

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

CPA(U) EXAMINATIONS

LEVEL FOUR

INTEGRATION OF KNOWLEDGE – PAPER 16

COMPREHENSIVE CASE STUDY

MORNING SESSION MATERIAL

THURSDAY, 19 JUNE 2008

INSTRUCTIONS TO CANDIDATES:

1. Time allowed: 5 hours 30 minutes.
9.00 a.m – 11.00 a.m. (2 hours): Planning.
11.00 a.m. – 12.00 noon. (1 hour): Break.
12.00 noon – 3.30 p.m. (3 hours 30 minutes): Writing.
2. The following pages contain case study materials.
3. The case study questions are contained in a separate paper marked Afternoon Session Material.
4. The completed answers and any working papers, clearly labelled working papers must be handed in at the end of the afternoon session. Where working papers form part of your answer, ensure that they are appropriately cross referenced.
5. It is in your interest that you hand in all written materials prepared during the examination.
6. Tables are provided on page 17.
7. Please read further instructions on the answer book.

THE DISPATCH PUBLICATIONS GROUP

The Dispatch Publications Limited (DPL) was formed in 1990, by two colleagues Mr. A Achome and Ms B Baite. To-date, the company has grown into a fairly diversified group of companies, each with a separate Board of Directors. The group consists of:

The Dispatch Publications Limited (DPL);
Marvel Apartments Limited (*MarAps*);
Ntaro Micro-finance Limited (*N-micro*).

About the founders of the Dispatch Publications Limited group, Achome is a chemical engineer while Baite is an economist by profession. Their interest to start DPL was mainly influenced by their work as part-time journalists at one of the local media houses in the late 1980s.

DPL remains the biggest company in the group and it is believed the shareholders could vote in 2 to 3 years, on whether to have it listed on the Uganda Securities Exchange (USE) under tier 1. The group companies currently experience different situations, issues and challenges. The Dispatch Publications Limited group's financial year-end is 30 September.

ABOUT DPL:

DPL's mission at formation was 'becoming the number one independent print media house in Uganda'. The company has retained its original brand name, '*the Unique Dispatch*'. The company's annual turnover has been in the region of Ushs 18.5 billion over the last 3 years. Over 72% of the turnover is from advertising revenue. It was also recently established that over 75% of the advertising revenue comes from some three multinational companies operating in Uganda.

DPL employs 165 full-time workers, and another 40 journalists on a part-time basis. The company out-sources most of its auxiliary services including cleaning, security, in-house catering, and newspaper delivery. The company also leases all vehicles for official travel and all other transportation needs.

DPL's recent performance and competitive position

The company's editorial policy has been liberal since inception, earning the company a reputation in all sectors of the economy and walks of life across the country. The last three years have, however, witnessed new significant entrants into the print media industry (including popular foreign newspapers). Many analysts consider the print media industry a reasonably mature market.

DPL's Board and its chairperson, Mrs. Hornscot Bayo, has been concerned that the group's performance is lower than what was anticipated in their five-year strategic business plan (SBP). The said SBP was launched two and a half years ago. She has had time to consult many key stakeholders on revamping the performance, but they are yet to meet with management to zero in on a new set of strategies to tame the situation.

The Chairperson's commitment to reviving and restructuring the company was demonstrated recently at DPL's annual general meeting (AGM). She stated then, in her remarks to the shareholders that, "in the face of a high cost base created by, among other things, uncompetitive ownership structure, machine and other lease costs, relatively excessive head count, fuel and power price volatility, DPL must overhaul its entire business if it is to survive. We must be able to counter the negative effects of globalization; we must be able to continue growing our revenues and profits against all odds".

Key management and staff did not take the chairperson's words at the AGM lightly, but maintain that indeed exogenous rather than internal factors were more responsible for their dismal performance. But Mrs. Bayo is widely recognized as being objective and well informed, a reputation she earned when she recently led a team of consultants on 'staff morale promotion and job satisfaction', where her focus was making all staff realize their maximum potential, frequently quoting the saying that "*too many people overvalue what they are not, and undervalue what they are*"¹.

