

PROTECTING YOUR
Investments

Annual Report
2019 - 2020





Capital Markets Authority

Protecting Your Investments



Vision:

To establish Uganda's capital market as the most efficient and trusted center for attracting and providing capital in Africa



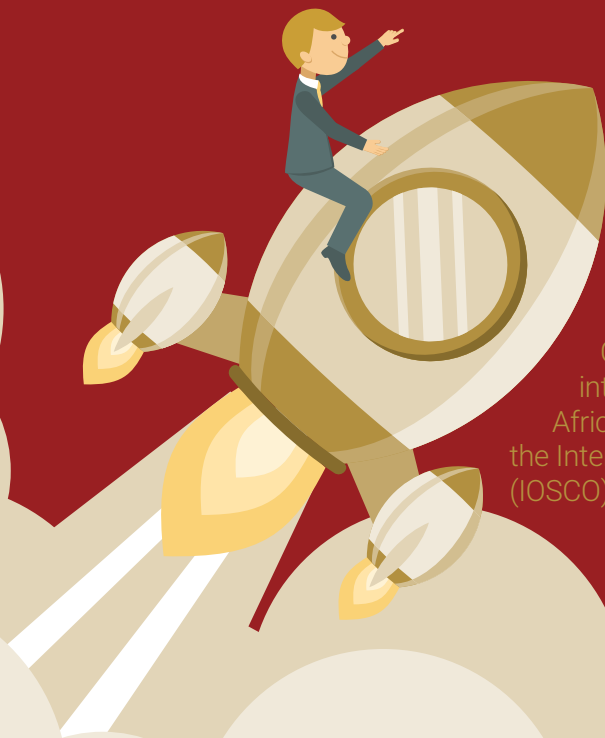
Mission:

To foster a transparent, accessible and effective capital market in Uganda



Core Values:

- **Integrity:** We act ethically and work in the public interest, treating people fairly and honestly
- **Teamwork:** We support and promote collaboration among the CMA team and with external stakeholders
- **Accountability:** We strive to live up to the aspirations of our mission so as to deliver quality services and promote the best interest of our stakeholders
- **Excellence:** We strive to pursue and deliver the highest quality of service to our stakeholders



CORPORATE INFORMATION

Profile: The Capital Markets Authority (CMA) is an autonomous body that was established in 1996, by the CMA Act, Cap 84. The Authority is responsible for promoting, developing and regulating the capital markets industry in Uganda, with the overall objectives of investor protection and market efficiency.

CMA plays a significant role in regional and international cooperation and is a member of the East African Securities Regulatory Authorities (EASRA) and the International Organisation of Securities Commissions (IOSCO).

Functions of the Authority

The CMA Act prescribes the following as the functions of the Authority:

1. To approve prospectuses and other offering documents under which securities are offered to the public and to approve information memorandum;
2. To develop 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 enterprise;
3. To create, maintain and regulate, through implementation of a system in which the market participants are self-regulatory to the maximum practicable extent, of a market in which securities can be issued and traded in an orderly, fair and efficient manner;
4. To cooperate with, provide information to, conduct any investigation or inquiry for, or otherwise assist any foreign regulatory authority in the performance of its duties;
5. To implement regional and international standards and best practice in securities markets, securities regulation and supervision;
6. To protect investor interests; and
7. To operate the Investor Compensation Fund established by section 81.

CMA executes its legal mandate with the following objectives:

1. Promoting confidence in the capital markets
2. Ensuring honesty and transparency in capital markets transactions
3. Carrying out investor education
4. Protecting investors; and
5. Reducing systemic risk



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Letter of Transmission

10 June 2021

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

Dear Honourable Minister,
Pursuant to Section 8 (6) of the Reprint of the Capital Markets Authority Act CAP 84, I have the honour to submit to you the annual performance report and financial statements of the Capital Markets Authority in respect of the Accounting period ended 30 June 2020.

Respectfully,

Jacqueline Kobusingye Opondo
Board Chairperson

CHAIRPERSON'S Statement

I'm pleased to report that progress on all strategic objectives is close to 70 per cent and could have been higher had it not been for the onset of the Covid-19 pandemic in March 2020.

The Financial Year (FY) 2019/20 was the second last of the CMA's five-year Strategic Plan (FY 2016/17 – 2020/21). The strategic plan sets out a three-pronged approach to CMA's regulatory regime, namely (i) Facilitating and promoting the development of the market, (ii) Ensuring the markets operate efficiently with integrity, and (iii) Strengthening CMA's institutional capacity to deliver on its mandate.

I'm pleased to report that progress on all strategic objectives is close to 70 per cent and could have been higher had it not been for the onset of the Covid-19 pandemic in March 2020. The measures to curb the spread of the pandemic, such as restrictions on physical meetings affected implementation of planned activities like stakeholder engagements and internal audit.

Nonetheless, in order to achieve strategic targets as set out in the Strategic Plan, the CMA has placed

more emphasis on key initiatives such as review of the legal framework, fostering a culture of compliance among market intermediaries by ensuring increased implementation of inspection findings, and revising the financial requirements for regulated entities.

Going forward, the CMA will strengthen its ability to carry out enforcement actions against unlicensed players through collaboration with the Criminal Investigation Department (CID) at the Uganda Police. We are looking to digitize our document handling system. The Authority is also working hard to attract, retain and develop talent to effectively carry out its mandate.

With the current Strategic Planning cycle set to end on 30th June 2021, the CMA is in advanced stages of developing a new Strategic Plan for the FY 2021/22- 2024/25.



The new strategic plan takes into account governments priorities in the National Development Plan 3 in order to strengthen the competitiveness of Uganda's economy, enhance creation of jobs and wealth and to realize inclusive economic growth.

I'm also pleased to report that the CMA will soon be moving to more spacious office space at the Uganda Business Facilitation Centre (UBFC) in the upscale suburb of Kololo, Kampala. The new building complex will offer great collaborative space between the CMA and our partners - the Uganda Investment Authority (UIA), and the Uganda Registration Services Bureau (URSB).

The activities of the UIA and the URSB have a significant impact on the activities of the CMA and indeed, the entire capital markets industry. So, I applaud the World Bank, Government of Uganda and all stakeholders that have been involved in this well advised and strategic development.

Throughout the year, the CMA has, together with stakeholders, made tremendous strides in improving the regulatory environment of Uganda's capital markets. I acknowledge the support of the Ministry of Finance, Planning and Economic Development and more specifically the technical assistance received

directly from the Financial Services Department at the Ministry of Finance, Planning and Economic Development in ensuring that the Authority's budget is funded and policy proposals are given utmost attention.

We are grateful for the general guidance that we continue to receive from the Permanent Secretary/ Secretary to the Treasury (PS/ ST) and from Hon. Matia Kasaija, the Minister of Finance, Planning and Economic Development; the Hon. David Bahati, the Minister of State for Finance, Planning and Economic Development (Planning), the Hon. Dr. Ajedra Gabriel Gadison Aridru the Minister of State for Finance, Planning and Economic Development (General Duties) and Hon. Evelyn Anite Kajik, the State Minister of Finance for investment and Privatization during the financial year.

I also wish to thank the Board of Directors who have been impeccable team members in providing oversight and direction to the management of CMA. Special appreciation goes to the Chief Executive Officer, the Senior Management Team, and all staff of the CMA for their hard work and dedication that has moved the CMA, the capital markets industry and Ugandan economy forward.

For God and My Country.

Jacqueline Kobusingye Opondo
BOARD CHAIRPERSON

CEO'S Review

Assets Under Management
for Collective Investment
Schemes

388.5^{BN}
↑
173.5^{BN}



AUM



Domestic market
capitalization

4.91^{TRILLION}
↓
4.27^{TRILLION}

The Financial Year 2019/20 was unprecedented for Uganda's capital markets due to the outbreak of the Covid-19 pandemic. Although the measures to slow the spread of the pandemic were largely successful, they also took a toll on economic, and institutional activities.

The year was marked by supply chain disruptions, travel restrictions and the adverse effects of measures instituted to limit contact between persons which led to a sudden decline in aggregate demand. This unsurprisingly led to a decline in economic activity and in Uganda's Gross Domestic Product (GDP) growth which closed at 2.9 per cent down from 6.8 per cent recorded in the prior FY2018/19.

The limitation on physical meetings also created the necessity for listed companies to hold electronic board meetings and general meetings which had hitherto not been envisaged. During the year, applications for renewal of licenses were allowed electronically.

Due to the general decline in economic activity, the average annual headline inflation remained under control and within single digits at 2.9 per cent compared to 3.1 per cent for FY2018/19. At the same time, annual average core inflation dropped to 3.1 per cent from 3.8 per cent for FY2018/19. This kept the Uganda shilling stable, making it a

safe store of value.

Performance of the industry

In the year under review, the total number of investor accounts held by Collective Investment Scheme (CIS) managers increased by 70 per cent to 8,904 at the end of the FY2019/20 compared to a total of 5,222 investor accounts at the end of prior FY2018/19.

The industry registered a significant increase in CIS Assets Under Management (AUM) which closed FY2019/20 at UGX 388.5 billion, representing a 124 per cent increase from UGX 173.5 billion at the close FY2018/19.

This growth in AUM and investor accounts can also be attributed to increased awareness of CIS among Ugandans as a result of the sustained public education efforts by the industry and the Authority. Furthermore, the total AUM by fund managers licensed by CMA saw a 21 per cent increase to UGX 3.5 trillion as at the end of the FY2019/20 from UGX 2.9 trillion at the end of the FY2018/19.

We are continuing to see growth in investor funds managed by licensed firms which is not unusual during uncertain economic times like these as investors seek to preserve their savings and capital. Relatedly, we noticed an increase in unlicensed persons posing as fund managers

and promising incredible returns to vulnerable savers that were seeking to rapidly grow their savings.

The Authority commenced enforcement action against these persons, and continues to warn the public against investing through or taking investment advice from unlicensed persons.

During the year, domestic market capitalization, which reflects the value of locally listed counters, declined by 13 per cent to UGX 4.27 trillion at the end of FY2019/20 from UGX 4.91 trillion at the end of FY2018/19. This was mainly due to share price losses registered on all locally listed counters with the exception of British American Tobacco Uganda Limited whose share price remained unchanged.

However, equity turnover at the Uganda Securities Exchange (USE) grew by 146 per cent in the FY2019/20 to UGX 115.4 billion, from UGX 46.9 billion registered in FY2018/19 due to increased activity on Dfcu, Umeme and Stanbic Bank counters.

The CMA runs an Issuer Resource Persons Program. Through this program, the CMA has engaged finance experts to educate key decision makers in Uganda's companies about the benefits of market-based financing.

Since the launch of the program in May 2018, 37 companies have received tailored training from CMA's experts about how they can tap into the available alternatives to raise market based financing.

So far, the program has successfully closed three transactions that are collectively worth sh41.8b mostly through private equity and a medium term note. The beneficiary firms are engaged in education, medical equipment, and microfinance sectors.

Going forward, the CMA's research and education efforts will continue to focus on awareness of market based financing and its benefits.

I now invite you to read the annual report which contains details of our activities for the FY2019/20.

Keith Kalyegira
CHIEF EXECUTIVE OFFICER

Board of **DIRECTORS**





Board COMPOSITION



Ms. Jacqueline Kobusingye Opondo
CHAIRPERSON

Ms. Opondo is a Fellow Chartered Certified Accountant (FCCA), a member of the Institute of Certified Public Accountants (ICPAU) and the Executive Director, Watoto Child-Care Ministries. She holds a Master of Arts in Organizational Leadership and Management from Uganda Christian University and a Bachelor of Commerce (Finance) from Makerere University.

She is a Certified Trainer, Coach and Speaker with the John Maxwell Team

and has held various directorships including Director, Opportunity Bank Uganda Limited and Director, World Vision Uganda.

She has held several management positions as Commissioner, Internal Audit and Compliance and Commissioner for the Domestic Taxes Department, Uganda Revenue Authority and Tax Consultant and Manager, PricewaterhouseCoopers.

She represents the Institute of Certified Public Accountants of Uganda on the Board.

Ms. Mercy Kainobwiso-

Ms. Kainobwiso is an advocate of Courts of Judicature. She is the Registrar General and Executive Director at the Uganda Registration Services Bureau (URSB).

She holds a Master of Laws (LLM) in Intellectual Property from University of Turin-Italy, a Master of Business Administration (MBA) from Makerere University, a Bachelors of Laws Degree (LLB) from Makerere University and a Post Graduate Diploma in Legal Practice from the Law Development Centre.

She is worked as a State Attorney with the Ministry of Justice and Constitutional Affairs and Legal Assistant at Shonubi, Musoke & Co Advocates.

