



# ANNUAL REPORT

2015-2016



# CORPORATE INFORMATION

## 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

## Our Legal Mandate/ 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.



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# LETTER OF TRANSMISSION

30th November, 2016

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

Dear Honorable Minister,

Pursuant to Section 8 (6) of the Capital Markets Authority Act (CAP 84), I have the honor to submit to you the annual report and accounts of the Capital Markets Authority in respect of the accounting period ended 30th June, 2016.

The report also covers major activities, challenges, future plans, as well as financial statements of the Authority.

Respectfully yours,



Grace Jethro Kavuma  
**Board Chairman**





## CHAIRMAN'S STATEMENT

I am pleased to present to you the annual report and financial statements of the Capital Markets Authority (CMA) for the period July 2015 to June 2016. CMA has come a long way and as a Board, we had a busy year owing to the various regulatory developments and actions in the market. This was driven by the mandate given to us under Section 22H of the CMA Amendment Act 2016, and we therefore have to continuously sharpen our capabilities so that we can effectively perform our oversight role.

This financial year ending also marks the end of the strategic period (2013/14 – 2015/16) which was birthed under the theme, Driving Growth. The three year period generally tried to recast CMA's strategic focus from "investor protection" to "driving growth" and ensuring market vibrancy which would be sustained by a healthy mix of local and international investment opportunities. The vision and mission of the Authority were revised to align them with the new strategic focus. However, in view of the performance by the end of the first year of the strategic period, amendments were made to the strategic plan to ensure better and more focused execution during the remaining two years.

The realignment saw CMA achieve several milestones in the financial year under review, and key among these was the amendment of the CMA Act. The amendment, which will be a key stepping stone to our ascension to Appendix A of the International Organization of Securities Commissions Multi-lateral Memorandum of Understanding, will also aim to strengthen corporate governance in the industry, and ensure that as a country, we are better positioned to comply with the provisions of the East African Common Market Protocol and International Standards for Anti Money Laundering and Combating Terrorism Financing. The Board, during the year, also approved various other secondary legislation including amendments to the securities exchange rules.

For specialised operations like the capital markets, a well-developed and facilitated human resource is vital execution of CMA's mandate. CMA successfully undertook an organizational structure review to align the priorities and new strategic direction of the Authority with the human resources. The Board remains committed to improving skilling of all staff to ensure they're well equipped with the knowledge and expertise to execute the Authority's objectives, and we are grateful to the Government which has, and continues, to make this possible through the funding they give us.

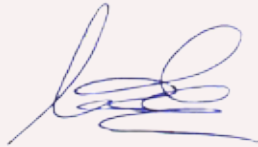
Going forward, therefore, we will continue to strategically enhance CMA's human resource and operational systems, including automating some of the core process of our operations. Facilitating market development will also be fundamental in the next five year strategic period, as well as maintaining and regulating an orderly, fair, and efficient capital market system.

We expect to undertake an institutional review in the coming year and this will be alongside the ongoing project to develop a ten year capital markets development masterplan. The masterplan will be very vital in streamlining the industry's direction as well as shaping the activities of the CMA.

The World Bank predicts that Uganda's economy will grow at less than 5 percent during the financial year, 2016/17 and gradually accelerate to about 6% in the subsequent two year. It mainly attributes this to reduction of trade with Southern Sudan, bad weather, low credit within the financial system and other uncertainties in the global economy. However, hope has been placed on the public investments in infrastructure projects which are expected to spur growth in the medium term as they prepare Uganda for oil production. These infrastructure projects by their nature are long term and require patient capital which is not readily available from the banking industry. This therefore calls for creative approaches in easing access to local and international savings through the capital markets industry.

On behalf of the Board, I wish to thank the Ministry of Finance, Planning and Economic Development and the Bank of Uganda for the support they continue to give the Authority. I want to thank management and the staff of CMA for their tremendous efforts in the financial year under review, and I have no doubt that our efforts combined will enable us achieve our vision of establishing Uganda's capital market as the most efficient and trusted centre for attracting and providing capital in Africa.

Grace Jethro Kavuma



**Board Chairman**



# CHIEF EXECUTIVE OFFICER'S REVIEW



The year 2015/16 was an economically challenging year, following the rapid depreciation of the Uganda Shilling in September 2015 (largely as a result of the rapid appreciation of the US Dollar, following the end of quantitative easing, and the run up to the election period). This saw a slowdown in foreign investor participation (who are collectively responsible for about 75% of the market turnover) on the Uganda Securities Exchange (USE). The anticipation of a rapid rise of interest rates should invariably be an opportunity for large business owners to substitute short to medium term bank credit, with more patient public or private equity financing. This notwithstanding, we saw reasonable activity in our market.

From a market development perspective, CMA has continued to raise awareness about the availability and benefits of patient capital, targeting potential issuers of debt through the capital markets and equity securities. This has included advocating for stronger corporate governance practices in businesses in order to ease their access to equity capital through presentations to trade associations, corporate governance conferences and individual discussions with interested founders of companies in Uganda.

Secondly, in a bid to reduce the dominance of foreign investors in our market (who currently hold 75% of the equity holdings and 11% of Government debt), we have been able to reach out to about 5,000 employed Ugandans of all walks of life, encouraging them to save through the formal financial system by investing in Collective Investment Schemes (CIS), shares of listed companies in Uganda and Kenya, and in Government of Uganda Securities. This brings the cumulative number of Ugandans reached over the past three years to 22,000 through about 750 presentations. This outreach has not yet translated into a meaningful increase in securities depository accounts at the USE and Bank of Uganda. However, we expect the increased awareness to result into a larger participation of individual investors in subsequent public offers and in CIS over the medium to long term.

From a market supervision perspective, the Authority carried out unprecedented investigations into misclassification of a trade by the stock exchange, and a fraud on securities in the Securities Central Depository of the USE. These investigations resulted into enforcement action against the USE for breach of rules and other penalties levied by the CMA on the parties involved. The actions by CMA underscore the Authority's core mandate of ensuring a fair and transparent capital market ecosystem.

From a regulatory perspective, during the year revisions to the CMA Act were assented to by H.E. the President of the Republic of Uganda in May 2016. The amendments have implications on the governance and operational aspects of CMA on licensed and approved persons, as well as on increasing our ability to co-operate with other securities regulators who are members of the International Organisation of Securities Commissions (IOSCO), during investigations.

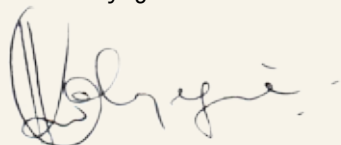
CMA Uganda, with the support from Financial Sector Deepening Africa, started the process of developing a ten - year Capital Markets Development Master Plan, whose main goals are to increase business and government access to equity and non-bank debt financing; increase the pool of domestic investors in equity securities and foreign investors in Government securities in order to reduce the public and private sector cost of borrowing; and to improve the efficiency of the capital markets ecosystem. The Master Plan is expected to be completed and launched in 2017.

From a Management perspective, while the revenue of CMA increased by 8%, there was a decrease in fees and commissions largely due to the slowdown in market activity. The uncertainty in fees and commissions continues to affect our activities of public (investor and issuer) education and regulatory capacity enhancement.

The human resources remain our core asset. I therefore thank the Board for their support in providing a suitable environment to ensure Staff effectively execute the Authority's mandate. As we plan for the next strategic period, I wish to assure the Board and all Ugandans of our commitment to serve to the best of our ability in ensuring a vibrant and efficient capital market.

I now invite you to read the following reports which contain the details of our activities for the financial year 2015/16.

Keith Kalyegira



**Chief Executive Officer**



# BOARD OF DIRECTORS

**Martin Francis Kyeyune**  
Represents Uganda  
Manufacturers Association



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



**Bemanya Twebaze**  
Registrar General



**Nelson Nerima**  
Represents Uganda  
Law Society



**Miriam Magala**  
Represents Uganda  
Insurance Institute



**Michael Galabuzi**  
Represents Uganda National  
Chamber of Commerce and  
Industry



**Grace Jethro Kavuma**  
Chairman



**Keith Kalyegira**  
Chief Executive Officer



**Harriet Lwabi**  
Represents the Solicitor  
General



**Jacqueline Kobusingye  
Opondo**  
Represents the Institute of Certified  
Public Accountants of Uganda



**Agnes Tibayeita Isharaza**  
Represents Uganda  
Bankers Association



**Philip Andrew Wabulya**  
Represents the Governor,  
Bank of Uganda

# CORPORATE GOVERNANCE

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

## 1. Board of Directors

The Authority is governed by a unitary Board comprising a Chairperson and representatives from select private and public sector institutions. Six members are ex-officio, by virtue of their public offices while the other six members represent private sector interests. However, the CMA Amendment Act 2016, which commenced on 20th May 2016 stipulates that the Board shall comprise of eleven persons, with five being ex-officio, and six coming from the private sector, from whom a Chairperson shall be appointed. With the exception of the Chief Executive Officer (CEO), all members of the Board are Non-Executive. The roles of Chairperson and Chief Executive are clearly distinct.

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

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

The Board meets at least once every three months to carry on the business of the Authority. During the year the Board met eight times to carry out their key functions. The key functions of the Board include reviewing and approving strategy, operational plans, stock exchange rules, approving public offers, policies, annual budget.

The Board is supported by four Committees, namely; the Legal and Regulatory Affairs Committee; Audit and Risk Management Committee; Finance, Human Resource and Administration Committee; and the Research and Market Development Committee. During the period under review, the Committees met as follows:

Board Committee	Number of meetings held
Legal and Regulatory Affairs	09
Audit and Risk Management	05
Finance, Human Resource and Administration	04
Research and Markets Development	01

The Board is also supported by the Board Secretary (Director, Legal and Board Affairs).

