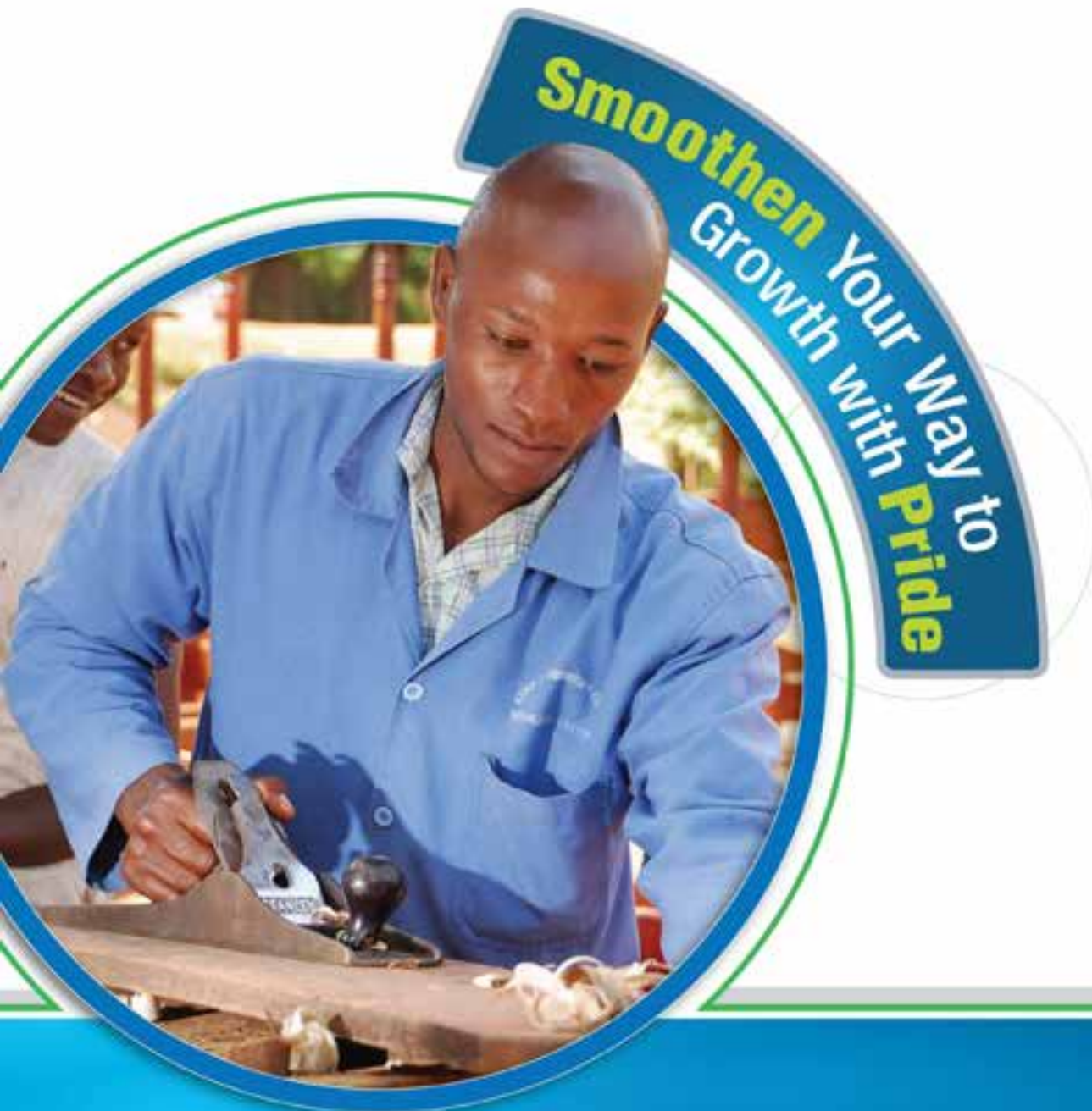






**PRIDE MICROFINANCE LIMITED**  
**(MDI)**

2012 Annual Report



**'Your Growth is Our Pride'**



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 [facebook.com/prideug](https://facebook.com/prideug)  [twitter.com/prideug](https://twitter.com/prideug)

**'Your Growth is Our Pride'**



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## Abbreviations / Acronyms

aBi Trust	AgriBusiness Initiative Trust
AMFIU	Association of Microfinance Institutions of Uganda
BoU	Bank of Uganda
CSR	Corporate Social Responsibility
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German International Development Cooperation)
GoU	Government of Uganda
HoD	Heads of Department
HR	Human Resource
ICT	Information & Communication Technology
ILO	International Labour Organization
KCCA	Kampala Capital City Authority
MDI	Microfinance Deposit-taking Institution
NSSF	National Social Security Fund
PPDA	Public Procurement and Disposal of Public Assets Authority
RALCO	Risk, Asset and Liability Committee
REGMIFA	Regional MSME Investment Fund for Sub-Saharan Africa
SPM	Social Performance Management
Stromme	Stromme Microfinance East Africa Ltd
URA	Uganda Revenue Authority



# Pride Branch Network





# General Information

## Principal Place Of Business:

Metropole House  
Plot 8-10 Entebbe Road  
P.O. Box 7566  
Kampala.