Ms. Kainobwiso is on the Board of the Institute of Petroleum Studies-Kampala.

She is a member of the Uganda Law Society, the Uganda Women Lawyers Association, East African Law Society, Rotary International and Toastmasters International.



Ms. Irene Lugayizi

Ms. Lugayizi has over 20 years of experience as a legislative drafts person. She is the Commissioner Legal Drafting (Subsidiary Legislation) with the Ministry of Justice and Constitutional Affairs, in the Department of the First Parliamentary Counsel.

She holds a Masters Degree in Human Rights from Makerere University, a Bachelor of Laws Degree from Makerere University and a Post Graduate Diploma in Legal Practice from the Law Development Centre.

She has a wealth of experience having served on various Boards, Task Forces and Committees including; the Technical Committee that services

the Policy Coordination Committee of the Presidential Investors Round Table (PIRT), the Business Licensing Reforms Committee, the Human Resource Development Committee of the Ministry of Justice and Constitutional Affairs, the Editorial Board, the Uganda Law Reform Commission, the Inter Agency Anti-Corruption Law Reform Task Force, the Ministry of Ethics and Integrity, Task Force on Approximation of National Laws, East African Community. Sub-Committee of the Sectoral Council on Legal and Judicial Affairs,

She is a member of the Uganda Law Society and the Uganda Association of Women Lawyers (FIDA-U). She represents the Solicitor General on the Board.



Dr. Martin Francis Kyeyune

Dr. Martin Francis Kyeyune holds nearly 20 years of experience in industry and academia as a financial and industrial economist.

In Industry, Dr Kyeyune is currently a member of the Group Executive Body as the Finance and Economic Advisor at Roofings Group, alongside heading the Sales and Marketing Team and Board Secretary. Prior to that, Dr Kyeyune worked at Umeme Ltd as the Tariff and Regulatory Manager and also served in the downstream petroleum industry in Uganda, Kenya, Tanzania. He is a member of the Economic Board Subcommittee of Uganda Manufacturers' Association (UMA).

In academia, he served as a lecturer

at Makerere University Business School, Uganda Institute of Banking and Financial Services, the College of Engineering, Design, Art and Technology, Makerere University and Bournemouth University.

Dr Kyeyune holds a PhD in Financial Econometrics and a Masters with Distinction in Finance and Law, both from Bournemouth University, UK. He has a First Class Bachelors with Honours in Business Administration and Management from Uganda Martyrs University. He is a Commonwealth Scholar as well as a CSC Mentor. Dr Kyeyune holds the Applied Directorship Certificate by the Sirdar Global Group, South Africa.

On the Capital Markets Authority Board, he represents the Uganda Manufacturers Association.

Mr. Nelson Nerima

Mr. Nerima is an advocate and Partner of M/S Nambale, Nerima & Co. Advocates. He holds a Master of Laws in Corporate and Commercial Law from the University of London, a Bachelors of Laws Degree (LLB) from Makerere University and a Post Graduate Diploma in Legal Practice from the Law Development Centre.

His major areas of expertise are civil litigation; commercial and corporate law; land law; intellectual property and employment law. He is also a licensed insolvency practitioner.

He previously served as a Senior Lecturer and Head of the Department of Continuing Education and Legal Aid at the Law Development Centre.

He is also a member of the Public Procurement and Disposal of Public Assets Appeals Tribunal.

Drawing on his experience as a lecturer, practitioner and trainer, he has authored and published 3 text books- A Practical Guide to Corporate and Commercial Practice; Uganda Insolvency Law Handbook; and Essentials of Uganda's Employment Law. He represents the Uganda Law Society on the Board.



Mr. Joseph Enyimu

Joseph Enyimu is a development economist and currently the Acting Commissioner, Economic Development Policy and Research Department at the Ministry of Finance, Planning and Economic Development. He is a member of the Institute of Corporate Governance Uganda (ICGU) and a member on the Panel of Conciliators of the Internal Centre of Settlement of Investment Disputes (ICSID).

His experience spans across technical and managerial leadership in the policy fields of economic development, microeconomic analysis and public investment. He has consulted for national and

international agencies; and authored a range of research reports, policy briefs, and official publications.

He holds a Master of Science in Economics and Social Studies Degree in Development Policy and Practice from the University of Wales, United Kingdom; and has attained various certificates in development, technology, innovation, public expenditure analysis, regulatory impact assessment, economic growth and poverty reduction from Harvard University, International Monetary Fund, the World Bank and other notable institutions.

He represents the Permanent Secretary and Secretary to the Treasury, Ministry of Finance, Planning & Economic Development.

Board COMPOSITION



Mr. David Sajjabi

Mr. Sajjabi has over 30 years' experience in macro-economic planning and policy and is the Director, Financial Markets at Bank of Uganda. He holds a Master of Arts in Economics from Columbia University and a Bachelor's Degree in Economics from Makerere University.

He has previously worked as the Deputy Director, Research Bureau

and Information Services Division (Economic Research Department) at the Bank of Uganda, Deputy Director, Planning and Research at the East African Community Secretariat and Lecturer, Makerere University. He has attained various certifications in economic policy management.

He represents the Governor, Bank of Uganda on the Board.

Mr. Fabian Kasi

Mr. Kasi is the Managing Director at Centenary Bank. He is a fellow of the Association of Chartered Certified Accountants of the United Kingdom, a member of the Association of Certified Public Accountants of Uganda and Honorary Fellow at the Institute of Banking in Uganda.

He holds a Masters of Business Administration (MBA) Degree from the University of Newcastle and a Bachelor's Degree in Commerce and Accounting from Makerere University.

He has held several management positions and directorships including

Chairperson, Uganda Bankers Association, Director, British American Tobacco (Uganda), Director, Pax Insurance Company Limited, Director, Cheshire Home Katakemwa, Managing Director, FINCA Uganda Limited (MDI), Chief Financial Officer, Banque Commerciale du Rwanda and Internal Auditor, British American Tobacco (Uganda).

He has worked as a part time lecturer with Makerere University Business School and a banking officer with Bank of Uganda.

He represents the Uganda Bankers Association on the Board.



Mr. Saul Sseremba

Mr. Sseremba is the Chief Executive Officer at the Insurance Training College of Uganda and a member of the Chartered Insurance Institute (United Kingdom).

He holds a Master of Science in Finance and Accounting from Makerere University, a Bachelors of Business Administration from Makerere University and a Postgraduate Diploma in Microfinance from Makerere University Business School.

He has worked as a Lecturer at Makerere University Business School, a Part-time Lecturer at Management and Accountancy Training Ltd (MAT) and in managerial positions with Sanlam Life Insurance Uganda Limited and Britam Insurance Company Uganda Limited.

He has been a Board Member of the Insurance Institute of Uganda (IIU) Governing Council, Uganda Entrepreneurs Business Foundation, Vericlaims Loss Assessors and the Uganda Health Federation.

He represents the Insurance Training Institute of Uganda on the Board.



Mr. Mohammed Kaliisa

Mr. Kaliisa has over 25 years' experience in business management and consulting. He holds a Master of Business Administration from Washington University, a Bachelor Degree in Social Work and Administration from Makerere University and various certificates in insurance, banking and finance.

He is the President of REMAX Uganda and has worked in various capacities as a Director, Soliton Telmec, Vice

President-Finance and Business Development, Bankshire Corp (Toronto), Investment Advisor, ING Finance (Toronto) and Credit Manager, Dubai International Bank.

He has served as a director at the Uganda National Chamber of Commerce and Industry, Soliton Telmec, Remax Uganda and Maklines Holdings Limited.

He represents Uganda National Chamber of Commerce & Industry on the Board.

Mr. Keith Kalyegira

Mr. Kalyegira is the Chief Executive Officer of Capital Markets Authority. He has a wealth of knowledge and experience in investment management, financial oversight and regulatory affairs having worked with the Privatization and Utility Sector Reform Project under the Ministry of Finance, Planning and Economic Development.

He has advised on institutional reforms in the Electricity and Water sectors in Zanzibar, Uganda, South Sudan and Rwanda.

He is an associate member of the Chartered Governance Institute.

He holds a Bachelor Degree in Commerce (Accounting) from Makerere University. He graduated with a Masters of Business Administration (MBA) from the University of Cape Town's Graduate School of Business.

He is a Board Member of the Insurance Regulatory Authority (IRA) representing the Capital Markets Authority.





Corporate GOVERNANCE

The Authority is committed to the highest level of corporate governance and conducts its business in line with the principles and best practices of good corporate governance.

Board Composition

The Board of Directors is comprised of eleven members. Five members are ex-officio, by virtue of their public offices while six represent private sector interests. The roles of Chairman and Chief Executive Officer (CEO) are distinct. With the exception of the CEO, all members of the Board are Non-Executive Directors. The Board is assisted in its work by Committees which deliberate on matters before they are presented to the Board.

Table 1: List of Board Members and the Committees they belong to as at 30th June 2020

	Board Member	Board Committee			
		LRAC	RMD	ARMC	FHRC
1.	Ms. Jacqueline Kobusingye Opondo	N/A	N/A	N/A	N/A
2.	Mr. Saul Sseremba			Member	Chairperson
3.	Mr. Joseph Enyimu		Chairperson		Member
4.	Ms. Joselyn Kateeba *	Member	Member		
5.	Mr. Fabian Kasi			Chairperson	Member
6.	Mr. David Sajjabi		Member		Member
7.	Mr. Bemanya Twebaze **	Member		Member	
8.	Ms. Irene Lugayizi	Member			Member
9.	Mr. Nelson Nerima	Chairperson	Member		
10.	Mr. Mohamed Kaliisa	Member		Member	
11.	Mr. Keith Kalyegira	Member	Member	Member	Member

KEY

LRAC: Legal & Regulatory Affairs Committee

RMDC: Research & Market Development Committee

ARMC: Audit & Risk Management Committee

FHRC: Finance, Human Resources & Administration Committee

* : Ms. Joselyn Kateeba was replaced by Martin Francis Kyeyune in October 2020.

** : Mr. Bemanya Twebaze was replaced by Mercy Kainobwisho in January 2021

Appointment of the Board of Directors.

In September 2019, the Minister of Finance, Planning and Economic Development appointed Mr. Mohammed A. Kaliisa to represent the Uganda National Chamber of Commerce and Industry. Mr. Kaliisa has vast experience in financial markets, corporate governance and leadership. We welcome him to the Capital Markets Authority and we look forward to working with him on the Board.

The Board of Directors is appointed by the Minister of Finance, Planning and Economic Development. The Board Chairperson is specifically appointed from among the members by the Minister as provided for in Section 22 E (2) of the CMA Act. Board members are persons of high moral character; with experience and expertise in various fields such as law, finance, business, accounting, economics, investment, banking and administration.

Upon joining the Board, members are inducted and taken on an industry study tour to help them appreciate the entire capital markets industry.

Board Meetings

A Board calendar is in place and the Board meets at least once every three months to carry on the business of the Authority. However, the Board Committees meet from time to time, depending on the urgency and volume of business, to deliberate on the various reports before they are presented to the full Board. During the year under review, the Board met four times. Table 2 shows the number of Board meetings and Committee meetings attended by each member during the year:

Table 2: Record of attendance

	Board Member	Board Meeting	LRAC	RMDC	ARMC	FHRC
1.	Ms. Jacqueline Kobusingye Opondo	5/5				
2.	Mr. Saul Sseremba	4/5			1/1	6/6
3.	Mr. Joseph Enyimu	3/5		-		4/6
4.	Ms. Joselyn Kateeba	3/5	3/6	-		
5.	Mr. Fabian Kasi	1/5			1/1	2/6
6.	Mr. David Sajjabi	4/5		-		4/6
7.	Mr. Bemanya Twebaze	3/5	0/6			
8.	Ms. Irene Lugayizi	4/5	5/6			5/6
9.	Mr. Nelson Nerima	5/5	6/6	-		
10.	Mr. Mohamed Kaliisa	3/5	2/6			
11.	Mr. Keith Kalyegira	5/5	5/6	-	1/1	6/6

The Board Secretary

The Board Secretary (Director, Legal and Board Affairs), is responsible for the administration of the Board proceedings, the provision of administrative and secretarial services as well as legal advice to the Board. The Chairperson and the Board Secretary ensure that the agenda of the Board is in tandem with CMA's priorities. During the period under review, the Board Secretary worked closely with the Chairperson to ensure meetings were well organised and records well kept.

The Board Manual

To guide the operations of the Board, there exists a Board Manual. All Board Members must adhere to good corporate governance standards as prescribed in the manual.