All Board Committees are governed by terms of reference developed by the Board and are mandated to make recommendations to the Board on all matters under their consideration. The Committees comprise Board Members with relevant 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. The functions and structure of the Committees for the year under review were reviewed and are described below.

### Legal & Regulatory Affairs Committee

The purpose of the Legal & Regulatory Affairs Committee is to oversee 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. During the period July 2015-June 2016 the Legal & Regulatory Affairs Committee convened nine meetings to consider applications for licenses for investment advisory services; approve a prospectus for a depository receipt programme; as well as address enforcement actions arising out of investigations conducted and concluded. The committee also considered amendments to various stock exchange rules.



## Finance, Human Resources & Administration Committee

The Committee is responsible for guiding the Board on policy matters relating to Finance, Human Resources & Administration. The Authority submitted to the Ministry of Finance, Planning and Economic Development, quarterly reports of activities and financial matters. The Committee reviews and recommends to the Board material policies governing the Authority's human resources and any amendments thereto intended to attract, develop and retain qualified and high performing talent for achievement of the Authority's strategic objectives. The Committee convened four meetings during the period to consider among other things the CMA budget for the financial year 2016/2017 as well as to review the budget performance for 2015/2016.

## Audit and Risk Management Committee

The critical role of internal audit makes it imperative to have an independent Audit Committee. The Audit and Risk Management Committee plays a critical role in the corporate governance structure by overseeing internal controls, accountability, reporting structures and risk management by reviewing and monitoring the Authority's internal and external Audit and Risk reports and ensuing implementation of audit findings. The Audit Committee held three meetings during the period under review to consider the audited financial statements for the year ended 30th June 2015, the Internal Audit work plan and the internal Audit quarterly reports. The Committee also considered the CMA Risk Management quarterly reports.

## Research & Market Development Committee

The role of the Research and Market Development Committee is to assist the Board in the formulation of policies that are geared towards research and market development, reviewing the strategic plan implementation and monitoring framework. The Research and Market Development Committee met once during the year to consider the findings from the Capital Markets Players Survey, development and future plans for research and market development as well as policy papers on venture capital / private equity regulation and regulation of securities registrars.

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

## The Board of Directors (as at 30<sup>th</sup> June 2016)

1. Mr. Grace Kavuma (Chairman)
2. Dr. Martin Francis Kyeyune
3. Ms. Jacqueline Kobusingye Opondo
4. Mr. Nelson Nerima
5. Ms. Agnes Tibayeita Isharaza
6. Ms. Harriet Lwabi
7. Mr. Michael Galabuzi
8. Mr. Philip Andrew Wabulya
9. Ms. Miriam Magala
10. Mr. Paul Patrick Mwanja
11. Mr. Bemanya Twebaze
12. Mr. Keith Kalyegira (CEO)

## 2. Board Training

During the year, the Board received exposure to the operations of other regulators; IOSCO meetings; latest developments in capital markets and stock exchange operations in Africa and pertinent issues in corporate governance.

## 3. Remuneration of the Board

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

**TABLE A: ALLOWANCES RELATING TO MEETINGS**

	Retainer (per month)	Sitting allowance (per meeting)
Chairperson	UGX 300,000	UGX 300,000
Member	UGX 200,000	UGX 250,000

# LEGAL AND BOARD AFFAIRS



## Review and Development of the Capital Markets Regulatory Framework

### 1. Capital Markets Authority Amendment Bill, 2015

The Capital Markets Authority (CMA) Amendment Bill 2015 was assented to by His Excellency the President of the Republic of Uganda on 3rd May, 2016 and took effect on 20th May, 2016 when it was published/ gazetted. This followed Parliament's enactment of the Bill on 1st March, 2016. The amendments will have implications on various aspects including the governance and operational aspects of CMA, licensed and approved persons; and the entire capital markets industry in Uganda.

### 2. Publication of Subsidiary Legislation

Regulations published during the year under review were:

- (a) The Capital Markets (Book Building) Regulations, 2016
- (b) The Capital Markets (Cross Border Introductions) (Amendment) Regulations, 2016
- (c) The Capital Markets (Takeover and Mergers) (Amendment) Regulations, 2016
- (d) The Capital Markets (Asset Backed Securities) (Amendment) Regulations, 2016
- (e) The Capital Markets (Exchange Traded Fund) Guidelines, 2016

The Authority is working closely with the office of the First Parliamentary Counsel and the Uganda Printing and Publishing Corporation to ensure that the following pieces of legislation are also cleared for publication:

1. The Collective Investment Schemes (Real Estate Investment Trusts) Regulations, 2016
2. The Capital Markets Authority (Investor Compensation Fund) Regulations, 2016
3. The Capital Markets Authority (Establishment Of Stock Exchange) (Amendment) Regulations, 2016
4. The Capital Markets Authority (Prospectus Requirements) (Amendment) Regulations, 2015
5. The Collective Investments Schemes (Fees) Instrument, 2015
6. The Collective Investments Schemes (Foreign Schemes Order), 2015
7. The Capital Markets (Licensing) (Amendments) Regulations, 2015
8. The Capital Markets (Regional Fixed Income) Regulations, 2015

### 3. Stock Exchange Rules

**Uganda Securities Exchange Rules;** The Uganda Securities Exchange (USE) submitted the USE Equity Trading Rules, 2015; amendments to the USE Rules, 2003 and the Securities Central Depository Rules 2009 to the CMA for approval. The Rules were approved by the CMA Board and

communication was made to the USE. The USE started implementing these Rules on 20th July, 2015 when it started automated trading in securities.

**ALTX Exchange Rules:** ALTX submitted the following rules for amendment which were also approved by the Board:

- Amendments to the ALTX Growth Market Rules, 2016.
- Amendments to the amended ALTX Central Securities Depository Rules, 2016.
- Amendments to the amended ALTX Central Securities Depository Procedures, 2016.
- Amendments to the amended ALTX Fees and Penalties Rules, 2016.
- Amendments to the amended ALTX Depository Receipts Rules, 2016.
- Amendments to the amendments to ALTX Securities Rule Book, 2014.
- Amendments to the amended ALTX Exchange Traded Funds Rules, 2015.

**Regulatory Guidance Note on Offer of Exceptional Securities to the Public:** CMA approved the Regulatory Guidance Note on offer of Exceptional Securities to the Public and the Guidance Note was made public and uploaded on the CMA website.

#### 4. Anti-Money Laundering

CMA participated in the preparatory meetings for the National Risk Assessment for Uganda to determine the risky sectors in relation to Anti Money Laundering. The Authority contributed to the review of a mutual evaluation report by the Eastern and Southern Africa Money Laundering Group (ESAAMLG) through evaluating the risk of Anti-Money Laundering in the Securities Markets.

CMA also participated in various meetings with the Ministry of Finance, Planning and Economic Development and the relevant stakeholders to fast track the financial sector laws to ensure compliance with the International Requirements for Anti Money Laundering and Combating Financial Terrorism.

#### 5. EAC Council Directives Meeting

CMA participated in the East African Community (EAC) meetings for the drafting of the EAC Council Directives in the securities market. The following Directives were completed:

- Council Directive on Corporate Governance for Listed Companies;
- Council Directive on Credit Rating Agencies;
- Council Directive on Real Estate Investment Trusts and
- Council Directive on Regulated Activities

The completed directives were forwarded to the Sectoral Council for Finance and the Council of Ministers for approval.

# MARKET SUPERVISION

## 1. Supervisory Matters

### a) Onsite Inspections

During the period under review, a total of 21 inspections were carried out. The Market Supervision team conducted a risk profiling exercise for all regulated firms. Firms inspected were considered risky by the Authority. The level of risk varies from firm to firm. 17 of the inspections were conducted as part of the annual inspections and four of the inspections were adhoc. The inspections lasted for three months (September – November, 2015), and a total of 204 man hours was used for inspection purposes. The annual inspection is risk based and focuses on the identification of potential risks faced by a business and the assessment of controls in place to minimize and mitigate those risks. The focus areas for the risk based inspections were integrity and competence, management and corporate governance, information technology and disaster recovery, financial resources, handling of client assets, knowledge and treatment of customers, rules and practices concerning conflict of interest, relationship with the Authority, record keeping and follow-up on issues from the last inspection.

The table below shows the number of inspections conducted per license category.

Licensee category	Inspections
Brokers	6
Fund managers & CIS Managers	3
Investment Advisers	3
Securities Exchange	1
Securities Central Depository	1

Table 1: Completed inspections per license category.

The chart below shows the concentration of inspection findings in five major areas.

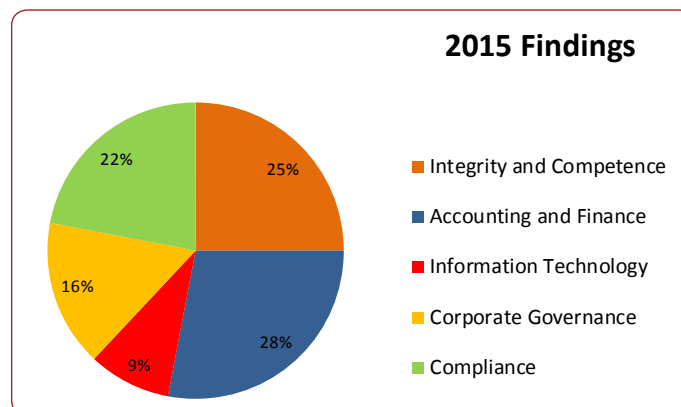


Table 2: Concentration of inspection findings in five major areas.



### **b) Off- site monitoring activities**

All licensees are required to submit audited financial statements annually. Broker/dealers are required to submit monthly net capital reports while fund managers are required to submit quarterly portfolio reports. During the period under review, these reports were submitted and were reviewed by the department. The reports provided important information that was used by the market supervision team to identify potential breaches and seek out appropriate remedies together with the regulated entities.