Sub-committee to Review Business Performance

The Board and management subsequently instituted a sub-committee, to regularly review performance and advise them accordingly – at least for the short-term. The resolution was passed after a member passionately encouraged the meeting saying, "*Though no one can go back and make a new start, anyone can start from now and make a brand new ending*"². The sub-committee meetings immediately commenced.

At one of such meetings, while considering the company's quarterly management accounts, a board member, Ms Lyn Hatari was unhappy with the focus of the financial performance analysis. She said, "Madam Chairperson, ... a lot is still expected from these financial performance analysis reports. With this era of computerization, accounting is no longer about the traditional ratio analysis. We need practical recommendations for discussion from our 'Management Accounts team'. The "current ratio" as well as the "quick ratio" are given and how they

¹ Mrs Bayo was quoting Malcolm Forbes.

² Quoting an anonymous motivational quote.

have moved historically, but then what? They do not answer the key question of enhancing “shareholder value”! The return on capital employed has actually gone down, and there is no mention of it anywhere in the report”. The Accounts team was subsequently asked to always bring to the committee analysis reports. Analysis reports can easily show what is going wrong and what could be done differently or better”.

The same sub-committee has also observed that *the Unique Dispatch* –their main newspaper, has been regularly redesigned in recent months to retain its appeal to readers so as to retain its readership. The readership is observably stagnant, as evidenced by the stagnant circulation numbers. Some analysts attribute the stagnation to the increasing unemployment rates in the country, while others blame the stage and competitive rivalry in the print media industry. New entrants have actually further fragmented the market, and realization of growth and sales targets is increasingly difficult for operational and tactical managers.

The sub-committee is also undertaking a product by product performance review with the aim of establishing which of them is performing below, at, or above the planned levels.

Sales and marketing at DPL

DPL has to-date employed a unique delivery system for the *Unique Dispatch*. They contracted a well-established marketing and distribution firm that has managed to ensure a personal delivery to the regular customers, either at home or at the office. A very small fraction of the day’s paper is sold on the streets or the supermarkets. The distribution firm is also able to offer significant and varying discounts if a reader opted for a monthly subscription. The *Unique Dispatch* brand awareness is also reinforced by the continued use of logos on over 80% of the taxis operated by the Uganda Taxi Owners and Drivers Association (UTODA), sometimes with the day’s headlines prominently displayed on the taxis. This promotional partnership is expected to continue into the foreseeable future.

Redesigning growth strategies at DPL

The Board is desirous of streamlining business lines in the long-run, with a view to reviving the company operations into a strong, vibrant and growing company again – for which they have already started planning sessions.

A director and participant in these planning sessions has stated that “in a business like ours, we should expect ups and downs in business trends. However, reasons behind such fluctuations must always be identified, analysed and addressed appropriately. I also see us spending reasonable time designing

mechanisms that will ensure that we support our technical team make any new 'product's life cycle' (PLC)³ longer and more viable. At the board level, we authorized research into the introduction of a new range of products. We need an update on relevant facts and figures so that a way forward is concluded at least in the next planning meeting."

The Finance together with the Business Development Departments soon after provided a 5-year forecast income statement for the expansion project, code-named *LGS* (for let's grow sales), and other relevant data as summarized in **Appendix 1**.

In the same planning session, the meeting rapporteur captured a minute/proceedings as follows (extract):

' **"AGREED:** that the company should now identify and prioritize risks faced by the company. The internal audit department is expected to play a key role in the new risk management processes".

"EXPRESSED CONCERN: that whereas the company was doing well in introducing new products on the market, many of the products were lasting only a short time. Management is advised to ensure that technical teams explore ways of prolonging product life cycles to more viable periods" '.