Instances of conflict of interest are addressed through disclosure whenever cases arise, particularly so at the beginning of each meeting. The Board also adheres to the Conflict of Interest Guidelines which apply to both the Board and staff members. The Conflict of Interest Guidelines mainly apply to declaration of directorships in companies and trading in the securities market.

Board Training

The work of the Board is to generally provide oversight over our activities. However, this also calls for a good understanding of the nature of operations of the regulator. Therefore, continuous training and exposure is a very vital ingredient to ensuring effectiveness of the Board. During the year under review, Board members received continuous development and exposure on issues that are pertinent to capital

markets regulation and development such as corporate governance, market development and securities regulation. This was done through their attendance of conferences, workshops and seminars both within the country and overseas.

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. Table 3 provides a summary of the current Board allowance structure.

Table 3: Structure of Board Remuneration.

Position	Monthly Retainer (Ugx)	Sitting Allowance (Ugx)
Chairman	1,000,000	300,000
Member	850,000	250,000

Board Committees

All the 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 period 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 and are guided by the terms of reference stipulated in the Board Manual.

a) Legal & Regulatory Affairs Committee

The Legal & Regulatory Affairs Committee (LRAC) oversees the development of an appropriate legal and regulatory framework for the capital markets industry. The Committee also oversees the implementation and enforcement of compliance matters by the Authority. The LRAC held a total of six meetings during the year to consider among other things, new licences; a corporate action; securities exchange rules among others.

b) The Finance, Human Resources & Administration Committee

The FHRC is responsible for guiding the Board on policy matters relating to finance, human resources and administration. It also reviews and recommends to the Board matters related to the Authority's human resources policies and any amendments thereto intended to attract, develop and retain qualified and high performing talent for achievement of the Authority's strategic objectives. During the period under review, the committee held six meetings to consider various issues including recruitments, financial reports and other matters.

c) The Audit & Risk Management Committee

The Audit and Risk Management Committee (ARMC) plays a critical role in the corporate governance structure by overseeing internal controls, accountability, reporting structures and risk management. This committee held two meetings during the period to consider the audited financial statements for the year ended 30 June 2020, the internal audit work plan and the internal audit quarterly reports. The Committee held one meeting to consider the CMA risk management quarterly reports.

d) Research & Market Development Committee

The role of the Research and Market Development Committee (RMDC) is to assist management and the Board in the formulation of policies that are geared towards conducting effective research that translates into market development activity. This includes review of policy papers, research notes and papers; and review of public education proposals. It did not meet during the financial year.

Capital Markets Legal and Regulatory Framework

CMA continued the process of development of various regulations and amendment of existing laws. Some of the Regulations under review that are in final stages of the legislative process and these include; the Licensing and Approval Regulations, the Conduct of Business Regulations, the Stock Exchanges Regulations, and the Offer of Securities Regulations.

COMMITTEE	BOARD MEMBER	CATEGORY
LEGAL AND REGULATORY AFFAIRS COMMITTEE	Nelson Nerima	Committee Chair
	Irene Lugayizi	Member
	Martin Francis Kyeyune **	Member
	Mercy Kainobwisho **	Member
	Keith Kalyegira	Member
	Joseph Enyimu	Member
	Priscilla Namusikwe	Secretary to the Committee
FINANCE, HUMAN RESOURCE AND ADMINISTRATION COMMITTEE	Saul Sseremba	Committee Chair
	Mohammed Kaliisa	Member
	Fabian Kasi	Member
	David Sajjabi	Member
	Irene Lugayizi	Member
	Keith Kalyegira	Member
	Noah Matovu	Secretary to the Committee
AUDIT AND RISK MANAGEMENT COMMITTEE	Fabian Kasi	Committee Chair
	Saul Sseremba	Member
	Mercy Kainobwisho **	Member
	Keith Kalyegira	Member
	Isaac Sekitoleko	Secretary to the Committee
RESEARCH AND MARKET DEVELOPMENT COMMITTEE	Joseph Enyimu	Committee Chair
	Martin Francis Kyeyune **	Member
	David Sajjabi	Member
	Nelson Nerima	Member
	Keith Kalyegira	Member
	Mohammed Kalisa	Member
	Dickson Ssembuya	Secretary to the Committee

Key:

** : Replaced exiting members.

STRATEGIC OBJECTIVE ONE:
FACILITATE & PROMOTE
THE DEVELOPMENT OF
CAPITAL MARKETS



1. Capital Markets Awareness

1.1 Sensitization of potential investors and issuers

During the period under review, CMA continued with its investor education efforts which aim at creating awareness about capital markets among the public in order to drive market activity through Collective Investment Schemes (CIS). The programme is conducted through external resource persons contracted by CMA to reach out to potential investors, with specific attention being given to investment through CIS.

The resource persons deliver face to face presentations to groups of people with disposable income, and normally move along with CIS managers to facilitate instant CIS account opening. During the FY 2019/20, a total of 7,435 individuals were reached, bringing the total number of people reached since inception of the program in 2014/15 to 66,599 individuals. This effort is expected to boost the number of CIS accounts and increase investor participation through CIS.

CMA also continued with its Issuer Resource Person Program which seeks to increase the supply of securities in the capital markets. The program involves the use of external resource persons to reach out to key persons of prospective issuers to sensitize them on opportunities presented by market based financing. A key milestone for Issuer Resource Persons is the making of a presentation to full boards of prospective issuers on market based financing.

During the presentations, boards are sensitized on the different types of non-bank market based financing, its merits and the preparatory steps for accessing it. The Resource Persons are expected to tap into their networks to reach business owners and founders, CEOs, board members and CFOs in companies that show prospects of tapping into market based financing. Since the launch of the program in May 2018, a total of 37 companies have been reached. Additionally, 6 transactions worth UGX 41.8 billion have been initiated by Issuer Resource Persons in the following sectors: education; medical equipment; microfinance; construction and manufacturing; real estate; and re-insurance.

1.2 Research and Knowledge sharing

The Authority has placed special focus on the growth of CIS, which it believes have immense potential to mobilize savings from Ugandans for investing. During the period under review, four knowledge sharing fora were held between CMA and CIS managers. The objective of the fora was to influence thinking of CIS managers, discuss emerging issues and developments in the CIS sector and also share knowledge and best practices on what can be done to increase uptake of CIS products.

The fora discussed among other things, the Bank of Uganda project that seeks to increase retail investor access to government securities through a mobile phone platform, with investments coming via a CIS arrangement and also progress made with regards to setting up the CIS managers' Association. It is important to note that the Authority is following up with different stakeholders on several action points from the fora to ensure their implementation.

2. Implementation of the Capital Markets Development Master Plan

The Capital Markets Development Master Plan, launched on 15th June 2017 marked three years of existence during the financial year 2019/20. The master plan is a comprehensive plan that seeks to chart the strategic positioning and future direction of Uganda's capital markets with the view to grow the markets and attract more international capital to meet the financing needs of the economy.

The key three objectives of the master plan include: facilitation of issuer access to alternative, non-bank financing to reduce dependence on the banking sector; improving the efficiency of the capital markets ecosystem; and deepening the pool of formal savings within the economy.

A review process for the master plan commenced in the period under review to identify wins as well as areas for improvement in the implementation process. A revised version of the master plan is expected to be rolled out at in the financial year 2020/21. It is worth noting that implementation of the various recommendations in the master plan continued during the period under review.

2.1 Corporate Governance Trainings

Access to finance is recognized as one of the major constraints for businesses to grow in Uganda. Furthermore, an organization that adheres to good corporate governance practices enhances the chances of attracting long-term patient capital to finance its business growth.

To this end, CMA with support from FSD Africa held two corporate governance trainings in the period under review. The inaugural training was held on the 25th and 26th July 2019 while the second was held on 19th and 20th February 2020. The trainings which were both conducted by KPMG drew about 63 participants from medium to large business enterprises and the capital markets industry in Uganda.

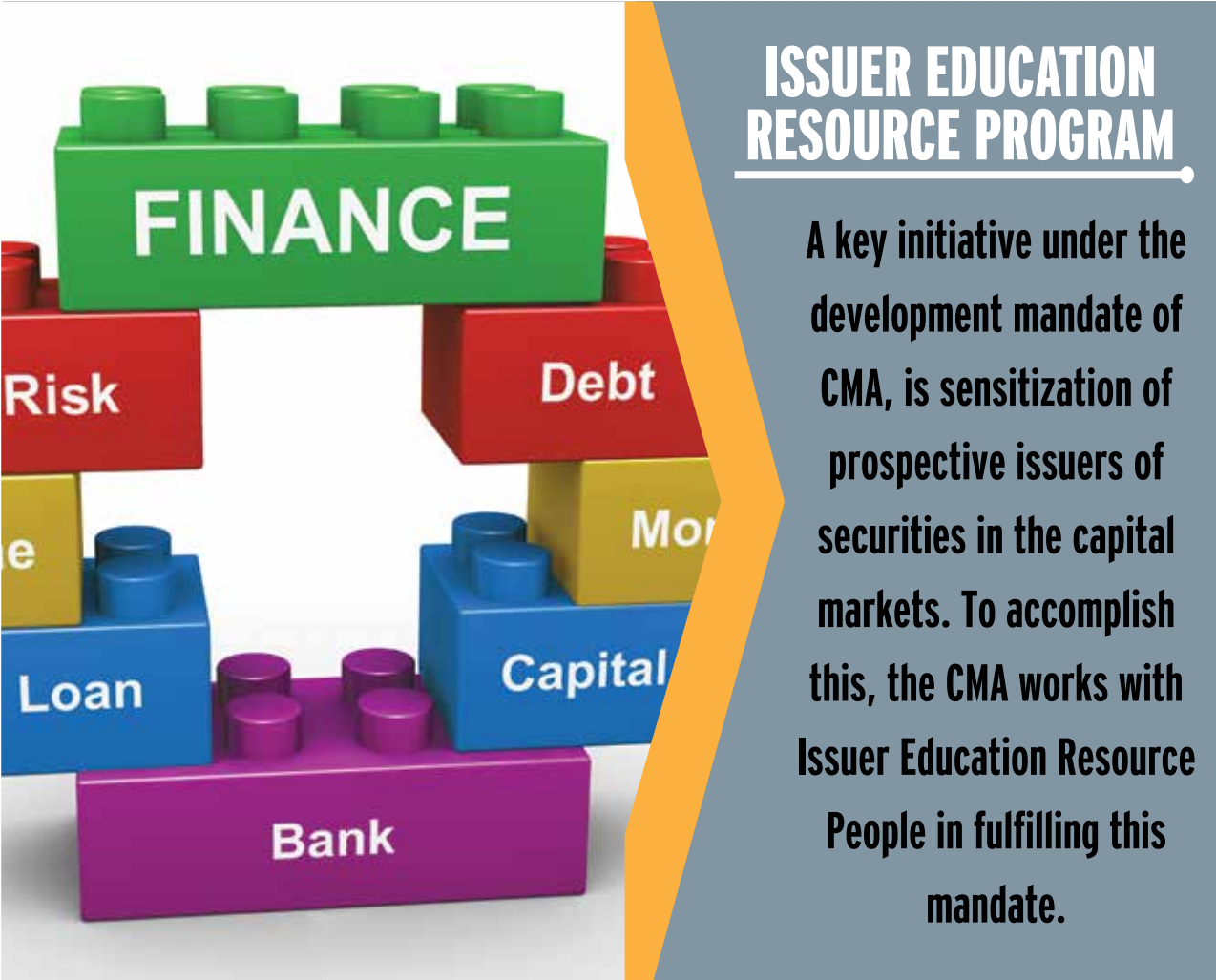
The trainings on corporate governance are a series of trainings seeking to prepare medium to large businesses to attract investment partners in order to tap into market based

financing. Additionally, the trainings also aim to build the capacity of market intermediaries to enable them shepherd the process of business access to non-bank financing.

2.2 Collective Investment Scheme Training

CMA held the first CIS training from 26th to 28th August 2019. The training was facilitated by the South African-based ASISA Academy, which is aligned with the Association for Savings and Investment South Africa (ASISA). The training drew over 28 participants from the capital markets industry in Uganda. The three-day training focused on the financial services landscape, regulatory framework, unit trust products, unit trust mechanics, client engagement, cost and distribution structures of a CIS system including incentives.

The training course which aimed at building the capacity of market intermediaries through providing an in-depth information on the management of CIS is expected to spur growth of the CIS industry in Uganda.



ISSUER EDUCATION RESOURCE PROGRAM

A key initiative under the development mandate of CMA, is sensitization of prospective issuers of securities in the capital markets. To accomplish this, the CMA works with Issuer Education Resource People in fulfilling this mandate.

2.0 Market Activity

2.1 Equity Markets

2.1.1 Primary Market Activity at the Uganda Securities Exchange

The securities markets did not report any primary offerings in the financial year 2019/20.