## **2. Approvals and Licensing**

The CMA Board approved the prospectus of ALTX Clearing Limited for a depository receipt program on the Government treasury secondary market.

### **a Licensing of New Market Intermediaries**

The licensing of new market intermediaries fulfills CMA's objective of diversifying the market intermediaries' base. This is expected to result into enhanced competition, help to bring down costs for issuers and investors as well as spur more innovation in Uganda's capital markets industry. The CMA Board approved the application of Jomo Investments and Trustee services for an Investment Advisor License.

### **b Cessation of Business**

The following market intermediaries ceased business during the period under review:

<b>Licensee</b>	<b>License Category</b>	<b>Reason</b>
DeVere & Partners (U) Ltd	Investment Adviser	Cessation of business in Uganda
African Alliance (U) Ltd	Unit Trust Manager	Cessation of unit trust business in Uganda

*Table 3: Market Intermediaries that ceased business*

### **c Non-Renewal of License**

The following licenses expired and were not renewed.

<b>Licensee</b>	<b>License Category</b>	<b>Reason</b>
Britam Asset Managers (U) Ltd	Fund Manager	Restructuring of company business
Smith & Bolton Ltd	Investment Adviser	Expired and not renewed.

*Table 4: Licenses not renewed*

#### d Renewal of Licenses

The following licenses were issued for the period 2016/2017

Licensee	No of Licenses
Brokers/ dealers	11
Fund managers	8
Investment Adviser	7
Trustees (Collective Investment Schemes)	2
Unit Trust Managers (Collective Investment Scheme)	3
Securities Central Depository	2
Representative Licenses	87

Table 5: No of licenses issued for 2016/2017

### 3. Complaints Handled

During the period under review, a total of eight complaints were received by the Authority. All complaints received were resolved. See table below for details;

Complaint	No. of Licenses	Status
Unpaid dividends to investors	4	Resolved
Immobilization of shares	1	Resolved
Delay to execute sale order	1	Resolved
Breach of USE listing rules	2	Resolved

Table 6: Summary of complaints received

### 4. Approval of the Market Operations Procedures Manual

The CMA Board approved the markets operations procedures manual. The purpose of the manual is to set out the practices and procedures to be followed by the market supervision team in carrying out its core functions namely; licensing and approvals, market surveillance, approvals of public offers and corporate actions, financial analysis and enforcement.

### 5. Development and Launch of the Client Service Charter

On 15th September, 2015, CMA launched a client service charter which sets out the service standards that should be expected from the Authority in fulfillment of its mandate. The charter outlines CMA's service commitments as well as what the Authority expects from its stakeholders to enable it deliver a quality service.

### 6. Stakeholder engagements

The market supervision team organised the annual compliance seminar on 15th September, 2015. The seminar equipped compliance officers of the various market intermediaries with the tools necessary to address compliance challenges in their roles. The seminar also provided a platform for feedback from the market participants on how the Authority can improve its processes. The seminar was well attended and the feedback received was used by the Authority to refine its supervision process.

A joint forum for the USE and the CMA to meet and discuss matters relating to supervision of the market players and compliance obligations of the Exchange was instituted by the Authority. Two meetings were held during the period in which several market concerns were addressed and resolved.

## **7. Investigations and Enforcement Actions**

### **a. Breach of USE rules**

In August 2015, following market and media complaints, the Authority commenced investigations into a transaction that was conducted on the USE by African Alliance (U) Limited on behalf of her client Norfund, a Norwegian investment fund which was moving its dfcu shares to Norfinance, a related company. The investigation was conducted in accordance with Section 19 of the CMA Act (as amended) and the Board, at its meetings held on 12th August 2015, 01st December 2015, and 05th May 2016, found that:

- The entire transaction should have been conducted as a private transfer and should not have been split into a private transfer and a trade on the Main Investment Market Segment of the exchange.
- The USE was conflicted in the manner in which they handled the transaction.
- African Alliance was not conflicted in the transaction and acted honestly in the best interests of the client during the transaction.

The Board therefore ordered USE to reconstitute the client and a penalty was imposed on the USE. The CMA Board also decided to forfeit/ refund all commissions and levies earned by the Authority in this transaction.

The USE also breached its rules by applying annual listing fees for cross listed companies which had been repealed by the Authority. The exchange acted illegally and was subsequently fined as provided for in Section 99 (a) of the CMA amendment Act 2011.

### **b. Fraud committed on the Securities Central Depository**

In July 2015, CMA commenced investigations into a fraud committed on the USE SCD. The fraud occurred when a fictitious account was created and used to trade. The fictitious account was operated by Baroda Capital Markets Limited.

The CMA Board at its meetings of 01 December, 2015 and 05 May, 2016 imposed an administrative penalty on Baroda Capital Markets for its failure to act with due care, skill and diligence, and failure to observe high standards of market conduct. The Authority also gave personal warnings to staff of Baroda Capital Markets and the USE for negligence in their work and in their dealings with the client. Baroda has since requested the CMA to review its decision.

# RESEARCH AND MARKET DEVELOPMENT

## 1.1 Market Activity

### 1.1.1 Equity Markets

#### Primary Markets

The Uganda Securities Exchange did not list any new company in the financial year 2015/16.

#### Corporate Actions

The Uganda Securities Exchange did not report any major transaction in the period under review.

#### Secondary Market Activity

**Table 1: Secondary Market Activity Indicators**

	2015/16	2014/15	Change (%)
Equity Turnover (Ush, Billion)	204.30	310	-34
Average Turnover per session (Ush, Billion)	0.76	1.24	-39
Share Volume (Million)	1,230.74	1,848.05	-33
Domestic market Capitalization (Ush Trillion)	4.49	3.73	20
USE Local Counter Index (Points)	390.24	324.36	20

Source: USE Market Reports

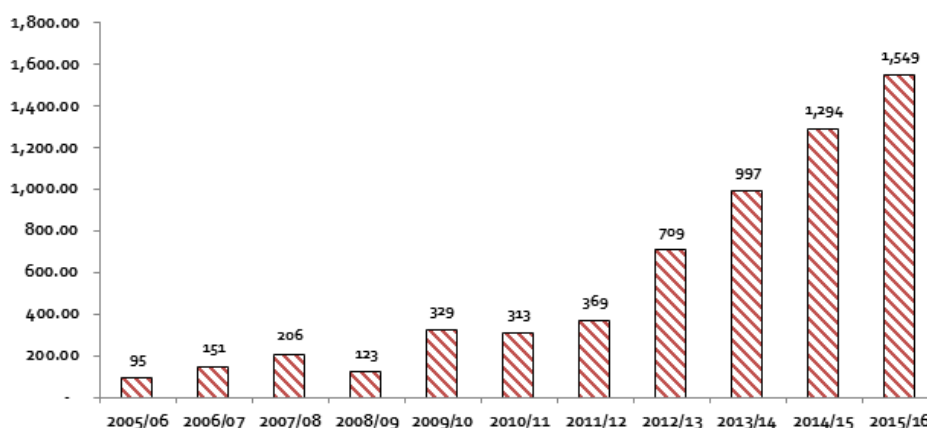
Equity turnover at the Uganda Securities Exchange dipped by 34% in the financial year 2015/16 to Ush 204.30 billion from Ush 310 billion recorded in the previous financial year. Average turnover per session also trended downwards to Ush 0.76 billion per session from Ush 1.24 billion recorded in the previous financial year. Share volume also receded by 33% to 1,230.74 million shares in the financial year under review, compared to 1,848.05 million shares previously. The dip in share volume and equity turnover was driven by a rise in interest rates on government securities that saw investors shun the equity market for high yielding low risk government securities. Additionally, investors remained on the sidelines in the pre and post-election period owing to uncertainty during the periods.

Bucking the trend, domestic market capitalization increased by 20% to close the period at **Ush 4.49 trillion** from **Ush 3.73 trillion** that was recorded previously. The USE Local Counter Index also moved in tandem with the domestic market capitalization, climbing by 20% to 390.24 points from 324.36 points at the close of the previous financial year.

## 1.2 Fund Management

The total funds under management by fund managers licensed by CMA stood at Ush 1.55 trillion as at the end of the financial year 2015/16. This was an increase of 20% from Ush 1.29 trillion at the end of the fiscal year 2014/15. The increase in funds under management was as a result of the appreciation in value of underlying assets as well as the recruitment of new members by schemes whose funds are under management.

**Funds under Management (Ush, Billion)**



Source: CMA Market Supervision Department

## 1.3 Public Education

CMA continued with public education efforts that aim at reaching out to potential investors through face to face presentations made to groups. The public sensitization efforts have seen external resource persons contracted by CMA crisscross different parts of the country educating the public on saving and investing in the capital markets. In the review period, a total of 5,800 individuals were reached, bringing the total number of people reached since inception of the program in 2014/15 to over 15,000 individuals. Among those reached out to were members of savings and investment groups, Rotary Clubs, staff and business students of various institutions, among others. The public sensitization exercise is expected to translate into increased trading activity in the capital markets.

CMA also continued with an initiative aimed at reaching out to potential issuers of securities. Several one-on-one meetings were held with CEOs' of companies identified as having a high potential of issuing securities in the course of the financial year 2015/16. Through this initiative, CMA hopes to engage with decision makers in the private sector and expose them to the fund raising opportunities available in the capital markets. With such exposure, decision makers will be better enlightened to take advantage of the long term capital available in the capital markets.