This said minute of course left out captivating and emotional submissions by a member of the committee, who felt that too much concern with a product's life cycle would inhibit innovation and growth. He thinks management should be allowed – without limit to try out any new products – probably some would work out excellently. To convince his colleagues against the resolution, he had unsuccessfully quoted American inventor, Thomas Edison, who said" *I have not failed, I have found 10,000 ways that do not work*"⁴.

MARVEL APARTMENTS LIMITED - BACKGROUND

MarAps was incorporated in 1995, at the start of an infrastructure reconstruction boom in Uganda, with Achome, Baite and Ms Patsy Chaine behind its formation. DPL took a 51% shareholding in this new company. As at 30 September 2007, the company owned close to 250 fully-furnished apartments spread in major towns in Uganda with over 60% of them in 'greater Kampala'. The apartments are priced at between US\$ 40 – 120 per night, depending on location, and they have been experiencing a 45% average occupancy rate for

³ According to Netmba.com, "a PLC can be divided into several stages characterized by the revenue generated by the product".

⁴ It is said Thomas Edison patented more than 1,000 inventions – out of such persistence.

close to two years now. The company's construction arm also undertakes construction of residential and small-scale commercial buildings mainly for the private sector. The construction arm contributes 27% to 33% of the company's gross revenues.

Financial performance at *MarAps*

MarAps is currently seen by observers and analysts as an under-performer in the group, based on the interim financial statements recently released to the Board of Directors. The analysts' contention is partially based on the fact that the company consistently depends on short-term sources of funds to finance their expansion programs, which they say is unacceptable or at least not appropriate. The same analysts argue that 'a debt factor' would be a better source of finance given the nature of *MarAps*' balance sheet and customer base.

MarAps' directors are unsure what debt factoring is all about, other than having read briefly about it in the local press. They are desirous of getting more information about the concept or service, and an analysis of whether it can be a real remedy to the company's alleged source of woes.

The Financial Controller (FC) of *MarAps* was recently asked to appear before a panel mandated to review the company's performance and design recovery mechanisms. He has written an internal memo (**Appendix 2**) that he intends to present to the panel. His aim is to 'defuse' criticism that his company's financial performance was below average. If they understand it, he believes, there shall be no need to appear before a committee he says is "dominated by financial illiterates".

The same FC has, however, delayed the release of the company's annual report and financial statements, partly due to presentation difficulties. Some audit committee members insist that the cash flow statement be prepared using the "indirect method" as opposed to the "direct method", which the company has been using over the years. The FC insists he must use the old approach for purposes of 'consistency', but directors contend that the former approach is after all the preferred approach to the preparation, in accordance with **IAS 7: Cash Flow Statements**.

The company's balance sheet, and summarized income statement are available (**Appendix 3**), and clearly show the changes in each balance sheet over the most recent accounting period.

NTARO MICRO-FINANCE LIMITED

N-micro, a micro-finance company, was formed four (4) years ago, and today boasts of a 4,000 – strong clientele base, which they say are all active. It was formed with active participation of DPL's majority shareholders, with DPL owning 74% of the shares, and the rest being held equally by 4 'newcomers', all of whom were appointed directors. All these four new shareholders/directors are retired bankers, and two of them took executive positions at *N-micro*.

The key strategy of *N-micro* at formation was to tap the rural market, considered long underserved by the existing micro-finance institutions that were concentrated in urban centres. Later, *N-micro* directors were glad to learn of the National Resistance Movement Organization (NRMO) party's manifesto that targeted giving credit to the rural folk through organizations like N-Micro. This was under the prosperity for all (*bonna bagaggawale*) programme of the later successful and currently ruling NRMO.

It was also the understanding of the *N-micro* founders that the existing institutions were very expensive. As such, N-micro launched their lending at almost half what the others were charging for similar lending products. In fact, the Board Chairperson Ms Jo Nkesa kept referring to "offering a classic high volume/low margin business model".

