

# **ANNUAL REPORT AND FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2003**

Honourable Minister for Finance  
Ministry of Finance  
The Treasury  
NAIROBI

Dear Honourable Minister,

I have the honour to submit the Annual Report of Capital Markets Authority for the fiscal year 2003. The report has been prepared in accordance with the provisions and requirements of Section 36(3) of the Capital Markets Act, Cap 485A.



Edward H Ntalami  
**CHIEF EXECUTIVE**

## **MISSION STATEMENT**

The mission of Capital Markets Authority is to promote the development of orderly, fair, efficient, secure, transparent and dynamic capital markets in Kenya within a framework which facilitates innovation through an effective but flexible system of regulation for the maintenance of investor confidence and safeguards the interest of all market participants.

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## MEMBERS OF THE AUTHORITY



Prof Chege Waruingi



Edward H Ntalami



Lucy G Njiru



Malachi Oddenyo



Michael Cherwon



Selest Kilinda



Wanjohi Ndirangu



Andrew Mullei  
*Governor,  
Central Bank of Kenya*



Hon. Amos Wako  
*Attorney General*



Joseph K Kinyua  
*PS Treasury*



Jimmy M Kitonga



Eunice Kagane  
*Alt. to Governor,  
Central Bank of Kenya*



Roselyn Amadi  
*Alt. to Attorney General*



Maurice Kanga  
*Alt. to PS Treasury*

## SENIOR MANAGEMENT



**Edward H Ntalami**  
*Chief Executive*



**Christine Mweti**  
*Manager Legal  
and Enforcement*



**Sammy Mulang'a**  
*Manager Research and  
Market Development*



**Joachim Githinji**  
*Manager Finance  
and Administration*



**Wycliffe Shamia**  
*Assistan Manager  
Compliance*



**Edwin Kipsitet**  
*Assistant Manager  
Research*



**Esther Maiyo**  
*Assistant Manager  
Finance*



## CHAIRMAN'S STATEMENT



**Prof. Chege Waruingi**  
*Chairman*

It gives me great pleasure to present the Capital Markets Authority's Annual Report for the year ended 30 June 2003. This is my first annual statement as Chairman of the Board of the Authority, which was reconstituted in December 2003. I am privileged and grateful to have the opportunity to serve CMA during a period of major changes in the marketplace.

The Authority continues to be guided by the philosophy that the primary purpose of regulation is to ensure that markets and investments are encouraged to grow on a sound long-term basis, in order to contribute as effectively as possible to the functioning of the economy and creation of wealth. This is both a facilitative and regulatory role. The Authority is therefore entrusted with the task of overseeing a primary component of the financial sector. Our legitimacy rests on two pillars: first, the statute which establishes our duties, responsibilities and powers; and, second, the effectiveness with which we discharge those responsibilities.

As regulators, we must constantly re-examine the purpose and efficacy of regulation and the methods used to accomplish its goals. We must improve the integrity of the market by high standards of regulation. We must establish improved market infrastructure and technology to facilitate efficiency and reduce systemic risk in trading and settlement operations. And we

must work closely with the industry to ensure that our actions are in line with the aspirations of stakeholders. My Board fully realizes the challenges and opportunities that the regulation and development of capital markets present, and is well poised to meet these challenges with a focused reform agenda.

The capital market is a critical pillar of economic growth. It opens new and great opportunities to improve the standard of living and quality of life of Kenyans. These opportunities must be fully exploited. It is in this context that CMA is committed to achieving the vision of a large, liquid and efficient capital market that permits wider diversification of risks and greater and more efficient allocation of resources. To achieve this goal we recognize that we must address a number of key trends and changes affecting our business environment, infrastructure, market participants, financial products, and the changing regulatory framework. We remain committed to delivering regulatory services in a businesslike manner and to work closely with market participants to ensure that the regulatory system remains relevant to the changing needs of the marketplace. By doing this we shall foster a capital market that is strong, innovative and growing to meet the risk management needs of its users.

Investor confidence is the bedrock of our securities market. As an emerging market, Kenya has a lot to offer local and foreign investors in terms of returns on investment. But capital markets are also places where investors stake their names and reputation. Confidence and integrity will therefore remain an integral part of our market development strategy. We shall continue to develop adequate regulations that provide the market with freedom for development, while at the same time catering for the protection of investors and markets from financial fraud and crimes.

Investors, whether large institutions or private individuals, should have access to the information they need to make informed investment decisions.

## CHAIRMAN'S STATEMENT (Cont'd)

The Authority will therefore continue to be sensitive to investors' needs and to dovetail its policies and practices with those of investors through the adoption of investor centric policies like prescription of stringent disclosure norms, insistence on transparency in transactions, and effective enforcement of prudential regulations.

Investor education and empowerment remains a major challenge of the Authority and will continue to take centre stage in our market development strategies. A deep and vibrant capital market cannot be achieved without an educated and well-informed investor. And because many market abuses and malpractices target the unsophisticated investor, the Authority firmly believes that the best policy for protecting investors is to raise their own knowledge of the issues and their skill in dealing with them.

Our efforts to make the market modern both in terms of infrastructure and practices continue apace. One project that is key to the rejuvenation and revitalization of our capital market is the central depository and settlement system (CDS). The CDS is expected to provide the launch pad for electronic trading and is perhaps the single most important initiative in the development of capital markets in Kenya in the last 50 years. Its successful implementation will mark a major new development, and revolutionize the way we conduct business. It will greatly improve operational efficiency and reduce systemic risk. It will promote transparency and accountability and enhance market integrity and investor confidence. It will enable our market to be regionally and globally integrated and enter into beneficial strategic linkages with other markets. All this in turn will create significant new opportunities for capital market growth and enable us to offer world-class securities services and attract local and foreign capital inflows. Immediate implementation of the CDS is therefore in our interest as individuals, as a country, and as a region. Significant progress has been made

and we expect that the CDS will become operational in the near future. We are proud to be a part of it.

Our market must also be anchored in good governance and the Authority must address this critical issue in a forceful way if we are to win the confidence of investors. Good governance is very much in the minds of investors today. The failure of a number of prominent corporations in North America and Europe has brought to the fore the serious consequences of lapses in corporate governance. Corporate misgovernance has serious economic consequences and cause loss of confidence in capital markets. The perceived quality of corporate governance will influence the entry of investors into our market. International investors, in particular, shy away from markets whose standards of governance are perceived to be low. Quality issuers and investors are drawn to markets with good reputations. Good governance is therefore in the interest of investors, issuers and operators alike.

I would like to end this statement by thanking all those who have assisted the Authority in the discharge of its responsibilities. My colleagues on the Board sacrificed much of their time and played a central role in the Authority's decision-making processes. I thank them for their advice, support and sense of mission. CMA management and staff worked long and hard under considerable pressure in the face of major challenges. Thank you for your commitment, professionalism and fairness. As we move forward into the next year I look forward to working with you all to turn our vision into reality.



Professor Chege Waruingi

**CHAIRMAN**

22 November 2004

## CHIEF EXECUTIVE'S REPORT



**Edward H Ntalami**  
*Chief Executive*

The year 2003 can be considered as one of pragmatism with the economy showing signs of recovery from a prolonged slumber. Sagacious economic policies put in place by the new Government saw an improvement of macro-economic conditions with falling interest rates, single digit inflation, a stable foreign exchange market and expectations of increased capital inflows. These factors had a positive impact on overall economic growth with real GDP growth rebounding to 1.8% up from 1.2% in 2002. The key driver remained agriculture, which expanded by 1.5% over 2002. Manufacturing grew by 1.4% compared to 1.2% in 2002. The service industry provided the lead with major areas of growth in transport and communications. Telecommunications sector benefited from the burst of growth in mobile cell phones with subscription increasing to more than 2.7 million lines. Despite negative travel advisories, earnings from tourism services also increased by 18.6% over 2002. In the financial sector, commercial banks recorded significant recovery with pre-tax profits edging up by nearly 66%. Building and construction grew by 2.2%, and real estate by 3.0%, suggesting a general upturn in the economy.

The Government economic policies continued to focus on promoting recovery in order to attain high and sustainable economic growth against a background of investment resource constraints. Positive post election sentiment and initial optimism for a quick turnaround

of the economy following successive years of decline was revised as investors realized that institutional weaknesses persist, and that these will take more time to upgrade. Moreover, the optimism for economic growth did not translate into significant demand for credit owing to low supply of credit to the productive economy. In the pursuit of risk free returns, the banking sector continued to seek the relative safety of government instruments. The persistent lack of demand for credit by companies underlies the reality that full economic recovery has some way to go.

Interest rates tumbled during the year as surplus liquidity continued to flood the financial sector. From 5.0% in July 2002, the yield on the 91-day Treasury Bill collapsed to 1.3% at the end of June 2003. The decline in short-term interest rates caused fixed income investors to crowd the bond market, oversubscribing issues many times over and pushing yields lower. The equity secondary market also benefited from higher capital inflows as institutional investors returned to this market segment for better yields, particularly from the retirement benefits sector. Despite the demand for equities, supply for new stock was scarce as companies adopted a wait and see attitude and government privatization programme failed to kick-start.

### STOCK MARKET PERFORMANCE

The securities market ended the year with an excellent performance with the key market indicators showing record performance in 2003. At the year end the Nairobi Stock Exchange 20 Share Index gained 355 points to close at 2850.