## 1.4 Capital Markets Master Plan

CMA (with support from the Financial Sector Deepening Africa) hired Cadogan Financial Ltd at the start of the financial year 2015/16 to facilitate the process of developing a ten year capital markets master plan for Uganda. A draft master plan has been developed and the final master plan is expected to be launched in the financial year 2016/17.

The master plan will be a comprehensive plan that will chart the strategic positioning and future direction of Uganda's capital markets. The plan is expected to provide market participants with strategic clarity on the vision and objectives of the capital markets in a dynamic operating environment. Additionally the master plan will ensure that Uganda's capital markets are well positioned to play their role in supporting national growth needs with reference to Vision 2040 that seeks to transform Uganda into a middle income country.



The background of the image is a collage of financial documents. At the top, there is a calculator with a grid of buttons. Below it, a line graph is visible with data points connected by lines, showing an upward trend. The graph has a vertical axis labeled '0' and a horizontal axis with years '1997', '1998', and '1999'. To the right of the graph, there is a document header that reads 'NT/001M 2003/5M'. In the bottom right corner, a portion of a pen is visible. The entire image has a blue color cast.

# FINANCIAL STATEMENTS

## FINANCIAL HIGHLIGHTS 2015/16

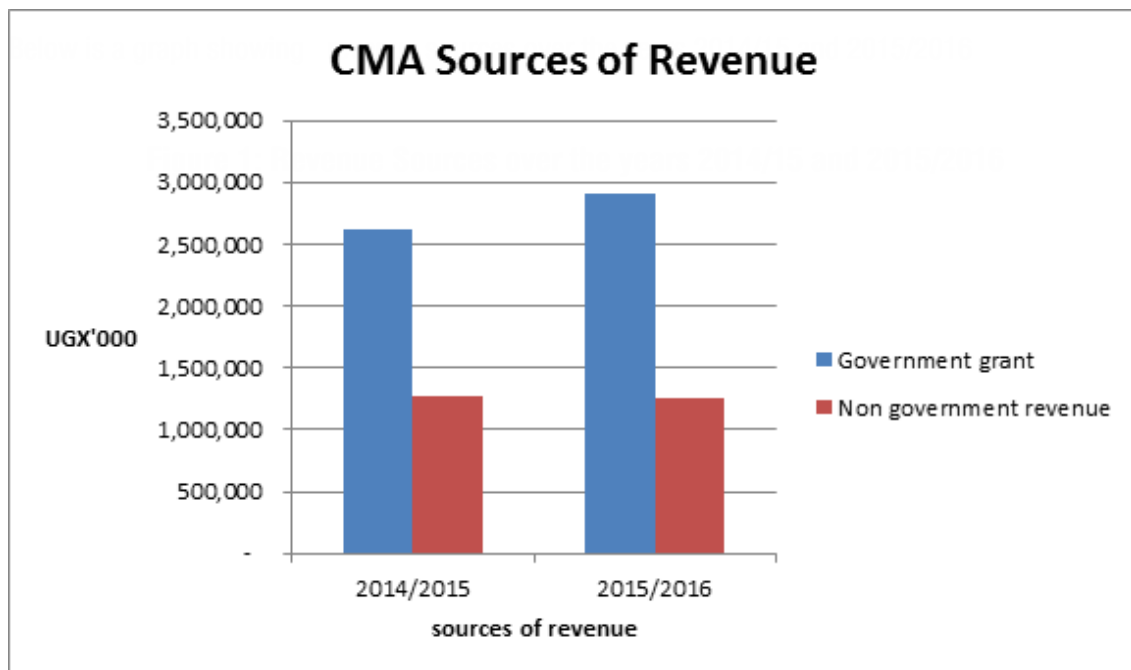
The Authority posted a surplus of UGX 0.2 Billion in 2015/2016. This was a 13% increase from UGX 0.17 Billion posted in 2014/2015, and was primarily driven by the 11% increase in Government support.

## STATEMENT OF COMPREHENSIVE INCOME

### Revenue

The Authority continued to raise revenues from the same sources, with Government funding (UGX 2.9 Billion) comprising 70% of the total revenue which is consistent with the provisions in the CMA Act cap 84 which stipulate that Government as shall be the main funder of the Authority. Income from trading commission decreased by 30% to UGX 0.5 Billion in 2015/2016 from UGX 0.7 Billion in 2014/2015. This was mainly due to reduced trading activity in the equity market over the period.

Interest income increased by 66% from UGX 0.3 Billion in 2014/2015 to UGX 0.5 Billion in 2015/2016 due to the increased interest rates on Government securities and fixed deposits over the period.

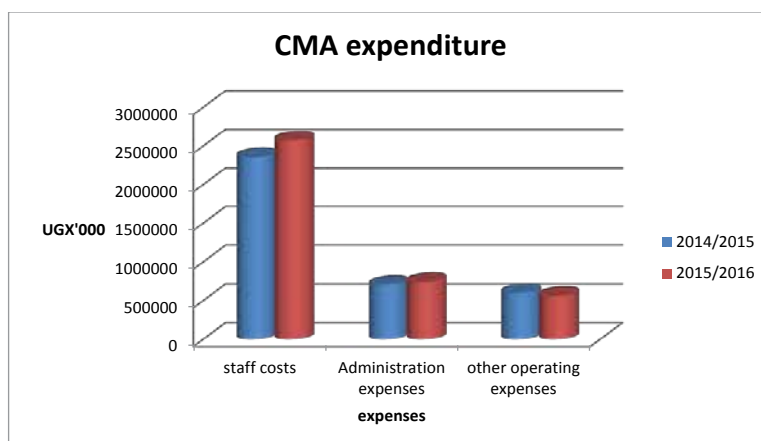


## EXPENSES

The total expenditure incurred by the Authority in 2015/2016 increased by only 6% to UGX 3.9 Billion compared to UGX 3.8 Billion in 2014/2015. The increase was mainly due to an 8% increase in staff costs from UGX 2.4 Billion in 2014/2015 to UGX 2.6 Billion in 2015/2016

The graph below shows CMA's expenses over the years 2014/15 and 2015/16.

**Figure 2: CMA's expenditure over the years 2014/15 and 2015/16**



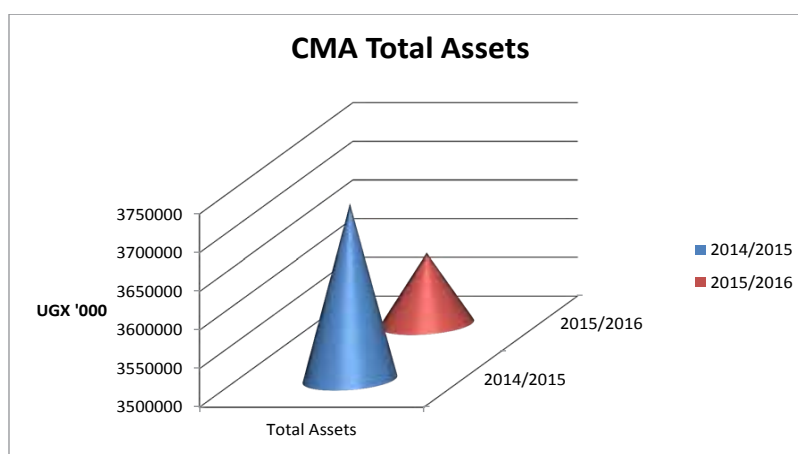
## STATEMENT OF FINANCIAL POSITION

### Total Assets

The non-current assets had a net increase of 3% from UGX 0.07 Billion in 2014/2015 to UGX 0.08 Billion in 2015/2016 due to purchase of new assets, especially server room equipment. During the period ended, the Authority disposed assets that were either obsolete or beyond repair. The Held to Maturity investments reduced by 23% from UGX 3.4 Billion in 2014/2015 to UGX 2.6 Billion in 2015/2016 due to maturity of investments.

The following graph shows movement in Assets over the years 2014/2015 and 2015/2016.

**Figure 3: Total assets over the years 2014/15 and 2015/16**



## RESERVES AND LIABILITIES

### General fund

The general fund increased by 6% from UGX 3.1 Billion in 2014/15 to UGX 3.3 Billion in 2015/16. The growth was due to the surplus on the general fund totalling UGX 0.2 Billion netted off 10 % (UGX 0.02 Billion) of the prior year's profit which was transferred to the investor compensation fund.

### Investor Compensation Fund

The investor compensation fund is provided for in the CMA Act and it was set up primarily to enhance investor protection. The fund grew by 18% from UGX 1.2 Billion in 2014/2015 to UGX 1.5 Billion in 2015/2016. The growth was mainly because of interest income realized from investments which rose by 71% from 0.1 Billion in 2014/2015 to 0.12 Billion in 2015/2016. The interest income grew due to the increased interest rates on Government securities and fixed deposits during 2015/2016.

# FINANCIAL STATEMENTS

## CAPITAL MARKETS AUTHORITY

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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Information

Report of the Directors

Statement of Directors' Responsibilities

Report of the Independent Auditors

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Statement of profit or loss and other comprehensive income

Statement of financial position

Statement of changes in reserves

Statement of cash flows

Notes to the company financial statements

## **CAPITAL MARKETS AUTHORITY**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS AUTHORITY INFORMATION**

#### **DIRECTORS**

Mr. Grace Jethro Kavuma- Chairman  
Mr. Keith Kalyegira – Chief Executive Officer  
Ms. Harriet Lwabi  
Ms. Miriam Magala  
Mr. Paul Patrick Mwanja  
Mrs. Agnes Tibayeita Isharaza  
Mr. Philip Wabulya  
Mr. Bemanya Twebaze  
Mr. Nelson Nerima  
Mrs Jacqueline Kobusingye Opondo  
Mr. Michael Galabuzi  
Dr. Martin Francis Kyeyune

#### **REGISTERED OFFICE**

Capital Markets Authority  
8<sup>th</sup> 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

#### **SECRETARY**

Mrs. Angela Kiryabwire Kanyima  
Director Legal and Board Affairs  
Capital Markets Authority  
8<sup>th</sup> Floor, Jubilee Insurance Centre  
14 Parliament Avenue  
P.O. Box 24565  
Kampala, Uganda



## **CAPITAL MARKETS AUTHORITY**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS**

#### **AUTHORITY INFORMATION (CONTINUED)**

##### **AUDITORS**

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

##### **DELEGATED AUDITORS**

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

## CAPITAL MARKETS AUTHORITY

### ANNUAL REPORT AND FINANCIAL STATEMENTS REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 30 June 2016, which disclose the state of affairs of Capital Markets Authority ('the Authority').

