



UGANDA SECURITIES EXCHANGE LTD.



*“ To develop and manage the most efficient and
transparent securities market that matches
international standards, and promotes a partnership
with the general public, foreign investors,*

Mission Statement

*institutional investors, companies employees,
the Government and other stakeholders in the
development of Uganda’s capital markets industry.”*



Contents

● Chairman’s Statement	3
● Governing Council	4
● Chief Executive Officer’s Statement	6
● Market Developments	7
● Legal and Surveillance	8
● The Economy and Market Performance	9
● Independent Auditor’s Report for Year Ended June 30, 2021	3
● Statement of Directors’ Responsibilities	14
● Report of Independent Auditors	15
● Balance Sheet	16
● Income and Expenditure Statement	17
● Statement of Changes in Equity	18
● Cash Flow Statement	19
● Notes to the Financial Statements	20
● Member Firms	24



Chairman's Statement

“Ugandans are not the bad savers they are made out to be by some quarters”



Geoffrey Onegi-Obel, *Chairman*

2003 CAN BE A YEAR OF NEW SAVINGS PRODUCTS FOR THE UGANDA MARKET, AND THE YEAR TO FACE THE CHALLENGE OF GDP EXPANSION HEAD ON.

This year's Annual Report, like the previous ones tells one story: “Ugandans are not the bad savers they are made out to be by some quarters”.

Ugandans are saying, “show us the savings products and we will show you the money”.

We at the USE are proud to be considered among the pioneering institutions investing successfully in the fact that Ugandans have cash flow, which cash flow only needs to be attracted and channeled towards attractive and appropriate savings products.

It is on these grounds that we have put our money where our mouth is - and have continued to politely challenge the current ‘conventional wisdom’ of the Monetary and Fiscal Policy Authorities. This conventional wisdom is that the lot of Ugandans is tied indefinitely to the economics of poverty alleviation. That being poor savers, we are condemned to a cash economy in which financial instruments and cash flow have no place.

At the USE we believe that the achievement of sustained and positive macro-economic variables is a signal for

the adjusting monetary and fiscal policy to accommodate the needs of not just GDP growth but also GDP expansion - through wealth and capital formation.

In other words, domestic and foreign direct investment have to be a deliberate and not incidental target of monetary and fiscal policy for the financing of not just GDP growth, but GDP expansion.

When Monetary and Fiscal policy translates into “Official Shorting” of the Uganda economy as has been happening for the last 12 years, positive macro-economic variables become a contradiction because GDP will only expand incrementally, and we remain a perpetual cash economy.

Accordingly, reliance on donor or C.G. Budget support funding must be reduced overtime in favor of domestic direct investment through a deliberate policy of introducing appropriate medium to long-term savings instruments - if urgent GDP expansion is to be engineered.

It is on this note that we welcome the recent decision by the fiscal authorities (MFPED) to support the introduction of Uganda's first Long Bond.

The Long Bond will signal the end of the official shorting of the Uganda economy and the actualization of our moribund Medium Term Competitive Strategy.

At the USE we are at a high state of preparedness to facilitate the expected and resulting secondary market trading activities.

We will also continue to play our role as Uganda's premier institutional entry and exit platform for both domestic and foreign direct investment.

On this note, I expect trading volumes on the USE to radically change in the near future when the exchanges of Dar-es-Salaam and Nairobi deliver on our strategy of integrating the markets.

While I cannot give details, we are pleased, in our tradition of pioneering market friendly interventions, to be intimately involved in this Central Depository project for East Africa, which project will help reduce the cost of financial intermediation in the region, and at the same time create more opportunities for domestic and foreign direct investment.

We thank you for your continued support.

Governing Council



GEOFFREY A. ONEGI-OBEL & CO. LTD

Mr. G. A. Onegi-Obel,
*Chairman, USE
Managing Director
G.A Onegi - Obel & Co Ltd*



Mr. P. P. Bhutani
*Chief Manager
Baroda Capital Markets (U) Ltd*



Mr. Ezra Mutabazi
*Chief Manager, Treasury
Uganda Commercial Bank Ltd*



Crane Financial Services Ltd

Mr. Francis Kakurungusi
*General Manager
Crane Financial Services Ltd*



Mr. Micheal Opagi
*Ministry of Finance, Planning
& Economic Development
Director, Privatisation Unit*



Mr. Andrew Owiny
*Executive Director
MBEA Brokerage Services (U) Ltd*



Mr. Ketan Morjaria
*Chairman Orient Bank
Equity Stock Brokers (U) Ltd*



Mr. Simon Rutega
*Chief Executive Officer
Uganda Securities Exchange Ltd*



Chief Executive Officer's Statement

Yet I believe that the objective of attaining sustainable economic development requires an attitude that considers our challenges as new untapped opportunities yet to be realised.



Mr. Simon Rutega, Chief Executive Officer

Pioneering institutional growth as that of the USE in our economy environments can sometimes prove quite challenging. Operating in an environment of low savings ratios to GDP, a rudimentary financial sector dominated by few short term instruments, a heavily segmented business market with large, medium sized and small entities exposed to different experiences with credit and financing needs, poor corporate governance issues, a rudimentary insurance and pension sector and a general environment grappling with issues of poverty and deprivation are some of the stark realities we face in this pioneering exercise of capital markets development. Yet I believe that the objective of attaining sustainable economic development requires an attitude that considers our challenges as new untapped opportunities yet to be realised. There is a saying that in a journey of a thousand miles it is always the first step that is considered the most important and indeed, at the USE we have taken the first steps to ensure that we play our specific role of price discovery and liquidity aggregator and generally in assisting the nation to develop the systems for the mobilisation of long term capital in an environment that promotes confidence and market transparency.