Target growth rates and Change Management at N-Micro

The N-Micro Chief Executive Officer (CEO), Mr. P Mawa, also a banker by profession, has been given a target of growing the number of outlets by 50% each year for the next 4 years. The current eight outlets are all situated in western Uganda. The CEO tried to express his reservations about this programme, arguing that it would place considerable strain on the existing organization and staff. Each outlet employs 6 people on average, and each 3 outlets form an operational "region" with an additional Regional Manager.

The CEO is due to communicate to all staff the four-year strategic direction of the company that may involve heavy restructuring. He is keen at getting an understanding of the staff attitudes towards the company and its plans 'before going too far'. He is also concerned that his 'bosses' may not be aware of the issues associated with rapid growth, and that he is not well-empowered to generate positive attitudes to change.

Opportunities for N-Micro

Government support on innovation

A non-executive board member recently attended an Accounting and Finance Professionals' seminar held in Kampala and while at the seminar he was deeply 'touched' by the keynote address. Soon after the seminar, the keynote speaker was widely quoted in the local press, mainly over his strong advocacy for innovation and entrepreneurship. The Director could not agree with him any more, and says such innovation shall be rewarded, and regularly says *"its time for us to stand and cheer the doer, the achiever, the one who recognizes the challenge and does something about it"*⁵. One of the articles that appeared in *the Dispatch* is attached in **Appendix 4**. The Director has requested the Technical Assistant to the Head of Business Development to follow up how the issues raised in the seminar can be harnessed to the benefit of *N-micro*.

Sources of funds for expansion

The *N-micro* philosophy is to source funds from both local and overseas sources as key advantage over other micro-finance institutions that have been largely sourcing local finances. "Uganda's treasury bill rates are always in double digits, yet the rates for all treasury bill maturities never reach 7.5% in other countries – even in our neighbouring Kenya", said the CEO recently. "Why not bring those funds here for the benefit of our customers, who shall then not be charged more than 14% per annum?" – he asked.

Food price increases

The recent waves of food price increases have attracted the attention of N-Micro directors. Many journalists and analysts are making varied comments on which economic group is likely to be affected more than the other, and whether or not the least developed countries shall benefit or face further difficulties. Actually, the Board of N-Micro recently discussed the articles with the aim of identifying and exploiting any opportunities that this macro-economic variable could create.

The key articles considered included: *'High food prices won't benefit the farmer'* by A Ruzindana⁶, *"Stop lamenting on prices, go to the garden"*, by M Byaruhanga⁷; *"How poor states can benefit from rising world prices"*, by J G da Silva;⁸ *'High food prices may help third world'* by Reuters.⁹

⁵ A quote by Vince Lombardi.

⁶ The Daily Monitor, Friday May 16, 2008;

⁷ The Daily Monitor, May 12, 2008

⁸ The East African, May 12 – 16, 2008.

⁹ Reproduced in the New Vision of May 20, 2008.

Market lending and bad-debt trends

Another Director of *N-micro* was also enthralled by the statements attributed to a Stanbic Bank official following the release and publication of their recent annual report and financial statements in mid-April 2008. The said article was headlined "*Stanbic to lend more*", by S Juuko – The New Vision, Monday May 5, 2008, and that read:

Stanbic bank is looking towards growing its loan book and diversifying its income streams to remain ahead of its peers in profitability. Ronald Pfende, the head of finance, noted that the 0.6% bad debt ratio compared to the fairly large loan book, showed that the bank still had room to take on more risk.

"Our non-performing loan ratio of 0.6% shows that we are taking on very limited risk and that our risk management process is very stringent. The market average is about 3 – 4 %. That means we have the ability to take on more risk, and still be below the industry average and still be a better performing bank than our peers", he said.

This is what is going to help us sustain growing our loan book in the medium term because we have a fairly large loan book but based on a very risk averse methodology. We can increase our risk appetite without unduly affecting our loan losses.

In an earlier presentation to the bank's shareholders, Pfende predicted lower interest rates given the stiff competition in the financial sector, the article concluded.