#### PRINCIPAL ACTIVITY

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

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

#### FINANCIAL RESULTS 2016

	General Fund Ushs'000	Investor compensation Fund Ushs'000	Total Ushs'000
Surplus before tax	268,255	271,276	539,531
Withholding tax on investment income	(67,414)	(31,500)	(98,914)
Surplus for the year	200,841	239,776	440,617

#### 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 2016, Deloitte & Touche Certified Public Accountants were appointed to act on behalf of the Auditor General.

BY ORDER OF THE BOARD



DIRECTOR LEGAL & BOARD AFFAIRS

29 SEPTEMBER

2016

Kampala

## CAPITAL MARKETS AUTHORITY

### ANNUAL REPORT AND FINANCIAL STATEMENTS STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

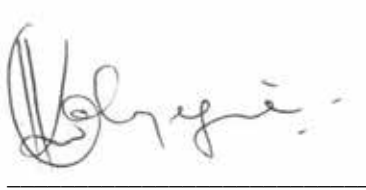
The directors are responsible for the preparation of financial statements that give a true and fair view, in accordance with International Financial Reporting Standards and the requirements of the Capital Markets Authority's Act, and for such internal controls as directors determine are necessary to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

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

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

Signed on behalf of the Board of Directors by:

  
\_\_\_\_\_  
\_ Director  
29 SEPTEMBER 2016

  
\_\_\_\_\_  
\_ Director  
29 SEPTEMBER 2016

# CAPITAL MARKETS AUTHORITY

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016			2015		
		General Fund Ushs'000	Investor Compensation Fund Ushs'000	Total Ushs'000	General Fund Ushs'000	Investor Compensation Fund Ushs'000	Total Ushs'000
<b>Revenue</b>							
Government grants Donations	5	2,906,621	-	2,906,621	2,617,069	-	2,617,069
Prospectus and floatation fees	6	-	-	-	15,000	-	15,000
Licensing fees income		34,500	-	34,500	69,600	-	69,600
Disposal of Fixed Assets		65,960	-	65,960	72,262	-	72,262
Interest income		41,476	-	41,476	2,909	-	2,909
Other income	7	495,892	196,951	692,843	298,809	114,975	413,784
Release of capital grants	18	35,272	-	35,272	6,170	-	6,170
Commission income		56,517	-	56,517	66,822	-	66,822
		522,957	74,787	597,744	744,417	106,235	850,652
		4,159,195	271,738	4,430,933	3,893,058	221,210	4,114,268
<b>Expenses</b>							
Staff costs	8	(2,576,658)	-	(2,576,658)	(2,362,167)	-	(2,362,167)
Administration expenses	9	(747,373)	(462)	(747,835)	(707,888)	(462)	(708,350)
Other operating expenses	10	(566,909)	-	(566,909)	(603,743)	-	(603,743)
		(3,890,940)	(462)	(3,891,402)	(3,673,798)	(462)	(3,674,260)
<b>Surplus before tax</b>							
Withholding tax on investment income	11	268,255	271,276	539,531	219,260	220,748	440,008
		(67,414)	(31,500)	(98,914)	(44,791)	(17,113)	(61,904)
Surplus for the year		200,841	239,776	440,617	174,469	203,635	378,104
Other comprehensive income, net of tax		-	-	-	-	-	-
<b>Total comprehensive income for the year</b>		200,841	239,776	440,617	174,469	203,635	378,104



## CAPITAL MARKETS AUTHORITY

## STATEMENT OF FINANCIAL POSITION AT

30 JUNE 2016

	Note	2016		2015			
		General Fund Ushs'000	Investor Compensation Fund Ushs'000	Total Ushs'000	General Fund Ushs'000	Investor Compensation Fund Ushs'000	Total Ushs'000
<b>ASSETS</b>							
<b>Non-current assets</b>							
Motor vehicles and equipment	12	82,122	-	82,122	77,263	-	77,263
Intangible assets	13	-	-	-	2,422	-	2,422
		82,122	-	82,122	79,685	-	79,685
<b>Current assets</b>							
Held-to-maturity investments	14	2,604,896	1,450,584	4,055,480	3,376,160	1,133,211	4,509,371
Receivables	15	136,513	38,358	174,871	247,192	23,193	270,385
Broker/dealer bank account		2,657	-	2,657	3,161	-	3,161
Investor Compensation Fund bank account	16(a)	-	37,913	37,913	-	138,664	138,664
Bank and cash balances	17(a)	765,944	-	765,944	21,469	-	21,469
		3,510,010	1,526,855	5,036,865	3,647,982	1,295,068	4,943,050
		3,592,132	1,526,855	5,118,987	3,727,667	1,295,068	5,022,735
<b>Total assets</b>		3,277,892	-	3,277,892	3,094,497	-	3,094,497
<b>RESERVES AND LIABILITIES</b>							
<b>Reserves</b>							
General fund		3,277,892	-	3,277,892	3,094,497	-	3,094,497
		3,277,892	-	3,277,892	3,094,497	-	3,094,497
<b>Non-current liabilities</b>							
Investor Compensation Fund liabilities	16(b)	-	1,505,424	1,505,424	-	1,248,231	1,248,231
Capital grant	18	82,125	-	82,125	77,263	-	77,263
		82,125	1,505,424	1,587,549	77,263	1,248,231	1,325,494

**CAPITAL MARKETS AUTHORITY**  
**STATEMENT OF FINANCIAL POSITION AT**  
**30 JUNE 2016 (CONTINUED)**

	Note	2016		2015		
		General Fund Ushs'000	Investor Compensation Fund Ushs'000	Total Ushs'000	Investor Compensation Fund Ushs'000	Total Ushs'000
<b>RESERVES AND LIABILITIES</b>						
<b>Current liabilities</b>						
Broker/dealer deposits	19	95,000	-	95,000	-	125,000
Payables & accrued expenses	20	137,115	21,431	158,546	46,837	477,744
		232,115	21,431	253,546	46,837	602,744
<b>Total Reserves and Liabilities</b>		<b>3,592,132</b>	<b>1,526,855</b>	<b>5,118,987</b>	<b>1,295,068</b>	<b>5,022,735</b>

The financial statements on pages 8 to 30 were approved and authorised for issue by the Board of Directors on 29/9/2016 and were signed on its behalf by:

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director



CAPITAL MARKETS AUTHORITY

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR

ENDED 30 JUNE 2016

	<b>General Fund Ushs'000</b>
At 1 July 2014	<b>2,972,654</b>
Total comprehensive income for the year	<b>174,469</b>
Transfer to Investor Compensation Fund	<b>(52,626)</b>
	<hr/>
At 30 June 2015	<b>3,094,497</b>
	<b>=====</b>
At 1 July 2015	<b>3,094,497</b>
Total comprehensive income for the year	<b>200,841</b>
Transfer to Investor Compensation Fund	<b>(17,446)</b>
	<hr/>
At 30 June 2016	<b>3,277,892</b>
	<b>=====</b>

**CAPITAL MARKETS AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 Ushs'000	2015 Ushs'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus before tax		539,531	440,008
<i>Adjustments for:</i>			
Interest income		(692,843)	(413,784)
Depreciation	12	54,716	66,822
Amortisation of software	13	2,422	2,423
Release of capital grants	18	(56,517)	(66,822)
Gain on disposal of property and equipment		(41,476)	(2,909)
Cash flows (used in)/generated from operating activities		(194,166)	25,738
Decrease in receivables		95,514	12,903
(Increase)/decrease in payables and accrued expenses		(349,198)	369,710
Net cash flows (used in)/generated from operating activities		(447,850)	408,351
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	12	(61,379)	(20,931)
Proceeds from disposal of property & equipment		43,280	2,909
Purchase of treasury bills & Fixed deposits		(3,828,618)	(3,640,907)
Interest income received on investments		564,499	64,673
Redemption of treasury bills & Fixed deposits		4,311,909	1,136,305
Net cash flows generated from/(used in) investing activities		1,029,691	(2,457,951)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b> Capital			
grant received	18	61,379	20,931
Net cash flows from financing activities		61,379	20,931
Net increase/(decrease) in cash and cash equivalents		643,220	(2,028,669)
Cash and cash equivalents as at 1 July		163,294	2,191,963
<b>CASH AND CASH EQUIVALENTS AS AT 30 JUNE</b> 17(c)		<b>806,514</b> =====	<b>163,294</b> =====



# CAPITAL MARKETS AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 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 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS's)

#### 2.1 *New and revised IFRS affecting amounts reported and/or disclosed in the financial statements*

In the current year, the company has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015.

##### *Amendments to IFRS 19 Defined benefit plans: Employee contribution*

The company has applied the amendments for the first time in the current year. Prior to the amendments, the company accounted for discretionary employee contributions to defined benefit plans as a reduction of the service cost when contributions were paid to the plans, and accounted for employee contributions specified in the defined benefit plans and a reduction of the service cost when services are rendered. The amendments require the company to account for employee contributions as follows:

- Discretionary employee contributions are accounted for as reduction of the service cost upon payments to the plans.
- Employee contributions specified in the defined benefit plans are accounted for as reduction of the service cost, only if such contributions are linked to series. Specifically, when the amount of such contribution depends on the number of years of service, the reduction to service cost is made by attributing the contributions to period of service in the same manner as the benefit attribution. On the other hand, when such contributions are determined based on a fixed percentage of salary (i.e. independent of the number of years of service), the company recognises the reduction in the service cost in the period in which the related services are rendered.

