the national budget analysis and effective budget reporting. PWC, as well as Uganda Radio Network facilitated in this seminar by offering resource persons. A total of 54 journalists were trained.

In June, 2013, two half day seminars were organized for both financial reporters and editors. The need to target editors arose from the feedback given by the reporters, who noted that some of their editors ignore their reports because they appear "complex". The seminars addressed various topics including financial reporting basics and integrated reporting, legal issues in business reporting, and raising long term finance through the capital markets. The two seminars were facilitated by presenters from various organizations including CMA, National Social Security Fund, Stanbic Bank Uganda, UAP Insurance Limited and ICEA Investment Company. A total of 19 journalists were trained.

2. Disseminating information through seminars and exhibitions

The Unit, during the period under review reached out to various groups of people through seminars and exhibitions. The groups included students in secondary schools and universities, individuals in formal working organizations, and associations among others. During these seminars, CMA made tailored presentations on the key aspects in the sector with the aim of ensuring better understanding, clarity and appreciation of the capital markets industry, which would later result into participation. The unit participated in the following seminars and exhibitions:

- The Financial Literacy Week held from 6-7 September, 2012 at the Uganda Manufactures Association main hall, which attracted businessmen, students, investment groups and the private sector. This seminar attracted of over 500 participants. CMA exhibited and also made a presentation about saving and investing with specific emphasis on the capital markets.
- The Banking Finance and Insurance Expo organized by Royal Way Media held from 14-16 March, 2013 which attracted over 2,000 people. These included bankers, businessmen, accountants, finance professionals and students. CMA exhibited and also got a slot to make a one hour presentation during this expo.
- CMA also participated in the PSFU- SME event which was held from 21-23 March, 2013 in Lugogo. CMA exhibited during this three day event which attracted over 1,660 people.
- On 18 April, 2013, CMA participated in the exhibition at the launch of the Vision 2040 at Kolo Airstrip. The event which was presided over by the Head of State attracted over 500 guests.
- Over 150 businessmen, policy makers, government officials and senior executives in private enterprises were reached during the Uganda Local Capital Markets Forum held at the Kampala Serena hotel from 21-22 May, 2013.
- From 10-14 June, 2013, 40 people were impacted during the NSSF Customer Week exhibition

held at the NSSF head office in Kampala. These were mainly pensioners and current NSSF customers from within the central region.

- 906 secondary school students were reached. These were from schools in Kampala, Wakiso, Mbarara, and Masaka districts.
- 320 university students were reached through the investment clubs programme. The universities were Makerere University, Kyambogo University, Kampala International University, Islamic University in Uganda (Kampala and Mbale campuses), Gulu University, Mbarara University of Science and Technology, Kampala University, Ndejje University and Bugema University.
- 119 people were reached through the office to office programme that reaches out to individuals in workplaces, as well as social associations and groups.

During this quarter, the Unit conducted three seminars. The first was held on 10th April, 2013 for Rotarians of the Rotary Club of Naalya, and attracted 43 participants. The second seminar was held at the CMA offices with 51 finalists of Mbarara University of Science and Technology. The students visited the CMA offices as part of their educational tour where they went to various business points to get a practical feel of the financial operations. This was held on 7th May, 2013. The third was a workshop organised by Stanlib Uganda for their trustees, where the Unit was invited to make a presentation on the state of capital markets in Uganda. The workshop was attended by 30 trustees and 7 staff members from Stanlib Uganda and Kenya.

3. Investment Clubs and the University Challenge

The Unit held the 2013 Investment Clubs Challenge on 27th April, 2013 at the Forest Mall grounds, Lugogo. All the seven investment clubs on the programme participated in this activity, where investment club members, CMA staff and ACCA staff washed cars for various stakeholders and members of the public to raise awareness about investment clubs. An exhibition was held alongside the car wash and among the exhibitors were the Central Bank, brokers, fund managers, and other regulatory authorities. The awards ceremony was held later that evening to crown and reward the model investment club and model personality of the year. All the other participating clubs were also recognised and rewarded. This event was presided over by the State Minister in charge of investments, Hon. Gabriel Ajedra. The event attracted a total of 273 people.

Prior to this challenge, the Unit conducted visits to the seven clubs as part of the assessment to qualify them

for the challenge. 146 investment club members were reached during these visits, which were also partly to train the members on the various aspects necessary for managing the clubs, including accountability, leadership and long term investment.

4. The National Financial Literacy Strategy

Bank of Uganda with support from the German Development Cooperation through GIZ spearheaded the development of a National Financial Literacy Strategy, with the aim of promoting financial inclusion. The strategy is built around four pillars, namely: Financial Literacy, Financial Consumer Protection, Financial Innovations, and Financial Services Data and Management. CMA, as a key stakeholder in promoting financial literacy was invited to two of the Financial Literacy Information Sharing Groups. These were the Media Working Group and the Workplace Working Group. The Strategy was launched in August 2013 by the Minister of Finance, Planning and Economic Development.

5. Using Social Media as an Education tool

To further CMA's public education drives, the Authority engaged social media platforms, namely face book and twitter to mainly capture the attention of the youth who actively interact through these platforms. The membership in terms of "likes" for the facebook page (www.facebook.com/cmauganda) stood at 182 likes by the end of June. This number has continued to grow steadily. The two pages are interlinked and therefore information posted on one will also be viewed on the other page. The twitter handle is www.twitter.com/cmauganda.

Setting the Path for Public Education

The Unit has grown its role during the last one year, and as part of this, managed key areas within the Authority including the Public Relations role. Effective July 2013, the Unit will become a fully-fledged department of the CMA and will continue to execute its investor education role. Communication will also be handled within the new beginning. This sets a new challenge for the department but also opens opportunities for a new path. The focus will be on critical activities that yield tangible results to ensure that the market grows. Financial Literacy is a good gauge for an independent and able investor. The department will continue to enhance this role through the various platforms by intensifying on the approaches used to reach out to the investors. Working with partners to create viable synergies; as well as embracing innovation will take center stage for the market to grow and develop.

MARKET DEVELOPMENT REPORT



From Good to Great: DEVELOPING THE CAPITAL MARKETS

1.1 Introduction

In the financial year 2012/2013, the capital markets industry witnessed an increase in activity compared to the previous financial year; with primary issues being recorded in the bond and equity markets, several corporate actions being effected and secondary trading at the Uganda Securities Exchange (USE) rising significantly.

1.2 Bond Markets

During the financial year, the African Development Bank (AfDB) issued two tranches of a *Ugx 125 Billion (US \$ 49.01 Million)* Medium Term Note (MTN).

The first tranche of *Ush 12.5 Billion (US \$ 4.90 Million)* was issued in July 2012 recording an over-subscription by 50%. This tranche was listed at USE on 2nd August 2012. A second tranche of *Ush 12.5 Billion (US \$ 4.82 Million)* was issued in May 2013, recording an over-subscription rate of 55%. The second tranche was listed at the USE on 25th June 2013. The MTN is part of a program which will allow the AfDB to issue bonds in multiple tranches and in local currency to fund infrastructure and other projects in Uganda.

1.3 Equity Markets

1.3.1 Primary Market Activity

Umeme Limited offered shares to the public in an Initial Public Offering (IPO) that ran from 15th October-7th November 2012. The company sold 622 Million shares at a price of *Ush 275* per share that targeted raising *Ush 171.15 Billion*. The offer was over-subscribed by 35% and brought on board 6,464 new shareholders. The shares started trading at the USE on 30th November 2012. Umeme Ltd also cross-listed at the Nairobi Securities Exchange (NSE) on 14th December 2012, marking the first time that a Ugandan company was cross-listing at the Kenyan bourse.