A merger deal under negotiation

Due to their business success in their first four years, *N-micro* has earned the admiration of many other actors in the financial services sector, and even foreign banks that are planning to enter the Ugandan market. Reliable sources say that *N-micro* is expected to conclude a merger deal with a re-known Rwandan commercial bank, *Waachu Finance*, by the end of the third quarter 2008.

Briefing senior and regional management of the company about the deal under negotiation, the Chief Operations Officer (COO) said "the merger shall take us to extreme heights, the most exciting being the ability to network all our branches in a short-time, have a 95% chance of meeting our growth target as set up in the strategic business plan (SBP), and be able to offer auto teller machine (ATM) services at more than 100 outlets by the end of the current SBP period".

Other Dispatch Group strategic issues:

Auditor Independence

The Group Chairman recently expressed skepticism, without a known cause, that they may not be getting value for money from their external audits. He actually intimated to a friend, that he doubts whether the various audit firms (all of them never rotated since each of the company's incorporation) ever critically assessed the operations of these group companies – with his fears focusing on their 'independence'. He thinks their independence should be further strengthened, but his friends have advised him that he shall be "dragging a dead horse", and quickly quoted for him an article by Peter Williams, a renowned journalist and chartered accountant.

Peter Williams, writing in the Accounting and Business journal recently wrote:

" the concept of auditor independence should be scrapped. Auditor independence has long been seen as a critical cornerstone of financial reporting, but it is a concept whose time has gone. ... Continuing with the idea of auditor independence perpetuates an expectations gap in the minds of users of financial statements, which does not match up to the reality of the way that professional firms think and operate".

"There is nothing wrong with helping the client prosper through the provision of a good audit, excellent tax advice or sound consultancy. According to ethical guidance, independence requires two attributes: independence of mind, and independence in appearance. ...The fact is that he who pays the piper calls the tune. Why don't we recognize that fact?"

Current government policy

Another influential member of the group, Mrs Lucy Bakii seems not bothered by any of the group company's issues. She frequently assures her colleagues that there are so many opportunities in Uganda, and an attractive and stable investment environment. She says with confidence that the sky is the limit for the group, and all they need is a slight strategic business re-alignment. Her assessment and optimism are partially based on budget speech for the just-ending year, by the Minister of Finance, planning, and Economic Development. The said extracts are reproduced in **Appendix 5**: Extracts from the 2007/08 budget speech; which she assuredly says, 'says it all'.

Appendix 1:**Data on the production of a new product range for DPL.**

Research into expansion project – LGS cost the company Ushs 250 million. If it were decided that production is to go ahead, an estimate of Ushs 1,400 million in capital equipment would be required at the start of the coming financial year. At the end of the project life, it is expected that the capital equipment shall be sold for Ushs 400 million.

The following is the forecast income statement of the new product range (WEE):

	Year 1	Year 2	Year 3	Year 4	Year 5
	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million
Sales	1,150	1,100	1,000	960	850
Materials	(630)	(630)	(600)	(510)	(400)
Overhead variable costs	(95)	(95)	(95)	(95)	(95)
Fixed overheads	(80)	(80)	(75)	(65)	(65)
Depreciation	<u>(200)</u>	<u>(200)</u>	<u>(200)</u>	<u>(200)</u>	<u>(200)</u>
Net profit (loss)	<u>145</u>	<u>95</u>	<u>30</u>	<u>90</u>	<u>90</u>

When production is started, it will necessitate raising material inventory levels by Ushs 60 million and other working capital by Ushs 40 million. It is assumed for ease of analysis that payment for materials, other variable costs, and fixed overheads are made at the end of each year.

Both additional material inventory and other working capital increases will be released at the end of the project.

Customers receive one-year credit from the firm.

The fixed overheads budget in the forecasts have two elements; 40% would be due to re-allocation of existing overheads, 60% would be due to an increase because of project take off.

The Dispatch Publication Limited corporation tax rate is 30%.

Appendix 2:

Memo by the Financial Controller to members of the Board of Marvel Apartments Limited.

To: The Members of the Board of Directors.