The application of these amendments has had no material impact on the disclosures or the amounts recognised in the company's financial statements.

#### 2.2 **Amendments to IFRS's and the new Interpretation that are in issue but not yet effective for the year ended 30 June 2016 but not effected**

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

IFRS 9	Financial instruments <sup>1</sup>
IFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>2</sup>
	Disclosure initiatives <sup>2</sup>
Amendments to IAS 1	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to IAS 16 and IAS 38	Agriculture: Bearer Plants <sup>2</sup>
Amendments to IAS 16 and IAS 41	Sale or contribution of Assets between an investor and its Associate or Joint Venture <sup>2</sup>
Amendments to IFRS 10 and 28	Investment entities: Applying the consolidation exception <sup>2</sup>
Amendments to IFRS 10, IFRS 12 and IAS 28	Annual Improvements to IFRSs 2012-2014 Cycle <sup>2</sup>
Amendments to IFRSs	

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)**

**2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS  
(IFRS'S) (CONTINUED)**

**2.2 Amendments to IFRS's and the new Interpretation that are in issue but not yet effective for the year  
ended 30 June 2016 but not effected (continued)**

*IFRS 9 Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

*Key requirements of IFRS 9:*

- all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have 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, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company do not anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Company's financial assets and financial liabilities.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)**

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS's) (Continued)

**2.2 Amendments to IFRS's and the new Interpretation that are in issue but not yet effective for the year ended 30 June 2016 but not effected (continued)**

*IFRS 15 Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Company performs a detailed review.

IFRS 15 is effective for accounting periods beginning on or after 1 January 2018.

*Amendments to IAS 1 disclosure initiative*

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors of the company do not anticipate that the application of these amendments to IAS 1 will have a material impact on the company's financial statements.

*Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)**

**2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS  
(IFRS's) (Continued)**

**2.2 Amendments to IFRS's and the new Interpretation that are in issue but not yet effective for the year  
ended 30 June 2016 but not effected (continued)**

The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Company's financial statements.

*Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants*

The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 41 will have a material impact on the Company's financial statements as the Company is not engaged in agricultural activities.

**Annual Improvements 2010-2012 Cycle**

The annual improvements 2010-2012 cycle makes amendments to the following standards:

- IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'
- IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date  
IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
- IAS 24 — Clarify how payments to entities providing management services are to be disclosed

These IFRS improvements are effective for accounting periods beginning on or after 1 July 2014. The directors of the company do not anticipate that the application of these improvements to IFRSs will have a significant impact on the company's financial statements.

**Annual Improvements 2011-2013 Cycle**

Make amendments to the following standards:

- IFRS 1 — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only)
- IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself
- IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52
- IAS 40 — clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2016. The directors of the company do not anticipate that the application of these improvements to IFRSs will have a significant impact on the company's financial statements.

**2.3 Early adoption of standards**

The company did not early adopt any new or amended standards in 2015/2016



## CAPITAL MARKETS AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 3 SIGNIFICANT ACCOUNTING POLICIES

##### STATEMENT OF COMPLIANCE

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

##### BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention.

##### CURRENCY

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

##### REVENUE RECOGNITION

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

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

##### GOVERNMENT GRANTS

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

##### TRANSLATION OF FOREIGN CURRENCIES

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

##### MOTOR VEHICLES AND EQUIPMENT

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

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

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

## CAPITAL MARKETS AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### MOTOR VEHICLES AND EQUIPMENT (CONTINUED)

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

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

##### INTANGIBLE ASSETS

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

##### INVESTOR COMPENSATION FUND

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

##### TAXATION

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

##### CASH AND CASH EQUIVALENTS

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

##### FINANCIAL INSTRUMENTS

###### a) *Initial recognition of financial instruments*

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

###### b) *Finance assets*

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

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

###### Held-to-maturity investments

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



## CAPITAL MARKETS AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### FINANCIAL INSTRUMENTS (CONTINUED)

###### b) *Finance assets (continued)*

###### Bank balances and receivables

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

###### Subsequent measurement

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

###### De-recognition

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

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

###### c) *Financial liabilities*

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

###### Subsequent measurement

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

###### De-recognition

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

###### d) *Offsetting of financial instruments*

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)**

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**IMPAIRMENT OF FINANCIAL ASSETS**

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

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

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

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

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

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

Provisions

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

Motor vehicles 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.



## CAPITAL MARKETS AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

	2016 Ushs'000	2015 Ushs'000
5 GOVERNMENT GRANTS		
Ministry of Finance, Planning and Economic Development	2,768,000	2,338,000
Bank of Uganda (note 5(a))	138,621	279,069
	<hr/>	<hr/>
	2,906,621	2,617,069
	=====	=====
a) Bank of Uganda grant		
Total funds received	200,000	300,000
Transfer to capital grant (Note 18)	(61,379)	(20,931)
	<hr/>	<hr/>
	138,621	279,069
	=====	=====
The transfers to the capital grant are used to purchase motor vehicles and		
equipment.		
6 DONATIONS	2016 Ushs'000	2015 Ushs'000
Donations for the Kikonyogo Capital Markets Award (KCMA) event	-	15,000
	=====	=====
7 OTHER INCOME		
Miscellaneous income	35,272	6,000
Other income	-	170
	<hr/>	<hr/>
	35,272	6,170
	=====	=====
8 STAFF COSTS		
Salaries and wages	1,772,817	1,678,410
Staff provident fund	249,463	238,091
Staff welfare	272,997	217,812
NSSF contribution	176,804	168,604
Staff medical scheme	62,326	57,556
Overtime & other allowances	42,251	1,694
	<hr/>	<hr/>
	2,576,658	2,362,167
	=====	=====

**CAPITAL MARKETS AUTHORITY****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)**

	2016 Ushs'000	2015 Ushs'000
<b>9 ADMINISTRATION EXPENSES</b>		
Office general expenses	120,246	121,914
Office rent	320,940	255,161
Depreciation	54,716	66,822
Legal and compliance	40,684	28,637
Motor vehicle maintenance and fuel	25,190	21,716
Telephone, fax, postage and e-mail	13,539	17,437
Subscriptions	56,624	51,629
Publication, printing and stationery expenses	21,164	27,670
Statutory audit expenses	34,289	32,766
Consultancy fees	2,240	25,160
Internal audit fees	25,600	22,000
Office repairs and maintenance	8,566	17,412
Bank charges	5,453	5,438
Advertisement and media coverage	15,700	11,703
Amortisation of software	2,422	2,423
	<hr/>	<hr/>
	747,373	707,888
	=====	=====
<b>10 OTHER OPERATING EXPENSES</b>		
Regional integration and joint inspections	142,314	202,266
Capacity building	129,833	183,169
Mass education	126,858	100,238
Directors' fees and allowance	60,050	55,400
Other board expenses	107,854	62,670
	<hr/>	<hr/>
	566,909	603,743
	=====	=====
<b>11 SURPLUS BEFORE TAX</b>		
<i>The surplus before tax is stated after charging:</i>		
External Auditors' remuneration	32,766	32,766
Depreciation	54,716	66,822
Directors' fees and allowances	60,050	55,400
	<hr/>	<hr/>
	=====	=====

## CAPITAL MARKETS AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

##### 12 MOTOR VEHICLES AND EQUIPMENT

	Office Equipment Ushs'000	Furniture & fittings Ushs'000	Motor vehicles Ushs'000	Total Ushs'000
<b>Cost</b>				
At 1 July 2014	180,579	300,860	419,273	900,712
Additions	16,318	4,793	-	20,931
Disposal	(43,411)	(2,609)	-	(46,020)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2015	153,306	303,044	419,273	875,623
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 July 2015	153,306	303,044	419,273	875,623
Additions	50,934	10,445	-	61,379
Disposal	-	(8,770)	(160,103)	(168,873)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2016	204,240	304,719	259,170	768,129
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>				
At 1 July 2014	146,137	291,149	340,272	777,558
Charge for the year	16,554	3,798	46,470	66,822
Disposal	(43,411)	(2,609)	-	(46,020)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2015	119,280	292,338	386,742	798,360
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 July 2015	119,280	292,338	386,742	798,360
Charge for the year	17,598	4,590	32,528	54,716
Disposal	-	(6,969)	(160,100)	(167,069)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2016	136,878	289,959	259,170	686,007
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Book Value</b>				
At 30 June 2016	67,362	14,760	-	82,122
	=====	=====	=====	=====
At 30 June 2015	34,026	10,706	32,531	77,263
	=====	=====	=====	=====

## CAPITAL MARKETS AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

	2016 Ushs'000	2015 Ushs'00
13 INTANGIBLE ASSETS		
<b>Cost</b>		
At 1 July and 30 June	28,332	28,332
<b>Amortization</b>		
At 1 July	25,910	23,487
Charge for the year	2,422	2,423
At 30 June	28,332	25,910
<b>Net Book Value</b>	-	2,422
	=====	=====
Intangible assets include computer software.		
14 HELD-TO-MATURITY INVESTMENTS		
(a) Fixed deposits		
Maturing within three months	902,036	3,389,661
Maturing after three months	-	1,119,710
Total fixed deposits	902,036	4,509,371
(b) Treasury bonds		
Maturing after three months	3,153,444	-
<b>Total held-to-maturity investments</b>	4,055,480	4,509,371
	=====	=====

The fixed deposits held during the period relates to a Principle deposit of Ushs 828,618,000 and interest accrued of Ushs 73,418,000. They are held with DFCU Bank, bears an interest of 22% per annum and has a maturity period of 6 months.