### Primary Equity Market

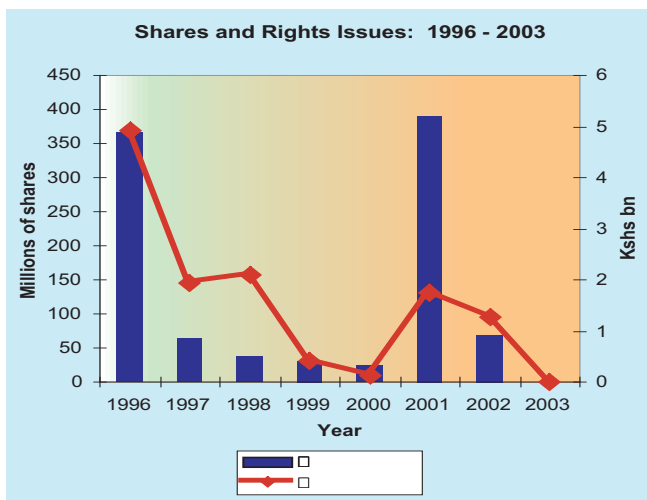
Equities primary market remained subdued throughout the fiscal year 2003. The market has not had a public offering (IPO) since 2001 when Mumias Sugar Company and ICDC Investment Company (ICDCI) between them offered a total of 314 million shares that raised Kshs 1.45 billion. However, the two issues were significantly under-subscribed attaining a success rate of 60% and 64% for Mumias Sugar



## CHIEF EXECUTIVE'S REPORT (Cont'd)

Company and ICDCI respectively. The last fully subscribed public offer was in 1998 when Kenya Commercial Bank offered for sale 28 million shares at Kshs 65. While the primary market has been largely starved of public offers, it has enjoyed a reasonable share of rights issues. In the last three years, the market has processed two rights issues totalling 146 million shares valued at Kshs 1.566 billion. The last one for Total Kenya in 2002 was fully subscribed.

In 2002, the government took a deliberate action to put on hold its privatization programme pending establishment of a legal framework on divestiture. This move was necessary to ensure that the privatization process is transparent. The privatization bill is at an advanced stage and its enactment is expected to trigger resurgence of primary equity activity through the Nairobi Stock Exchange. The Authority is, however, not waiting for the government to open floodgates of divestiture to ensure market survival. Initiatives continue apace to make listing at the Nairobi Stock Exchange (NSE) attractive and to bring eligible potential issuers to the bourse.



### Equities Secondary Market

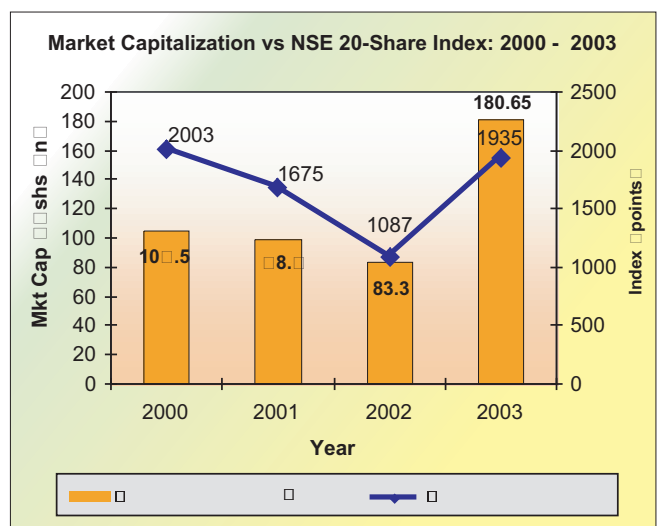
The adverse impact of depressed economy that was discernible in the primary equity market was reflected in the secondary market as well. Shrinking investment opportunities and diminishing purchasing power contributed significantly to the depressed market performance in 2002. However, there was

remarkable recovery in the first half of 2003 following the peaceful general elections in December 2002. The smooth transition boosted investor confidence leading to substantial resources being directed to investments through the capital markets. Equities secondary market activity recorded improved performance against the background of anticipated economic recovery and excess liquidity in the banking system as a result of declining Treasury bill yields.

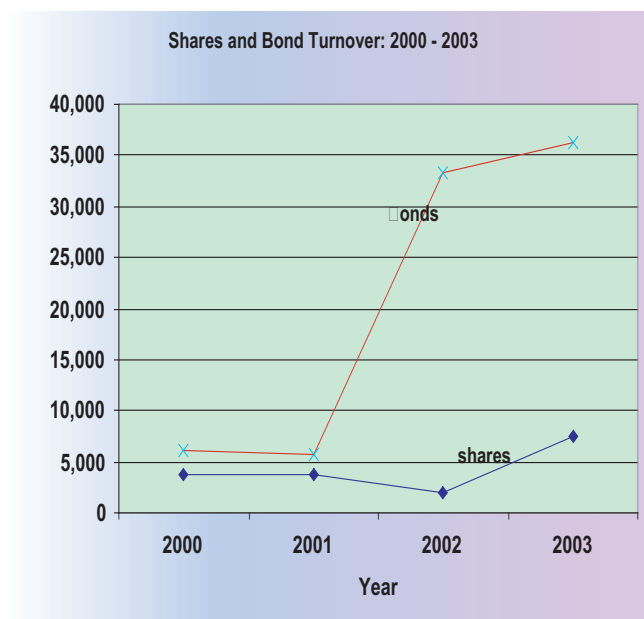
### Secondary Market Statistics

Year	2000	2001	2002	2003
Share Volume (m)	149.25	126.64	106.07	198.1
Share Turnover (Kshs m)	3,810	3,800	2,020	7,510
Market Capitalization (Kshs)	104.5	98.4	83.3	180.65
Index (Year End)	2003	1675	1087	1935
Bond Turnover (Kshs m)	6,170	5,660	33,210	36,310

The volume of shares traded at NSE increased from 106 million to 198 million in 2003 representing a growth of 86.8%. Market turnover more than tripled from Kshs 2 billion to Kshs 7.5 billion representing an increase of 275%. The net worth of investors appreciated by Kshs 97.35 billion as market capitalization soared by 117% to a new high of Kshs 180.65 billion compared to the previous level of Kshs 83.30 billion. The NSE 20 Share Index also recorded an increase of 1292 basis points from a low of 1087 points in 2002 to 2379 points in 2003 representing a growth of 119%.



## CHIEF EXECUTIVE'S REPORT (Cont'd)



Expectations of greater political stability and foreign capital inflows into the capital market increased demand for shares by local investors. On the supply side, most investors withheld their securities in anticipation of improved prices in the market. Market confidence was further boosted by the government commitment to improve investment climate and infrastructure, and zero-tolerance to corruption. These factors, complemented by strong corporate earnings, translated into a bullish market after a long bearish lull.

### Primary Bond Market

The debt market was relatively more buoyant and encouraging. The market for debt instruments has been experiencing a steady growth for both government and corporate debt instruments. In the last year, there has been a skewed preference for debt financing and it is clearly evident that corporate bonds are becoming the preferred method of raising long-term finance by corporate Kenya. Activity in the bond market has by far exceeded that in equity both in primary and secondary trading within less than five years after introduction of the treasury and corporate bond programmes. The bonds traded nearly five times the value of equity from July 2002 to June 2003.

Government debt securities continued to register growth in number, amounts and tenor. A total of 20 Treasury bond issues were listed at the NSE, including a ten-year tenor treasury bond that raised Kshs 2.7 billion. From July 2000 to June 2001, bonds of 1 to 3 year tenor valued at Kshs 47.12 billion were issued. In line with the Government restructuring of its domestic debt into longer-dated securities, the maturity period increased in 2002 with treasury bonds issued of up to 6 years. Lengthening the maturity profile of government debt not only generates a stable yield curve but also facilitates the development of the capital market.

### Treasury Bond Issues: 2001 - 2003

Tenor	2001		2002		2003	
	No of Issues	Value (Kshs bn)	No of Issues	Value (Kshs bn)	No of Issues	Value (Kshs bn)
1 year	17	30.02	4	13.07	4	10.36
1 years			1	4		
2 years	15	14.3	5	22.91	6	14.64
3 years	9	2.8	6	22.86	4	16.32
4 years			2	10	3	12
5 years			1	7	4	14.31
6 years			1	3	3	15
7 years					1	3
8 years					1	4
9 years					1	4
<b>Total</b>	<b>41</b>	<b>47.12</b>	<b>20</b>	<b>82.84</b>	<b>27</b>	<b>93.63</b>

## CHIEF EXECUTIVE'S REPORT (Cont'd)

### Corporate Bonds

There were four issues of medium term notes worth Kshs 7.35 billion outstanding on 30 June 2003 as shown in the table below.