Thru: The Managing Director.

From: The Financial Controller.

Date: May 23, 2008.

Dear Board members, Ladies and gentlemen,

Marvel Apartments Ltd's Financial Position and Performance.

I am glad I have been given an opportunity to explain our financial position and performance over the last two years, which I consider to be impressive. I have learnt that our detractors have been saying that the company's financial position is in bad shape. They only highlight the few negative aspects on the balance sheet and deliberately ignore the significant achievements I have made in the past two years in my position as Financial Controller.

I observe that none of the people commenting about the financial performance seem to understand that the Ugandan economy as a whole lacks the necessary long-term funds to finance all profitable investments and expansion programs. Even the Government issues Treasury bills (short-term instruments) to finance projects like roads.

The company's overdraft position is definitely a non-issue, as bank overdrafts are a common source of funds in many companies. Instead, it shows the confidence that our bankers have in us as this is unsecured lending. This overdraft is a much better alternative to other forms of borrowing that would call for collateral and even necessitate an encumbrance on the company's assets.

You will notice, ladies and gentlemen, that I was out of office for my annual leave for about two months at the financial year-end. I admit a few things went wrong, and we are rectifying them one by one. My deputy seemed not to match up to the task. We are spending resources on staff training, and we hope he will soon improve his performance, or face the exit.

The above notwithstanding, the company's return on capital employed is set to continue increasing. Everybody in the office knows my resolve to increase the return on capital employed. Actually, the faster I cut down all the unnecessary overheads the better for this company. Things like public relations, the so-called corporate social responsibility, and research and development expenditure – shall all be things of the past. This ratio must come to my target levels.

I shall readily answer any queries that you think have not been answered by this short, but rather elaborate memo.

Appendix 3:
Marvel Apartments Limited
Balance sheet as at 30 September 2007

	2007	2006	Change
	<u>Ushs 000</u>	<u>Ushs 000</u>	<u>Ushs 000</u>
ASSETS			
Non-current assets			
Property, plant & Equipment	1,401,300	1,291,300	110,000
Intangible assets	<u>126,200</u>	<u>156,200</u>	(30,000)
	<u>1,527,500</u>	<u>1,447,500</u>	
Current assets			-
Inventories	289,630	137,530	152,100
Trade receivables	112,660	90,660	22,000
Cash and cash equivalents	<u>13,400</u>	<u>21,500</u>	(8,100)
	<u>415,690</u>	<u>249,690</u>	
Total assets	<u>1,943,190</u>	<u>1,697,190</u>	
EQUITY AND LIABILITIES			-
Attributable to equity holders			-
Share capital	235,000	105,000	130,000
Other reserves	21,800	21,800	-
Retained earnings	<u>507,380</u>	<u>342,380</u>	165,000
	<u>764,180</u>	<u>469,180</u>	
Non-current liabilities			-
Long-term borrowings: Bonds	159,500	259,500	(100,000)
Deferred tax	<u>12,450</u>	<u>12,450</u>	-
	<u>171,950</u>	<u>271,950</u>	
Current liabilities			-
Trade and other payables	194,560	168,560	26,000
Short-term borrowings	<u>812,500</u>	<u>787,500</u>	25,000
	<u>1,007,060</u>	<u>956,060</u>	
Total equity and liabilities	<u>1,943,190</u>	<u>1,697,190</u>	

Share capital is made up of ordinary shares of Ushs 1,000 nominal value.