The treasury bonds invested with the Government of Uganda during the period under review relates to a principal deposit of Ushs 3 billion and accrued interest of Ushs 153.444million. The bill bears interest at a rate of 18.375% and is for a period of 5 years.

The weighted average effective interest rate earned on the above investments for the year ended 30 June 2016 was 12.33% (2015: 11.32%).

	2016 Ushs'000	2015 Ushs'000
15 RECEIVABLES		
Dealers/brokers	75,380	177,102
Prepayments	62,813	63,275
Sundry debtors	36,468	28,870
Staff advances	-	738
Activity advance	210	400
	174,871	270,385
	=====	=====

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

**CAPITAL MARKETS AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)**

	2016 Ushs'000	2015 Ushs'000
16 INVESTOR COMPENSATION FUND		
a) Investor compensation fund account	37,913	138,664
b) Investor compensation fund liabilities		
Amount on investor compensation fund account - Note 16 (a)	37,913	138,664
Investments	1,450,584	1,133,211
Receivables	38,358	23,193
Payables	(21,431)	(46,837)
	1,505,424	1,248,231
c) Investor compensation fund account movement		
At 1 July	1,248,231	991,970
Interest on fixed income**	165,451	97,862
Commission income	74,787	106,235
10% of surplus from general fund	17,446	52,626
Bank charges	(491)	(462)
	1,505,424	1,248,231
At 30 June	1,505,424	1,248,231
**Reconciliation of the interest on fixed income		
Interest on fixed income (gross)	196,951	114,975
Withholding tax on fixed deposits at 15% (Treasury Bills 20%)	(31,500)	(17,113)
	165,451	97,862
17 CASH AND BANK BALANCES		
(a) Cash and Bank balances held by CMA on its own behalf:		
Cash at bank	765,299	20,145
Cash at hand	645	1,324
	765,944	21,469
(b) Cash and Bank balances held by CMA but belonging to investors:		
Investor compensation fund bank account – Note 16 (a)	37,913	138,664
Broker/dealer bank account	2,657	3,161
	40,570	141,825
Total Cash and Bank balances	806,514	163,294

## CAPITAL MARKETS AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 17 CASH AND BANK BALANCES (CONTINUED)

##### (c) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments with a maturity period from the date of acquisition of three months or less, net of bank overdrafts. The cash and cash equivalents at 30 June comprise the following:

	2016 Ushs'00	2015 Ushs'000
Cash at bank and in hand belonging to the entity	765,944	21,469
Investor compensation fund bank account	37,913	138,664
Broker/dealer bank account	2,657	3,161
	<u>806,514</u>	<u>163,294</u>
	=====	=====
<b>18 CAPITAL GRANT</b>		
At 1 July	77,263	123,154
Capital grant received during the year	61,379	20,931
Release of capital grant to income	(56,517)	(66,822)
	<u>82,125</u>	<u>77,263</u>
	=====	=====

#### 19 BROKER/DEALER DEPOSITS

Broker/dealer deposits	95,000	125,000
	<u>95,000</u>	<u>125,000</u>
	=====	=====

Broker/dealer deposits relate to deposits received from licensees as stipulated by the licensing regulations at the time of commencing business and are refundable upon exit. There was one new licensee during the year under review.

	2016 Ushs'000	2015 Ushs'000
<b>20 PAYABLES AND ACCRUED EXPENSES</b>		
Creditors	79,713	422,411
Other payables	58,833	55,333
Credit card payable	20,000	-
	<u>158,546</u>	<u>477,744</u>
	=====	=====

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

## CAPITAL MARKETS AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

##### 21 RELATED PARTIES

###### i) Transactions and balances with related parties

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

###### a) List of related parties

Bank of Uganda  
Ministry of Finance Planning and Economic Development  
Directors

###### b) Amounts due from related parties

Bank of Uganda – Held-to-maturity investments

2016 Ushs'000	2015 Ushs'000
-	-
=====	=====

###### c) Transactions with related parties

###### Bank of Uganda

Interest income received from held-to-maturity investments

-	-
=====	=====

Grant received

200,000	300,000
=====	=====

###### Ministry of Finance Planning and Economic Development

Grant received

2,768,000	2,338,000
=====	=====

###### Board members' remuneration

Members' fees and allowances

60,050	55,400
=====	=====

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

##### 22 CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 2016 (2015: Nil).

##### 23 FINANCIAL RISK MANAGEMENT

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

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

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

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

## CAPITAL MARKETS AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

	2016 Ushs'000	2015 Ushs'000
Held-to-maturity investment	4,055,480	4,509,371
Bank and cash balances	806,514	163,294
Receivables	174,871	270,385
	<b>5,036,865</b>	<b>4,943,050</b>

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

##### (b) Liquidity risk

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

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

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

	0-3months Ushs'000	4-6months Ushs'000	7-12months Ushs'000	>12months Ushs'000	Total Ushs'000
<b>At 30 June 2016</b>					
<b>Financial assets</b>					
Cash & bank balances	806,514	-	-	-	806,514
Held-to-maturity investments	-	-	902,036	3,153,444	4,055,480
Receivables	136,113	38,758	-	-	174,871
	<b>942,627</b>	<b>38,758</b>	<b>902,036</b>	<b>3,153,444</b>	<b>5,036,865</b>
<b>Financial liabilities</b>					
Payables and accrued expenses	158,446	-	-	-	158,446
Broker and dealer deposits	-	-	-	95,000	95,000
	<b>158,446</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>253,446</b>
<b>Net liquidity gap</b>	<b>784,181</b>	<b>38,758</b>	<b>902,036</b>	<b>3,058,444</b>	<b>4,783,419</b>

## CAPITAL MARKETS AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 23 FINANCIAL RISK MANAGEMENT (CONTINUED) (b)

##### Liquidity risk

	0-3months Ushs'000	4-6months Ushs'000	7-12months Ushs'000	>12 months Ushs'000	Total Ushs'000
<b>At 30 June 2015</b>					
<b>Financial assets</b>					
Cash & bank balances	163,294	-	-	-	163,294
Held-to-maturity investments	3,389,661	805,528	314,182	-	4,509,371
Receivables	270,385	-	-	-	270,385
	<u>3,823,340</u>	<u>805,528</u>	<u>314,182</u>	<u>-</u>	<u>4,943,050</u>
<b>Financial liabilities</b>					
Payables and accrued expenses	422,411	-	55,333	-	477,744
Broker and dealer deposits	-	-	-	125,000	125,000
	<u>422,411</u>	<u>-</u>	<u>55,333</u>	<u>125,000</u>	<u>602,744</u>
<b>Net liquidity gap</b>	<b><u>3,400,929</u></b>	<b><u>805,528</u></b>	<b><u>258,849</u></b>	<b><u>(125,000)</u></b>	<b><u>4,340,306</u></b>

##### d) Market Risk

##### Foreign currency risk

The Authority undertakes certain transactions denominated in foreign currencies and is therefore exposed to exchange rate fluctuations. The Authority minimises the impact of foreign exchange rate fluctuations through negotiation of foreign exchange rates. In addition the Authority opened a dollar account to handle foreign exchange transactions as well as holding accounts in banks where the exchange rates are favourable. The carrying amounts of the company's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	US\$ Ushs'000	RWF Ushs'000	ZAR Ushs'000	Total Ushs'000
<b>As at 30 June 2015</b>				
<b>Financial Assets</b>				
Bank balances	402,843	-	-	402,843
	<u>402,843</u>	<u>-</u>	<u>-</u>	<u>402,843</u>
<b>Financial liabilities</b>				
Total Financial liabilities	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>As at 30 June 2014</b>				

There were no balances denominated in foreign currency in the prior period.

The sensitivity analysis would show that profit would be affected by Ushs 20,142 if the market risk variables of the US dollars appreciated/depreciated by 5% against the Uganda Shilling

## CAPITAL MARKETS AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

##### 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

###### a) **Market Risk (continued)**

###### **Interest rate risk**

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

##### 24 EVENTS AFTER THE REPORTING PERIOD

There are no reportable events after the reporting date (2015:

##### None) 24 COMMITMENTS AND CONTINGENCIES

The Authority had no capital commitments as at period end (2015: None)

# LIST OF LICENSEES As at 30th June 2016

LICENSEE	LICENSE HELD	ADDRESS	CONTACT
<b>African Alliance Uganda Limited</b>	Fund Manager & Broker/Dealer	1st Floor Workers House 1 Pilkington Road Kampala, Uganda Tel: 0414-235577, 0417-777720 Fax: 0414-235575 E-mail: info@africanalliance.co.ug	Mr. Kenneth Kitariko
<b>ALTX East Africa Ltd</b>	Stock Exchange	Plot 1 Mackenzie Close, Kololo P. O. Box 40138 Kampala, Uganda Tel: 0790-536781, 0312-209600 E-mail: info@altxafrica.com	Mr. Joseph Kitamirike
<b>ALTX Clearing Ltd</b>	Securities Central Depository	Plot 1 Mackenzie Close, Kololo P. O. Box 40138 Kampala, Uganda Tel: 0790-536781, 0312-209600 E-mail: info@altxafrica.com	Mr. Joseph Kitamirike
<b>Baraka Capital (U) Limited</b>	Broker/Dealer & Investment Advisor	2nd Floor Itiri House Plot 2157 Port Bell Road Luzira P. O. Box 36307 Kampala, Uganda Tel: 0392-176927 E-mail: info@barakacapital.com	Ms. Carolyn Papaok
<b>Baroda Capital Markets Limited</b>	Broker/Dealer & Investment Advisor	Plot 18 Kampala Road P. O. Box 7197, Kampala, Uganda Tel: 0414-237898 Fax: 0414-258263 E-mail: barodacapitalmarket@gmail.com	Mr. Anand Kumar
<b>BD Wealth Management Ltd</b>	Investment Advisor	Ground Floor, House of Hope Plot 10 Windsor Loop, Kololo P. O. Box 1328, Kampala, Uganda Tel: 0414-230811 Fax: +441603603453 Email: office@bd-wm.com	Mr. Alan Dempster
<b>Burbidge Capital (U) Limited</b>	Investment Advisor & Broker/Dealer	Suite FC6, Crown House 4a Kampala Road P. O. Box 3331, Kampala Tel: 0794-476967 E-mail: ssemukaaya@burbidgecapital.com	Mr. Joel Ssemukaaya
<b>Crane Financial Services Limited</b>	Broker/Dealer & Investment Advisor	Crane Chambers Plot 38, Kampala Road P. O. Box 22572, Kampala, Uganda Tel: 0414-341414, 0414-345345 Fax: 0414-231578 E-mail: cfs@cranefinancialservices.com	Mr. Vivek Sharma