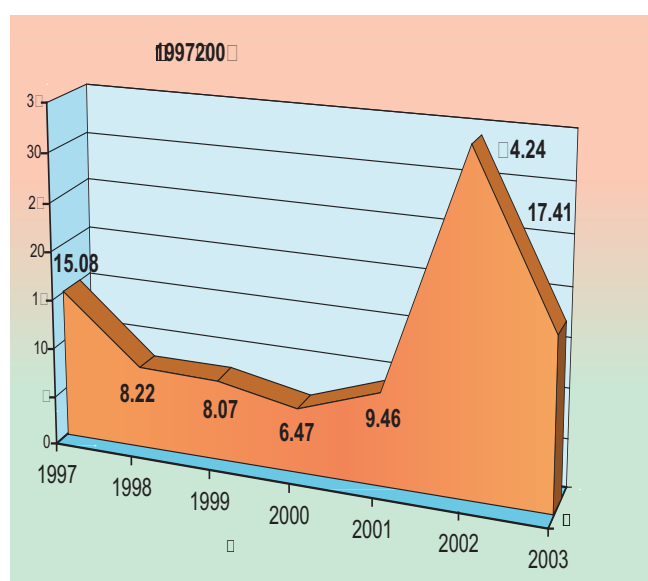
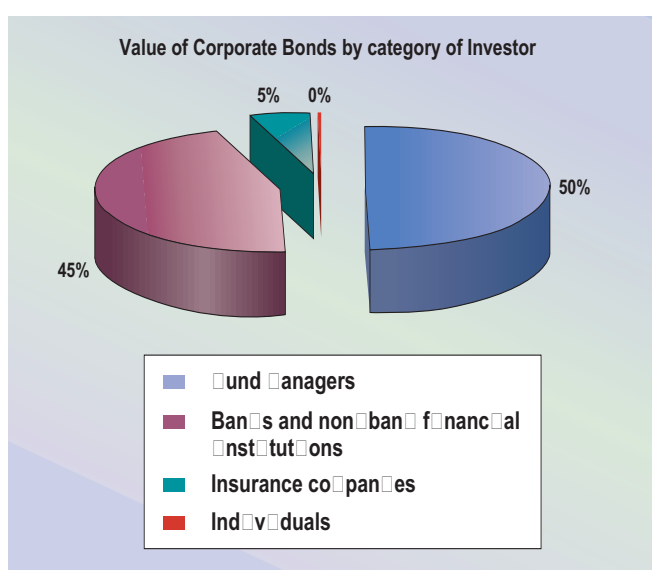
Company	(Kshs m)	Tenor Years	Maturity Date
1 Shelter Afrique	350	3	July 04
2 E.A. Development Bank	2,000	4	April 06
3 Safaricom Limited	4,000	5	March 06
4 Mabati Rolling Mills Ltd	1,000	5	October 07
<b>TOTAL</b>	<b>7,350</b>		

### Secondary Bond Market

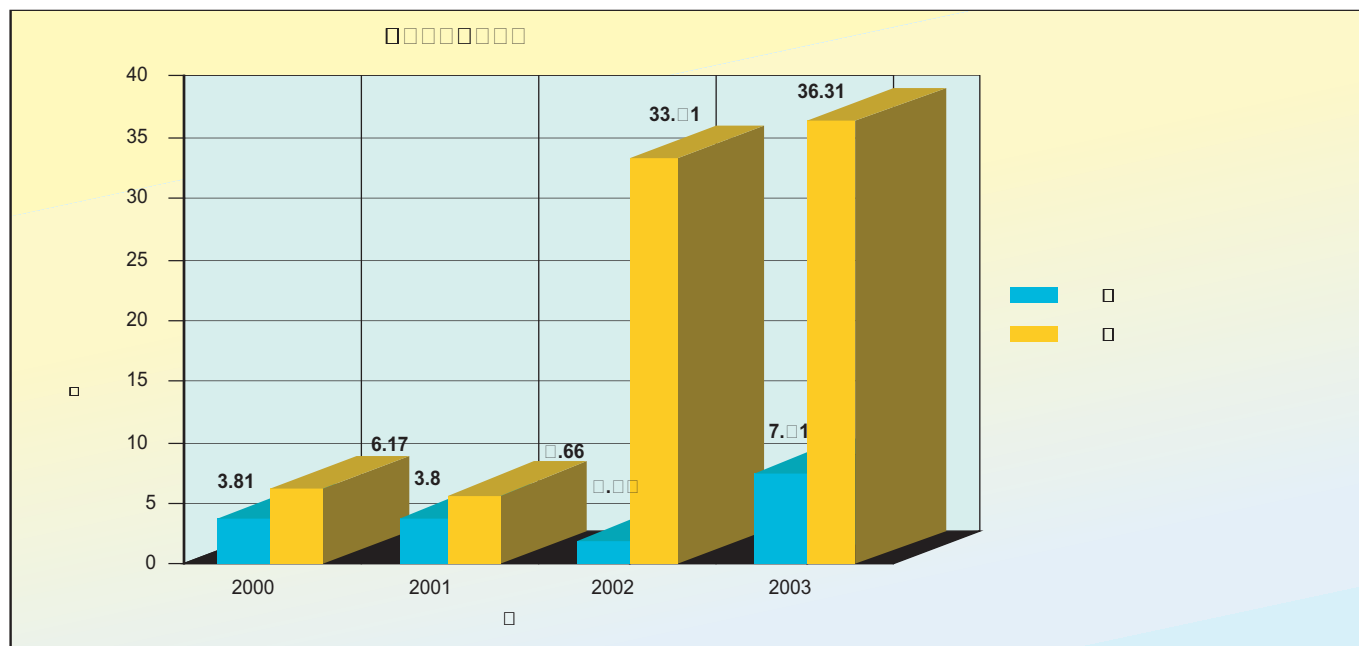
The secondary bond market witnessed increased trading activity during the year. Turnover increased from Kshs 12 billion in 2002 to Kshs 38.9 billion in 2003. This impressive performance was achieved despite the tendency by most institutional investors to adopt a buy and hold strategy for bond securities. Institutional investors dominated the Fixed Income Market Segment accounting for 97% as at 30 June 2003.

### Corporate Bonds By Category of Investor: 30 June 2003

Class of Investors	Number	Amount (Kshs M)
Individuals	2	16
Banks and non-bank financial institutions	23	3,298
Insurance companies	15	400
Fund managers	23	3,635
<b>Total</b>	<b>63</b>	<b>7,350</b>



## CHIEF EXECUTIVE'S REPORT (Cont'd)



### Commercial Paper Programmes:

Company	Amount (Kshs millions)
1 Kenya Oil Company Limited	1,000
2 CMC Holdings Limited	350
3 TPS (Serena) Ltd	200
4 Athi River Mining	50
5 *Crown Berger Ltd	100
6 * Pan Paper Mills Ltd	500
7 *Kenya Hotel Properties Ltd	150
8 * Ecta (Kenya) Limited	50
9 * Mabati Rolling Mills Ltd	500
<b>Total Approved</b>	<b>2,900</b>

\* Bank guaranteed

### COMPLIANCE AND ENFORCEMENT

Market manipulation through fraudulent practices leads to loss of investor confidence. The Authority's compliance and enforcement programme is designed to protect investors and foster investor confidence by preserving the integrity and efficiency of the capital market. It includes a surveillance programme and a comprehensive annual review of all market licensees in order to ensure they continue to comply with the oversight regulatory requirements.

### Investigations

The main issues investigated by the Authority during the period include, inter alia:

- Compliance issues involving listed companies;
- Investor complaints on market manipulation;
- Complaints on mismanagement of listed companies;
- Violation of regulations.

### Cases handled six months to June 2003 include the following:

Nature	No. received and resolved
1 Legal issues involving listed companies	1
2 Investor complaints	7
3 Market manipulation	1
4 Complaints on mismanagement of listed companies	4
5 Market operators without a license	12
6 Violation of Regulations	2
7 Complaint on listing of bonds	1
8 Fraudulent activities	2
<b>Total</b>	<b>30</b>

# CHIEF EXECUTIVE'S REPORT (Cont'd)

## Inspection of Licensees

To ensure that there is strong institutional framework geared towards reducing risk exposure in the market, the Authority closely monitors the operations of all licensees. Corrective action is demanded promptly on incidences of non-compliance in line with the laid down rules and regulations. It is encouraging to note that reporting standards have greatly improved.

The Authority carried out wide ranging inspections on licensees to confirm compliance with the requirements of the Capital markets (Licensing Requirements)(General) Regulations, 2002. Regulatory concerns arising from this exercise included failure to meet working capital requirements and incomplete records. The Authority will closely monitor such cases to ensure full compliance by all market practitioners.

## Suspension of Licensees

Shah Munge and Partners Limited remained suspended from conducting stockbroking business as a result of violating Regulation 20(a) of the Capital Markets (Licensing Requirements) (General) Regulations, 2002. The firm had appealed to the Capital Markets Tribunal against the Authority's decision to suspend it from operations for three years. However, the Tribunal upheld the suspension imposed by the Authority.

## Corporate Governance and Disclosure

Good Corporate governance facilitates capital formation, maximizes shareholders' value and

protects investors' rights. The full disclosure system is designed to provide investors with material information, foster investor confidence, contribute to the maintenance of a fair and orderly market and inhibit fraud. The Authority issued guidelines on corporate governance in 2002 to address these concerns. Listed companies were to comply with these guidelines as prescribed under the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002.

Good corporate governance is intended to ensure that a company is well run in the best interests of its shareholders and is free from corporate malfeasance. Most listed companies complied with the corporate governance guidelines, particularly on formation of audit committees and multiple directorships. The Authority has mounted a campaign to sensitise directors of listed companies on the need for good corporate governance and information disclosure policies.

## Delistings

### i) African Lakes Corporation (ALC)

The Authority suspended listing and trading of African Lakes Corporation shares effective February 4, 2003 in order to safeguard investors' interests pending compliance with the prescribed procedure of de-listing under the Capital Markets Act. ALC was given the option to buy back its shares from the minority shareholders as a precondition for delisting. Because ALC was precluded by the Companies Act of Scotland from buying back its own shares it opted for a

Corporate Governance Guidelines			
	Corporate governance guideline	Listed companies in compliance	Number of Listed companies
1	Establishment of audit committees	21	48
2	Detail disclosure of directors' remuneration	38	48
3	Ownership details of the top ten shareholders	9	48
4	Timely release and submission of audited accounts	22	48
5	Timely submission of interim reports	37	48



## CHIEF EXECUTIVE'S REPORT (Cont'd)

rights issue whose proceeds were to be utilized in the buy back. The Authority approved delisting of the shares in June 2003.