Appendix 3 (continued)**Marvel Apartments Limited****Income statement for year ended 30 September 2007.**

	2007	2006
	<u>Ushs 000</u>	<u>Ushs 000</u>
Sales	4,650,000	4,425,500
Cost of sales	<u>(3,162,000)</u>	<u>(2,876,500)</u>
Gross profit	<u>1,488,000</u>	<u>1,549,000</u>
Salary expense	(709,200)	(718,000)
Interest expense	(141,000)	(194,000)
Depreciation	(120,000)	(115,000)
Other expenses	<u>(119,300)</u>	<u>(168,700)</u>
Operating profit	398,500	353,300
Income tax expense	<u>(98,500)</u>	<u>(115,200)</u>
Profit for the period	<u><u>300,000</u></u>	<u><u>238,100</u></u>

Appendix 4:**Article on a recent Accounting and Finance Professionals' seminar*****"Accountants and Finance Professionals advised on Entrepreneurship"*¹⁰.**

Accountants have been encouraged to introduce new financial services as way of further boosting the country's economic growth rate. The call was made by the Minister of State for Finance - in charge of Financial Services. The call was made at the Accountants and Finance Professionals' semi-annual seminar held at Aya Standard Hotel in Kampala recently.

The minister said, "there are many financial services that our business people still hear or just read about in textbooks. Examples are the debt factoring and invoice discounting services. We encourage you to come together and devise mechanisms together with the relevant authorities, and set up such services". "Must we always wait for foreigners to come and introduce these simple but essential services to our people?" – he challenged.

"As a finance professional like you, I take pride in innovation and leadership. These would be some of the benefits of having a dynamic professional body like yours" - the minister challenged. He further said that his office was always open to and would give such entrepreneurs any assistance within its means. This is what we fought for, and we in the NRMO are ready to defend and preserve the conducive investment atmosphere – of course with our colleagues in the opposition.

The minister admitted that there may be many technical, infrastructural, and administrative challenges that investors may face currently, but hastened to add that the Ministry of Trade and Industry, as well as the Uganda Investment Authority (UIA) were there to help start-up companies to overcome such challenges. He further noted that sister ministries and Uganda's development partners would provide the necessary technical and sometimes financial assistance, if such an idea came up, and was well-packaged and introduced to them to follow up.

¹⁰ The Unique Dispatch, April 2, 2008.

Appendix 5:

Extracts from the 2007/08 Budget Speech, by the Minister of Finance, Planning, and Economic Development.

“Mr. Speaker Sir, ... Government has always been committed to creating an attractive and enabling environment for the private sector as the engine of growth. ... For the year ahead, we shall reduce the cost of doing business, the process of importing and registering property, and improve access to credit.

The performance of the financial sector is critical to the economic development of the country. The sector has benefited from the strengthening of supervision and regulation of the banking system. During the fiscal year, all banks remained well capitalized and in line with the requirements of the Financial Institutions Act 2004. The Volume of non-performing assets as a percentage of the total lending remained low, at 2.95% in December 2006, which is well within the 10% prudential limit – partly as a result of improved risk management by banks.

Capital markets demonstrated a strong growth this financial year. The value of the companies traded on the Uganda Securities Exchange has grown to over Ushs 4 trillion. This growth is attributed to two factors: the general appreciation of the share prices of listed securities, and the initial public offer by Stanbic Bank. In the coming fiscal year, the sale of government shares in a number of public enterprises is expected to lead to a further deepening and widening of the capital market.

Over the past several years there has been a vigorous debate over the reform of the pensions sector. There is no doubt that Uganda needs and deserves a good social security and pensions system. Such a system should provide a secure and adequate income to people who are aged, unemployed and /or disabled. Mr. Speaker, I want to take this opportunity to assure Ugandans that this will be done.

Prosperity for all is the central theme and message of the NRMO election manifesto of 2006. Ugandans have overwhelmingly embraced this drive to transform the country from a poor peasant society into a modern industrial, united and prosperous society, in a stable and peaceful environment. Government is addressing the entire range of constraints, which often stand in the way of production, marketing, access to financial services, and the cost of capital.

I beg to move”.