In performing our core functions at the USE, we have endeavoured to address three important questions. The first is how can the USE play its pivotal role of enhancing the Ugandan financial system and getting it to function more effectively in becoming better placed in providing the

full range of financial services? The second is how can the USE play its part in helping the Ugandan domestic financial sector become better placed to support investment in the local economy through a proficient reform and transformation program? And finally how can the USE play its part in enhancing regional and global integration and providing more opportunities for both users and savers of capital?

The operating period 2001/2002 has shown that meeting these three objectives is indeed not a remote possibility. The period has shown that we can achieve successful outcomes and develop enduring partnerships with strong foundations. The operating period has also shown that the foundation of having a solid reputation as a reliable facility providing investment opportunities with high standards of regulatory and supervisory practice is extremely important in providing confidence to market players. In addition, the period has enhanced the growing importance of regional cooperation as a prerequisite for the growth and development of our economies.

Kenya Airways

During the period under review, Kenya Airways, a regional airline was successfully listed at the USE. Let me take this opportunity to congratulate the Board and Management of Kenya Airways for promoting a smart productive partnership with Ugandan investors by listing on the Uganda Securities Exchange. The cross

listing of Kenya Airways further promotes genuine regionalisation and demystifies the role of investment and ownership in our objective of attaining regional and global integration. I believe that consolidating the stakeholder base of a large public company in a liberalised economy is key to giving consensus to regional economic blocs. On my part, I look forward to an extremely productive partnership with Kenya Airways.

Appreciation

As usual I wish to extend my appreciation to all individuals and organisations, which have supported the USE's efforts in developing a capital markets industry in Uganda. Special tribute is extended to the Privatisation Unit, Ministry of Finance, the Bank of Uganda, CMA,GTZ/SIDA, USAID and the Kenyan and Tanzanian Stock Exchanges. Finally, I am grateful for the guidance and support extended to me by the Chairman and Governing Council members of the USE and special appreciation goes to the USE staff for their continued dedicated efforts, diligence and hard work.

Let me reiterate that at the USE we remain fully committed to providing a facility for a diverse group of stakeholders investing in an open, efficient, fair and transparent marketplace.

Simon Rutega
Chief Executive Officer

Market Developments

Kenya Airways Cross listing



During the period of review, the USE listed yet another product Kenya Airways Limited which is also listed on the Nairobi Stock Exchange. The listing of Kenya Airways which was the second cross listing in the East African markets brought the number of listed companies on the USE to four and boosted the USE market capitalization to Ushs. 366 billion up from the previous Ushs. 268 billion registered at the close of the previous fiscal year.



Chairman Kenya Airways Ltd, Mr. Isaac Omoro Okero rings bell to make commencement of trading of Kenya Airways shares on the USE.

MTN Note Issuance



During the fiscal year MTN Uganda a telecommunications service provider in Uganda issued the MTN Note in three tranches valued at Ushs. 4.5bn, Ushs. 2.5bn and Ushs. 2bn respectively bringing the total amount of money raised through the private placement to Ushs. 9bn. The money raised was to be used for financing the company's expansion programme over a period of 8 years.

CEO USE, Mr. Simon Rutega giving a lecture to students from International Law Institute Uganda at the USE Trading floor.



Securities Courses

During the fiscal year, USE introduced its Securities Courses Programme and conducted the first module of the programme, which was very well attended by a broad spectrum of professionals from banking, insurance, auditing and legal firms in and around Kampala. The USE Securities Courses Programme is designed to meet the needs of various categories of professionals and is structured in modules covering basic, intermediate and advanced teachings.

Public Education

USE continued with its public education campaign in efforts to educate the general public on issues relating to investing in securities, through road shows, seminars, workshops and visits to institutions of higher education learning.

Research and Information Dissemination

Research and Information Dissemination remained top of the agenda for the USE research department. The USE continued its program of actively disseminating information to all segments of the public about the Exchange, its activities and operations while continuing to address the particular needs of those who were already participating in the market, information vendors and researchers. The USE continued to publish its quarterly bulletin, which has received a lot of positive feedback from a wide spectrum of readers. In furtherance to its efforts to provide more information to its stakeholders, in a timely and efficient manner, the USE also embarked on designing a new website which shall be launched before the end of December 2002.

Legal and Surveillance

Revision of Rules

The Uganda Securities Exchange Limited (USE) has during the past year continued updating the various rules of the Exchange to ensure efficacy. As a market, USE must continually review its Rules to meet the demands of the market and address the changes on the national, regional and international scene. In reviewing the rules, USE undertakes at all times to protect the interests of the investor.

The Rules and Regulations of the Exchange which address areas including membership, management, trading delivery and settlement, brokerage and business conduct were revised by the Exchange with input from various stakeholders. The Rules were approved by the Governing Council and have been sent to the Capital Markets Authority (CMA) for approval. Though USE is a self-regulatory organisation, it benefits from the oversight of CMA as a Government regulatory agency thus the submission of the Rules for approval.

The Governing Council approved the USE Listing Rules during the year under review. The Rules were extensively revised to make more specific provision for cross listing which as witnessed by the listing of the second cross listed equity, Kenya Airways Limited, continues to be a viable supply of products to the Exchange. Provision is made in the revised Rules for a segmented market whose minimum capitalisation has been substantially raised. The disclosure requirements proposed are wider than before and corporate governance issues are addressed in greater depth. The Rules have been submitted to the CMA for approval.