### ii) East African Packaging Industries Limited

The Authority on 4 February 2003 suspended trading of shares of East African Packaging Industries (EAPI) at the NSE. This action was taken after the Canadian Overseas Packaging Industries Limited (COPI); a majority shareholder in EAPI served notice of its intention to take-over all EAPI shares held by other shareholders. COPI made an offer to purchase all the shares of EAPI pursuant to the requirements of Regulations 20(1) of the Capital Markets (Takeovers and Mergers) Regulations, 2002. This resulted in COPI acquiring 92.1% control in EAPI. Since the public shareholding dropped below the necessary 20% minimum required, the Authority approved the voluntary delisting of EAPI from NSE.

## MARKET DEVELOPMENT

### Authorized Securities Dealers

During the year, the Authority licensed three Authorized Securities Dealers (ASD). ASD are restricted to dealing in fixed income securities listed on the Fixed Income Securities Market Segment in order to:

- Act as market makers and dealers in the fixed income segment;
- Facilitate deepening of the Fixed Income Securities Market;
- Enhance trading and liquidity in the Fixed Income Securities Market;
- Minimize counter party risk.

### Collective Investment Schemes

The Authority approved two institutions to promote Collective Investment Schemes (CIS) in Kenya. The CIS is meant to offer a unique opportunity especially

to retail investors who will benefit from professional management, economies of scale and diversification of risks.

### New Licensees

The Authority approved the upgrading of one fund manager to an investment bank, bringing the total number of investment banks to four. One venture capital fund was also licensed bringing the total number to two.

### Credit Rating

Credit rating agencies perform a catalytic role in developing capital markets. The purpose of credit ratings is to provide objective and independent opinions of relative credit risk. The Authority issued guidelines on credit rating in November 2001. Since then, only one credit rating agency has been approved and four listed companies undertaken credit rating. In view of the crucial role of credit rating in risk management, the Authority is considering making it mandatory for private sector issuers of unsecured debt instruments to be rated by an approved credit rating agency.

### Financial Position for 2003

The Authority's financial position is presented in the audited financial statements for the financial year ended 30 June 2003. Overall, the position at the end of the year improved and a net surplus of Kshs 12 million was realized. Compared to the previous year, income was lower by Kshs 13 million primarily due to lack of initial primary offers in the market. The secondary market, however, showed signs of increased activity.

Expenditure was higher than 2002 by Kshs 7 million. This is mostly on account of higher personnel costs that went up by Kshs 3 million, introduction of investor education by Kshs 2 million and increased depreciation of Kshs 2 million. The commencement of

## CHIEF EXECUTIVE'S REPORT (Cont'd)

appeal proceedings on the case involving Shah Munge by the Capital Markets Appeals Tribunal resulted in an expenditure of Kshs 9 million in the financial year. This has been treated as an exceptional item of expenditure and charged to the general fund accordingly. Government subvention was retained at the same level as previous year at Kshs 15 million.

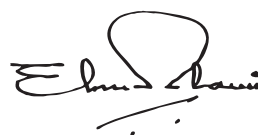
The balance sheet reflects a healthy financial position with current assets of Kshs 96.7 million against current liabilities of Kshs 46.2 million. Surplus funds of the Authority are invested in short-term government paper. An amount of Kshs 7 million from the Investor Compensation Fund was invested as share capital in the Central Depository and Settlement Corporation.

### Outlook

Many challenges lie ahead. Implementation of the central depository system (CDS) and the automated trading system (ATS) will provide opportunities for

growth in our capital market as well as regulatory challenges. Technology will lead to the development of more sophisticated investment instruments and corresponding analytical and risk management tools. Effective enforcement will require enhanced surveillance and monitoring systems.

We look forward to meeting these challenges with renewed vigour and enthusiasm. To do this we will continue to develop our expertise so that we can understand market dynamics and provide an appropriate regulatory response. We will strive to enhance use of technology to support our activities. And we will continue our efforts to ensure that our regulatory framework continues to foster a fair and efficient capital market.



Edward H Ntalami  
**CHIEF EXECUTIVE**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2003**

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## MEMBERS OF THE AUTHORITY

The present Members of the Authority are:

- Prof Chege Waruingi - Chairman
- Mr Michael Cherwon
- Mr Malachi Oddenyo
- Mrs Lucy K Njiru
- Mr Selest N Kilinda
- Mr Wanjohi Ndirangu
- Mr James M Kitonga
- Mr Joseph K Kinyua - Permanent Secretary to the Treasury
- Mr Andrew Mullei - Governor, Central Bank of Kenya
- Hon Amos Wako - Attorney General
- Mr Maurice Kanga - (Alternate, Permanent Secretary to the Treasury)
- Ms Eunice Kagane - (Alternate, Governor, Central Bank of Kenya)
- Ms Roselyn Amadi - (Alternate, Attorney General)
- Mr Edward H Ntalami - Chief Executive

### Corporate Address:

#### Capital Markets Authority

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P. O. Box 74800 - 00200  
Nairobi Kenya

Telephone: 221910/221869  
E – mail: [Corporate@cma.or.ke](mailto:Corporate@cma.or.ke)  
Website: [www.cma.or.ke](http://www.cma.or.ke)

### Bankers

Commercial Bank of Africa Limited  
Mama Ngina Street  
P. O. Box 45136 - 00100  
Nairobi

Savings and Loans Kenya Limited  
Mama Ngina Street  
P. O. Box 49129 - 00100  
Nairobi

### Auditors

Deloitte & Touche  
"Kirungii", Ring Road, Westlands  
P. O. Box 40092 -00100  
Nairobi

# REPORT OF THE MEMBERS OF THE AUTHORITY

The members of the Authority have pleasure in presenting their report and audited financial statements for the year ended 30 June 2003.

## INCORPORATION

Capital Markets Authority is a body corporate established under the Capital Markets Act, Cap 485A.

## ACTIVITIES

The Authority promotes and facilitates the development of an orderly, fair and efficient capital market in Kenya. It licences, regulates and supervises the operators in the capital market.

## RESULTS

	<b>2003</b> <b>KSh</b>
Total income from services for the year	101,591,884
Total expenditure for the year	(99,003,436)
Gross surplus from services	2,588,448
Government grant	15,000,000
Finance income	3,487,440
Exceptional item	(8,915,141)
Surplus for the year transferred to the general fund	<b>12,160,747</b>

## AUTHORITY MEMBERS

The present members of the Authority are shown on page 17.

## AUDITORS

The Auditors, Deloitte & Touche, have expressed their willingness to continue in office.

## BY ORDER OF THE BOARD

### Chief Executive

Nairobi,

22 November, 2004



## STATEMENT OF AUTHORITY MEMBERS' RESPONSIBILITIES

The Capital Markets Act requires the Authority members 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 its operating results for that year. It also requires the members to ensure that 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 members 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 International Financial Reporting Standards and in the manner required by the Capital Markets Act. The members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Authority and of its operating results. The members further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

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



Member



Member

22 November, 2004

Certified Public Accountants (Kenya)  
"Kirungi"  
Ring Road, Westlands

P.O. Box 40092 -00100 GPO  
Nairobi  
Kenya

Telephone: + (254-20) 441344/05-12  
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Dropping Zone No. 92  
E-mail: admin@deloitte.co.ke

**Deloitte  
& Touche**

## **REPORT OF THE AUDITORS TO THE MEMBERS OF CAPITAL MARKETS AUTHORITY**

We have audited the financial statements on pages 21 to 32 for the year ended 30 June 2003 and have obtained all the information and explanations which, to the best of our knowledge and belief; were necessary for the purposes of our audit.

### **Respective responsibilities of Authority members and auditors**

As described on page 19, the Authority members are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Authority members, and evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion, proper books of account have been kept by the Authority and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the Authority at 30 June 2003 and of its surplus and cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Deloitte & Touche*

*15 December* 2003

**Deloitte  
Touche  
Tohmatsu**

Partners: D.M. Ndonge H. Gadhoke\* D.C. Hodges\* S.O. Onyango J.W. Wangai  
British\*



## INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

	Note	2003 Sh	2002 Sh
FEE INCOME	2	100,391,522	113,297,070
OTHER INCOME		1,200,362	1,504,540
TOTAL INCOME FROM SERVICES		101,591,884	114,801,610
EXPENDITURE	3	(99,003,436)	(92,094,362)
GROSS SURPLUS FROM SERVICES		2,588,448	22,707,248
GOVERNMENT GRANT		15,000,000	15,000,000
FINANCE INCOME	4	3,487,440	3,410,686
EXCEPTIONAL ITEM	5	(8,915,141)	-
SURPLUS FOR THE YEAR		12,160,747	41,117,934