2.1.2 Secondary Market Activity at the Uganda Securities Exchange

Equity turnover at the USE grew by 146.1% in the financial year 2019/20 to Ugx 115.4 billion, from Ugx 46.9 billion registered in the previous financial year. Average turnover per session increased to Ugx 456.3 million per session in 2019/20, from Ugx 189.7 million recorded in 2018/19. Share volume also trended upwards to 1,554 million shares in the financial year 2019/20, compared to 795 million shares in the previous financial year, representing a gain of 95.5%. The increase in value traded and market activity was driven by improved activity on DFCU Bank, Umeme and Stanbic Bank counters in the period before the Covid-19 pandemic.

The high turnover on DFCU Bank was due to a shareholder exit which boosted the counter's traded value. CDC Group Plc (the UK government-owned investment agency) sold its 9.97% stake in DFCU Bank to the Danish based Investment Fund for Developing Countries. The increased activity on the Umeme counter was due to among other things, the favorable modification of its tariff performance parameters for 2019-2025 by the Electricity Regulatory Authority. On the other hand, the high turnover on Stanbic Bank can be attributed to among other things, increased domestic and foreign institutional investor activity in the period preceding the Covid-19 pandemic.

Table 1: Secondary Market Activity Indicators

	2019/20	2018/19	Change %
Equity Turnover (Ugx, Billion)	115.4	46.9	146.9
Average Turnover per session (Ugx, Million)	456.3	189.7	151.2
Share Volume (Million)	1,554	795	95.5

Source: USE Market Reports

A breakdown of equity turnover at the USE during the financial year 2019/20 by broker indicates that Standard Bank Group Securities Limited traded the highest equity value, accounting for 65.4% of the total equity turnover. The top three trading members of the USE accounted for 96.6% of the total equity turnover during the financial year, reflecting a high degree of market concentration.

Table 2: Equity Turnover by Broker, July 2019 to June 2020¹

Broker	Equity Turnover (Ugx, Billion)	(%)
Standard Bank Group Securities	150.9	65.4
Crested Capital	41.9	18.2
Equity Stock Brokers	30.1	13.1
UAP Financial Services	0.17	2.6
Baroda Capital Markets	0.03	0.4
Dyer & Blair Uganda	0.03	0.4
Total	230.88	100

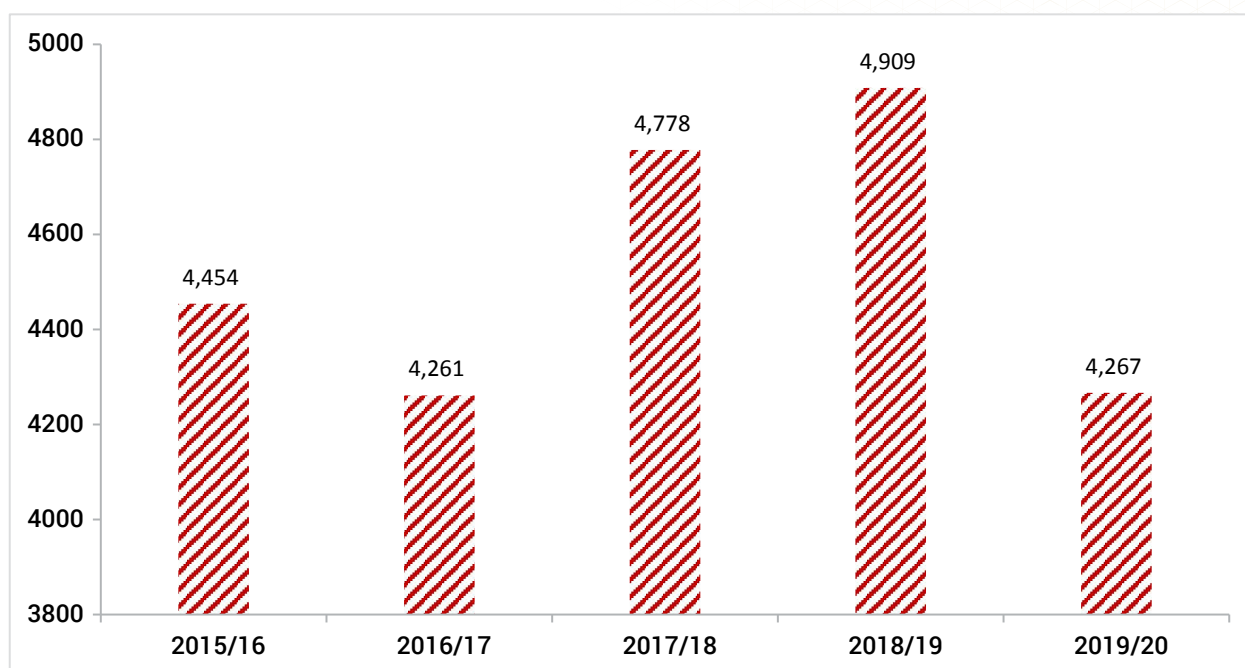
Source: Uganda Securities Exchange

¹ The equity turnover includes both the buy side and sell side turnover for each stock broker during the period, 1st July 2019 to 30th June 2020

2.1.3 Market Capitalization and Index Levels

Total market capitalization fell by 15.7% to Ugx 19.09 trillion at the close of the review period from Ugx 22.66 trillion reported at the close of 2018/19. The USE All Share Index (ALSI) was down 15.2% to close the financial year 2019/20 at 1,369.84 points from 1,614.82 points reported at the close of the previous financial year. Domestic market capitalization also closed lower at Ugx 4.27 trillion, representing a drop of 13.1%, from Ugx 4.91 trillion. The USE Local Counter Index fell by 9.8% closing the financial year 2019/20 at 339.17 index points from 375.97 index points previously. This was mainly due to share prices losses registered on local listed counters UCL (-40.6%), CQCIL (-37.5%), NIC (-30.8%), UMEME (-18.3%), SBU (-17.2%), BOBU (-14.6%), NVL (-4.6%), and DFCU (-3.7%).

Figure 1: Trend in Domestic Market capitalization, 2015/16 - 2019/20 (Ugx, Billion)



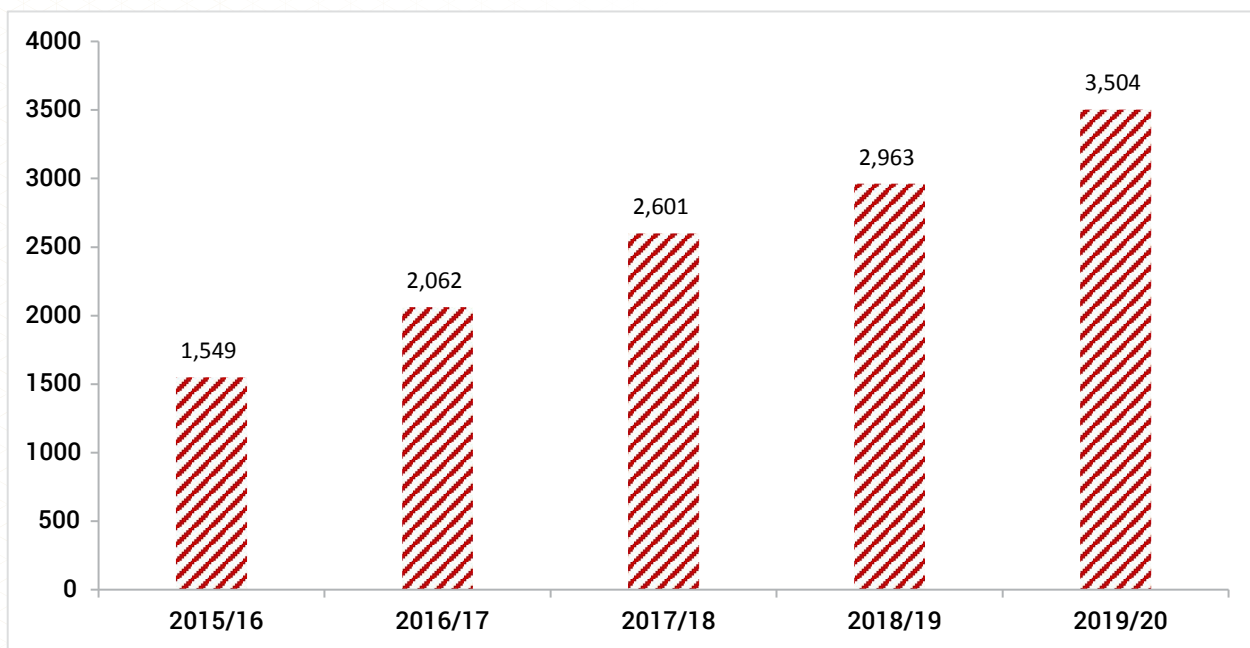
Source: USE market reports

3. Fund Management

The total Assets under Management (AUM) by fund managers licensed by Capital Market Authority stood at Ugx 3.5 trillion as at the end of the financial year 2019/20. This was a growth of 18.3% from Ugx 2.9 trillion at the end of the financial year 2018/19. The increase in AUM can be attributed to the increase in the number of retirement benefit schemes and also recruitment of new members by schemes whose funds are being managed.

Over the last five years, the AUM has risen by 17.7% on an annualized basis from Ugx 1.5 trillion at the end of the financial year 2015/16 to Ugx 3.5 trillion at the end of 2019/20.

Figure 2: Trends in Assets under Management, 2015/16 - 2019/20 (Ugx, Billion)



Source: Market Supervision Department

At the end of the financial year, Sanlam Investment East Africa had the highest AUM, managing 44.3% of the total AUM in the industry. The top two fund managers controlled 73.3% of the total Assets Under Management.

Table 3: Assets under Management per Fund Manager

No	Fund Manager	AUM (Ugx, Billion) – June 2020	(%)
1	Sanlam Investments EA	1,551.5	44.3
2	Gen Africa	1,017.3	29.0
3	Britam Asset Managers	410.4	11.7
4	UAP Financial Services	362.7	10.4
5	ICEA Investment Services	162.8	4.7
	Total	3,504.7	100

Source: Market Supervision Department

A breakdown of AUM by asset class indicates that, investment in government bonds took up 65% of the total AUM.

Table 4: Asset Allocation

Asset	(%)
Government of Uganda Bonds	65
Government of Uganda Treasury Bills	14.6
Government Bonds in Rest of East Africa	0.1
Equities in Uganda	2.6
Equities in Rest of East Africa	8

Fixed Deposits	6.6
Collective Investment Schemes	1
Real Estate	0.7
Cash	0.5
Other (Dividend Income Receivable and Wealth management)	0.5
Corporate Bonds	0.4
Unlisted Equities in Rest of East Africa	0.04
Unlisted Equities in Uganda	0.01
Off-shore Investments (Equities)	0.01
TOTAL	100

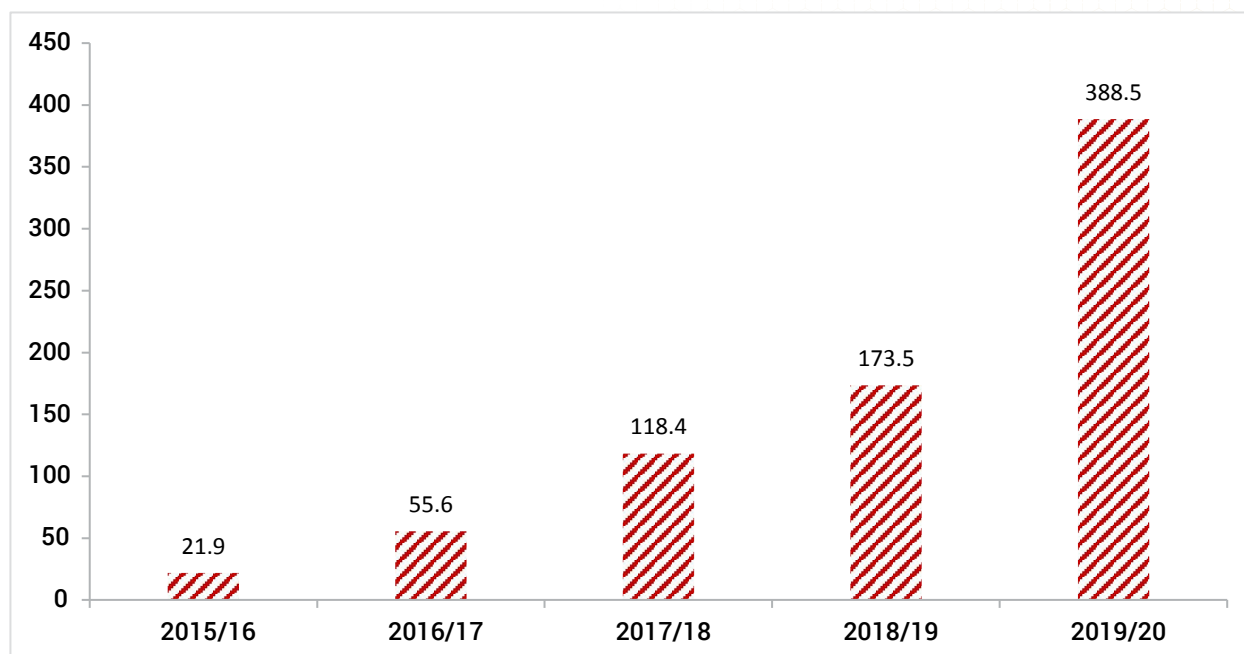
Source: Market Supervision Department

4.0 Collective Investment Scheme (CIS) Managers by AUM

At the end of the financial year 2019/20, CIS Managers had Ugx 388.5 billion in AUM. This represented an increase of 123.9% from Ugx 173.5 billion at the close of the previous financial year. This could be attributed to increased awareness of Collective Investment Schemes among local investors. The Money market funds registered the highest growth of 273.7% from Ugx 22.5 billion to Ugx 84.1 billion at the close of the review period. The growth in the Money market funds could be attributed to their attractiveness due the high yields offered in comparison with other funds.