Central Depository System

In furtherance of the regional co-operation initiative started by the East African Securities Regulatory Authorities (EASRA), the Nairobi Stock Exchange (NSE) in collaboration with USE and Dar es Salaam Stock Exchange (DSE), agreed to move towards a paperless settlement system facilitated by an East African Central Depository System (CDS). The modalities of the CDS and the mechanisms of co-operation are being

“... USE must continually review its Rules to meet the demands of the market and address the changes on the national, regional and international scene.”



Ms. Judy Obitre-Gama, *Legal and Surveillance Manager*

discussed. USE looks forward to the CDS developments, and the legal department looks towards participating in the formulation of CDS Rules.

Law Reform

The proposed reforms to the business association laws and insolvency laws of Uganda undertaken under the auspices of the Uganda Law Reform Commission (ULRC) were completed during the period of review. The Consultants submitted their final reports to ULRC having incorporated comments from the various stakeholders including USE. USE is most interested in modern commercial laws that meet the needs of the business community. Appropriate commercial laws will, we believe, lead to increased commercial activity, higher standards of living and more disposable income - attributes that would greatly benefit USE.

Corporate Governance

As mentioned earlier, USE has endeavored to address corporate governance issues in greater depth in the revised Listing Rules. The importance of companies complying with corporate governance standards cannot be overemphasised especially during the current collapses evident in the U.S. market. Though one cannot unequivocally state what caused the

collapses, from the evidence adduced thus far, the companies fell short of prudent corporate governance standards. USE has introduced an audit committee in the proposed continuing obligations, and stricter reporting procedures. The advantage of a small market at this particular time is that it is much easier to scrutinise reports and ensure compliance than it is in a very large market.

Surveillance

The legal department is pleased to report that during the year under review the listed companies complied with their continuing listing obligations. Matters that require disclosure were disclosed to the public by the companies within the periods specified by the Exchange. All the companies submitted their audited annual accounts in time. Most investors have during this year enjoyed dividends. USE shall use its offices to ensure that this high level of compliance is maintained.

As regards the member firms of the Exchange, surveillance visits were made to the members offices. Generally, the broker/dealers maintain the books required by the Exchange and comply with the various Exchange Rules governing their conduct. We hope that the members too continue with this exemplary conduct.

The Economy

Growth, Inflation & Interest Rates

Economic performance for the 01/02 fiscal year was markedly lower at 5.6%, compared to 6.0% of the previous year and fell below the projected 6.6%. Although lower than projected, it remained in line with the Government's mid term objective of restoring growth to 7% per annum by maintaining macro-economic stability and broad based economic growth. Uganda's GDP which remained the highest in the region also compared favorably with the 2.7% average for Africa and the projected 1.6% global growth for developing countries.

According to the Minister of Finance, despite adverse challenges faced, through fiscal and macro economic discipline, GDP growth although lower than projected, would attain a stronger growth rate of 6.6% for the next fiscal year, stating Government's medium term objective of restoring growth to 7% per annum. In his budget speech, the Minister highlighted the following key Government support areas to boost GDP growth and the economy as a whole:

- Production for export by expanding production, diversification, quality control and adding value to export products;
- Improving budgetary efficiency and effectiveness;
- Strengthening of the financial sector, capital markets, pension reform;
- Commercial Justice reform;
- Continuation of the privatization and utility reform programme and
- Mineral resource development.

Inflation

Annual headline inflation was negative for most of the year largely because of the persistent drop in the food crops sub-group index due to exceptionally good weather conditions compared to the corresponding period of 00/01. The outturn of underlying (non-food) inflation was positive at 3.5%.

“Manufacturing grew at 7.4% compared to the 8.9% of the previous year.”



Ms. Harriet Kiwanuka,
Research and Market Development Manager

Domestic Money Markets and Interest rates

Treasury bill rates declined significantly during the first nine months of the fiscal year while the commercial banks lending rates declined only marginally. This reflects the low sensitivity between the lending and treasury bill rates. Prime lending rates on the other hand also dropped as a result of increased competition in the financial sector following Bank of Uganda's final resolution of its intervention in 2002 in the sale of Uganda Commercial Bank and the decline in the treasury bill rates.

Performance by Sector

Transport and Communications was the fastest growing sector in 01/02 registering a 10% growth compared to the 8.2% growth of the previous year. Mining and quarrying was the second fastest growth sector as a result of increased demand for construction materials as reflected in the manufacturing and construction sectors. Manufacturing grew at 7.4% compared to the 8.9% of the previous year. Growth in the agricultural sector was slow at 4.8% although agriculture remained the main contributor to GDP at 40.8%.

Community Services (Education and Health) grew at 6.1% and contributed 23.3% to GDP.

External Sector Performance

The external sector remained under substantial pressure in 2001/2002 owing to the poor export earnings and a sharp deterioration in the terms of trade. Total export earnings were estimated at US\$456.4m against the target of US\$467.45m. The low level of export earnings was blamed on the decline in international prices of most exports despite increased volumes.

Fiscal Performance

Fiscal policy continued to be characterized by a wide margin between Government expenditure and domestic revenue collections. The 01/02 fiscal deficit stood at 12.6% of GDP compared to the budget estimate of 12.3%. The budget deficit is funded largely by donors, which exposes the budget to changes on foreign aid and foreign policy. A reduction in the deficit would require an increase in domestic revenue currently at 12% of GDP at a faster rate than government expenditure, which currently stands at 25.4% of GDP.