# BALANCE SHEET

## AS AT 30 JUNE 2003

	Note	2003 Sh	2002 Sh
<b>ASSETS</b>			
<b>Non-current assets</b>			
Equipment	7	16,012,063	16,403,081
Staff loans and advances	8	8,793,252	13,389,027
Investment	9	7,000,000	-
		31,805,315	29,792,108
<b>Current assets</b>			
Staff loans and advances	8	8,322,381	8,993,083
Trade and other receivables	10	3,937,001	4,019,872
Investors' Compensation Fund bank balance	9	24,535,309	27,255,928
Staff Benevolent Fund bank balance		2,962,425	2,078,048
Millennium Staff Savings Scheme		1,987,649	2,011,198
Investment in Government Securities	11	45,238,730	40,537,565
Bank and cash balances		9,703,781	2,886,794
		96,687,276	87,782,488
<b>Total assets</b>		<b>128,492,591</b>	<b>117,574,596</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds</b>			
Capital fund		27,885,508	27,885,508
General fund		54,435,241	42,274,494
		82,320,749	70,160,002
<b>Current liabilities</b>			
Accounts payable	12	9,686,459	16,069,420
Investors' Compensation Fund	9	31,535,309	27,255,928
Staff Benevolent Fund		2,962,425	2,078,048
Millennium Staff Savings Scheme		1,987,649	2,011,198
		46,171,842	47,414,594
<b>Total funds and liabilities</b>		<b>128,492,591</b>	<b>117,574,596</b>

The financial statements on pages 21 to 32 were approved by the members of the Authority in 2003 and were signed on their behalf by:

*By George Namuringi*

**CHAIRMAN**

*Elmud Davis*

**CHIEF EXECUTIVE**



## **STATEMENT OF CHANGES IN FUND BALANCES** **FOR THE YEAR ENDED 30 JUNE 2003**

	<b>Capital fund Sh</b>	<b>General fund Sh</b>	<b>Total Sh</b>
At 1 July 2001	27,885,508	1,156,560	29,042,068
Surplus for the year	-	41,117,934	41,117,934
At 30 June 2002	27,885,508	42,274,494	70,160,002
At 1 July 2002	27,885,508	42,274,494	70,160,002
Surplus for the year	-	12,160,747	12,160,747
At 30 June 2003	27,885,508	54,435,241	82,320,749



## **CASH FLOW STATEMENT**

### **FOR THE YEAR ENDED 30 JUNE 2003**

	Note	2003 Sh	2002 Sh
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations	13(a)	17,854,282	33,350,650
Interest received		3,487,440	3,410,686
Net cash generated from operating activities		21,341,722	36,761,336
<b>INVESTING ACTIVITIES</b>			
Investment in the Central Depository and Settlement Corporation		(7,000,000)	-
Maturity/(purchase) of treasury bills by the Investor Compensation Fund		8,633,866	(10,595,157)
(Purchase)/maturity of treasury bonds by the Investor Compensation Fund		(12,785,957)	11,700,000
Purchase of equipment		(5,449,661)	(11,850,702)
Proceeds of disposal of equipment		766,300	687,173
Maturity/(purchase) of Treasury bills		9,689,080	(9,689,080)
Maturity/(purchase) of Treasury bonds		11,394,041	(20,962,712)
Net cash generated from/(used in) investing activities		5,247,669	(40,710,478)
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		26,589,391	(3,949,142)
<b>CASH AND CASH EQUIVALENTS:</b>			
<b>AT 1 JULY</b>		26,222,584	30,171,726
<b>AT 30 JUNE</b>		52,811,975	26,222,584

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2003

### 1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards. The principal accounting policies remain unchanged from the previous year and are set out below:

**(a) Basis of accounting**

The financial statements are prepared under the historical cost convention.

**(b) Government grants**

Government grants are recognised to income when received.

**(c) Fees, interest and other income**

Fees, interest and other income are recognised to income on the accruals basis.

**(d) Treasury bills**

Treasury bills are stated at redemption value less unearned discounts on purchase. Discounts on purchase are recognised to income over the period to maturity of the related instruments.

**(e) Treasury bonds**

Investments in Treasury bonds are stated at cost. Interest receivable is recognised to income on the accruals basis.

**(f) Motor vehicles, furniture and equipment and depreciation**

Motor vehicles, furniture and equipment are stated at cost less depreciation.

Depreciation is calculated on the straight line basis to write off the cost of motor vehicles, furniture and fittings, equipment and computers over their expected useful lives at the following annual rates:

Furniture and fittings	12.5%
Equipment	20%
Motor vehicles	25%
Computers	25%

**(g) Retirement benefit obligations**

The Authority operates an in-house defined benefits pension scheme for its staff and also makes contributions to the statutory National Social Security Fund, a defined contribution scheme registered under the National Social Security Act. In addition, it pays service gratuity to the Chief Executive under the terms of his contract.

The Authority's obligations to all staff retirement benefits schemes are recognised to the income statement as they fall due.

Employee entitlements to annual leave are recognised when they accrue to employees. Provision is made for the estimated liability for annual leave accrued at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### (h) Foreign currency translation

Assets and liabilities expressed in foreign currencies are translated into Kenya shillings at the rates of exchange ruling at the balance sheet date. Transactions during the year are translated at rates ruling on the dates of the transactions. Exchange gains and losses are dealt with in the income and expenditure statement.

	<b>2003</b>	<b>2002</b>
	<b>Sh</b>	<b>Sh</b>
<b>2 FEE INCOME</b>		
Capitalisation, rights and new issues fees	66,369,306	101,420,563
NSE - Transaction fees	21,634,194	6,486,507
Application and licensing fees	12,388,022	5,390,000
	100,391,522	113,297,070
<b>3 EXPENDITURE</b>		
Personnel costs (Note 6)	58,067,206	54,006,437
Rent and maintenance	6,728,823	9,119,925
Training and conferences	7,736,327	4,735,200
Medical scheme and insurance expenses	2,731,815	3,395,091
Entertainment and public relations	2,231,457	2,652,494
Telephone, postage and utilities	2,797,947	3,843,619
Equipment maintenance and stationery	2,995,263	3,396,265
Motor vehicle running expenses	834,957	1,149,461
Subscriptions and IOSCO membership	1,481,919	1,454,052
Authority members allowances	2,858,600	1,288,292
Professional and market development services	1,918,021	2,150,254
Staff uniforms & Miscellaneous expenses	572,236	717,169
Depreciation expense	5,602,554	3,839,331
Audit fees	344,000	346,772
Investor education and awareness programme	2,102,311	-
	99,003,436	92,094,362
<b>4 FINANCE INCOME</b>		
Interest earned on investments	3,487,440	3,410,686
<b>5 EXCEPTIONAL ITEM</b>		

This represents legal and other expenses incurred by a tribunal that has been investigating a matter relating to a licensed broker.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

	<b>2003</b>	<b>2002</b>
	<b>Sh</b>	<b>Sh</b>
<b>6 PERSONNEL COSTS</b>		
Consolidated pay, leave pay and passages	50,531,065	45,651,818
Staff retirement benefits and gratuity	7,209,341	8,132,199
Benevolent Fund Contributions	234,000	148,500
National Social Security Fund (NSSF)	92,800	73,920
	58,067,206	54,006,437
Average number of employees during the year	38	41

### 7 EQUIPMENT

	<b>Motor Vehicles Sh</b>	<b>Computer equipment Sh</b>	<b>Office equipment Sh</b>	<b>Furniture and fittings Sh</b>	<b>Total Sh</b>
<b>COST</b>					
At 1 July 2002	13,921,285	-	10,340,413	17,490,939	41,752,637
Additions	1,710,000	1,129,400	271,789	2,338,472	5,449,661
Disposals	(1,270,000)	-	-	(102,944)	(1,372,944)
Reclassification	-	4,968,388	(4,968,388)	-	-
At 30 June 2003	14,361,285	6,097,788	5,643,814	19,726,467	45,829,354
<b>DEPRECIATION</b>					
At 1 July 2002	7,231,442	-	6,061,262	12,056,852	25,349,556
Reclassification	-	2,595,784	(2,595,784)	-	-
Charge for the year	2,265,455	1,255,818	716,514	1,364,767	5,602,554
Eliminated on disposals	(1,031,875)	-	-	(102,944)	(1,134,819)
At 30 June 2003	8,465,022	3,851,602	4,181,992	13,318,675	29,817,291
<b>NET BOOK VALUE</b>					
At 30 June 2003	5,896,263	2,246,186	1,461,822	6,407,792	16,012,063
At 30 June 2002	6,689,843	2,372,604	1,906,547	5,434,087	16,403,081

Included in motor vehicles, furniture and equipment are assets with a cost of Sh 19,899,095 (2002 – Sh 14,954,425), which are fully depreciated. The notional annual depreciation charge on these items is Sh 2,547,182 (2002 – Sh 2,528,470).

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 8 STAFF LOANS AND ADVANCES

	SHORT TERM Sh	LONG TERM Sh	TOTAL 2003 Sh	TOTAL 2002 Sh
Car loans	956,177	3,526,392	4,482,569	4,953,829
House loans	1,920,452	-	1,920,452	2,820,452
Other loans and advances	5,445,752	5,266,860	10,712,612	14,607,829
	8,322,381	8,793,252	17,115,633	22,382,110

### 9 INVESTOR COMPENSATION FUND

Under Section 18 of Capital Markets Act, Cap 485A, the Authority is required to maintain a Fund to be known as the Investor Compensation Fund for the purpose of granting compensation to investors who may suffer pecuniary loss resulting from the failure of a licensed broker or dealer to meet its contractual obligations. This requirement was implemented in July 1995.

The fund derives its income from the following sources:

- (i) Interest accruing on funds received from subscribers to public issues, between the day of closing the issue and making the refunds.
- (ii) 0.01% of the consideration from sale and purchase of shares through the Nairobi Stock Exchange.
- (iii) Interest earned from investment of the funds held in this account.
- (iv) Financial penalties imposed for non-compliance with CMA Rules and Regulations.