Over the last five years, the AUM has risen by 77.7% on an annualized basis from Ugx 21.9 billion at the end of the financial year 2015/16 to Ugx 388.5 billion at the end of 2019/20.

Figure 3: Trends in CIS Assets under Management, 2015/16 - 2019/20 (Ugx, Billion)



Source: Market Supervision Department

At the end of the financial year, UAP had the highest Assets under Management (AUM), managing 69.8% of the total AUM held by CIS managers.

Table 5: CIS Assets under Management by Manager

No.	CIS Manager	AUM (Ugx, Billion) – June 2020	(%)
1	UAP	271.2	69.8
2	ICEA	62.2	16
3	BRITAM	40.4	10.4
4	Xeno	14.8	3.8
	Total	388.5	100

Source: Market Supervision Department

A breakdown of the CIS assets by fund type showed that a large portion of the assets were held in Umbrella Funds (72.3%).

Table 6: Assets under Management by Fund Type

Type	AUM (Ugx, Billion) – June 2020	(%)
Umbrella Fund	281	72.3
Money Market Funds	84.1	21.7
Bond Fund	11.7	3.0
Savings Fund	7.3	1.9
Balanced Funds	2.9	0.7
Equity Funds	1	0.3
Fixed Income Fund	0.5	0.1
Total	388.5	100

Source: Market Supervision Department

STRATEGIC OBJECTIVE TWO: ENHANCE AND REGULATE AN ORDERLY, FAIR, AND EFFICIENT CAPITAL MARKETS ECOSYSTEM



1. Fostering Compliance among Market Intermediaries

The Supervision Department continuously made efforts to monitor the effectiveness of the Enterprise Risk Management Systems in order to determine supervisory interventions. As part of enhancing the Risk Based Supervision culture, the department made improvements to the risk profiling questionnaire and risk assessments, which are used in determining which licensed entities will be inspected.

As a way of enhancing global standards within the Capital Markets industry, the department guided intermediaries such as Uganda Securities Exchange on how to meet the International Organization of Securities Commissions (IOSCO) Principles for Financial Markets Infrastructures (PFMI) standards. In addition, enhancements were done on the Market Surveillance and financial analysis tools which are critical in risk monitoring and control of market intermediaries. In the same period, the department undertook Collective Investment Schemes (CIS) Fund Manager stress tests; the first of its kind.

2. Principles for financial market infrastructures

In the period under review, the Supervision Department undertook an assessment of Uganda Securities Exchange using the IOSCO-PFMI assessment tool. This assessment was conducted based on a self-assessment performed by Uganda Securities Exchange (USE) in terms of their observance with the Principles for Financial Market Infrastructures ("PFMIs") that were issued in April 2012 by the Committee on Payment and Settlement Systems (CPSS) and the Technical Committee of the International Organisation of Securities Commissions ("IOSCO").

Thereafter, an inspection of USE using the ISOCO principles was carried out and the gaps highlighted during the inspection were shared with USE. These inspections are meant to guide intermediaries such as USE to adapt to the global standards of stock exchange operations.

3. Stress testing of Collective Investment Scheme Managers

The Capital Markets Authority is cognizant of the fact that open-ended Collective Investment Schemes that are offered to retail investors typically provide them the right to redeem units on a daily basis and with little or no advance notification.

Nonetheless, these schemes can typically invest in a wider range of assets which could include less liquid or distressed assets. In this regard, it is pertinent for the Authority, as part of its surveillance mechanisms to be aware of liquidity challenges in the market and get an understanding of the CIS Managers liquidity risk management practices. These tests therefore signal to the Authority collective investment schemes that could face liquidity challenges in cases of significant withdrawals.

4. Inspections of Stock Brokers, Fund Manager, Custodian and Trustee

In this period, two brokerage firms, two fund managers, four custodians and a trustee were inspected. The CMA Act as amended places Custodians under the purview of the Capital Markets Authority and Trustees are licensed under the same Act.

Custodial inspections were jointly undertaken by Uganda Retirement Benefits Authority (URBRA) and Capital Markets Authority. These inspections covered custodial governance, operations, IT Systems and consumer protection.

The scope of the trustee inspection covered systems and controls in place, reconciliation of trustee records with the custodian and fund manager, safety of customer money etc.

Stock brokerage inspections on the other hand covered order taking and trade execution, client on boarding, Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT) compliance and corporate governance.

Fund manager inspections covered reconciliations, operations, AML/CFT compliance and corporate governance.

5. Continuous assessment of financial capacity of market intermediaries:

CMA continued to monitor the net capital positions of brokers and fund managers to ensure that they all have sufficient capital. By the year end, the financial positions of licensed persons were stable. During the period, the Authority kick-started the project to introduce the risk based capital adequacy requirements in its bid to fully roll out risk based supervision.

6. Licensing of market intermediaries

The Authority approved license applications from the following companies;

- a. ALTX Clearing Ltd – Securities Central Depository License (Renewal)
- b. Universal Services East Wood Limited – Investment Adviser License (New)

7. During the period Annual Licence Renewal:

A total of 21 market intermediaries applied

for license renewal during the period. 81 Licences were issued during the year as broken down:

Type of License	Number issued
Fund Manager	07
Stock Broker	08
Unit Trust Manager	05
Unit Trust Schemes	14
Investment Adviser	07
Securities Central Depository	02
Dealer	02
Representative Licence	34
Unit Trusts Schemes Trustee	02



GET LICENSED

In carrying out its responsibilities, to date the CMA has approved **two** stock exchanges, licensed **two** securities central depositories, **eight** brokers, **two** dealers, **seven** fund managers, **five** Collective Investment Scheme Managers, **two** Trustees and **seven** Investment Advisors.

STRATEGIC OBJECTIVE THREE:

**STRENGTHENING
CMA'S INSTITUTIONAL
CAPACITY TO DELIVER
ON ITS MANDATE**





Capital Markets Authority

Protecting Your Investments

FINANCIAL STATEMENTS FOR THE YEAR END 30 JUNE 2020

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CORPORATE INFORMATION

DIRECTORS

Ms. Jacqueline Kobusingye Opondo - Chairman
Mr. Keith Kalyegira – Chief Executive Officer
Mr. Saul Sseremba - Member
Mr. Joseph Enyimu - Member
Mr. Fabian Kasi – Member
Dr. Francis Kyeyune-Member
Ms. Irene Lugayizi - Member
Mr. Nelson Nerima - Member
Mr. David Sajjabi – Member
Mr. Bemanya Twebaze- Retired December 2020

REGISTERED OFFICE

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

BANKERS

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

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

DFCU Bank Uganda Limited
Plot 26, Kyadondo road
P.O. Box 70
Kampala, Uganda

Bank of Uganda
37-47, Kampala road
P.O. Box 7120
Kampala, Uganda

AUDITORS

Auditor General
Office of the Auditor General
Plot 2C, Apollo Kagwa road
P.O. Box 7083
Kampala, Uganda

DELEGATED AUDITORS

Deloitte & Touche
Certified Public Accountant of Uganda
1 Lumumba Avenue
3rd Floor, Rwenzori House
P.O. Box 10314
Kampala, Uganda

DIRECTORS' REPORT

The Directors present their annual report together with the audited financial statements of Capital Markets Authority ('the Authority') for the year ended 30 June 2020, which disclose the state of affairs of Capital Markets Authority ('the Authority').

Principle activities

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).

Financial results

	General Fund Ushs'000	Investor Compensation Fund Ushs'000	Total Ushs'000
Surplus before tax	574,517	401,549	976,066
Withholding tax on investment income	(22,755)	(49,118)	(71,873)
Surplus for the year	551,762	352,431	904,193

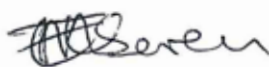
Directors

The present membership of the board of Directors is set out on page 2.

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 2020, Deloitte & Touche Certified Public Accountant of Uganda were appointed to act on behalf of the Auditor General.

BY ORDER OF THE BOARD



SECRETARY

Kampala

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Capital Markets Authority Act (Cap 84) requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Authority as at the end of the financial year and of the operating results of the Authority for that year. The Directors are required to ensure the Authority keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation of financial statements that give a true and fair view, in accordance with International Financial Reporting Standards and the requirements of the Capital Markets Authority Act (Cap 84) and the Capital Markets Authority (Amendment) Act 2016, and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

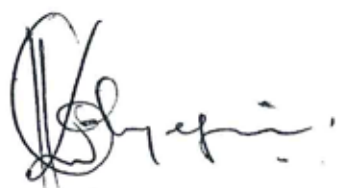
The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Capital Markets Authority Act (Cap 84) and the Capital Markets Authority (Amendment) Act 2016. The Directors are of the opinion that the accompanying financial statements give a true and fair view of the state of the financial affairs of the Authority and of its operating results. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors certify that to the best of their knowledge, the information furnished to the auditors for the purpose of the audit was correct and is an accurate representation of the Authority's financial transactions.

Management has made an overall assessment of the ability of the Authority to continue as going concern and nothing has come to the attention of Management to indicate that the Authority will not be a going concern for at least the next twelve months from the date of this statement.

Signed on behalf of the Board of Directors by;


Director
10 February 2021


Director
10 February 2021

Report on the audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Capital Markets Authority (“the Authority”), set out on pages 8 to 37, which comprise the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 30 June 2020 and of its financial performance and cash flows for the year then ended and are prepared in accordance with International Financial Reporting Standards (“IFRSs”) and the requirements of the Capital Markets Act (Cap 84) and the Capital Markets Authority Act of Uganda, 2016.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our Responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Uganda. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other Information

The Directors are responsible for the other information, which comprises the information included in the ‘Report of The Directors’. The other information does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Capital Markets Authority Act of Uganda, 2016, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by The Directors.
- Conclude on the appropriateness of The Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards

Report on other Legal Requirements

As required by the Capital Markets Authority Act, we report to you based on our audit, that:

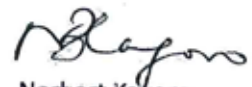
- i) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- ii) in our opinion, proper books of account have been kept by the Authority, so far as appears from our examination of those books; and
- iii) the Authority's statement of financial position (Balance Sheet) and statement of profit or loss and other comprehensive income (Income Statement) are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is Norbert Kagoro, Practicing Number P0053.