Market Performance

Equities Market

Trading for the 01/02 fiscal year recorded a **76.9%** increase from the previous fiscal year as traded turnover rose from **Ushs 532,475,645** to **Ushs. 942,355,639**. Share volumes also increased from **369,735** recorded in the previous year to **1,400,623**.

The number of deals recorded also increased slightly from **295** deals to **301** deals. The market capitalization of the Exchange recorded for the year also rose by **36.6%** from the 00/01 fiscal year end value of **Ushs. 268bn** to **Ushs. 366bn** at the close of the 01/02 fiscal year. It was in the same fiscal year that the USE listed

its fourth equity Kenya Airways bringing the number of listed equities on the USE up from three listed equities recorded at the close of the previous fiscal year to four equities at the close of the 01/02 fiscal year.

Trading Volumes and Activity

Monthly Traded Statistics from July 2001 to June 2002

	Jul'01	Aug'01	Sept'01	Oct'01	Nov'01	Dec'01	Jan '02	Feb'02	Mar'02	Apr'02	May'02	Jun'02
No. of Shares Traded	51,275	380	13,530	245	1,450	1,805	4,515	174,773	40,784	66,251	178,203	761,170
Turnover	62,491,325	1,761,600	16,376,800	1,135,575	2,411	2,935,500	20,769,000	240,748,120	43,583,520	34,784,260	95,713,678	419,644,761
No of Deals	33	11	20	4	8	16	1	36	34	21	14	18
Trading Days	8	8	7	9	9	9	9	7	8	9	9	8
Daily Avg. Turnover	7,811,416	220,200	2,339,543	141,947	267,944	489,250	2,307,667	34,392,589	5,447,940	3,864,918	10,634,853	52,455,595
Turnover Ratio (turnover/market cap%)	0.02340	0.00066	0.00612	0.00042	0.00090	0.00110	0.00776	0.09401	0.01260	0.01033	0.02845	0.11320
Market Cap (Ushs Billion)	267	267	268	268	268	268	267.8	256.1	345.8	336.6	336.4	370.7
BATU closing price(Ushs)	1,175	1,175	1,190	1,190	1,190	1,190	1,190	1,195	1,190	1,190	1,185	1,185
EABL closing price(Ushs)	1,900	1,900	1,900	1,900	1,900	1,900	1,790	1,790	1,790	1,790	1,790	2,105
KA closing price(Ushs)	-	-	-	-	-	-	-	-	195	175	175	175
UCL closing price(Ushs)	4,635	4,635	4,635	4,635	4,605	4,605	4,600	4,595	4,600	4,595	4,585	4,585
Exchange/USD	1,745	1,770	1,765	1,750	1,740	1,720	1,745	1,765	1,790	1,810	1,811	1,811

Source: USE Trading Department

Comparative Quarterly Performance July 2001 - June 2002

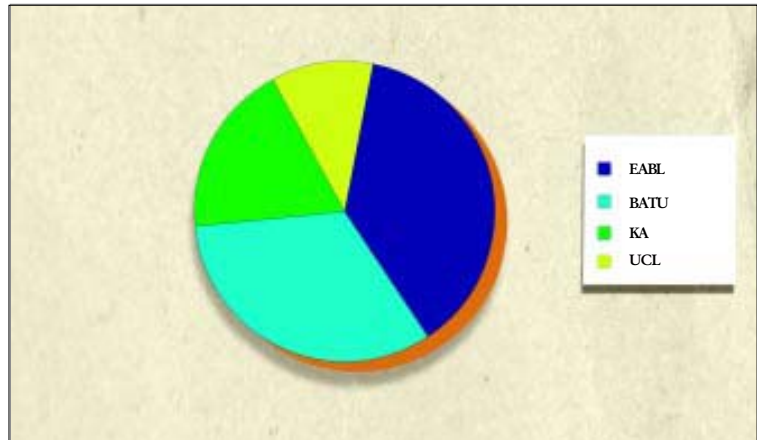
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
No. of Shares Traded	65,185	3,500	220,072	1,111,866
Turnover	80,629,725	6,482,575	305,100,640	550,142,699
No. of Deals	54	28	75	144
Trading Days	23	23	24	26
Monthly Avg. Turnover	26,878,575	2,160,858	101,700,213	183,380,890
Monthly Avg. no. of trades	18	9	25	38

Source: USE Trading Department

Activity Per Counter

Activity levels varied between the four counters with the East African Breweries Ltd counter recording the largest turnover of Ushs. 354,483,955 representing 37.6% of the total turnover followed by British American Tobacco, Uganda which recorded a turnover of Ushs. 309,255,145 representing 32.8% of the total turnover, Kenya Airways recorded a turnover of Ushs. 174,906,724 representing 18.6% of the total turnover and the Uganda Clays Ltd. counter recorded a turnover of Ushs. 103,709,815 representing 11% of the total turnover. The general increase in turnover and number of shares recorded is attributed to the introduction of additional products on the market, which offer investors more options for investing their money and the declining interest rates on treasury bills, which made equities more attractive.