The Authority charges management fees to the Fund. The fees are charged at the rate of 3% of the Fund balance at the end of each financial year subject to a minimum of Sh 200,000 and a maximum of Sh 500,000 per year.

The movement in the fund balance during the year is as shown below:

	2003 Sh	2002 Sh
At 1 July	27,255,928	21,977,650
Nairobi Stock Exchange transactions fees	1,506,160	408,798
Interest on investments	2,150,519	2,665,003
Financial penalties	1,122,702	-
Management fees	(500,000)	(500,000)
Fees on Public Issues	-	2,704,477
At 30 June	31,535,309	27,255,928



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

The Investors' Compensation Fund balance is represented by the following assets:

	<b>2003</b>	<b>2002</b>
	<b>Sh</b>	<b>Sh</b>
<b>Non-current</b>		
Investment in the Central Depository and Settlement Corporation (at cost)	7,000,000	-
<b>Current</b>		
Treasury bonds – maturing after 3 months (effective interest rate – 11%)	20,085,957	7,300,000
Treasury bills – maturing after 3 months (effective interest rate – 6%)	1,961,291	10,595,157
Bank balance	2,488,061	360,771
Fixed deposit	-	9,000,000
	24,535,309	27,255,928
	31,535,309	27,255,928
<b>10 TRADE AND OTHER RECEIVABLES</b>		
Transaction fees receivable	2,744,764	310,965
Other fees receivable	547,920	2,244,971
Sundry debtors	644,317	1,463,936
	3,937,001	4,019,872
<b>11 GOVERNMENT SECURITIES</b>		
(a) Treasury bonds		
Maturing within 1 year	9,410,355	20,000,000
Accrued interest	158,316	962,712
	9,568,671	20,962,712
(b) Treasury bills		
Redemption value –maturing within 3 months	36,000,000	10,000,000
Less: unearned discount	(329,941)	(114,227)
	35,670,059	9,885,773
Redemption value-maturing within 6 months	-	10,000,000
Less: unearned discount	-	(310,920)
	-	9,689,080
	45,238,730	40,537,565

The average interest rate earned on Treasury bonds during the year was 9% (2002 – 13%) while the average interest rate earned on Treasury bills during the year was 7% (2002 – 8%).

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 12 ACCOUNTS PAYABLE

	<b>2003</b>	<b>2002</b>
	<b>Sh</b>	<b>Sh</b>
Sundry payables	9,316,459	4,571,724
Audit fees	370,000	320,000
Staff retirement benefits	-	3,818,336
Actuarial valuation deficit on pension scheme	-	7,239,000
Actuarial fees	-	120,360
	9,686,459	16,069,420

### 13 NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of surplus from services to cash generated from operations		
Gross surplus from services	2,588,448	22,707,248
Depreciation	5,602,554	3,839,331
Government grants	15,000,000	15,000,000
Gain on disposal of property and equipment	(528,175)	(665,506)
Exceptional item	(8,915,141)	-
Cash generated from operations	13,747,686	40,881,073
Decrease/(increase) in trade and other receivables	82,871	(1,908,001)
Decrease/(increase) in staff loans and advances	5,266,477	(5,065,686)
Decrease in accounts payable	(6,382,961)	(5,902,747)
Increase in investors' compensation fund	4,279,381	5,278,278
Increase in staff benevolent fund	884,377	733,228
Decrease in millennium staff savings scheme balance	(23,549)	(665,495)
Net cash generated from operations	17,854,282	33,350,650
(b) Analysis of cash and cash equivalents		
Bank and cash balances	9,703,781	2,886,794
Staff benevolent fund bank balance	2,962,425	2,078,048
Investors compensation fund bank balance	2,488,061	9,360,771
Millennium Staff Savings Scheme	1,987,649	2,011,198
Treasury bills - maturing within 3 months	35,670,059	9,885,773
	52,811,975	26,222,584

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 14 OPERATING LEASE COMMITMENTS

Operating lease payments represent rentals payable by the Authority for its office property. Property rental expenses during the year amounted to Sh 6,728,823 (2002 – Shs 9,119,925). At the balance sheet date, the company had outstanding commitments under operating leases, which fall due as follows:

	<b>2003</b>	<b>2002</b>
	<b>Sh</b>	<b>Sh</b>
Within one year	6,077,135	5,821,394
Between 2-5 years	23,845,424	29,922,560
At 30 June	<u>29,922,559</u>	<u>35,743,954</u>

### 15 RETIREMENT BENEFIT OBLIGATIONS

The Authority operates an in-house defined benefits pension scheme for its employees. The investment of the scheme's assets is managed by two fund managers, KCB Trustee and Genesis Investment Services Ltd, on behalf of the Trustees.

The scheme had two pensioners in receipt of pension and no deferred pensioners with entitlement to a deferred pension at the last valuation date. The scheme is subjected to a triennial valuation by independent Actuaries to fulfil the statutory requirements under the Income Tax (Retirement Benefits) rules 1994 and the Retirement Benefits Rules 2000. The last actuarial valuation was carried out as at 1 July 2001. The actuarial valuation method adopted entailed the comparison of the scheme's assets at the valuation date with its liabilities and an assessment of the ability of the scheme to meet its obligations to members.

The principal actuarial assumptions applied in the valuation are:

- Investment returns 10% per annum
- Rates of salary escalation 5% per annum
- Rate of pension increases 3% per annum

The actuarial valuation revealed that the market value of the assets of the scheme was Sh 21,461,000 and indicated that the level of funding (the ratio of the value of the assets to the past service liability) was 75%. This is below the minimum funding requirement of 80% prescribed on the Retirement benefits regulations 2000, and gives rise to a past service actuarial deficit of Sh 7,239,000. The deficit was as a result of reduced investment returns and strain due to increases in salaries over the past three years. The Authority recognised the deficit in its income statement for the year ended 30 June 2001, through a prior year adjustment, and has already made lump-sum payments of the actuarial deficit to the scheme. In addition, the rate of contribution to the scheme was increased by 2% in order to support the minimum benefits promised to the scheme members.

The Authority's contributions to this scheme for the year to 30 June 2003 amounted to Sh 2,984,092 (2002 – Sh 3,104,763).

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 15 RETIREMENT BENEFIT OBLIGATIONS (cont'd)

The Authority also contributes to the statutory defined contribution pension scheme, the National Social Security Fund. Contributions to the statutory scheme are determined by local statute and are currently limited to the Sh 200 per employee per month. Contributions to this scheme during the year amounted to Sh 92,800 (2001 – Sh 73,920).

### 16 CAPITAL COMMITMENTS

Commitments at year end for which no provision has been made in these financial statements

	<b>2003</b>	<b>2002</b>
	<b>Sh</b>	<b>Sh</b>
Authorised but not contracted for	2,000,000	-

### 17 CONTINGENT LIABILITY

A former employee of the Authority has filed suit against the Authority for wrongful dismissal. The authority does not expect any liability to crystallise from this matter.

### 18 CURRENCY

The financial statements are presented in Kenya Shillings (Sh).

## LISTED COMPANIES

### Main Investment Market Segment

COMPANY	Market Cap (30-6-03) Kshs billions
1. Athi River Mining Ltd Ord 5.00	1.57
2. B.O.C. Kenya Ltd Ord 5.00	1.47
3. Bamburi Cement Ltd Ord 5.00	29.04
4. Barclays Bank Ltd Ord 10.00	24.26
5. British American Tobacco Kenya Ltd Ord 10.00	9.80
6. Brooke Bond Ltd Ord 10.00	3.76
7. Carbacid Investments Ltd Ord 5.00	0.71
8. C.F.C. Bank Ltd Ord 5.00	2.28
9. Car & General (Kenya) Ltd Ord 5.00	0.20
10. CMC Holdings Ltd Ord 5.00	1.09
11. Crown Berger Ltd Ord 5.00	0.40
12. Diamond Trust Bank (Kenya) Ltd Ord 4.00	1.71
13. Dunlop Kenya Ltd Ord 5.00	0.06
14. E.A. Cables Ltd Ord 5.00	0.24
15. E.A. Portland Cement Ltd Ord 5.00	4.16
16. East African Breweries Ltd Ord 10.00	24.64
17. Firestone (East Africa) Ltd Ord 5.00	3.60
18. Housing Finance Company Ltd Ord 5.00	5.87
19. I.C.D.C. Investments Ltd Ord 5.00	0.60
20. Jubilee Insurance Company Ltd Ord 5.00	1.08
21. Kakuzi Ltd Ord 5.00	0.39
22. Kenya Airways Ltd Ord 5.00	3.00
23. Kenya Commercial Bank Ltd Ord 10.00	7.07
24. Kenya Oil Company Ltd Ord 5.00	2.02
25. Kenya Power & Lighting Ltd Ord 20.00	2.53
26. Marshalls (East Africa) Ltd Ord 5.00	0.09
27. Mumias Sugar Company Ltd Ord 2.00	1.73
28. Nation Media Group Ltd Ord 5.00	5.35
29. National Bank of Kenya Ltd Ord 5.00	2.98
30. National Industrial Credit Ltd Ord 5.00	2.14
31. Pan Africa Insurance Ltd Ord 5.00	0.77
32. Rea Vipingo Plantations Ltd Ord 5.00	0.28
33. Sasini Tea & Coffee Ltd Ord 5.00	0.76
34. Standard Chartered Bank Ltd Ord 5.00	22.99
35. Total (Kenya) Ltd Ord 5.00	6.25
36. Tourism Promotion Services Ltd Ord 5.00	0.78
37. Uchumi Supermarkets Ltd Ord 5.00	1.91
38. Unga Group Ltd Ord 5.00	0.64
<b>Total</b>	<b>178.22</b>