1.3.2 Corporate Actions

Three bonus issues were effected during the financial year by Jubilee Holdings Limited (JHL), Stanbic Bank Uganda Limited (SBU) and Bank of Baroda Uganda Limited (BOBU). JHL (which is cross listed from the NSE) issued and listed an additional 5.4 Million ordinary shares in the ratio of one new ordinary share for every ten ordinary shares held. In a bid to strengthen its share capital, SBU issued an additional 40 Billion ordinary shares in the ratio of four (4) new ordinary shares for every one ordinary share held. The bonus issue raised SBU's paid up share capital from *Ush 10.2 Billion to Ush 51 Billion*.

BOBU also issued bonus shares in the ratio of 1.5 shares for every share held. This increased the number of shares to 2.5 Billion from 1 Billion and enabled the bank to meet the minimum capital requirement of the Bank of Uganda that stands at *Ush 25 Billion (US \$ 9.44 Million)*.

1.3.3 Secondary Market Activity

All key market indicators were on an upward trajectory during the financial year. Share volume transacted rose by over seven times to 1.31 Billion shares from 175.37 Million shares that had changed hands in the previous financial year. Turnover was also up by over 3 times to *Ush 88.26 Billion¹* from *Ush 24.80 Billion*. Market capitalization shot up by 50.66% to *Ush 19.33 Trillion from Ush 12.83 Trillion* reported at the close of the previous financial year.

The USE All-Share Index that tracks share price movement of domestic counters as well as cross-listed counters closed 40.66% higher at 1,481.38 points from the previous close of 1,053.14 points.

On the other hand, domestic price movements as tracked by the Local Counter Index (LCI) edged upwards by 6.72% to 229.78 points from 215.31 points.

The improved performance at the USE was as a result of the prevailing low inflation, a stable domestic currency, the listing of Umeme shares that generated momentum for market activity and a drop in yields on treasury securities that saw investors exit the government debt market for the equities market.

Table 1: Trends in Market Activity at the USE (2010/11-2012/13)²

	2012/13	2011/2012	Percentage (%) Change
Share Volume (Million)	1,318.25	175.37	652
Turnover (Ugx Billion)	88.26	24.80	255.88
Market Capitalization (Ugx Trillion) ³	19.33	12.83	50.66
USE All Share Index ⁴	1,481.38	1,053.14	40.66
USE LCI ⁵	229.78	215.31	6.72

Source: USE

1.4 Fund Management

During the year, funds under management by Fund Managers licensed by the Authority rose by a staggering 60% to *Ush 589 Billion* at the end of the financial year from *Ush 369 Billion* recorded in the previous financial year. The uptick in the value of funds under management was partly driven by improved returns from existing investments in different asset classes as the economy picked up.

Year	Funds Under Management (Ush billion)	Percentage Change (%)
2009/10	329	159
2010/11	313	-5
2011/12	369	18
2012/13	589	60

Source: CMA Legal and Compliance Department

In a related development, the Uganda Retirement Benefits Regulatory Authority licensed seven fund managers to manage funds on behalf of pension schemes in the pensions sector, which is in the process of being reformed. The reforms in the pensions sector are expected to provide a coherent framework for regulating and developing

¹ London based private equity fund Actis sold a 45% stake in DFCU Limited for Ush 111.9 billion to Rabo Development B.V. and The Norwegian Fund for Developing Countries (Norfund) through USE. This transaction however has been excluded from the computation of the total turnover and share volume for the year.

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

the sector. With pension schemes coming under a regulatory ambit, fund managers will have a broader pool of funds for investing in various asset classes in the capital markets industry and other industries.

1.5 Research Initiatives

During the year, CMA undertook a feasibility study on Real Estate Investment Trusts (REITs). Additionally, research was also conducted on Exchange Traded Funds which is an exciting product that market players have expressed interest in. CMA also undertook the annual capital markets players' survey for the year 2012 which monitors the growth and performance of the licensed market intermediaries.

The various research series and initiatives will be used by CMA to remain on top of emerging issues within the industry and inform the formulation of policies relevant to the markets as well as appropriate intervention measures.

1.6 Going Forward

The Ugandan Economy

In the next financial year, the economy is projected to accelerate recovery to an estimated growth rate of 6% from 5.1% recorded in the previous financial year. The projected growth is premised on macro-economic stability characterized by a stable shilling, low interest rates and a low inflation regime. With the performance of the capital markets being directly correlated to economic performance, the industry is projected to post enhanced performance compared to the previous year. However, downside risk to economic growth and improved market activity in the capital markets industry is likely to emanate from inflationary pressures due to supply shocks.

Setting a New Path to Drive growth in the Capital Market

In line with the theme of CMA's new strategic plan of "Driving Growth" by developing a vibrant and receptive market to realize the full potential of Uganda's capital markets, the Research Policy and Planning Department (RPPD) will be undertaking a series of activities to pave the way for the growth. Key among them will include initiatives that will seek to deepen capital markets products and services. A number of feasibility studies are in the offing as well as policy papers to determine the viability, and guide the formulation of a legal framework for products such as REITs, Exchange Traded Funds and financial derivatives.

Additionally, feasibility studies are planned to establish the viability of introducing new information technology platforms. The RPPD will also engage various stakeholders to sensitize them on changes in terms of new products as well as infrastructural upgrades.

Finally, the RPPD will strengthen existing and establish new partnerships to promote domestic, regional and international cooperation. All these efforts will eventually contribute to the overall diversification of the issuers, investors and intermediaries hence facilitate capital markets development.

3 End of period figures

4 End of period figures

5 End of period figures



HUMAN RESOURCE AND ADMINISTRATION REPORT

Moving minds to realize EXCELLENCE THROUGH HUMAN RESOURCE

The Human Resource and Administration department is responsible for the strategic and comprehensive approach to managing people; the workplace culture and environment to enable employees contribute effectively and productively to the overall organizational direction, and the accomplishment of its goals and objectives. In the year under review, the department through its various functions undertook several activities as a measure of setting a new path as follows;

Organization Structural Review

Organizations have to change in order to adapt, improve and prepare for the future by causing and addressing strategic, anticipatory and reactive change. The Authority deemed it necessary to review the organizational structure which had been in place since 2007 with a view to further aligning its human resources with the Authority's strategic directions and priorities, as well as strengthening efficient and effective service delivery to CMA stakeholders. In April 2013, the Authority adopted a new organizational structure which will enable the achievement of short and long term strategic objectives.

Recruitment

The Authority recruited a number of staff in the Market Supervision Unit to enhance its capacity to efficiently and effectively monitor and supervise the market. The newly recruited staff are Market Supervision Manager, Senior

Market Supervision Officer and Market Supervision Officer.

Staff Capacity Building

Various capacity building interventions and initiatives were implemented to enhance the capacity of CMA to achieve its short and long term strategic objectives.

Planned activities for 2013/14

With the steady growth of the market, we forecast that there will be need for continuous improvement in individual and organizational capabilities to further enhance the capacity of CMA to meet the ever changing, and challenging market expectations that arise from time to time.

The Authority plans to recruit more staff, especially in critical areas such as Research, Planning and Policy functions.

FINANCIAL HIGHLIGHTS



FINANCIAL HIGHLIGHTS 2012/13

CMA continued to improve its financial performance for the year ended 30th June 2013. With the objective of financial sustainability, CMA took financial decisions with a focus of achieving long term goals. Below is the overview of the performance for the year 2012/2013 as compared to 2011/12.