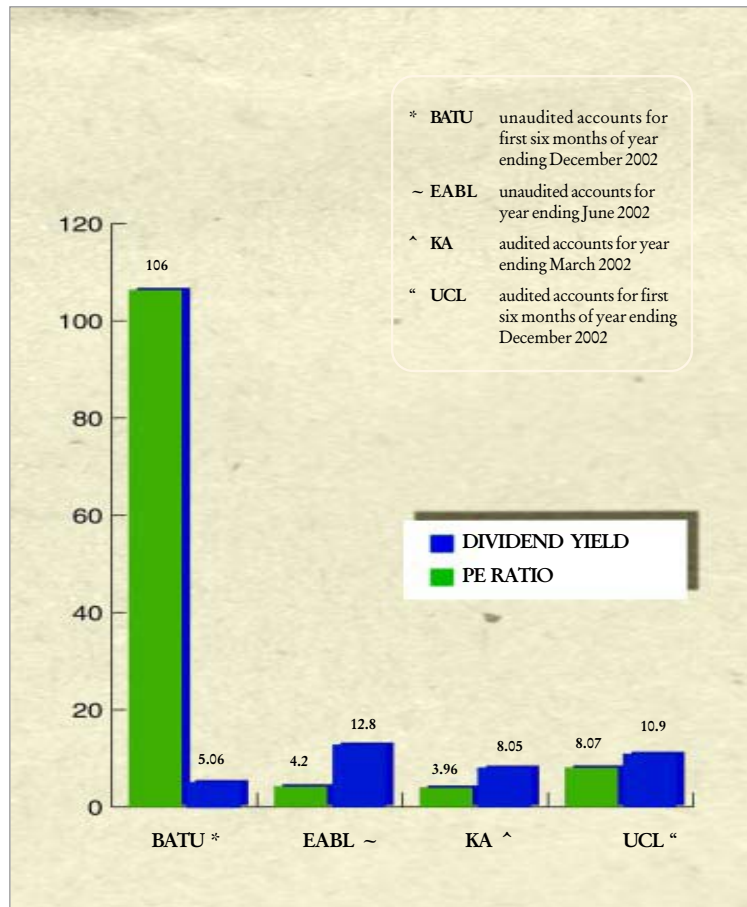
TURNOVER BY COUNTER FOR 2001/02 FISCAL YEAR



Source: USE Trading Department

USE RATIOS AS AT JUNE 30 2002

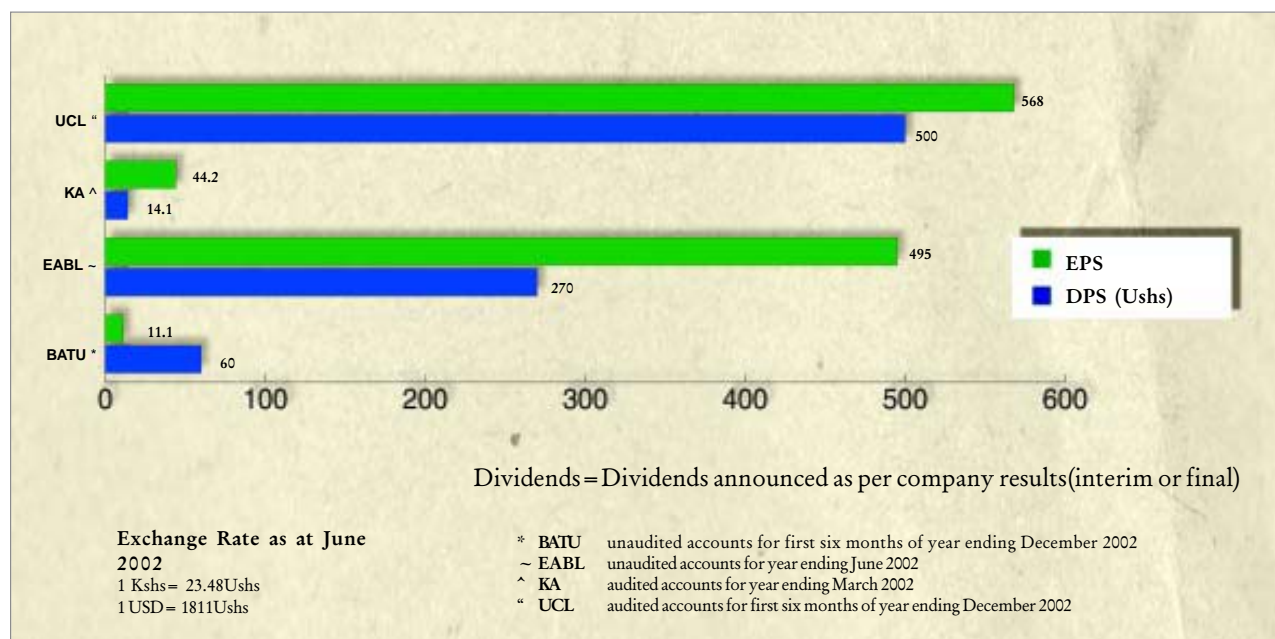
PE Ratios And Dividend Yields as at End of June 30 2002



Source: USE Trading Department

"The general increase in turnover and number of shares recorded is attributed to the introduction of additional products on the market..."