Certified Public Accountant of Uganda

10 February 2021

Kampala


Norbert Kagoro
Partner

Capital Markets Authority
Statement of Profit or Loss and other Comprehensive Income
For the Year Ended 30th June 2020

	Notes	2020	2020	Investor Compensation Fund (Note 19) Ushs'000	2020	2020	General Fund Ushs'000	2019	Investor Compensation Fund (Note 19) Ushs'000	2019	Total Ushs'000

* The 2019 deficit is because of use of reserves for operational expenses during the year. The use of reserves was approved by the Board of Directors

Capital Markets Authority
Statement of Financial Position
For the Year Ended 30th June 2020

STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020

	Notes	2020	2020	2020	2020	2020	2019	2019	2019
		General Fund	Investor Compensation Fund (Note 19)	Total	General Fund	Investor Compensation Fund (Note 19)	Total	Investor Compensation Fund (Note 19)	Total
		Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
ASSETS									
Non-current assets									
Property and equipment	16	2,729,183	-	2,729,183	170,263	-	170,263	-	170,263
		<u>2,729,183</u>	<u>-</u>	<u>2,729,183</u>	<u>170,263</u>	<u>-</u>	<u>170,263</u>	<u>-</u>	<u>170,263</u>
Current assets									
Held-to-collect investments	17&19	1,120,616	2,436,363	3,556,979	508	1,437,108	1,437,616		1,437,616
Accounts receivable	18&19	224,792	314,889	539,681	229,478	868,828	1,098,306		1,098,306
Broker/dealer bank account	20	105,000	-	105,000	100,000	-	100,000		100,000
Investor Compensation Fund bank account	19(a)	-	183,662	183,662	-	187,719	187,719		187,719
Cash and bank balances	20	2,467,475	-	2,467,475	5,605,034	-	5,605,034		5,605,034
Financial Sector Deepening Africa grant	23	21,575	-	21,575	-	-	-		-
		<u>3,939,458</u>	<u>2,934,914</u>	<u>6,874,372</u>	<u>5,935,020</u>	<u>2,493,655</u>	<u>8,428,675</u>		<u>8,428,675</u>
Total assets		<u>6,668,641</u>	<u>2,934,914</u>	<u>9,603,555</u>	<u>6,105,283</u>	<u>2,493,655</u>	<u>8,598,938</u>		<u>8,598,938</u>
RESERVES AND LIABILITIES									
Reserves									
General Fund		5,083,444	-	5,083,444	4,531,682	-	4,531,682		4,531,682
Investor Compensation Fund		-	2,846,085	2,846,085	-	2,493,654	2,493,654		2,493,654
		<u>5,083,444</u>	<u>2,846,085</u>	<u>7,929,529</u>	<u>4,531,682</u>	<u>2,493,654</u>	<u>7,025,336</u>		<u>7,025,336</u>
Current liabilities									
Broker/Dealer deposits	21	105,000	-	105,000	100,000	-	100,000		100,000
Payables & accrued expenses	22&19	1,480,197	88,829	1,569,026	1,407,500	1	1,407,501		1,407,501
Financial Sector Deepening Africa grant	23	-	-	-	66,101	-	66,101		66,101
		<u>1,585,197</u>	<u>88,829</u>	<u>1,674,026</u>	<u>1,573,601</u>	<u>1</u>	<u>1,573,602</u>		<u>1,573,602</u>
Total reserves and liabilities		<u>6,668,641</u>	<u>2,934,914</u>	<u>9,603,555</u>	<u>6,105,283</u>	<u>2,493,655</u>	<u>8,598,938</u>		<u>8,598,938</u>

The financial statements on pages 8 to 37 were authorized and approved by the Board of Directors on 10 February 2021 and signed on its behalf by:


Director

Director

Capital Markets Authority
Statement of Changes in Reserves
For the Year Ended 30th June 2020

	General Fund Ushs'000	Investor Compensation Fund Ushs'000	Total Ushs'000
At 1 July 2018	4,982,171	2,175,429	7,157,600
Total comprehensive income for the year	(280,600)	236,767	(43,833)
Transfer to Investor Compensation Fund (Note 18)	(106,659)	106,659	-
Day 1 ECL for Financial Assets	(63,230)	(25,201)	(88,431)
At 30 June 2019	<u>4,531,682</u>	<u>2,493,654</u>	<u>7,025,336</u>
At 1 July 2019	4,531,682	2,493,654	7,025,336
Total comprehensive income for the year	551,762	352,431	904,193
Transfer to Investor Compensation Fund	-	-	-
At 30 June 2020	<u><u>5,083,444</u></u>	<u><u>2,846,085</u></u>	<u><u>7,929,529</u></u>

Capital Markets Authority
Statement of Cash Flows
For the Year Ended 30th June 2020

	Note	2020 Ushs'000	2019 Ushs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus before tax		976,066	45,266
<i>Adjusted for:</i>			
Interest income		(511,635)	(556,389)
Depreciation	16	62,259	52,162
Expected credit losses		(59,799)	(25,952)
Operating profit before working capital changes		466,891	(484,913)
Decrease/(increase) in receivables		567,522	(922,084)
Increase in payables and accrued expenses		100,149	930,765
Net cash generated from/(used in) operating activities		1,134,837	(476,232)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	16	(2,621,179)	(76,599)
Purchase of government securities and fixed deposits		(6,594,389)	(2,000,000)
Interest income received on investments		369,458	695,293
Redemption of government securities and fixed deposits		4,545,330	6,420,000
Net cash used in investing activities		(4,300,780)	5,038,694
Net (decrease)/increase in cash and cash equivalents		(3,165,943)	4,562,462
Cash and cash equivalents at 1 July		5,922,080	1,359,618
Cash and cash equivalents at 30 June	19(C)	2,756,137	5,922,080
Represented by:			
Broker/dealer bank account	20(C)	1,299,510	2,107,487
Investor compensation fund bank account		183,662	187,789
Cash at bank and in hand		1,272,965	3,626,804
		2,756,137	5,922,080

1 REPORTING ENTITY

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

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERPRETATIONS (IFRIC)

a) *New standards and amendments to published standards effective for the year ended 30 June 2020*

The following new and revised IFRSs have been applied in the current year and had no material impact on the amounts reported in these financial statements except for IFRS 16:

IFRS 16 Leases	IFRS 16 has affected primarily the accounting by lessees and resulted in the recognition of almost all leases on statement of financial position. The standard removed the current distinction between operating and financing leases and has required recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. Operating cash flows has become higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors has not significantly changed. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	The following improvements were finalised in December 2017: • IFRS 3 Business Combinations – clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. • IFRS 11 Joint Arrangements – clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation. • IAS 12 Disclosure of Interests in Other Entities – clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. IAS 23 Borrowing Costs – clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.	1 January 2019

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERPRETATIONS (IFRIC) (CONTINUED)

a) *New standards and amendments to published standards effective for the year ended 30 June 2020 (continued)*

IFRIC 23 Uncertainty over Income Tax Treatments	The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses: • how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty • that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored • that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment • that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and • that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements. While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.	1 January 2019
Prepayment Features with Negative Compensation – Amendments to IFRS 9	The narrow-scope amendments made to IFRS 9 Financial Instruments in October 2017 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. • To qualify for amortised cost measurement, the negative compensation must be ‘reasonable compensation for early termination of the contract’ and the asset must be held within a ‘held to collect’ business model.	1 January 2019

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERPRETATIONS (IFRIC) (CONTINUED)

a) *New standards and amendments to published standards effective for the year 30 June 2020 (continued)*

Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must: - • calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change • recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling • separately recognise any changes in the asset ceiling through other comprehensive income.	1 January 2019
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b) *Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020*

The entity has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Definition of Material – Amendments to IAS 1 and IAS 8	Effective for accounting periods beginning on or after 1 January 2020
Definition of a Business – Amendments to IFRS 3	Effective for accounting periods beginning on or after 1 January 2020
Revised Conceptual Framework for Financial Reporting	Effective for accounting periods beginning on or after 1 January 2020

Definition of a Business - Amendments to IFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions. This amendment is effective for accounting periods beginning on or after 1 January 2020 and is not expected to have significant impact on the financial statements.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERPRETATIONS (IFRIC) (CONTINUED)

b) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Definition of Material - Amendments to IAS 1 and IAS 8

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

This amendment is effective for accounting periods beginning on or after 1 January 2020 and is not expected to have significant impact on the financial statements.

Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

This revised conceptual framework is effective for accounting periods beginning on or after 1 January 2020 and is not expected to have significant impact on the financial statements.

c) Early adoption of standards

The Authority did not early-adopt any new or amended standards in the year ended 30 June 2020.

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. Unless otherwise stated, these accounting policies have been applied consistently throughout the year.

BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention.

STATEMENT OF COMPLIANCE

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

REVENUE RECOGNITION

Revenue from contracts with customers for the year ended 30 June 2020

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Authority expects to be entitled in exchange for those goods or services. The Authority has generally concluded that it is the principal in its revenue arrangements, because it typically controls the services before transferring them to the customer.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and other sales taxes or duty.

The following specific recognition criteria must be met before revenue is recognised:

Government grants

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

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.

Commission income

Commission income is recognised as income in profit or loss when the right of payment has been established, which is generally at the point of each trade made on the Uganda Securities Exchange. The commission is computed in accordance with the USE Rules 2003 and is a stipulated percentage of these trades i.e. 0.14% as commission earned by the General Fund and 0.02% as commission earned by the Investor Compensation Fund.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Licencing fees

Licencing fees are recognised in profit or loss on a straight-line basis over the term of the licence. The fees charged by the Authority are in accordance with the Capital Markets Authority (Licensing) regulations. Licensing fees from broker/dealers and investment advisers are recognized over the period for which the Authority has received and approved an application for license or renewal trading fees from brokers/dealers. The fees are paid annually as is required by the regulations.

GOVERNMENT GRANTS

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

TRANSLATION OF FOREIGN CURRENCIES

The authority's functional currency is Uganda Shillings (Ushs). Transactions in foreign currencies are initially recorded at the functional currency at the spot exchange rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

PROPERTY AND EQUIPMENT

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT (CONTINUED)

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	4 years
Furniture and fittings	5 years
Motor vehicles	5 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 motor vehicle and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognized.

INTANGIBLE ASSETS

Where software is not an integral part of the related hardware, computer software is treated as an intangible asset. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets are amortized on a straight-line basis over their useful lives of 4 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets. The Authority currently has no intangible asset as this has been fully amortized.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION

Capital Markets Authority is an exempt organization in accordance with Section 2 of the Income Tax Act 1997. In accordance with section 21(f) of the Income Tax Act 1997, any income other than business income that is not related to the function constituting the basis of the organization's existence, is classified as exempt income. In that regard, withholding tax has been charged to the interest income on government securities and fixed deposits.

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.

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The Authority discloses the fair values of financial instruments such as its debt instruments at amortized cost in the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Authority.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Authority determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Authority has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments for which fair values are disclosed, are included in note 26.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts.

FINANCIAL INSTRUMENTS

Financial instruments (For the year ended 30 June 2020)

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Authority's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Authority has applied the practical expedient, the Authority initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Authority has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in note 2(d) Revenue recognition.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Authority's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Authority. The Authority measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Authority's financial assets at amortised cost includes trade receivables, cash and bank balances and all investments in government securities.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets at fair value through OCI (debt instruments)

The Authority measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Authority did not hold any debt instruments at fair value through OCI at reporting date.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Authority can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

The Authority has not elected to classify irrevocably any equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

The Authority has not elected to classify irrevocably any equity investments under this category.

Derecognition

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

- The rights to receive cash flows from the asset have expired.
- Or
- 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.

When the Authority has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Authority continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Authority also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Authority has retained.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Authority could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions (Note 2(p))
- Held to-maturity investments (Note 17)
- Accounts receivables (Note 18)

The Authority recognises an allowance for expected credit losses (ECLs) for all its financial assets at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Authority expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For its receivables, the Authority applies a simplified approach in calculating ECLs. Therefore, the Authority does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Authority applies a single loss-rate approach to its receivables or groups of receivables as might be appropriate based on its average historical loss rate. Depending on the data, the Authority applies either of two ways of computing the loss rate per period. A loss rate may be computed as the ratio of outstanding invoice amounts beyond the default period and raised invoices at the beginning of each period.

In the case where payments are available, the recovery rate may be computed as a ratio of payments made on bills raised per time period before the default date. The loss rate is then obtained as $1 - \text{Recovery rate}$. A common approximation is to cap recovery rates at 100% where payments exceed invoice amounts. The single loss rate is adjusted for forward-looking factors specific to the debtors and the economic environment. The single loss rate estimates are applied to each category of gross receivables.

The Authority considers whether ECLs should be estimated individually for any period-end receivables, e.g because specific information is available about those debtors.

For debt instruments at amortised cost which mainly relate to government debt securities with fixed interest payments and no history of default and bank balances with commercial banks, the Authority applies the low credit risk simplification. At every reporting date, the Authority evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Authority reassesses the internal credit rating of the debt instrument. In addition, the Authority considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Authority also uses the ratings from the Standard & Poor, Moody's and Fitch to determine whether the debt instruments have significantly increased in credit risk and to estimate ECLs

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

The Authority's debt instruments at amortised cost are graded with stable outlook by Standard & Poor, Moody's and Fitch. It is the Fund's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Authority considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Authority may also consider a financial asset to be in default when internal or external information indicates that the Authority is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Authority. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(i) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Authority's financial liabilities payables and other accruals.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Trade payables

Trade payables include trade payables and are subsequently measured at amortised cost. Gains and losses on derecognition and amortisation are recognised in surplus or deficit.