STATEMENT OF FINANCIAL POSITION

Revenue

The Authority's sources of revenue remained the same. A total of Ushs. 4.07 Billion was received from Government grants, donations and from the internal sources namely; prospectus and floatation fees, licensing fees, interest on investments and other income. The revenue received in 2012/13 represents an increment of 25% from the previous financial year.

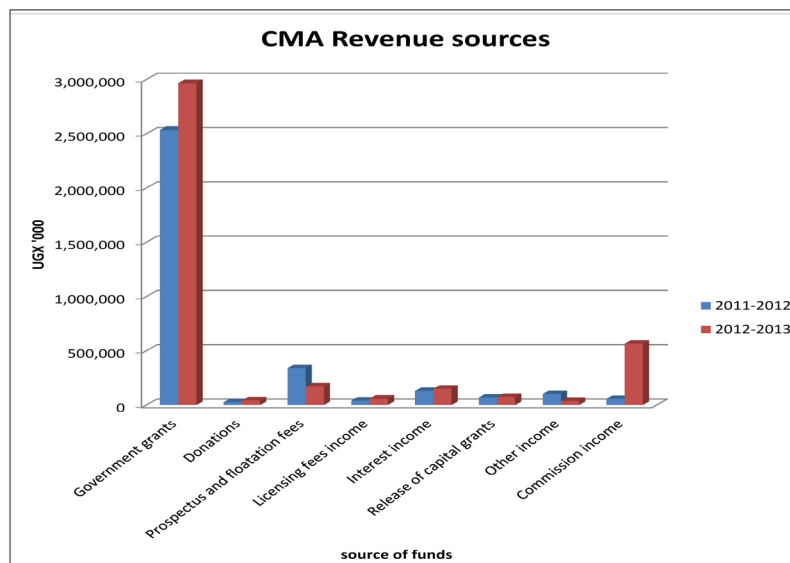
The increase in revenue was due to an 878% increment in Share trading commission from Ushs. 57.86 Million in the year ended 2012 compared to Ushs. 565.74 Million in the year ended 2013. The share trading commission was significantly increased due to the purchase of DFCU shares (111,923,594 Shares) by Rabo Bank Norway and Norfund Norway.

Bank of Baroda issued bonus shares during the year ended. The prospectus and floatation fees reduced by 50% to Ushs 171.90 Million in 2012/2013 from Ugx 340.40 Million in 2011/2012 (in 2011/2012 the fees were higher due to Umeme Ltd share issue and African Development Bank bond issue).

The Authority received its full allocation of Ugx 2.438 Billion from the Government of Uganda through Ministry of Finance, Planning and Economic Development. Bank of Uganda, on behalf of the Government of Uganda also contributed Ushs 550 Million for the year 2012/13. In total, there was a 17% increase in Government of Uganda grants in 2012/2013 to Ushs 2.97 Billion from Ushs2.54 Billion in 2011/2012. The Government of Uganda grant is still the main source of funding representing 60% of the Authority's total revenue.

Below is a graph showing the various revenue sources over the years 2011/12 and 2012/13.

Figure 1: Revenue Sources over the years 2011/12 and 2012/13

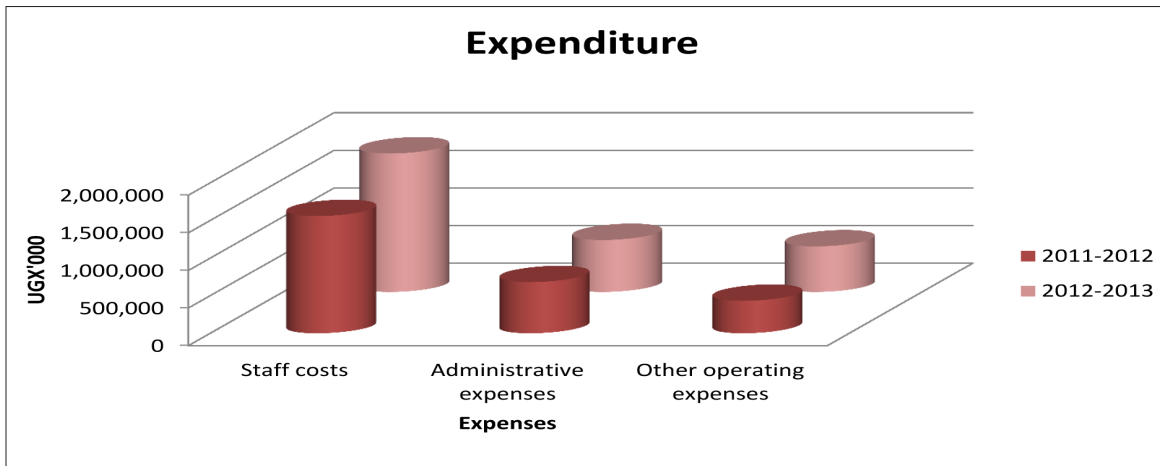


EXPENSES

The total expenditure incurred by the Authority in 2012/13 financial year amounted to Ushs. 3.14 Billion; an 18% increase from 2011/12 expenditure of Ushs. 2.67 Billion. The increase was mainly due to an increase in staff salaries & benefits following the CMA structural review. (staff costs increased by 18% from Ushs 1.56 Million to Ushs 1.84 Million)

Below is a graph showing the various expenses over the years 2011/12 and 2012/13.

Figure 2: Various expenses over the years 2011/12 and 2012/13

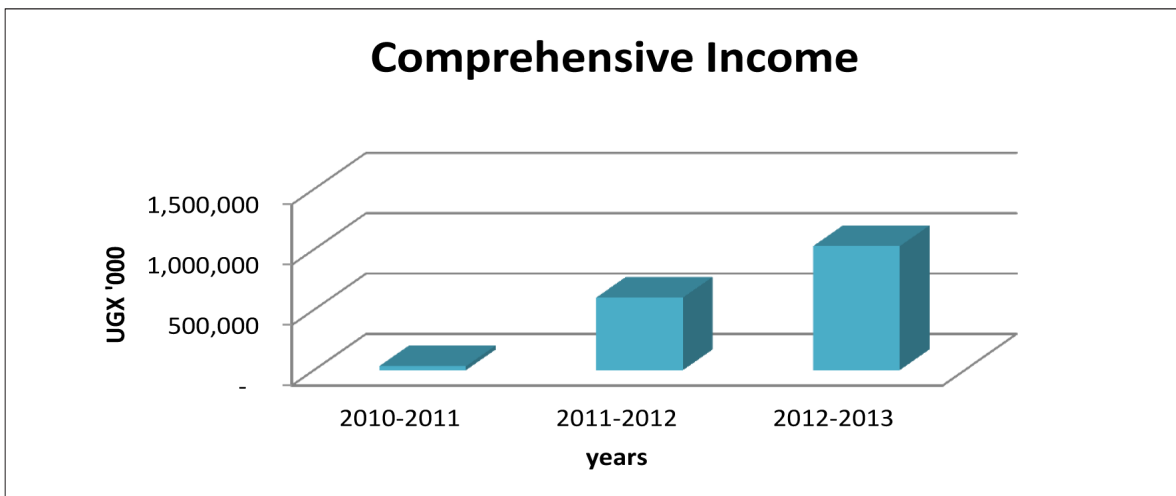


COMPREHENSIVE INCOME

At the conclusion of the financial year 2012/2013, CMA posted a surplus of Ushs. 1.03 billion, an improvement from a surplus of Ushs. 601.4 Million in the previous financial year. The overall increment was due to the increased revenue and managed expenditure analysed above. The Ushs. 1.03 Billion surplus comprised Ushs.900 Million from the CMA general fund and Ushs.126.80 Million from the investor compensation fund.