Company Earnings Per Share And Dividends Per Share (Ushs) as at June 30 2002



Source: USE Trading Department

Bonds Market

Secondary Market Activity

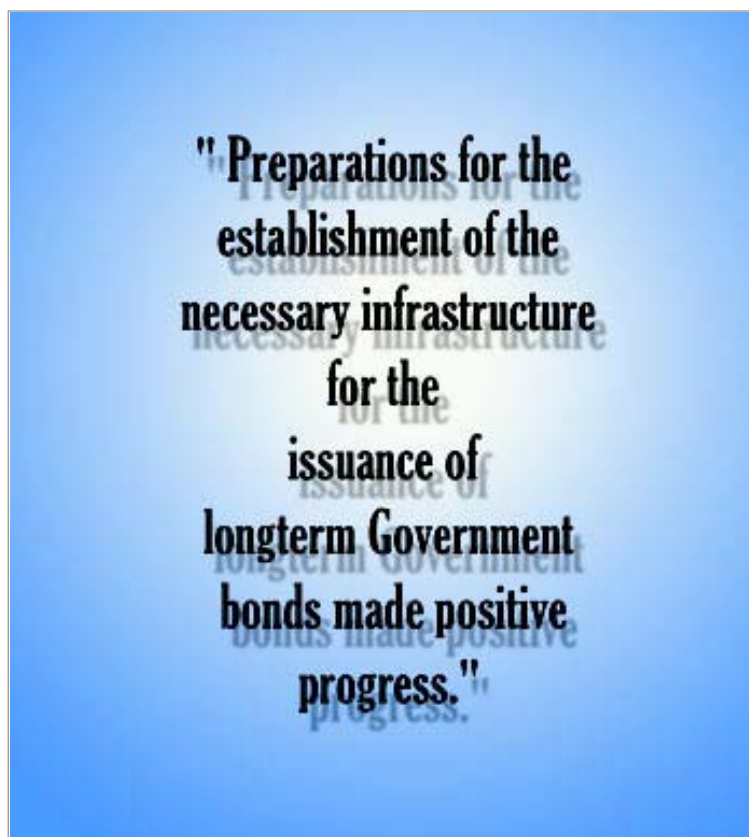
No trades were recorded in the bond market during the fiscal year as the bondholders which are mainly institutions continued to hold onto their investments which offered an attractive return in a highly liquid market.

EADB Bond

The 01/02 fiscal year saw the maturity of the maiden instrument of the USE, the EADB four-year bond which matured December 01.

Government Bonds

The USE participated at a technical level under the Legal Issues, Primary Dealers and Central Depository System (CDS) working groups of the Government Debt Issuance and Management Programme (GDIM) being implemented by the Bank of Uganda in preparation for issuance of treasury bonds by Government. Preparations for the establishment of the necessary infrastructure for the issuance of the bonds made positive progress.





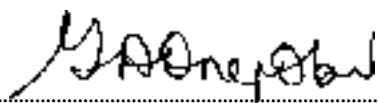
**Independent Auditor's
Report For Year Ended June 30, 2002**

Statement of Directors' Responsibilities

The Companies 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 company as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure the company keeps proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with generally accepted accounting practice and in the manner required by the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company 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 company will not remain a going concern for at least the next twelve months from the date of this statement.



Director

30th October 2002
Date



Director

16th October 2002
Date

Report of Independent Auditors



To the members of the Uganda Securities Exchange Limited

We have audited the financial statements on pages 16 to 23, which have been prepared on the basis of the accounting policies set out on page 20. We obtained all the information and explanations, which we considered necessary for our audit.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE INDEPENDENT AUDITORS

As stated on page 14, the directors are responsible for the preparation of financial statements, which give a true and fair view of the state of the affairs of the company and of its operating results. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. We planned and performed our audit so as to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of significant estimates and judgments made by the directors in the preparation of the financial statements and whether the accounting policies are appropriate in the company's circumstances, consistently applied and adequately disclosed.

OPINION

In our opinion, proper books of account have been kept and the financial statements, which are in agreement therewith, give a true and fair view of the state of the financial affairs of the company at 30 June 2002 and of the surplus and cash flows for the year then ended and comply with International Accounting Standards and the Companies Act.

A handwritten signature in black ink, appearing to read 'Ernst & Young', written in a cursive style.

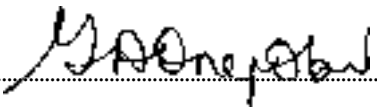
Kampala

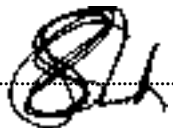
October 16th 2002

Balance Sheet

	Note	2002 Ushs	2001 Ushs
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	1(c) & 2	<u>69,199,532</u>	<u>69,327,851</u>
CURRENT ASSETS			
Debtors	3	7,169,681	1,454,527
Short-term investments	4	-	73,822,500
Cash and bank balances	5	<u>311,227,754</u>	<u>152,284,555</u>
		<u>318,397,435</u>	<u>227,561,582</u>
TOTAL ASSETS		<u>387,596,967</u>	<u>296,889,433</u>
SHAREHOLDERS' FUNDS AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	6	-	-
Reserves	7	<u>376,434,349</u>	<u>287,153,221</u>
		<u>376,434,349</u>	<u>287,153,221</u>
CURRENT LIABILITIES			
Creditors and accruals	8	<u>11,162,618</u>	<u>9,736,212</u>
TOTAL SHAREHOLDERS FUNDS AND LIABILITIES		<u>387,596,967</u>	<u>296,889,433</u>

The accounts were approved by the Governing Council on October 16th 2002 and signed on its behalf by: -