Other accounts payable

Other accounts payable are carried at amortised cost, which approximates the consideration to be paid in the future for goods and services received.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Offsetting

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

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Provisions

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

Property and equipment

Estimates of useful lives of motor vehicles 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.

Impairment losses on financial assets

The Authority recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Authority always recognises lifetime ECL for trade receivables and bank balances. The expected credit losses on these financial assets are estimated using a provision matrix based on the Authority's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Trade receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Authority. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of comprehensive income.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Provisions (Continued)

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Discount rate used to measure the lease liability

The Authority uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Authority would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Authority 'would have to pay', which requires estimation when no observable rates are or when they need to be adjusted to reflect the terms and conditions of the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate which is subject to management estimates and assumptions.

Income taxes

The Authority is subject to income taxes as per the Uganda Income Tax Act. Significant judgment is required in determining the Authority's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Authority recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized.

5 GOVERNMENT GRANTS

	2020 Ushs'000	2019 Ushs'000
Ministry of Finance, Planning and Economic Development	4,765,021	4,768,000
Bank of Uganda	<u>100,000</u>	<u>200,000</u>
	<u><u>4,865,021</u></u>	<u><u>4,968,000</u></u>

The Ministry of Finance funding received is to finance the government Authority (CMA) as per its annual budget approved by the Parliament of Uganda. Funds are purposely to be used in implementing activities as per the budget and those activities approved by the Board of Directors appointed by the Minister of Finance with the objective of meeting its mandate.

6 LICENCE FEES

	2020 Ushs'000	2019 Ushs'000
License fees	<u>230,907</u>	<u>203,015</u>

7 INTEREST INCOME

Interest on investments	<u>157,875</u>	<u>297,348</u>
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8 OTHER INCOME

FSDA grant	174,266	65,832
Collective Investment Scheme Training	<u>8,250</u>	<u>-</u>
	<u><u>182,516</u></u>	<u><u>65,832</u></u>

Other income is money received from Financial Sector Deepening Africa for market development. The grant was used to pay a consultant upon presenting a report on findings from the market research. The amounts expensed are recognised as income upon expensing Consulting expenses.

9 COMMISSION INCOME

	2020 Ushs'000	2019 Ushs'000
Trade commission income	<u>311,690</u>	<u>133,248</u>

10 STAFF COSTS

Salaries and wages	2,237,098	2,321,545
Staff provident fund	153,631	147,281
Overtime & other allowances	451,217	446,066
NSSF contribution	215,107	244,435
Staff medical scheme	71,619	73,777
Workman's compensation	40,695	39,571
Staff welfare	<u>301,004</u>	<u>354,644</u>
	<u><u>3,470,371</u></u>	<u><u>3,627,319</u></u>

11 ADMINISTRATIVE EXPENSES

	2020 Ushs'000	2019 Ushs'000
Office general expenses	117,632	198,403
Office rent	333,110	322,267
Depreciation	62,259	52,162
Legal and compliance	295,218	98,005
Motor vehicle maintenance and fuel	34,745	37,970
Telephone, fax, postage and e-mail	6,275	8,730
Subscriptions	71,128	78,269
Publication, printing and stationery expenses	10,427	23,543
Statutory audit expenses	38,503	32,766
Consultancy fees	174,266	99,173
Internal audit fees	17,355	29,444
Office repairs and maintenance	11,495	16,160
Bank charges	8,205	10,658
Advertisement and media coverage	30,065	30,428
Foreign exchange loss	-	81,955
	<u>1,210,683</u>	<u>1,119,933</u>

12 OTHER OPERATING EXPENSES

Regional integration and joint inspections	52,725	240,629
Capacity building*	97,757	300,512
Mass education	193,711	401,351
Directors' fees and allowances	120,250	117,450
Other board expenses	71,853	118,452
	<u>536,296</u>	<u>1,178,394</u>

*Capacity building expenses mainly relate to training and development expenses for CMA staff to enable them gain more capacity and to handle their role as a regulator as well as develop their skills and knowledge and to enable them learn from more developed markets.

13 MOVEMENT IN EXPECTED CREDIT LOSSES

	2020 Ushs'000	2019 Ushs'000
Held-to-collect investments	-	(49,052)
Cash and bank balances	(29,257)	27,306
Accounts receivables	(14,601)	4,644
	<u>(43,858)</u>	<u>(17,102)</u>

14 SURPLUS BEFORE TAX

The surplus before Withholding tax is stated after charging:

	2020 Ushs'000	2019 Ushs'000
External Auditors' remuneration	38,503	32,766
Depreciation	62,259	52,162
Directors' fees and allowances	120,250	117,450
	<u>120,250</u>	<u>117,450</u>

15 WITHHOLDING TAX

Withholding tax on investment income	<u>22,755</u>	<u>39,499</u>
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Withholding tax is levied at a rate of 20% on investment income received from interest on bonds and 15% on interest on fixed deposits.

16 PROPERTY AND EQUIPMENT

	Office Equipment Ushs'000	Furniture & fittings Ushs'000	Motor vehicles Ushs'000	Work in Progress Ushs'000	Total Ushs'000
COST					
At 1 July 2018	280,253	342,521	259,170	-	881,944
Additions	<u>67,599</u>	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>76,599</u>
At 30 June 2019	<u>347,852</u>	<u>351,521</u>	<u>259,170</u>	<u>-</u>	<u>958,543</u>
At 1 July 2019	347,852	351,521	259,170	-	958,543
Additions	<u>29,469</u>	<u>1,710</u>	<u>-</u>	<u>2,590,000</u>	<u>2,621,179</u>
At 30 June 2020	<u>377,321</u>	<u>353,231</u>	<u>259,170</u>	<u>2,590,000</u>	<u>3,579,722</u>
ACCUMULATED DEPRECIATION					
At 1 July 2018	177,768	299,180	259,170	-	736,118
Charge for the year	<u>42,997</u>	<u>9,165</u>	<u>-</u>	<u>-</u>	<u>52,162</u>
At 30 June 2019	<u>220,765</u>	<u>308,345</u>	<u>259,170</u>	<u>-</u>	<u>788,280</u>
At 1 July 2019	220,765	308,345	259,170	-	788,280
Charge for the year	<u>52,504</u>	<u>9,755</u>	<u>-</u>	<u>-</u>	<u>62,259</u>
At 30 June 2020	<u>273,269</u>	<u>318,100</u>	<u>259,170</u>	<u>-</u>	<u>850,539</u>
Net carrying amount					
At 30 June 2020	<u>104,052</u>	<u>35,131</u>	<u>-</u>	<u>2,590,000</u>	<u>2,729,183</u>
At 30 June 2019	<u>127,087</u>	<u>43,176</u>	<u>-</u>	<u>-</u>	<u>170,263</u>

17 HELD TO COLLECT INVESTMENTS

	2020 Ushs'000	2019 Ushs'000
Fixed deposits		
Maturing within three months	120,616	508
Maturing within twelve months	1,000,000	-
Total held-to-collect investments	1,120,616	508

18 ACCOUNTS RECEIVABLE

Prepayments	188,766	160,297
Activity advance	128	4,506
Sundry debtors	240	240
Dealers/brokers	37,928	22,869
Compensation fund receivables	-	58,437
Gross carrying amount	227,062	246,349
Less: Provision for expected credit losses	(2,270)	(16,871)
	224,792	229,478

Amounts due from dealers/brokers are non-interest bearing and have a 30-day payment period. The other receivables are non-interest bearing and are due on demand. The prepayments relate to prepaid rent, insurance and subscriptions to professional bodies made during the year.

19 INVESTOR COMPENSATION FUND

	2020 Ushs'000	2019 Ushs'000
a) Investor Compensation Fund bank balance	183,662	187,789
Less Expected Credit Losses	-	(70)
	183,662	187,719
b) Investor Compensation Fund		
Investor Compensation Fund bank balance	183,662	187,719
Held to maturity Investments	2,436,363	1,451,696
Less Expected Credit Losses	-	(14,588)
Receivables	315,299	870,521
Less Expected Credit Losses	(410)	(1,693)
Payables	(88,829)	(1)
	2,846,085	2,493,654

19 INVESTOR COMPENSATION FUND (CONTINUED)

	2020 Ushs'000	2019 Ushs'000
c) Investor compensation fund account movement		
At the beginning of the year	2,493,654	2,175,429
Interest on treasury bonds and fixed deposits*	339,803	258,533
Withholding tax on interest	(49,118)	(49,600)
Commission income	46,259	19,398
10% of surplus from general fund	-	106,659
Bank charges	(454)	(414)
Net movement in credit losses	15,941	8,850
Provision for Impairment of Financial Assets	-	(25,201)
	<u>2,846,085</u>	<u>2,493,654</u>
At 30 June		
*The interest is the amount after the deduction of withholding tax.		
**Reconciliation of the interest on fixed income		
Interest on fixed income (gross)	339,803	258,533
Withholding tax on fixed deposits at 15% (Treasury Bills 20%)	(49,118)	(49,600)
	<u>290,685</u>	<u>208,933</u>

As per the Capital Markets Authority, Chapter 84, Section 81(2), the Authority is mandated to make contributions from the General Fund to the Investor Compensation Fund. The Authority makes a contribution of 10% of the surplus for the prior year to the Investor Compensation Fund. The Investor Compensation Fund is set up for the purpose of granting compensation to investors who suffer pecuniary losses resulting from the failure of a licensed broker or dealer to meet his contractual obligations. It is to be operated by the Capital Markets Authority as is stipulated in the mandate of the Authority.

20 CASH AND BANK BALANCES

	2020 Ushs'000	2019 Ushs'000
a) Cash and bank balances owned by CMA		
Cash at bank	2,466,398	5,634,217
Less Expected Credit Losses	-	(29,257)
Cash in hand	<u>1,077</u>	<u>74</u>
	<u>2,467,475</u>	<u>5,605,034</u>
b) Bank balances held on behalf of investors and brokers		
Investor compensation fund bank balance (Note 19(a))	183,662	187,719
Broker/dealer bank balance	<u>105,000</u>	<u>100,000</u>
	<u>288,662</u>	<u>287,719</u>
Cash and cash equivalents	<u>2,756,137</u>	<u>5,892,753</u>

20 CASH AND BANK BALANCES (CONTINUED)

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks net of bank overdrafts. The cash and cash equivalents at 30 June comprise the following:

	2020 Ushs'000	2019 Ushs'000
c) Cash and cash equivalents		
Broker/dealer bank account	105,000	100,000
Investor compensation fund bank account	183,662	187,789
Cash at bank and in hand	<u>2,467,475</u>	<u>5,634,291</u>
	<u>2,756,137</u>	<u>5,922,080</u>

21 BROKER/DEALER DEPOSITS

Broker/dealer deposits	<u>(105,000)</u>	<u>(100,000)</u>
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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.

22 PAYABLES AND ACCRUED EXPENSES

	2020 Ushs'000	2019 Ushs'000
Sundry creditors	119,249	189,575
Other payables	400,980	237,391
URA non tax revenue	372,789	34,587
Credit card payable	20,000	20,000
Contingent Liability	257,000	-
Compensation fund payable	<u>310,179</u>	<u>925,947</u>
	<u>1,480,197</u>	<u>1,407,500</u>

23 FINANCIAL SECTOR DEEPENING AFRICA (FSDA) GRANT

At start of the year	(66,101)	-
Amount received	(108,166)	(131,933)
Utilized during the year (note 8 and 11)	174,266	65,832
Refund to FSDA	<u>22,060</u>	<u>-</u>
At 30 June	<u>21,575</u>	<u>(66,101)</u>

The grant relates to amounts given to Financial Sector Deepening Uganda to assist in Market Research. The grant is used to pay the consultant hired to assist in Market research.

24 RELATED PARTIES

a) List of related parties

Bank of Uganda

The Bank of Uganda provides an annual contribution to the Authority so that it can meet its mandate. In addition, the Authority also purchases Government Securities for which Bank of Uganda is the custodian. The annual contribution made during the year was of Ushs. 100 million. In addition, the Bank of Uganda has a sitting representative on the Authority's Board of Directors.

Ministry of Finance Planning and Economic Development

Ministry of Finance, Planning and Economic Development provides the biggest annual contribution to the Authority so that it can meet its mandate. In addition, the Authority reports to the Minister on quarterly performance. The Minister of Finance, Planning and Economic Development appoints the Authority's Board of Directors. The money received from the Ministry during the year is shown below.