Below is a graph showing comprehensive income over the years 2010/11 - 2012/13.

Figure 3: Comprehensive Income over the years 2010/11 - 2012/13



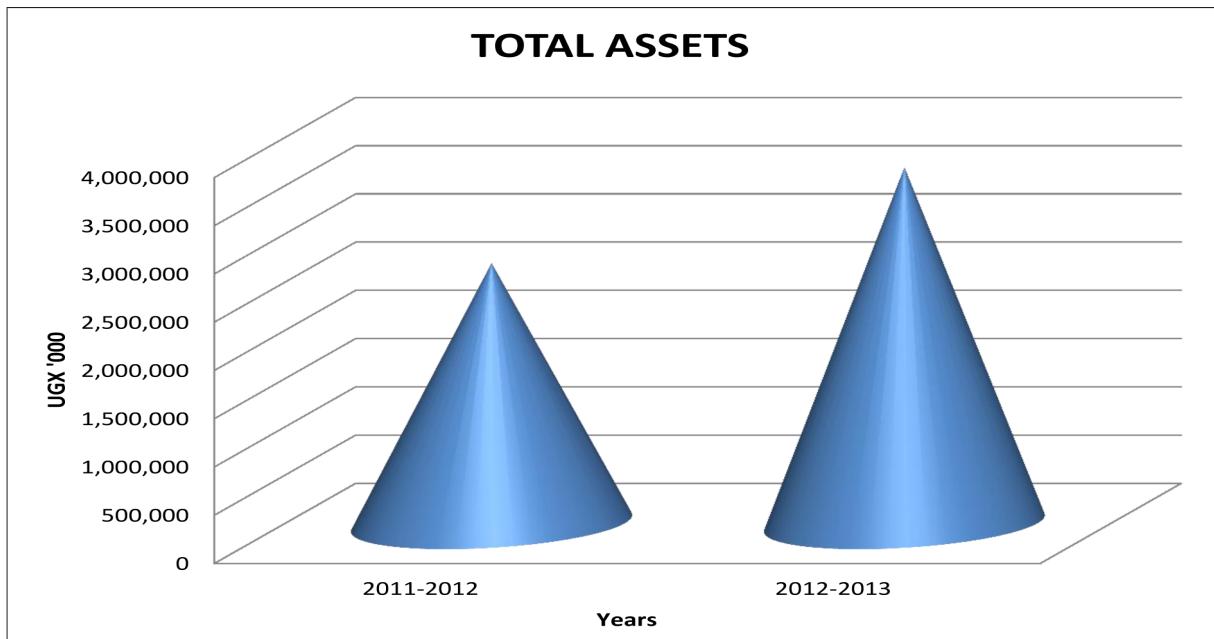
STATEMENT OF FINANCIAL POSITION

Total Assets

The non-current assets reduced by 34% from Ushs. 255.73 Million to Ushs.168.55 Million due to depreciation and amortization of assets. The current assets grew by 44% from Ushs. 2.44 Billion to Ushs. 3.52 Billion due to the growth in held to maturity investments.

Overall, the total assets increased by 37% from Ushs. 2.70 Billion to Ushs. 3.69 Billion as shown in the graph below:

Figure 4: Total assets over the years 2011/12 and 2012/13



RESERVES & LIABILITIES

General fund

The general fund increased by 50% from Ushs. 1.69 Billion in 2011/12 to Ushs. 2.54 Billion in 2012/13. The growth is due to the surplus on the general fund totalling Ushs. 900 Million netted off 10% (Ushs.55.54 Million) of the prior year's profit which was transferred to the investor compensation fund.

Non – current liabilities

The investor compensation fund increased by 34% from Ushs.532.06 Million in 2011/12 to Ushs.714.40 Million in 2012/13. The increment is due to growth in licensee contributions and interest earned on investments.

The capital grant reduced by 25% from Ushs. 211.17 Million to Ushs.157.85 Million. This was due to release of capital grant through depreciation.

Current liabilities

There was no change in the broker/dealer deposits and the payables increased by 14% to Ushs 168.26 Million from 148.14 Million the previous financial year.

Capital Markets Authority

Annual Report and Financial Statements

For the Year Ended 30th June 2013

- Authority information
- Report of the directors
- Statement of directors' responsibilities
- Report of the independent auditors

Financial Statements

- Statement of comprehensive income
- Statement of financial position
- Statement of changes in reserves
- Statement of cash flows
- Notes to the financial statements

Report of the Auditor General on the Financial Statements for the Financial Year Ended 30th June 2013

THE RT. HON. SPEAKER OF PARLIAMENT

I have audited the accompanying financial statements together with notes thereon of Capital Markets Authority (CMA) for the year ended 30th June, 2013. The financial statements which are set out on pages 6 to 25 comprise of;

- Statement of comprehensive income
- Statement of financial position
- Statement of changes in reserves
- Statement of cash flows
- Notes to the financial statement including a summary of significant accounting policies and other explanatory information.

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 in a manner required by the Capital Markets Authority Act (Cap 84) and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on the audit. The audit was conducted in accordance with International Standards on Auditing. Those standards require that I comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers the internal controls 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 purposes of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating

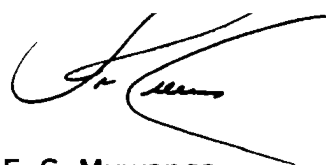
the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Part "A" of this report sets out my opinion on the financial statements. Part "B" which forms an integral part of this report presents in detail all the significant audit findings made during the audit which have been brought to the attention of management.

PART "A"

Opinion

In my opinion the financial statements present fairly, in all material respects, the financial position of Capital Markets Authority as at 30th June 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Capital Markets Authority Act.



John F. S. Muwanga

AUDITOR GENERAL
KAMPALA
23rd October, 2013

AUTHORITY INFORMATION

Principal place of business and 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.

Secretaries

Mrs. Angela Kiryabwire Kanyima
Director Legal and Compliance
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

Ernst & Young
Ernst & Young House
18 Clement Hill Road
Shimoni Office Village
P.O. Box 7215
Kampala.

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 30 June 2013, which disclose the state of affairs of Capital Markets Authority ('the Authority').

1. 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).

2. RESULTS

The results for the year are set out on page 37.

3. DIRECTORS

The directors who served during the year and to the date of this report were:

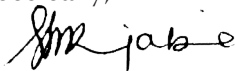
Mr. Grace Jethro Kavuma (Chairman)	-	Appointed on 10 October 2011
Ms. Harriet Lwabi	-	Appointed on 10 October 2011
Ms. Miriam Magala	-	Appointed on 10 October 2011
Mr. Deo J.B Kayemba	-	Appointed on 10 October 2011
Mr. Paul Patrick Mwanja	-	Appointed on 10 October 2011
Mrs. Agnes Tibayeita Isharaza	-	Appointed on 10 October 2011
Mr. Emmanuel Muwazi	-	Appointed on 10 October 2011
Mr. John Fisher Kanyemibwa	-	Appointed on 10 October 2011
Mr. Awel Uwihanganye	-	Appointed on 10 October 2011
Mr. Philip Wabulya	-	Appointed on 20 June 2012
Mr. Bemanya Twebaze	-	Appointed on 24 May 2012
Mr. Japheth Katto	-	Chief Executive Officer

4. 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 2013, M/s Ernst & Young Certified Public Accountants were appointed to act on behalf of the Auditor General.