Table 1: PVIF- Present Value of Shs 1 Due at the End of n Periods

Period	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	16%	18%	20%
1	0.943	0.935	0.926	0.917	0.909	0.901	0.893	0.885	0.877	0.870	0.862	0.847	0.833
2	0.890	0.873	0.857	0.842	0.826	0.812	0.797	0.783	0.769	0.756	0.743	0.718	0.694
3	0.840	0.816	0.794	0.772	0.751	0.731	0.712	0.693	0.675	0.658	0.641	0.609	0.579
4	0.792	0.763	0.735	0.708	0.683	0.659	0.636	0.613	0.592	0.572	0.552	0.516	0.482
5	0.747	0.713	0.681	0.650	0.621	0.593	0.567	0.543	0.519	0.497	0.476	0.437	0.402
6	0.705	0.666	0.630	0.596	0.564	0.535	0.507	0.480	0.456	0.432	0.410	0.370	0.335
7	0.665	0.623	0.583	0.547	0.513	0.482	0.452	0.425	0.400	0.376	0.354	0.314	0.279
8	0.627	0.582	0.540	0.502	0.467	0.434	0.404	0.376	0.351	0.327	0.305	0.266	0.233
9	0.592	0.544	0.500	0.460	0.424	0.391	0.361	0.333	0.308	0.284	0.263	0.225	0.194
10	0.558	0.508	0.463	0.422	0.386	0.352	0.322	0.295	0.270	0.247	0.227	0.191	0.162
11	0.527	0.475	0.429	0.388	0.350	0.317	0.287	0.261	0.237	0.215	0.195	0.162	0.135
12	0.497	0.444	0.397	0.356	0.319	0.286	0.257	0.231	0.208	0.187	0.168	0.137	0.112
13	0.469	0.415	0.368	0.326	0.290	0.258	0.229	0.204	0.182	0.163	0.145	0.116	0.093
14	0.442	0.388	0.340	0.299	0.263	0.232	0.205	0.181	0.160	0.141	0.125	0.099	0.078
15	0.417	0.362	0.315	0.275	0.239	0.209	0.183	0.160	0.140	0.123	0.108	0.084	0.065

TABLE 2: PVAF - Present Value of an Annuity of Shs 1 per Period for n Periods

Period	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	16%	18%	20%
1	0.943	0.935	0.926	0.917	0.909	0.901	0.893	0.885	0.877	0.870	0.862	0.847	0.833
2	1.833	1.808	1.783	1.759	1.736	1.713	1.690	1.668	1.647	1.626	1.605	1.566	1.528
3	2.673	2.624	2.577	2.531	2.487	2.444	2.402	2.361	2.322	2.283	2.246	2.174	2.106
4	3.465	3.387	3.312	3.240	3.170	3.102	3.037	2.974	2.914	2.855	2.798	2.690	2.589
5	4.212	4.100	3.993	3.890	3.791	3.696	3.605	3.517	3.433	3.352	3.274	3.127	2.991
6	4.917	4.767	4.623	4.486	4.355	4.231	4.111	3.998	3.889	3.784	3.685	3.498	3.326
7	5.582	5.389	5.206	5.033	4.868	4.712	4.564	4.423	4.288	4.160	4.039	3.812	3.605
8	6.210	5.971	5.747	5.535	5.335	5.146	4.968	4.799	4.639	4.487	4.344	4.078	3.837
9	6.802	6.515	6.247	5.995	5.759	5.537	5.328	5.132	4.946	4.772	4.607	4.303	4.031
10	7.360	7.024	6.710	6.418	6.145	5.889	5.650	5.426	5.216	5.019	4.833	4.494	4.192
11	7.887	7.499	7.139	6.805	6.495	6.207	5.938	5.687	5.453	5.234	5.029	4.656	4.327
12	8.384	7.943	7.536	7.161	6.814	6.492	6.194	5.918	5.660	5.421	5.197	4.793	4.439
13	8.853	8.358	7.904	7.487	7.103	6.750	6.424	6.122	5.842	5.583	5.342	4.910	4.533
14	9.295	8.745	8.244	7.786	7.367	6.982	6.628	6.302	6.002	5.724	5.468	5.008	4.611
15	9.712	9.108	8.559	8.061	7.606	7.191	6.811	6.462	6.142	5.847	5.575	5.092	4.675