## LISTED COMPANIES (Cont'd)

### Alternative Investment Market Segment

COMPANY	Market Cap (30-6-03) Kshs billions
1. A. Baumann & Company Ltd Ord 5.00	0.02
2. City Trust Ltd Ord 5.00	0.08
3. Egaads Ltd Ord 5.00	0.14
4. Express Ltd Ord 5.00	0.04
5. Kapchorua Tea Company Ltd Ord 5.00	0.41
6. Kenya Orchads Ltd Ord 5.00	0.04
7. Limuru Tea Company Ltd Ord 5.00	0.24
8. Standard Newspapers Ltd Ord 5.00	1.27
9. Williamson Tea ( Kenya) Ltd Ord 5.00	0.17
<b>Total</b>	<b>2.41</b>

### Fixed Income Market Segment

COMPANY	Market Cap (30-6-03) Kshs billions
1. Kenya Hotels Pref 6.0%	0.47
2. Kenya Power & Lighting Ltd Pref 4%	10.80
3. Kenya Power & Lighting Ltd Pref 7%	2.91
<b>Total</b>	<b>14.18</b>

# **CMA LICENSEES AS AT 30 JUNE 2003**

## **SECURITIES EXCHANGE**

### **Nairobi Stock Exchange Ltd.**

Kimathi Street, Nation Centre, 1st Floor

P.O. Box 43633

Nairobi

Tel: 254 2 230692

Fax: 254 2 224200

Email: [info@nse.co.ke](mailto:info@nse.co.ke)

Website: [www.nse.co.ke](http://www.nse.co.ke)

## **CENTRAL DEPOSITORY**

### **Central Depository and Settlement Corporation**

Nation Centre, Kimathi Street, 10th Floor

P.O. Box 3464

Nairobi

Tel: 254 2 253078

Fax: 254 2 253077

## **INVESTMENT BANKS**

### **African Alliance Kenya Ltd.**

4th Floor, Kenya Re Towers, Upper Hill

P.O. Box 27639 - 00506

Nairobi

Tel. 2710978/2718720

Fax. 2710247

Email: [enquiries@africanalliance.co.ke](mailto:enquiries@africanalliance.co.ke)

### **CFC Financial Services Ltd.**

CFC Center, Chiromo Road

P.O. Box 44074 - 00100

Nairobi

Tel. 3741861/3752900

Fax. 3752951/3752907

Email: [cfcs@cfcgroup.co.ke](mailto:cfcs@cfcgroup.co.ke)

### **Apex Africa Investment Bank Ltd**

Rehani House (HFCK), 4th Floor

Corner of Kenyatta Avenue and Koinange Street

P.O. Box 43676 - 00100

Nairobi

Tel: 254 2 242170

Fax: 254 2 215554

Email: [hak@insightkenya.com](mailto:hak@insightkenya.com)

### **CBA Capital**

International House

Ground Floor

P.O. Box 30437 - 00100

Nairobi

Fax: 335827

Email: [cbacapital@cba.co.ke](mailto:cbacapital@cba.co.ke)

Website: [www.cba.co.ke](http://www.cba.co.ke)



**CMA LICENSEES (Cont'd)**  
**AS AT 30 JUNE 2003**

**STOCKBROKERS**

**Ngenye Kariuki & Co. Ltd.**

Travel (UTC) House, 5th floor  
P.O. Box 12185 - 00400  
Nairobi  
Tel: 220052/220141  
Fax: 217199  
E-mail: [ngenyekari@wananchi.com](mailto:ngenyekari@wananchi.com)

**Nyaga Stockbrokers Ltd.**

Nation Centre 12th floor  
P.O. Box 41868 - 00100  
Nairobi  
Tel: 332783/4, 332884  
Fax: 332785  
E-mail: [nyagastk@users.africaonline.co.ke](mailto:nyagastk@users.africaonline.co.ke)

**Ashbhu Securities**

Finance House, 13th floor  
P.O. Box 41684 - 00100  
Nairobi  
Tel: 210178/212989  
Fax: 210500  
Email: [ashbhu@africaonline.co.ke](mailto:ashbhu@africaonline.co.ke)  
[faidastocks@wananchi.com](mailto:faidastocks@wananchi.com)

**Francis Thuo & Partners Ltd.**

International House, 12th Floor  
P.O. Box 46524 - 00100  
Nairobi  
Tel: 226531/2/3  
Fax: 228498  
E-mail: [ftbrokers@wananchi.com](mailto:ftbrokers@wananchi.com)  
Website: [www.ftbrokers.com](http://www.ftbrokers.com)

**Francis Drummond & Co. Limited**

Hughes Building, 2nd Floor  
P.O. Box 45465 - 00100  
Nairobi  
Tel: 334533  
Fax: 223061  
E-mail: [info@francisdrummond.com](mailto:info@francisdrummond.com)  
Website: [www.francisdrummond.com](http://www.francisdrummond.com)

**Standard Stocks Ltd**

Hazina Towers, 17th floor  
P.O. Box 13714 - 00800  
Nairobi  
Tel: 220225/227004  
Fax: 240297  
Email: [info@standardstocks.com](mailto:info@standardstocks.com)  
Website: [www.standardstocks.com](http://www.standardstocks.com)

**Faida securities Ltd.**

Windsor House, 1st floor  
P.O. Box 45236 - 00100  
Nairobi  
Tel: 243811/2/3  
Fax: 243814  
E-mail: [info@faidastocks.com](mailto:info@faidastocks.com)

**Suntra Stocks Ltd.**

Nation Centre, 10th Floor  
P.O. Box 74016 - 00200  
Nairobi  
Tel: 337220/223294/223330  
Fax: 224327  
E-mail: [info@suntrastocks.co.ke](mailto:info@suntrastocks.co.ke)  
Website: [www.suntrastocks.co.ke](http://www.suntrastocks.co.ke)

**CMA LICENSEES (Cont'd)**  
**AS AT 30 JUNE 2003**

**Dyer & Blair Ltd**

Loita House, 10th Floor  
P.O. Box 45396 - 00100  
Nairobi  
Tel: 227803/3240000  
Fax: 218633  
E-mail: [admin@dyer.africaonline.co.ke](mailto:admin@dyer.africaonline.co.ke)  
Website: [www.dyerandblair.com](http://www.dyerandblair.com)

**Kestrel Capital (EA) Limited**

Hughes Building, 7th Floor  
P.O. Box 40005 - 00100  
Nairobi  
Tel: 251758/251893  
Fax: 243264  
Email: [info@kestrelcapital.com](mailto:info@kestrelcapital.com)

**Reliable Securities Limited**

Standard Building, 4th Floor  
P.O. Box 50338 - 00200  
Nairobi  
Tel: 241350/54/79  
Fax: 241392  
E-mail: [reliable@gt.co.ke](mailto:reliable@gt.co.ke)

**Solid Investment Securities Ltd**

Contrust Building, 6th Floor  
P.O. Box 63046 - 00200  
Nairobi  
Tel: 244272/9  
Fax: 244280  
E-mail: [sisl@solidkenya.com](mailto:sisl@solidkenya.com)

**Crossfield Securities Ltd**

Vedic House, 2nd floor  
P.O. Box 34137 - 00100  
Nairobi  
Tel: 246036  
Fax: 245971  
E-mail: [crossfield@wananchi.com](mailto:crossfield@wananchi.com)

**Discount Securities Ltd.**

International House, Mezzanine  
P.O. Box 42489 - 00100  
Nairobi  
Tel: 219552/38, 240942  
Fax: 336553  
E-mail: [discount@dsl.co.ke](mailto:discount@dsl.co.ke)

**CMA LICENSEES (Cont'd)**  
**AS AT 30 JUNE 2003**

**FUND MANAGERS**

**AIG Global Investment Co. (EA) Ltd**

ICEA Building, 2nd floor  
P.O. Box 67262 - 00200  
Nairobi  
Tel: 249444 – 7  
Fax: 249451  
E-mail: [admin@aiga.co.ke](mailto:admin@aiga.co.ke)

**African Alliance (K) Management Ltd.**

Kenya Re Towers, 4th Floor  
P.O. Box 27639 - 00506  
Nairobi  
Tel: 2710978  
Fax: 2710247  
enquiries@africanalliance.co.ke

**Old Mutual Asset Managers (K) Ltd**

Old Mutual building, Mara Road, Upper Hill  
P.O. Box 11589-00400  
Nairobi  
Tel: 2711309/2730466  
Fax: 2711066  
E-mail: [omam@omamkenya.com](mailto:omam@omamkenya.com)  
Website: [www.oldmutualkenya.com](http://www.oldmutualkenya.com)

**Stanbic Investment Management Services Ltd**

Stanbic Building, Kenyatta Avenue  
P.O. Box 30550 - 00100, Nairobi  
Tel: 335888  
Fax: 247285  
E-mail: [sims@africaonline.co.ke](mailto:sims@africaonline.co.ke)

**Old Mutual Investment Services Ltd**

Old Mutual building, Corner of Mara/  
Hospital Road  
P.O. Box 30059-00100  
Nairobi  
Tel: 2829333  
Fax: 2722415  
E-mail: [ut@oldmutualkenya.com](mailto:ut@oldmutualkenya.com)  
Website: [www.oldmutualkenya.com](http://www.oldmutualkenya.com)