By Order of the Board

Secretary,



.....11...October..... 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The directors are ultimately responsible for the internal control of the Authority. The directors delegate responsibility for internal control to management. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of the Authority's assets. Appropriate accounting policies supported by reasonable and prudent judgments and estimates, are applied on a consistent and going concern basis. These systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

The directors accept responsibility for the 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 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 any breakdown in the functioning of these controls, resulting in material loss to the Authority has occurred during the year.

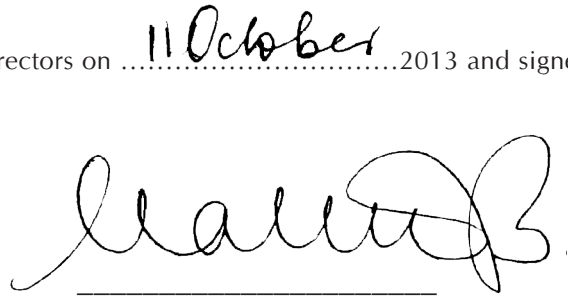
The directors have a reasonable expectation that the Authority has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the financial statements.

The financial statements were approved by the Board of Directors on11 October.....2013 and signed on its behalf by:



Director

11 October



Director

STATEMENT OF COMPREHENSIVE INCOME

	2013		2012			
	General Fund	Investor Compensation Fund	Total	General Fund	Investor Compensation Fund	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Revenue						
Government grants	2	2,967,031	2,967,031	2,535,906	-	2,535,906
Donations	3	43,200	43,200	27,031	-	27,031
Prospectus and floatation fees		171,909	171,909	340,400	-	340,400
Licensing fees income		60,158	60,158	40,879	-	40,879
Interest income	4	149,968	207,940	130,046	44,886	174,932
Other income		37,812	37,812	43,616	-	43,616
Release of capital grants	15	74,287	74,287	70,854	-	70,854
Commission income		565,741	646,562	57,858	8,217	66,075
		4,070,106	4,208,899	3,246,590	53,103	3,299,693
Expenses						
Staff costs	5	(1,841,209)	(1,841,209)	(1,558,781)	-	(1,558,781)
Administration expenses	6	(691,829)	(692,229)	(680,138)	(360)	(680,498)
Other operating expenses	7	(607,020)	(607,020)	(431,212)	-	(431,212)
		(3,140,058)	(3,140,458)	(2,670,131)	(360)	(2,670,491)
Surplus before tax	8	930,048	1,068,441	576,459	52,743	629,202
Withholding tax on investment income		(29,994)	(41,588)	(21,063)	(6,733)	(27,796)
Surplus for the year		900,054	1,026,853	555,396	46,010	601,406
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income for the year, net of tax		900,054	1,026,853	555,396	46,010	601,406

STATEMENT OF FINANCIAL POSITION

	Note	General Fund	Investor Compensation Fund	2013 Total	2012 Total
		Ushs'000	Ushs'000	Ushs'000	Ushs'000
ASSETS					
Non-current assets					
Property and equipment	9	157,850	-	157,850	211,168
Intangible assets	10	<u>10,701</u>	-	<u>10,701</u>	<u>44,557</u>
		<u>168,551</u>	-	<u>168,551</u>	<u>255,725</u>
Current assets					
Held-to-maturity investments	11	1,627,303	573,036	2,200,339	1,090,787
Receivables	12	296,576	16,368	312,944	91,293
Broker/dealer bank account		77,367	-	77,367	12,910
Investor Compensation Fund bank account	13(a)	-	124,992	124,992	529,018
Cash & bank balances	14	<u>807,721</u>	-	<u>807,721</u>	<u>718,525</u>
		<u>2,808,967</u>	<u>714,396</u>	<u>3,523,363</u>	<u>2,442,533</u>
TOTAL ASSETS		<u>2,977,518</u>	<u>714,396</u>	<u>3,691,914</u>	<u>2,698,258</u>
RESERVES AND LIABILITIES					
Reserves					
General fund		<u>2,536,403</u>	-	<u>2,536,403</u>	<u>1,691,888</u>
Non-current liabilities					
Investor Compensation Fund liabilities	13(b)	-	714,396	714,396	532,058
Capital grant	15	<u>157,850</u>	-	<u>157,850</u>	<u>211,168</u>
		<u>157,850</u>	<u>714,396</u>	<u>872,246</u>	<u>743,226</u>
Current liabilities					
Broker/dealer deposits	16	115,000	-	115,000	115,000
Payables & accrued expenses	17	<u>168,265</u>	-	<u>168,265</u>	<u>148,144</u>
		<u>283,265</u>	-	<u>283,265</u>	<u>263,144</u>
TOTAL RESERVES AND LIABILITIES		<u>2,977,518</u>	<u>714,396</u>	<u>3,691,914</u>	<u>2,698,258</u>

The financial statements were approved by the Board of Directors on 11 October 2013 and were signed on its behalf by:

.....
Director

.....
Director

STATEMENT OF CHANGES IN RESERVES

	General Fund Ushs'000
At 1 July 2011	1,139,048
Total comprehensive income for the year	555,396
Transfer to Investor Compensation Fund	<u>(2,556)</u>
At 30 June 2012	<u>1,691,888</u>
At 1 July 2012	1,691,888
Total comprehensive income for the year	900,054
Transfer to Investor Compensation Fund	<u>(55,539)</u>
At 30 June 2013	<u>2,536,403</u>

STATEMENT OF CASH FLOWS

	Note	2013 Ushs'000	2012 Ushs'000
OPERATING ACTIVITIES			
Surplus before tax		1,068,440	629,202
Adjustment for:			
Interest income		(207,940)	(174,932)
Depreciation	9	74,287	70,854
Amortisation of software	10	7,083	4,661
Release of capital grants	15	(74,287)	(70,854)
Gain on disposal of property and equipment		(21,480)	-
Write-off of damaged software	10	<u>26,773</u>	<u>-</u>
		872,876	458,931
(Increase)/decrease in receivables		(221,651)	336
Increase/(decrease) in payables and accrued expenses		<u>20,121</u>	<u>(4,111)</u>
Net cash flows from operating activities		<u>671,346</u>	<u>455,156</u>
INVESTING ACTIVITIES			
Purchase of property and equipment	9	(20,969)	(208,526)
Purchase of intangible assets	10	-	(36,463)
Proceeds from sale of property and equipment		21,480	-
Purchase of treasury bills		(5,440,957)	(2,710,004)
Interest income received on investments		128,976	143,502
Redemption of treasury bills		<u>4,368,781</u>	<u>2,695,571</u>
Net cash flows used in investing activities		<u>(942,689)</u>	<u>(115,920)</u>
FINANCING ACTIVITIES			
Capital grant received	15	<u>20,969</u>	<u>208,526</u>
Net cash flows from financing activities		<u>20,969</u>	<u>208,526</u>
Net (decrease)/increase in cash and cash equivalents		(250,373)	547,762
Cash and cash equivalents as at 1 July		<u>1,260,453</u>	<u>712,691</u>
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	14	<u>1,010,080</u>	<u>1,260,453</u>

NOTES TO THE FINANCIAL STATEMENTS

1. AUTHORITY INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

1.1 AUTHORITY INFORMATION

The Authority is established in Uganda under the Capital Markets Authority Act (Cap 84) 1996, and domiciled in Uganda.

The financial statements of the Authority were authorized for issue in accordance with the resolution of the directors on11 October..... 2013.

1.2 BASIS OF PREPARATION

The financial statements of the Authority have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and the requirements of the Capital Markets Authority Act (Cap 84).