Directors

The Board of Directors provides direction to the Authority so that it can meet its mandate. The board's emoluments have been detailed below:

b) Transactions with related parties

	2020 Ushs'000	2019 Ushs'000
Bank of Uganda		
Grant received	100,000	200,000
Ministry of Finance Planning and Economic Development		
Grant received	4,765,021	4,768,000
Key management compensation and Directors' emoluments		
Directors' fees and allowances	120,250	117,450
Key management's gratuity	321,897	345,186
Staff provident fund	153,631	147,281
	595,778	609,917

25 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.

(a) Credit risk

The Authority's risks are managed as follows:

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:

	2020 Ushs '000	2019 Ushs '000
Held-to-collect investments	3,556,979	1,437,616
Accounts Receivable	35,658	5,998
Cash and Bank Balances	2,756,137	5,892,753
Financial Sector Deepening Africa grant	21,575	-
	<u>6,370,349</u>	<u>7,336,367</u>

No collateral is held for any of the above financial assets. There were no financial assets that were past due as at the end of the reporting period but not impaired.

25 FINANCIAL RISK MANAGEMENT (CONTINUE)

b) Liquidity risk

Liquidity risk is the risk that an entity will have difficulties in paying its financial liabilities as they fall due. 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 of shortage of funds using budget analysis. This involves analyzing 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 analyses financial assets and financial liabilities into relevant maturity groupings based on the remaining period as at 30 June 2019 to the contractual maturity date.

	0-3 months Ushs'000	4-6 Ushs'000	7-12 Ushs'000	>12 month Ushs'000	Total Ushs'000
At 30 June 2020					
Financial assets					
Held-to collect	120,616	-	-	3,436,363	3,556,979
Accounts receivable	35,658	-	-	-	35,658
Cash & bank balances	2,756,137	-	-	-	2,756,137
FSDA	21,575	-	-	-	21,575
Total	2,933,986			3,436,363	6,370,349
Financial liabilities					
Broker and dealer	105,000	-	-	-	105,000
Payables and accrued	139,249	-	-	-	139,249
Total	244,249	-	-	-	244,249
Net liquidity gap	2,689,737	-	-	3,436,363	6,126,100
At 30 June 2019					
Financial assets					
Held-to collect	508	-	-	1,437,108	1,437,616
Receivables	5,998	-	-	-	5,998
Cash & bank balances	5,892,753	-	-	-	5,892,753
Total	5,899,259	-	-	1,437,108	7,336,367
Financial liabilities					
Broker and dealer	100,000	-	-	-	100,000
Payables and accrued	209,575	-	-	-	209,575
Total	309,575	-	-	-	309,575
Net liquidity gap	5,589,684	-	-	1,437,108	7,026,792

25 FINANCIAL RISK MANAGEMENT (CONTINUE)

c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective of market risk management is to manage and control market risk exposures within the acceptable parameters, while optimising the return on investment.

Management of market risks

Market risk arises from a decrease in the market value of a portfolio of financial instruments caused by adverse movements in the market variables such as currency exchange rates and interest rates.

The Board is mandated with management of market risk through and it exercises this mandate through approval of investment decisions undertaken.

Foreign currency risk

Foreign currency risk is the risk that fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Authority undertakes certain transactions denominated in foreign currencies and is, therefore, exposed to exchange rate fluctuations. The Authority minimises the impact of foreign exchange rate fluctuations through negotiation of foreign exchange rates. In addition, the Authority opened a dollar account to handle foreign exchange transactions as well as holding accounts in banks where the exchange rates are favorable. The carrying amounts of the Authority's USD denominated financial instruments at the end of the reporting period are as follows:

	2020 Ushs '000	2019 Ushs '000
Financial assets		
Bank balances	2,835	2,557,561
FSDA grant	21,575	-
Total assets	24,410	2,557,561
Financial liabilities		
Due to related companies	-	66,101
Total liabilities	-	66,101
Foreign exchange sensitivity gap	24,410	2,491,460

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 would arise from general increase in interest rates since the Authority invests mainly in fixed deposits and government securities. The risk would be lost opportunities to invest funds at higher rates. The Authority does not have any interest bearing liabilities.

26 FAIR VALUE MEASUREMENTS

IFRS 13 requires the Authority to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The Authority specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Authority's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Authority considers relevant and observable market prices in its valuations where possible.

(i) Fair value of the Authority financial assets and financial liabilities that are measured at fair value on recurring basis.

The Authority had no financial assets or financial liabilities that are measured at fair value on recurring basis at 30 June 2020 (2019: nil)

(ii) Fair value of the Authority financial assets and financial liabilities that are not measured at fair value on recurring basis.

The Authority's assets and liabilities are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

The fair values of the government securities, which are classified as held to maturity, are based on their market prices on the reporting date.

27 EVENTS SUBSEQUENT TO YEAR END

At the date of signing the financial statements, the Directors are not aware of any other matter or circumstance arising since the end of financial period, not otherwise dealt with in these financial statements, which significantly affected the financial position of the Authority and results of its operations including COVID- 19.

28 CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 2020 (2019: Nil)

List of LICENSED FIRMS

LICENSED FIRM	LICENSE HELD	ADDRESS	CONTACT PERSON
ALTX Clearing Ltd	Securities Central Depository	Plot 1 Mackenzie Close, Kololo P. O. Box 40138 Kampala, Uganda TEL: 0790-536781, 0312-209600 EMAIL: info@altxafrica.com	Mr. Joseph Kitamirike
ALTX (East Africa) Ltd	Stock Exchange	Plot 1 Mackenzie Close, Kololo P. O. Box 40138 Kampala, Uganda. TEL: 0790-536781, 0312-209600 EMAIL: info@altxafrica.com	Mr. Joseph Kitamirike
Baroda Capital Markets Uganda Ltd	Stock Broker	Plot 18 Kampala Road P. O. Box 7197, Kampala, Uganda TEL: 0414-233680/3 Fax: 0414-258263 Email: bcm.ug@bankofbaroda.com	Mr. Mohan Prashantam
BIK Capital Limited	Stock Broker	First Floor, Media Plaza TEL: 0774-997424 EMAIL: jofbakka@gmail.com	Mr. Joseph Bakkabulindi
Blue Solitaire Investments Limited	Investment Adviser	203-Kirabo Complex. Bukoto-Kisasi Road P. O Box 1534, Kampala, Uganda TEL: +256-752711660 EMAIL: jatin@blue-solitaire.com	Mr. Jatin B. K. Ghughu
Britam Asset Managers Company (Uganda) Limited	Fund Manager, Unit Trusts Manager, Equity Fund Unit Trust Scheme, Money Market Fund Unit Trust Scheme, Fixed Income Money Market Fund Unit Trust Scheme & Umbrella Fund Unit Trust Scheme	Britam Centre, Plot 24A, Akii-Bua Road P.O Box 36583 Kampala, Uganda TEL: 0417-702600, +256 312 305 600 EMAIL: info@britam.com	Mr. Ronald Kasolo
Crested Capital	Stock Broker, Dealer & Investment Adviser	1st Floor Impala House Plot 13/15 Kimathi Avenue P. O. Box 31736, Kampala, Uganda TEL: 0414-230900 FAX: 0414-230612 EMAIL: info@crestedcapital.com	Mr. Robert Baldwin

Dyer and Blair Uganda Limited	Stock Broker	P.O Box 33620, Kampala, Uganda TEL: 0414-233050 FAX: 0414-231813 EMAIL: uganda@dyerand blair.com	Ms: Esther Kakiiza
Equity Stock Brokers Uganda Ltd	Stock Broker	Orient Plaza, Plot 6/6A Kampala Road P. O. Box 3072, Kampala, Uganda TEL: 0414-236012/3/4/5 FAX: 0414-348039 EMAIL: equity@orient-bank.com	Ms. Christine Nkundiza-na-Muramuzi
GenAfrica Asset Managers Ltd	Fund Manager	6th Floor, Aha Towers Plot 7, Lourdel Road, Nakasero P. O. Box 75200, Kampala - Uganda TEL: 0414-252343/ 50 FAX: 0414-253344 Email: uganda@genafrica.com	Mr. George Mulindwa
ICEA Asset Management (U) Ltd	Fund Manager, Unit Trusts Manager, Balanced Fund Unit Trust Scheme, Income Fund Unit Trust Scheme, Savings Fund Unit Trust Scheme & Money Market Fund Unit Trust Scheme	Ground Floor, Rwenzori Courts P. O. Box 33953, Kampala, Uganda TEL: 0414-347535, 0414-232337 EMAIL: icea@africaonline.co.ug	Mr. Emmanuel Mwaka
KCB Bank Uganda Limited	Trustee Collective Investment Schemes	7th Floor, Commercial Plaza Plot 7, Kampala Road P.O Box 7399, Kampala, Uganda TEL: 0417-118336, 0417-118280	Ms. Sheila Nyerwanire
PCP Uganda Limited	Fund Manager	Plot M697, Equata Building 2nd Floor UMA Show Grounds, Lugogo P. O. Box 15373, Kampala, Uganda TEL: 0312-264983/4 FAX: 0312-264985 EMAIL: info@pearlcapital.net Contact:	Mr. Edward Isingoma Mat-siko
PKF Consulting Limited	Investment Adviser	Plot 1B Kira Road Kalamu House P. O. Box 24544, Kampala, Uganda Tel: 0414-341523/5 Fax: 0414-251370, 0414-341371 E-mail: pkfkam@ug.pkfea.com	Mr. Charles Oguttu

Pricewaterhouse Coopers Limited	Investment Adviser	10th Floor Communications House 1 Colville Street Kampala TEL: 0414-236018, 0414-233743 FAX: 0414-239153 EMAIL: general@ug.pwc.com	Mr. Francis Kamulegeya
Regency Wealth Management Limited	Investment Adviser	5th Floor, Shumuk House, Office SH9 Kampala, Uganda Tel: 0312-314316, 079-1224611 E-mail: matthew@regency-wealth.com	Mr. Matthew Turner
Sanlam Investments East Africa Limited	Fund Manager, Unit Trust Manager & Umbrella Fund Unit Trust Scheme	1 Pilkington Road, 7th Floor Workers House P. O. Box 9831, Kampala, Uganda TEL: 0414 -340707/8, 0312-265618 FAX: 0414 -340750 EMAIL: Dennis.Mugalya@ pinebridge.com	Mr. Dennis Mugalya
SBG Securities	Stock Broker	4th Floor, Crested Towers (Short) 17 Hannington Road P. O. BOX 7131, Kampala, Uganda Tel: 0312-224600, 0312-224985 Email: cos_uganda@mail. standardbank.com	Mr. Joram Ongurra
Standard Chartered Bank Uganda Ltd	Trustee Collective Investment Schemes & Investment Adviser	Plot 5, Speke Road P. O. Box 7111, Kampala, Uganda TEL: 0312-294459, 0414-340077 FAX: 0414-231473 EMAIL: ug.service@sc.com	Ms. Cecilia Namuddu
UAP Old Mutual Financial Services Ltd	Stock Broker, Dealer, Fund Manager, Investment Adviser, Unit Trust Manager, Balanced Fund Unit Trust Scheme, Money Market Fund Unit Trust Scheme & Umbrella Fund Unit Trust Scheme	6th Floor, UAP Nakawa Business Park, (1st Tower) Plot 3-5 New Port Bell Road P. O. Box 1610, Kampala, Uganda TEL: 0414-332824 EMAIL: financialservices@uap. co.ug, info@uap.co.ug	Mr. Simon Mwebaze
Universal Services Eastwood Limited	Stock Broker	2nd Floor, Nakawa House Nakawa Business Park Plot 3-5, New Port Bell Road Tel: 0776-233097, 0757-330109 Email: info@usel.co.ug	Mr. Edward Ruyonga.

Uganda Securities Exchange	Stock Exchange & Securities Central Depository	4th Floor, UAP Nakawa Business Park, Block A (North Wing) Plot 3-5 New Port Bell Road P. O. Box 1610, Kampala, Uganda TEL: 0414-332824 EMAIL: info@use.or.ug	Mr. Paul Bwiso
Xeno Investments Management Uganda Limited	Fund Manager, Unit Trust Manager, Money Market Fund Unit Trust Scheme, Bond Fund Unit Trust Scheme, Domestic Equity Fund Unit Trust Scheme, Regional Equity Fund Unit Trust Scheme	6th Floor, Workers House, 1 Pilkington Road P.O Box 2237, Kampala, Uganda Tel: 0392-177488, 0772-842100	Mr. Aeko Ongodia
In case of any other inquiries, please contact the Director, Market Supervision, Capital Markets Authority, Jubilee Insurance Centre, 8th Floor, 14 Parliament Avenue, P. O. Box 24565, Kampala, Uganda Tel: +256-414-342788/342791, +256-312-264950 Fax: +256-414-342803 Email: info@cmauganda.co.ug Website: www.cmauganda.co.ug			