**Genesis (K) Ltd Management Ltd**

Lonhro House, 12th Floor  
P.O. Box 79217  
Nairobi  
Tel: 251012  
Fax: 250716  
E-mail: [genesis@swiftkenya.com](mailto:genesis@swiftkenya.com)

**Aureos Kenya Managers**

Norfolk Towers, Kijabe Street 1st Floor  
P.O. Box 43233 - 00100  
Nairobi  
Tel: 228870-/337828  
Fax: 330120/219744  
E-mail: [aureos.co.kp](mailto:aureos.co.kp)  
Website: [www.aureous.com](http://www.aureous.com)

**CMA LICENSEES (Cont'd)**  
**AS AT 30 JUNE 2003**

**INVESTMENT ADVISORS**

**ICEA Investment Services Ltd.**

ICEA Bldg 14th Floor  
P.O. Box 46143 - 00100  
Nairobi  
Tel: 340365/6  
Fax: 338089  
E-mail: [iisl@icea.co.ke](mailto:iisl@icea.co.ke)

**Co-op Trust Investment Services Ltd.**

Co-operative Hse Mezzanine 1  
P.O. Box 48231 - 00100  
Nairobi  
Tel: 32076000  
Fax: 246054  
Website: [www.co-opbank.co.ke](http://www.co-opbank.co.ke)

**Cititrust (K) Limited**

Citibank House,  
P.O. Box 30711 - 00100  
Nairobi  
Tel: 2711221/222248  
Fax: 2714811  
Website: [www.citigroup.co.ke](http://www.citigroup.co.ke)

**Tradition Securities (K) Ltd.**

Fedha Towers, 2nd Floor  
P.O. Box 49584  
Nairobi  
Tel: 249634/249674  
Fax: 225694

**Bridges Capital Ltd.**

No. 209/362 Lenana Road  
P.O. Box 62341 - 00200  
Nairobi  
Tel: 2714372/3  
Fax: 2714657  
E-mail: [bcap@africaonline.co.ke](mailto:bcap@africaonline.co.ke)  
Website: [www.bridgescapital.com](http://www.bridgescapital.com)

**Inter-Alliance International (K) Ltd**

6 Longonot Place  
P.O. Box 44249-00100  
Nairobi  
Tel: 252989/243421/246377  
Fax: 211275  
Email: [inter-alliance@wananchi.com](mailto:inter-alliance@wananchi.com)  
Website: [www.inter-alliance](http://www.inter-alliance)

**Covenant International Ltd**

Sarit Centre  
P.O. Box 931- 00600  
Nairobi  
Tel: 513532  
Fax: 513532  
Email: [covenant@nbi.ifbkenya.com](mailto:covenant@nbi.ifbkenya.com)

**Co-operative Consultancy Limited**

International House  
Mama Ngina Street  
P.O. Box 48231  
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Tel: 228711/2/3  
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Email: [cmb@africaonline.co.ke](mailto:cmb@africaonline.co.ke)



**CMA LICENSEES (Cont'd)**  
**AS AT 30 JUNE 2003**

**Dry Associates**

Dry Associates House  
Brookside Grove/Matundu Lane  
P.O. Box 684 Sarit Centre 00606  
Nairobi  
Tel: 4450520/1/2/3/4, 4440546  
Fax: 4441330  
E-mail: [dryassoc@wananchi.com](mailto:dryassoc@wananchi.com)  
Website: [www.dryassociates.com](http://www.dryassociates.com)

**Professional Investment Consultants Ltd.**

Muthaiga Shopping Center  
P.O. Box 63998, Muthaiga -00609  
Nairobi  
Tel: 352072/ 3747243  
Fax: 3747243  
E-mail: [pic@accesskenya.com](mailto:pic@accesskenya.com)  
Homepage: [www.123-pic.com](http://www.123-pic.com)

**BA Financial Management (K) Ltd.**

P.O. Box 555 Sarit Center 00606  
Nairobi  
Email: [bafinance@exchange.uk.com](mailto:bafinance@exchange.uk.com)

**Zimele Asset Management Co. Ltd.**

Unipen House  
Hurlingham Shopping Centre  
P.O. Box 76528 - 00508  
Nairobi  
Tel: 2729078/2722953  
Fax: 2722953  
E-mail: [zimele@africaonline.co.ke](mailto:zimele@africaonline.co.ke)

**Standard Chartered Investment Services Ltd.**

Stanbank House, Moi Avenue  
P.O. Box 30003 - 00100  
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Tel: 32093703/32093000  
Fax: 223380

**Loita Capital Partners Ltd**

Victoria Towers, 8th floor  
P.O. Box 39466 - 00623  
Nairobi  
Tel: 219015/219033  
Fax: 218992  
Website: [www.loita.com](http://www.loita.com)

**First Africa Capital Ltd.**

5th Floor, I & M Bank Hse Ngong Rd.  
P.O. Box 56179 - 00200  
Nairobi  
Tel: 2711279/ 2710821  
Fax: 2 711331  
E-mail: [firstaf@firstafrica.co.ke](mailto:firstaf@firstafrica.co.ke)  
Website: [www.first-africa.com](http://www.first-africa.com)

**J.W. Seagon**

Muthaiga Shopping Centre  
P.O. Box 63420-00619  
Nairobi

**Kenya Fund Management Ltd**

Rehani House  
Koinange Street, 4th Floor  
P.O. Box 11408  
Nairobi  
Tel: 210716/ 250069  
Fax: 250069

**Old Mutual Asset Management (EA) Ltd**

Old mutual building  
P.O. Box 11589 - 00400  
Nairobi  
Tel: 2730466-8. 2711335/7  
Fax: 2711066  
E-mail: [omam@omamkenya.com](mailto:omam@omamkenya.com)  
Website: [www.omam.com](http://www.omam.com)

**CMA LICENSEES (Cont'd)**  
**AS AT 30 JUNE 2003**

**AUTHORIZED DEPOSITORIES**

**Barclays Bank of Kenya Ltd.**

Barclays Plaza, Loita Street  
P.O. Box 30120  
Nairobi  
Tel: 332230  
Fax: 254 2 330227  
Homepage: [stanbic@africaonline.co.ke](mailto:stanbic@africaonline.co.ke)

**Stanbic Bank of Kenya Ltd.**

Stanbic Building  
P.O. Box 30550  
Nairobi  
Tel: 254 2 335888  
E-mail: [stanbic@africaonline.co.ke](mailto:stanbic@africaonline.co.ke)

**Kenya Commercial Bank Ltd.**

Kencom House  
P.O. Box 48400  
Nairobi  
Tel: 254 2 339441  
Fax: 254 2 339415  
E-mail:  
Homepage: [www.kcb.co.ke](http://www.kcb.co.ke)

**National Bank of Kenya Ltd**

National Bank Building  
P.O. Box 72866  
Nairobi  
Tel: 254 2 339690  
Fax: 254 2 330784  
E-mail: [vicki@nationalbank.co.ke](mailto:vicki@nationalbank.co.ke)  
Homepage: [www.nationalbank.co.ke](http://www.nationalbank.co.ke)

**AUTHORIZED SECURITIES DEALERS**

**Commercial Bank of Africa Ltd**

CBA Building  
Standard & Wabera Streets  
P.O. Box 30437 - 00100  
Nairobi

**Standard Chartered Bank (K) Ltd**

Stanbank House  
Moi Avenue  
P.O. Box 30003  
Nairobi

**Stanbic Bank (K) Ltd**

Stanbic Bank Building  
Kenyatta Avenue  
P.O. Box 30550  
Nairobi



**CMA LICENSEES (Cont'd)**  
**AS AT 30 JUNE 2003**

**CREDIT RATING AGENCIES**

**Global Credit Rating Co**

P.O. Box 73366  
Nairobi

**VENTURE CAPITAL FUND**

**Acacia Fund**

Norfolk Towers, Kijabe Street 1st Floor  
P.O. Box 43233  
Nairobi  
Tel: 228870  
Fax: 330120  
E-mail: [general\\_manager@kcpafrica.com](mailto:general_manager@kcpafrica.com)  
Homepage: [www.kcpafrica.com](http://www.kcpafrica.com)

**Aureous East Africa Fund**

Norfolk Towers First floor  
Kijabe Street  
P.O. Box 43233-00100  
Nairobi  
Tel: 228870  
Fax: 330120  
Email: [mail@aureous.co.ke](mailto:mail@aureous.co.ke)



**CMA LICENSEES (Cont'd)**  
**AS AT 30 JUNE 2003**

**APPROVED COLLECTIVE INVESTMENT SCHEMES**

**1. African Alliance Kenya Management Limited**

- (i) African Alliance Kenya Shilling Fund
- (ii) African Alliance Kenya Fixed Income Fund
- (iii) African Alliance Kenya Managed Fund

**2. Old Mutual Investment Services Limited**

- (i) Old Mutual Equity Fund
- (ii) Old Mutual Money Market Fund



# ENABLING LEGISLATION

## ENABLING LEGISLATION:

### Main Acts

1. The Capital Markets Act, 2000
2. The Central Depositories Act, 2000

### Regulations

1. The Capital Markets (Collective Investment Schemes) Regulations, 2001
2. The Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002
3. The Capital Markets (Licensing Requirements) (General) Regulations, 2002
4. The Capital Markets (Takeovers and Mergers) Regulations, 2002
5. The Capital Markets (Foreign Investors) Regulations, 2002

### Guidelines

1. The Capital Markets Guidelines on Corporate Governance Practices by Public Listed Companies
2. The Capital Markets Guidelines on the Approval and Registration of Credit Rating Agencies