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

The financial statements values are presented in Uganda shillings (Ushs), rounded to the nearest thousand (Ushs'000), except where otherwise indicated.

1.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Significant accounting judgments, estimates and assumptions

The preparation of the Authority's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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.

1.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) 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.

c) 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.

d) 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.

e) Property and equipment

Property 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

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 property 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 derecognition 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.

f) 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.

g) 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.

h) Taxation

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

i) 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.

j) Financial instruments**i) 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.

ii) 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.

Derecognition

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

iii) 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.

Derecognition

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 derecognition 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.

iv) 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.

k) 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.

1.4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year.

Amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Authority:

- **IAS 1 Financial statement presentation (Amendment) – 1 January 2012**

The amendment is effective for annual periods beginning on or after 1 January 2012 and requires that items of other comprehensive income be grouped in items that would be reclassified to profit or loss at a future point (for example, upon derecognition or settlement) and items that will never be reclassified.

- **IAS 12 Income taxes (Amendment) – 1 January 2012**

The amendment is effective for annual periods beginning on or after 1 January 2012 and introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed a use basis should be adopted. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset.

- **Improvements to IFRSs – 2009 – 2011 Cycle (issued in 2012 effective for annual periods beginning on or after 1 January 2013)**

- IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendments)
- IAS 1 Presentation of Financial Statements (Amendments). The amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period.
- IAS 16 Property, Plant and Equipment (Amendment). The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
- IAS 32 Financial Instruments: Presentation. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.
- IAS 34 Interim Financial Reporting The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

Standards issued but not yet effective:

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Authority's financial statements are disclosed below. The Authority intends to adopt these standards, if applicable, when they become effective.

- IAS 19 Post employee benefits (Amendment)
- IAS 27 Separate Financial Statements (as revised in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
- IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
- IFRS 1 time Adoption of international Financial Reporting Standards (Amendment) - Government Loans
- IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS

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- IFRS 9 for financial assets was first published in November 2009 and was updated in October 2010 to include financial liabilities
- IFRS 10 Consolidated Financial Statements; IFRS 11 Joint Arrangements; IFRS 12 Disclosure of Interest in Other Entities
- IFRS 13 Fair Value Measurement
- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine
- IFRIC 21, Levies

	2013 Ushs'000	2012 Ushs'000
2. GOVERNMENT GRANTS		
Bank of Uganda (note a)	529,031	341,474
Ministry of Finance, Planning and Economic Development	<u>2,438,000</u>	<u>2,194,432</u>
	<u>2,967,031</u>	<u>2,535,906</u>
a) Bank of Uganda grant		
Total funds received	550,000	550,000
Transfer to capital grant	<u>(20,969)</u>	<u>(208,526)</u>
	<u>529,031</u>	<u>341,474</u>

The transfers to the capital grant are used to purchase property and equipment.

	2013 Ushs'000	2012 Ushs'000
3. DONATIONS		
ACCA Uganda	-	5,000
Centenary Bank	-	6,000
Private Sector Foundation Uganda	-	16,031
Orient Bank (car wash event)	5,000	-
Donations for the Kikonyogo Capital Markets Award (KCMA) event	<u>38,200</u>	-
	<u>43,200</u>	<u>27,031</u>

	2013 Ushs'000	2012 Ushs'000
4. OTHER INCOME		
Sale of tender documents & sponsorships	-	39,651
Advertising income	-	3,965
Miscellaneous income	16,332	-
Disposal of property and equipment	<u>21,480</u>	-
	<u>37,812</u>	<u>43,616</u>

	2013 Ushs'000	2012 Ushs'000
5. STAFF COSTS		
Salaries and wages	1,245,370	1,121,311
Staff provident fund	165,670	151,573
NSSF contribution	94,274	85,801
Staff gratuity	79,207	79,535
Staff medical scheme	50,507	48,335
Staff welfare	200,150	65,611
Overtime & other allowances	<u>6,031</u>	<u>6,615</u>
	<u>1,841,209</u>	<u>1,558,781</u>

6. ADMINISTRATION EXPENSES	2013 Ushs'000	2012 Ushs'000
Office general expenses	165,246	108,543
Office rent	146,216	141,911
Depreciation	74,287	70,854
Legal and compliance	19,509	27,910
Motor vehicle maintenance and fuel	47,166	120,092
Telephone, fax, postage and e-mail	14,202	19,127
Subscriptions	52,315	54,886
Publication, printing and stationery expenses	30,450	20,781
Statutory audit expenses	19,368	19,848
Consultancy fees	73,037	38,530
Internal audit fees	22,000	17,820
Office repairs and maintenance	11,430	11,113
Bank charges	5,393	5,469
Advertisement and media coverage	4,527	18,049
Foreign exchange loss	-	790
Amortisation of software	7,083	4,661
Provision of bad debts	-	114
	<u>692,229</u>	<u>680,498</u>

7. OTHER OPERATING EXPENSES		
Mass education	133,867	78,589
Capacity building	204,757	126,197
Regional co-operation	129,894	127,586
Directors' fees and allowance	63,700	42,500
Other Board expenses	<u>74,802</u>	<u>56,340</u>
	<u>607,020</u>	<u>431,212</u>

8. SURPLUS BEFORE TAX

The surplus before tax is stated after charging:

Auditors' remuneration	16,100	16,100
Depreciation	74,287	70,854
Directors' fees and allowances	<u>63,700</u>	<u>42,500</u>

9. PROPERTY AND EQUIPMENT

	Office equipment Ushs'000	Furniture & fittings Ushs'000	Motor vehicles Ushs'000	Total Ushs'000
Cost				
At 1 July 2011	206,860	289,692	298,825	795,377
Additions	<u>12,451</u>	<u>10,198</u>	<u>185,877</u>	<u>208,526</u>
At 30 June 2012	219,311	299,890	484,702	1,003,903
Additions	17,360	3,609	20,969	
Disposals	<u>(86,612)</u>	<u>(4,229)</u>	<u>(65,429)</u>	<u>(156,270)</u>
At 30 June 2013	<u>150,059</u>	<u>299,270</u>	<u>419,273</u>	<u>868,602</u>
Depreciation				
At 1 July 2011	187,391	282,043	252,447	721,881
Charge for the year	<u>17,307</u>	<u>3,711</u>	<u>49,836</u>	<u>70,854</u>
At 30 June 2012	204,698	285,754	302,283	792,735

Charge for the year	12,470	4,868	56,949	74,287
Disposals	<u>(86,612)</u>	<u>(4,229)</u>	<u>(65,429)</u>	<u>(156,270)</u>
At 30 June 2013	<u>130,556</u>	<u>286,393</u>	<u>293,803</u>	<u>710,752</u>
Net carrying amount				
At 30 June 2013	<u>19,503</u>	<u>12,877</u>	<u>125,470</u>	<u>157,850</u>
At 30 June 2012	<u>14,613</u>	<u>14,136</u>	<u>182,419</u>	<u>211,168</u>

As at 30 June 2013, property and equipment with cost of Ushs 601,965,424 (2012: Ushs 569,416,317) was fully depreciated but still in use

10. INTANGIBLE ASSETS

	2013 Ushs'000	2012 Ushs'000
Cost		
At 1 July	55,105	18,642
Additions	-	36,463
Write-offs	<u>(26,773)</u>	-
At 30 June	<u>28,332</u>	<u>55,105</u>
Amortization		
At 1 July	10,548	5,887
Charge for the year	<u>7,083</u>	<u>4,661</u>
At 30 June	<u>17,631</u>	<u>10,548</u>
Net carrying amount	<u>10,701</u>	<u>44,557</u>

Intangible assets include computer software.