LICENSEE	LICENSE HELD	ADDRESS	CONTACT
<b>African Alliance Uganda Limited</b>	Fund Manager & Broker/Dealer	1st Floor Workers House 1 Pilkington Road Kampala, Uganda Tel: 0414-235577, 0417-777720 Fax: 0414-235575 E-mail: info@africanalliance.co.ug	Mr. Kenneth Kitariko
<b>ALTX East Africa Ltd</b>	Stock Exchange	Plot 1 Mackenzie Close, Kololo P. O. Box 40138 Kampala, Uganda Tel: 0790-536781, 0312-209600 E-mail: info@altxafrica.com	Mr. Joseph Kitamirike
<b>ALTX Clearing Ltd</b>	Securities Central Depository	Plot 1 Mackenzie Close, Kololo P. O. Box 40138 Kampala, Uganda Tel: 0790-536781, 0312-209600 E-mail: info@altxafrica.com	Mr. Joseph Kitamirike
<b>Baraka Capital (U) Limited</b>	Broker/Dealer & Investment Advisor	2nd Floor Itiri House Plot 2157 Port Bell Road Luzira P. O. Box 36307 Kampala, Uganda Tel: 0392-176927 E-mail: info@barakacapital.com	Ms. Carolyn Papaok
<b>Baroda Capital Markets Limited</b>	Broker/Dealer & Investment Advisor	Plot 18 Kampala Road P. O. Box 7197, Kampala, Uganda Tel: 0414-237898 Fax: 0414-258263 E-mail: barodacapitalmarket@gmail.com	Mr. Anand Kumar
<b>BD Wealth Management Ltd</b>	Investment Advisor	Ground Floor, House of Hope Plot 10 Windsor Loop, Kololo P. O. Box 1328, Kampala, Uganda Tel: 0414-230811 Fax: +441603603453 Email: office@bd-wm.com	Mr. Alan Dempster
<b>Burbidge Capital (U) Limited</b>	Investment Advisor & Broker/Dealer	Suite FC6, Crown House 4a Kampala Road P. O. Box 3331, Kampala Tel: 0794-476967 E-mail: ssemukaaya@burbidgecapital.com	Mr. Joel Ssemukaaya
<b>Crane Financial Services Limited</b>	Broker/Dealer & Investment Advisor	Crane Chambers Plot 38, Kampala Road P. O. Box 22572, Kampala, Uganda Tel: 0414-341414, 0414-345345 Fax: 0414-231578 E-mail: cfs@cranefinancialservices.com	Mr. Vivek Sharma
<b>Crested Capital (formerly Crested Stocks and Securities Ltd)</b>	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 E-mail: info@crestedcapital.com	Mr. Robert Baldwin





LICENSEE	LICENSE HELD	ADDRESS	CONTACT
<b>Deloitte Uganda Limited</b>	Investment Advisor	3rd Floor Rwenzori House 1 Lumumba Avenue P. O. Box 10314, Kampala, Uganda Tel: 0414-343850, 0752-740300 Email: admin@deloitte.co.ug	Mr. George Opiyo
<b>Dyer and Blair Uganda Limited</b>	Broker/ Dealer & Investment Advisor	Ground Floor, Rwenzori House Plot 1 Lumumba Avenue P. O. Box 36620, Kampala, Uganda Tel: 0414-233050, 0312-265469 Email: sharesuganda@dyerandblair.com	Mr. Edward Serunjogi
<b>Equity Stock Brokers Limited</b>	Broker/Dealer & Investment Adviser	Plot 6/6A Orient Plaza P. O. Box 3972, Kampala, Uganda Tel: 0414-236012/3/4/5 Fax: 0414-348039 E-mail: equity@orient-bank.com	Ms. Gloria Kangabe
<b>GenAfrica Asset Managers Limited</b>	Fund Manager & Investment Adviser	Mezzanine Floor, Eco Bank Building Plot 4 Parliament Avenue P. O. Box 75200, Kampala Tel: 0414-252343, 0414-252350 Fax: 0414-253344 E-mail: genesis@swiftkenya.com	Mr. Ronald Kasolo
<b>ICEA Asset Management (U) Limited</b>	Fund Manager & Unit Trust Manager	2nd Floor Rwenzori Courts P. O. Box 33953, Kampala, Uganda Tel: 0414-347535, 0414-232337 E-mail: icea@africaonline.co.ug	Mr. Robert Katabaire
<b>Jomo Investment &amp; Trustee Services</b>	Investment Adviser	Plot 374 Block 392 Kitende/Sekiunga Akright City Off Entebbe Road P.O. Box 16043 Kampala Tel: 0772/ 0757-216290 Email: owiny@gmail.com	Mr. Martin Owiny
<b>KCB Bank Uganda Limited</b>	Trustee - Collective Investment Schemes	7th Floor Commercial Plaza Plot 7, Kampala Road P. O. Box 7399, Kampala Tel: 0417-118200 Fax: 0414-345751 E-mail: kcbugandaho@kcb.co.ug	Ms. Judy Rwamba
<b>PCP Uganda Limited</b>	Investment Advisor (Fund Management)	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	Mr. Edward Isingoma Matsiko

LICENSEE	LICENSE HELD	ADDRESS	CONTACT
<b>PineBridge Investment Co. Limited</b>	Investment Advisor (Fund Management)	1 Pilkington Road, 7th Floor Workers House, P. O. Box 9831, Kampala, Uganda Tel: 0414 -340707/8, 0312-265618 Fax: 0414 -340750 E-mail: Nicholas.Malaki@pinebridge.com, Dennis.Mugalya@pinebridge.com	Mr. Dennis Mugalya
<b>PKF Consulting Limited</b>	Investment Advisor	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 Ogutu
<b>Pricewater-houseCoopers Limited</b>	Investment Advisor	10th Floor Communications House 1 Colville Street Kampala Tel: 0414-236018, 041-233743 Fax: 0414-239153 E-mail: general@ug.pwc.com	Mr. Francis Kamulegeya
<b>Profin Group (Uganda) Limited</b>	Investment Advisor	Plot 5-7, Coral Crescent, Kololo P. O. Box 36697, Kampala, Uganda Tel: 0414-533261/2 Fax: 0414-533261 Email: Uganda@theprofingroup.com	Mr. Kevin Day & Ms. Susanna Ndikuwera
<b>Rock Financial Services Limited</b>	Broker/Dealer & Investment Adviser	Second Floor, Nakawa House Plot 7, Portbell Road P.O. Box 28810, Kampala Tel: +256-393 262799 Email: edrukap@gmail.com	Mr. Edward Ruyonga
<b>SBG Securities Limited</b>	Broker /Dealer & Investment Adviser	4th Floor, Crested Towers (Short) 17 Hannington Road P. O. BOX 7131, Kampala, Uganda Tel: 0414-715460, 0312-224600, 0312-224985 E-mail: chiefexec-sbgs@stanbic.com	Ms. Evelyne Kinara
<b>Standard Chartered Bank Uganda Limited</b>	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
<b>STANLIB Uganda Limited</b>	Fund Manager & Unit Trust Manager	Building 9 Kitante, Suite 6B Plot 9, Yusuf Lule Road Building 9 Kitante, Suite 6B P. O. Box 7131, Kampala, Uganda Tel: 0312-335007/6 Fax: 0414-254697 E-mail: investorinfo2@stanbic.com	Ms. Annette Rumanyika Mulira



LICENSEE	LICENSE HELD	ADDRESS	CONTACT
<b>UAP Financial Services Limited</b>	Broker/ Dealer, Fund Manager & Unit Trust Manager	6th Floor, UAP Nakawa Business Park (1st Tower) Plot 3-5 New Port Bell Road P. O. Box 1610 Kampala, Uganda Tel: 0312-370290, 0414-332743, 0312-332743 Fax: 0414-346449 Email: financialservices@uap.co.ug, info@uap.co.ug	Mr. Francis Kajura
<b>Uganda Securities Exchange (USE)</b>	Stock Exchange, Securities Central Depository	4th Floor, Block A, North Wing Plot 3-5, UAP Nakawa Business Park P. O. Box 23552, Kampala, Uganda Tel: 0312-370815, 0312-370817, 0312-370818 E-mail: info@use.or.ug	Mr Paul Bwiso, CEO
<b>Vestog Ltd</b>	Investment Advisor (Fund Management)	Plot 21, Yusuf Lule Road, Course View Towers P. O. Box 7519, Kampala, Uganda Tel: 0772-426666 E-mail: info@vestog.com	Ms. Esther Nambi







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