..... Director

..... Director

Income and Expenditure Statement

	Note	2002 Ushs	2001 Ushs
Income			
Listing fees		424,578,100	55,428,728
Membership fees		7,000,000	8,000,000
Revenue grants		98,000,000	402,536,820
Capital grants		3,283,578	3,515,937
Miscellaneous income		<u>12,102,701</u>	<u>11,917,063</u>
		<u>544,964,379</u>	<u>481,398,548</u>
Expenditure			
Staff costs		206,282,716	143,578,700
Depreciation		21,022,973	19,220,074
Audit fees and expenses		2,917,000	3,045,200
Other	9	<u>223,703,711</u>	<u>252,469,537</u>
		<u>453,926,400</u>	<u>418,313,511</u>
Surplus From Continuing Operating Activities Before Taxation	10	91,037,979	63,085,037
Taxation	11	—	—
Net Surplus From Continuing Operations After Taxation		<u>91,037,979</u>	<u>63,085,037</u>
Net Surplus For The Year		<u>91,037,979</u>	<u>63,085,037</u>

Statement of Changes in Equity

	Share Capital Ushs	Capital Capital Ushs	Retained Earnings Ushs	Total Ushs
At 1 July 2000	-	6,704,095	220,880,026	227,584,121
Surplus for the year	-	-	63,085,037	63,085,037
Transfers	<u>-</u>	<u>(3,515,937)</u>	<u>-</u>	<u>(3,515,937)</u>
	-	3,188,158	283,965,063	287,153,221
At 1 July 2001	-	3,188,158	283,965,063	287,153,221
Surplus for the year	-	-	91,037,979	91,037,979
Capital grants during the period	-	1,526,727	-	1,526,727
Transfers	<u>-</u>	<u>(3,283,578)</u>	<u>-</u>	<u>(3,283,578)</u>
At 30 June 2002	-	1,431,307	375,003,042	376,434,349

Cash Flow Statement

	Note	2002 Ushs	2001 Ushs
Cash Flows From Operating Activities			
Net surplus before taxation		91,037,979	63,085,037
Adjustments for:-			
Depreciation		21,022,973	19,220,074
Amortisation of capital grants		<u>(3,283,578)</u>	<u>(3,515,937)</u>
Operating profit before working capital changes		<u>108,777,374</u>	<u>78,789,174</u>
Increase in debtors		(5,715,154)	(1,454,527)
Increase/(Decrease) in short-term investments		73,822,500	(73,822,500)
Increase in trade creditors and accruals		<u>1,426,406</u>	<u>2,823,926</u>
Net cash from operating activities		<u>178,311,126</u>	<u>6,336,073</u>
Cash Flow From Investing Activities			
Purchase of fixed assets		<u>(19,367,927)</u>	<u>(9,041,283)</u>
Net cash flow from investing activities		<u>(19,367,927)</u>	<u>(9,041,283)</u>
Net (decrease)/increase in cash and cash equivalents		158,943,199	(2,705,210)
Cash And Cash Equivalents At The Beginning Of The Year	12	<u>152,284,555</u>	<u>154,989,765</u>
Cash And Cash Equivalents At The End Of The Year	12	311,227,754	152,284,555

Notes to the Financial Statements

1. Significant Accounting Policies

a) Basis of Accounting

The accounts are prepared on the historical cost basis of accounting.

b) Revenue Recognition

Membership fees and other income are recognised on an accrual basis.

c) Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated on the straight line basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives at the following rates:

The annual depreciation rates in use are :

Office Partitions	33 $\frac{1}{3}$ %
Office equipment	12 $\frac{1}{2}$ %
Furniture, Fixtures & fittings	12 $\frac{1}{2}$ %
Motor vehicles	25%
Computers	33 $\frac{1}{3}$ %

d) Foreign Currency Transactions

Transactions during the year are converted into Uganda Shillings at rates ruling at the transactions dates. Monetary assets and liabilities at the balance sheet date, which are expressed in foreign currencies, are translated into Uganda Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the income and expenditure account.

e) Bad and Doubtful Debts

Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success.

f) Revenue and Capital Grants

- (i) Revenue Grants are recognised in the income and expenditure account in the year in which they are received and utilised.
- (ii) Capital Grants are credited to a special capital grants reserve and written back against the income and expenditure statement over the useful lives of the assets financed by the grants.

Notes to the Financial Statements (Continued)

2. Fixed Assets	Office Partitions	Computer Equipment & Accessories	Vehicles	Fixtures, Fittings & Equipment	Total
	Ushs	Ushs	Ushs	Ushs	Ushs
Cost or Valuation					
At 1 July 2001	14,000,000	12,644,583	26,000,000	42,385,603	95,030,186
Additions	<u>-</u>	<u>-</u>	<u>2,411,327</u>	<u>18,483,327</u>	<u>20,894,654</u>
At 30 June 2002	<u>14,000,000</u>	<u>12,644,583</u>	<u>28,411,327</u>	<u>60,868,930</u>	<u>115,924,840</u>
Comprising					
Cost	14,000,000	12,644,583	26,884,600	60,868,930	114,398,113
Valuation	<u>-</u>	<u>-</u>	<u>1,526,727</u>	<u>-</u>	<u>1,526,727</u>
	<u>14,000,000</u>	<u>12,644,583</u>	<u>28,411,327</u>	<u>60,868,930</u>	<u>115,924,840</u>
Depreciation					
At 1 July 2001	5,055,556	5,156,259	7,041,667	8,448,853	25,702,335
Charge for the year	<u>4,666,667</u>	<u>4,214,861</u>	<u>6,650,708</u>	<u>5,490,737</u>	<u>21,022,973</u>
At 30 June 2002	<u>9,722,223</u>	<u>9,371,120</u>	<u>13,692,375</u>	<u>13,939,590</u>	<u>46,725,308</u>
Net Book Value					
At 30 June 2002	4,277,777	3,273,463	14,718,952	46,929,340	69,199,532
At 30 June 2001	8,944,444	7,488,324	18,958,333	33,936,750	69,327,851

	2002	2001
	Ushs	Ushs
3. Debtors		
Interest Receivable	-	219,973
Advances to Staff	2,775,000	-
Brokerage commission	2,394,681	234,554
Membership fees	<u>2,000,000</u>	<u>1,000,000</u>
	7,169,681	1,454,527
4. Short-Term Investments		
Treasury Bills Investments	-	73,822,500

Treasury bill investments purchased in September 2001 had 91 maturity days, and were redeemed in December 2001.