11. HELD-TO-MATURITY INVESTMENTS

	2013 Ushs'000	2012 Ushs'000
Treasury bills		
Maturing within three months	1,851,595	977,382
Maturing after three months	<u>348,744</u>	<u>113,405</u>
	<u>2,200,339</u>	<u>1,090,787</u>

The weighted average effective interest rate earned on the above investments for the year ended 30 June 2013 was 11.83% (2012: 17%).

12. RECEIVABLES

	2013 Ushs'000	2012 Ushs'000
Staff advances	121,853	64,467
Prepayments	47,716	15,843
Activity advance	396	500
Sundry debtors	22,577	240
Receivables from dealers/brokers	120,402	10,243
WHT recoverable	-	<u>114</u>
	312,944	91,407
Provision for bad debts	-	<u>(114)</u>
	<u>312,944</u>	<u>91,293</u>

13. INVESTOR COMPENSATION FUND

a) Investor compensation fund account	<u>124,992</u>	<u>529,018</u>
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b) Investor compensation fund liabilities		
Amount on investor compensation fund account	124,992	529,018
Investments	573,036	-
Receivables	<u>16,368</u>	<u>3,040</u>
	<u>714,396</u>	<u>532,058</u>
c) Investor compensation fund account movement		
At 1 July	532,058	483,492
Interest on treasury bills**	46,378	38,153
10% of surplus from general fund	55,539	2,556
Commission income	80,821	8,217
Bank charges	<u>(400)</u>	<u>(360)</u>
At 30 June	<u>714,396</u>	<u>532,058</u>
**Reconciliation of the interest on treasury bills		
Interest on treasury bills (gross)	57,972	44,886
Withholding tax at 20% (2012: 15%)	<u>(11,594)</u>	<u>(6,733)</u>
	<u>46,378</u>	<u>38,153</u>

14. CASH AND BANK BALANCES

Cash at bank	807,084	718,000
Cash at hand	<u>637</u>	<u>525</u>
	<u>807,721</u>	<u>718,525</u>

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:

	2013	2012
	Ushs'000	Ushs'000
Broker/dealer bank account	77,367	12,910
Investor compensation fund bank account	124,992	529,018
Cash at bank and in hand	<u>807,721</u>	<u>718,525</u>
	<u>1,010,080</u>	<u>1,260,453</u>

15. CAPITAL GRANT

At 1 July	211,168	73,496
Capital grant received during the year	20,969	208,526
Release of capital grant to income	<u>(74,287)</u>	<u>(70,854)</u>
As at 30 June	<u>157,850</u>	<u>211,168</u>

16. BROKER/DEALER DEPOSITS

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. The deposits did not change from the prior year because there were no new licensees and changes in the licensing regulations during the year.

	2013 Ushs'000	2012 Ushs'000
17. PAYABLES AND ACCRUED EXPENSES		
Creditors	72,053	103,386
Other payables	<u>96,212</u>	<u>44,758</u>
	168,265	148,144

18. 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) Amounts due from related parties

	2013 Ushs'000	2012 Ushs'000
Bank of Uganda – Held-to-maturity investments	<u>2,200,339</u>	<u>1,090,787</u>

b) Transactions with related partiesBank of Uganda

Interest income received from held-to-maturity investments	<u>207,940</u>	<u>174,932</u>
Grant received	<u>550,000</u>	<u>550,000</u>

Ministry of Finance Planning and Economic Development

Grant received	<u>2,438,000</u>	<u>2,194,432</u>
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Board members' remuneration

Members' fees and allowances	<u>63,700</u>	<u>42,500</u>
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The transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions.

	2013 Ushs'000	2012 Ushs'000
ii) Key management compensation		
Salaries and other short-term employment benefits	349,230	275,301
Gratuity	<u>79,207</u>	<u>79,535</u>

19. CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 2013 (2012: Nil).

20. 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 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:

	2013 Ushs'000	2012 Ushs'000
Bank balances	1,010,080	1,260,453
Held-to-maturity investment	2,200,339	1,090,787
Receivables	<u>312,944</u>	<u>91,293</u>
	<u>3,523,363</u>	<u>2,442,533</u>

All the above financial assets were fully performing and none is 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.

	0-3 months Ushs'000	4-6 months Ushs'000	7-12 months Ushs'000	Total Ushs'000
At 30 June 2013				
Financial assets				
Cash & bank balances	1,010,080	-	-	1,010,080
Held-to-maturity investments	1,851,595	284,822	63,922	2,200,339
Receivables	<u>312,944</u>	<u>-</u>	<u>-</u>	<u>312,944</u>
	<u>3,174,619</u>	<u>284,822</u>	<u>63,922</u>	<u>3,523,363</u>
Financial liabilities				
Payables and accrued expenses	72,053	45,462	50,750	168,265
Broker and dealer deposits	<u>-</u>	<u>-</u>	<u>115,000</u>	<u>115,000</u>
	<u>72,053</u>	<u>45,462</u>	<u>165,750</u>	<u>283,265</u>
Net liquidity gap	<u>3,102,566</u>	<u>239,360</u>	<u>(101,828)</u>	<u>3,240,098</u>
At 30 June 2012				
Financial assets				
Cash and bank balances	1,260,453	-	-	1,260,453
Held-to-maturity investments	977,382	58,525	54,880	1,090,787
Receivables	<u>91,293</u>	<u>-</u>	<u>-</u>	<u>91,293</u>
	<u>2,329,128</u>	<u>58,525</u>	<u>54,880</u>	<u>2,442,533</u>
Financial liabilities				
Payables and accrued expenses	103,386	-	44,758	148,144
Broker and dealer deposits	<u>-</u>	<u>-</u>	<u>115,000</u>	<u>115,000</u>
	<u>103,386</u>	<u>-</u>	<u>159,758</u>	<u>263,144</u>
Net liquidity gap	<u>2,225,742</u>	<u>58,525</u>	<u>(104,878)</u>	<u>2,179,389</u>

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) 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. As at year-end, there were no balances denominated in foreign currency.

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 is minimal because the Authority invests in only government treasury bills with fixed interest rates.

21. EVENTS AFTER THE REPORTING PERIOD

There are no reportable events after the reporting date.

CAPITAL MARKETS AUTHORITY

LIST OF LICENSED PERSONS AS AT 30th NOVEMBER, 2013

Capital Markets Authority (CMA) was established by an Act of Parliament, the Capital Markets Authority Act, Cap 84 of the Laws of Uganda. CMA is a statutory body with the primary responsibility of regulating an orderly, fair and efficient capital market in Uganda. In line with its statutory obligations, the Authority hereby publishes a list of persons licensed to conduct securities business in Uganda.

1. Uganda Securities Exchange (USE)

Stock Exchange, Securities Central Depository

4th Floor Prism Building
Plot 71/73, Kampala Road (opposite Biplous)
P.O. Box 23552,
Kampala, Uganda
Tel: 0414 343 297/ 342818, Fax: 0414 340841
E-mail: info@use.or.ug
Contact: Mr. Geoffrey Onegi Obel

4. African Alliance Uganda Limited

Fund Manager, Unit Trust Manager, Investment Advisor & Broker/Dealer

1st Floor Workers House
1 Pilkington Road
Kampala, Uganda
Tel: 0414 235577/ 0417777720,
Fax: 0414- 235575
E-mail: info@africanalliance.co.ug
Contact: Mr. Kenneth Kitariko

2. Genesis Kenya Investment Management Limited

Fund Manager & Investment Advisor

Eco Plaza, Plot 4, Parliament Avenue
P.O. Box 3502,
Kampala, Uganda
Tel: 0414 252343/ 252350
E-mail: genesis@swiftkenya.com
Contact: Mr. Ronald Kasolo

5. Baroda Capital Markets Limited

Broker/Dealer & Investment Advisor

Plot 18 Kampala Road
P.O. Box 7197, Kampala, Uganda
Tel: 0414 -233 680/3,
Fax: 0414- 258263
E-mail: barodacapitalmarket@gmail.com
Contact: Mr. Avinash Kumar Sahani

3. STANLIB Kenya Limited

Fund Manager & Investment Advisor

4th Floor, Crested Towers (Short)
17 Hannington Road
P.O. Box 7131,
Kampala, Uganda
Tel: 0312-224322/600,
Fax: 0414-254697
E-mail: investorinfo2@stanbic.com
Contact: Ms. Annette Rumanyika Mulira

6. Crane Financial Services Limited

Broker/Dealer & Investment Advisor

Crane Chambers
Plot 38, Kampala Road
P.O. Box 22572,
Kampala, Uganda
Tel: 0414- 341414/345345
Fax: 0414- 341414
E-mail: cfs@cranefinancialservices.com
Contact: Mr. Ajay Kumar

7. Crested Stocks and Securities Ltd
Broker/Dealer & Investment Advisor

6th Floor Impala House
Plot 13/15 Kimathi Avenue
P. O. Box 31736,
Kampala, Uganda
Tel: 0414- 230900,
Fax: 0414- 230612
E-mail: info@crestedsecurities.com
Contact: Mr. Robert Baldwin

11. PCP Uganda Limited
Fund Manager & Investment Advisor

Plot M697, Equata Building
2nd Floor UMA showgrounds, Lugogo
P.O. Box 15373, Kampala, Uganda
Tel: 0312 264 980/3/4
Fax: +256 312 264 985
[Email:info@pearlcapital.net](mailto:info@pearlcapital.net)
Contact: Mr. Edward Isingoma Matsiko

8. Dyer and Blair Uganda Limited
Broker/ Dealer and Investment Advisor

Ground Floor, Rwenzori House
P.O. Box 36620,
Kampala, Uganda
Tel: 0414 233 050, 0312 265 469
Email:sharesuganda@dyerandblair.com
Contact: Mr. Paul Bwiso

12. ICEA Investment Services Limited
Fund Manager, Investment Advisor & Unit Trust Manager

Rwenzori Courts
P.O. Box 33953,
Kampala, Uganda
Tel: 0414-347535/ 0414-232337
E-mail: icea@africaonline.co.ug
Contact: Mr. Robert Katabaire

9. UAP Financial Services Ltd
*Fund Manager, Investment Advisor, Broker/
Dealer & Unit Trust Manager*

Floor 1 Communications House
P.O. Box 1610,
Kampala, Uganda
Tel: 0312-370290/ 0414332743/ 0312332743
Fax: 0414-346449
Email: financialservices@uap.co.ug,
info@uap.co.ug
Contact: Mr. Patrick Ndonge

13. Equity Stock Brokers Limited
Broker/Dealer & Investment Advisor

Plot 6/6A Orient Plaza
P.O. Box 3972,
Kampala, Uganda
Tel: 0414 236012/3/4/5,
Fax: 0414 348039
E-mail: equity@orient-bank.com
Contact: Mr. Edward Ruyonga

10. Pine Bridge Investment Co. Limited
Fund Manager & Investment Advisor

1 Pilkington Road,
Workers House, 7th Floor
P.O. Box 9831,
Kampala, Uganda
Tel: 0414 -340707/8, 0312-265618
Fax: 0414 -340750
E-mail: Nicholas.Malaki@pinebridge.com
Contact: Mr. Nicholas Malaki

**14. SBG Securities (Formerly CFC Stanbic
Financial Services Ltd)**
Broker /Dealer & Investment Advisor

4th Floor, Crested Towers (Short),
17 Hannington Road
P.O. Box 7131,
Kampala, Uganda
Tel: 0414-715460/ 0312-224600 / 0312-224985
E-mail: mburuc@stanbic.com
Contact: Ms. Consolata Mburu

15. DeVere and Partners Uganda Limited*Investment Advisor*

B4 Adam House, Plot 11,
Portal Avenue
P.O. Box 21409 Kampala, Uganda
Tel: 0414- 342411/ 340846,
Fax: 0414- 342411
Email: helpdesk@devere-group.com
Contact: Mr. Gavin Cooper

19. Profin Group (Uganda) Limited*Investment Advisor*

Plot 10 School Lane Naguru, Kampala
P O Box 36697,
Kampala, Uganda
Tel: 0414-533261/2,
Fax: 0414 - 533261
Email: Uganda@theprofiningroup.com
Contact: Mr. Gareth Burge

16. Deloitte Uganda Limited*Investment Advisor*

3 Floor Rwenzori House,
1 Lumumba Avenue
P.O. Box 10314,
Kampala, Uganda
Tel: 256-414-343850, 256-752-740300
Email: admin@deloitte.co.ug
Contact: Mr. George Opiyo

20. PricewaterhouseCoopers Limited*Investment Advisor*

10th Floor Communications House
1 Colville Street Kampala
Tel: 0414- 236018/ 233 743
Fax: 0414- 239153
E-mail: general@ug.pwc.com
Contact: Mr. Francis Kamulegeya

17. Standard Chartered Bank Uganda Limited*Trustee, Collective Investment Schemes & Investment Adviser*

Plot 5, Speke Road,
P.O Box 7111,
Kampala, Uganda
Tel; +256 31 229 4459/ 41434 0077
Fax: +256 414231473
Email: ug.service@sc.com
Contact: Mr. Isaac Bakuraira

21. DFCU Bank Limited*Trustee, Collective Investment Schemes*

Impala House, 13 Kimathi Avenue
P.O. Box 70,
Kampala, Uganda
Tel: 0414-231784/256891/3,
0312 - 300300/376
Fax: 0414-231687/ 344260
E-mail: official@dfcugroup.com
Contact: Mr. Walusimbi Kaweesa

18. PKF Consulting Limited*Investment Advisor*

Plot 1B Kira Road,
kalamu House
P. O. Box 24544, Kampala, Uganda
Tel: 0414- 341523/5,
Fax: 0414 251370, 341371
E-mail: pkfkam@ug.pkfea.com
Contact: Mr. Murtuza Dalal

22. KCB Bank Uganda Limited*Trustee, Collective Investment Schemes*

7th Floor Commercial Plaza
Plot 7, Kampala Road
P.O. Box 7399, Kampala
Tel: 0417-118200,
Fax: 0414 345751
E-mail: kcbugandaho@kcb.co.ug
Contact: Mr. Anthony Kituuka

23. Burbidge Capital (U) Limited*Investment Advisor*

Course View Towers,

7th Floor.

Plot 21, Yusuf Lule Road

P.O. Box 7519, Kampala

Tel: 0312 - 314384

E-mail. info@burbidgecapital.com**Contact:** Mr. Joel Ssemukaya

In case of any other inquiries, please contact the Director, Legal and Compliance, Capital Markets Authority, Jubilee Insurance Centre, 8th Floor, 14 Parliament Avenue, P. O. Box 24565, Kampala Uganda, Tel +256 414 342788/91, +256 312 264950/1, Fax +256 414 342803, Email: info@cmauganda.co.ug, Website: www.cmauganda.co.ug



Regulate



Develop



Educate



Intergrate



Capital Markets Authority
Protecting Your Investments

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