Notes to the Financial Statements

	2002 Ushs	2001 Ushs
5. Cash And Bank Balances		
Cash at bank - UCBL	653,878	76,202,947
Cash at bank - Citibank Ushs	248,238,899	30,058,358
- Citibank US\$	62,209,827	45,574,760
Petty cash	<u>125,150</u>	<u>448,490</u>
	311,227,754	152,284,555

6. Share Capital

The company is limited by the guarantee of its members who are Licensed Broker/dealer and Investment Advisory firms.

7. Reserves

Capital Grants	1,431,307	3,188,158
Retained earnings	<u>375,003,042</u>	<u>283,965,063</u>
	376,434,349	287,153,221

8. Creditors And Accruals

Prepaid membership fees	1,000,000	1,000,000
Refundable listing fees	3,084,032	3,084,032
Accruals	<u>7,078,586</u>	<u>5,652,180</u>
	11,162,618	9,736,212

9. Other Expenses

Advertising	1,300,000	2,652,500
Printing and stationery	3,028,964	5,227,423
Telephone, fax and postage	20,850,679	15,956,392
Maintenance costs	14,167,870	10,632,237
Venture capital initiative	14,634,072	51,466,880
Office rent	48,058,920	51,106,991
Newspapers, magazines and publication	9,528,980	8,924,200
Education, training and travel	92,782,453	90,779,343
Electricity and water	3,226,496	2,849,507
Subscriptions	10,297,500	2,882,500
Office general expenses	3,401,654	2,873,434
Sundry	<u>2,426,123</u>	<u>7,118,130</u>
	223,703,711	252,469,537

Notes to the Financial Statements

	2002 Ushs	2001 Ushs
10. Surplus From Continuing Operating Activities Before Taxation		
The surplus before taxation is stated after charging:-		
Depreciation	21,022,973	19,220,074
Auditors' remuneration	<u>2,340,000</u>	<u>2,340,000</u>
11. Taxation		
Though the tax status of the company remains unresolved, no provision for taxation has been made in the accounts. The company does not expect to pay any substantial amount of tax since revenue mainly consists of government grants.		
12. Cash And Cash Equivalents		
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:		
Cash at hand	125,150	448,490
Bank balances	<u>311,102,604</u>	<u>151,836,065</u>
	<u>311,227,754</u>	<u>152,284,555</u>
13. Commitments		
There were no capital commitments as at 30 June 2002.		
14. Contingent Liabilities		
There were no contingent liabilities as at 30 June 2002.		
15. Currency Risk		
The company operates within Uganda and its assets and liabilities are reported in the local currency. It held no significant foreign currency assets and liabilities as at 30 June 2002.		
16. Employees		
The average number of employees for the company during the year was eleven (2001 - 9).		
17. Incorporation		
The company is incorporated in Uganda under the Companies Act.		
18. Currency		
These accounts are presented in Uganda shillings (Ushs).		

Member Firms

1.

Baroda Capital Markets (U) Ltd.

Plot 18 Kampala Road
P.O. Box 7197 Kampala
Tel: 233680/3
Fax: 230781
Email: bob10@calva.com

Broker/Dealer, Investment Advisor

2.

Crane Financial Services Ltd.

Plot 20/38 Kampala Road
P.O. Box 22572 Kampala
Tel: 341414 or 345345
Fax: 231578
Email: Cranebnk@imul.com

Broker/Dealer, Investment Advisor

3.

Equity Stock Brokers (U) Ltd.

Plot 10 Kampala Road
P.O. Box 3072 Kampala
Tel: 236012/3/4/5
Fax: 236066
Email: Orient02@starcom.co.ug

Broker/Dealer, Investment Advisor

4.

G.A. Onegi - Obel & Co. Ltd.

Suite 8, Give & Take House,
Nkrumah Road
P.O.Box 1610 Kampala
Tel: 256-41 347164, 347165
Fax: 231813
Mobile: 075-795 826
Email: negiobel@Imul.com

Investment Advisor

5.

MBEA Brokerage Services (U) Ltd.

4th Floor, Pan Africa House
Office 3, Kimathi Avenue
P.O. Box 24613 Kampala
Tel: 341 448 or
Cell: 075 722 451, 077 722 451
Fax: 342045
Email: info@mbea.net
Website: www.mbea.net

Broker/Dealer, Investment Advisor

6.

Uganda Commercial Bank Ltd.

12 Kampala Road
P.O. Box 973 Kampala
Tel: 234670, 234710
Fax: 343469
Email: ucb@starcom.co.ug

Broker/Dealer, Investment Advisor



Uganda Securities Exchange Ltd.

4 Nile Avenue,

EADB Building, Ground Floor

P.O. Box 23552 Kampala - Uganda

Tel: 342818, 343297

Fax: 342841

E-mail: use@infocom.co.ug

www.ugandacapitalmarkets.co.ug