## Registered Office:

Metropole House  
Plot 8-10 Entebbe Road  
P.O. Box 7566  
Kampala.

## Solicitors:

Sebalu & Lule  
Advocates and Legal Consultants  
EADB Building  
Plot 4 Nile Avenue  
P.O. Box 2255  
Kampala.

## Auditors:

Ernst & Young  
Certified Public Accountants  
Ernst & Young House  
Plot 18, Clement Hill Road  
P.O. Box 7215,  
Kampala



# Corporate Profile

## About Pride.

Pride Microfinance Ltd (MDI) (Pride) is a Microfinance Deposit-taking Institution regulated and supervised by Bank of Uganda (BoU) under the MDI Act, 2003 and MDI Regulations, 2004. From inception, Pride has grown to become the leading MDI in Uganda, providing innovative financial solutions to the economically vulnerable people. Pride serves its customers through 30 networked branches spread across the country and 4 contact offices in Kagadi, Isingiro, Ibanda and Pader.

## Our Vision.

'To lead in the provision of financial solutions for the social and economic growth of entrepreneurs in Uganda'

## Our Mission.

'To provide financial solutions to micro, small, medium and upscale entrepreneurs in rural and urban areas through sustainable operations that promote social and economic growth of our customers.'

## Our Core Values.

To enable it achieve its vision, mission and strategic objectives, Pride observes a set of core values essential for its operations. Our core values can be summarized with the acronym

**BE THERE** as follows;

**B**est Customer service  
**E**fficiency & effectiveness  
**T**eamwork  
**H**onesty, Integrity & Accountability  
**E**xcellence  
**R**esponsive & Responsible governance  
**E**qual Opportunity Employer

In a nutshell, Pride promises to **BE THERE** for its customers, staff, other stakeholders and the country at large.

## Our Brand promise.

Pride is a customer centric institution that derives its success through provision of financial solutions that meet and exceed customer expectations. Pride is committed to maintaining this culture through continuous innovation, incorporating customer feedback in our operational decisions and ensuring that our staff live by the Institution's core values. Our value proposition revolves around three key unique selling points. These are:

- i) Fast turnaround time
- ii) Ease of use
- iii) Excellent customer service

## Ownership.

Pride is wholly owned by the Government of Uganda.

## Products and Services.

Pride delivers innovative and customer friendly financial solutions in a simple manner. Our list of products & services can be categorized under three classes;

- Savings products.
- Loan products.
- Other services (International money transfers, Mobile Money, Automated Teller Machines (ATMs), etc).



# Corporate Profile

## Savings Products:



### Pride Akiba Savings Account

Achieve your long term projects with savings

This is a semi-liquid account for target savers who need to build long term savings for a planned project or any emergencies.

### Pride Smart Savings Account

Unlimited access to your savings

It is a fully liquid account where transactions can either be daily or weekly.



I Fix my money with ease at Pride



### Fixed Deposit Account

Invest for the future

This is an account where a customer's deposits are fixed at competitive interest rates for an agreed period of time.



# Corporate Profile

Smiles, and more smiles  
with **Pride**



## Pride Minors' Account

Save for Their future

It's an account for children below 18 years of age, at very attractive interest rates. The account is opened and operated by parents/guardians in trust of the children.

## Save As You Earn (SAYE)

Save with a Vision

This account is designed to suit the needs of clients who are target savers for a specific period of time.



With **Pride** my **Stock** is  
always in time





# Corporate Profile

## Loan Products:

Varnish your Dreams  
with **Pride**



### Individual Lending Scheme (ILS)

Give your business a boost

This loan offers a fast and secured means of boosting an individual's income. It is ideal for all entrepreneurs engaged in income generating activities and would like to grow their businesses.

Benefit from the **Financial Strength**  
of Groups with **Pride**



### Group Guaranteed Loan Scheme (GGLS)

Grow together

This loan product is designed for those clients who come together, are trained, guarantee each other so as to be able to access credit facilities as individuals.

With **Pride**,  
your **Education** is secure



### School Fees Loan (SFL)

Build a career with **Pride**

This loan enables a parent, guardian or student to access funds to pay school fees and repay later in manageable installments.



# Corporate Profile

## Mortgage & Asset Financing Loan (MAFL)

Access your Assets without paying at once

This loan enables customers to acquire their desired assets without paying for them all at once. Pride finances assets that generate income and the assets financed form part of the security for the loan.

Your **Dream** comes true with **Pride**



At **Pride**, we facilitate maximum **Farm Production**

## Agricultural Loan Scheme (ALS)

Access Finance for Agricultural Activities

The loan targets individuals involved in the agricultural sector to enable them boost farm production.





# Corporate Profile

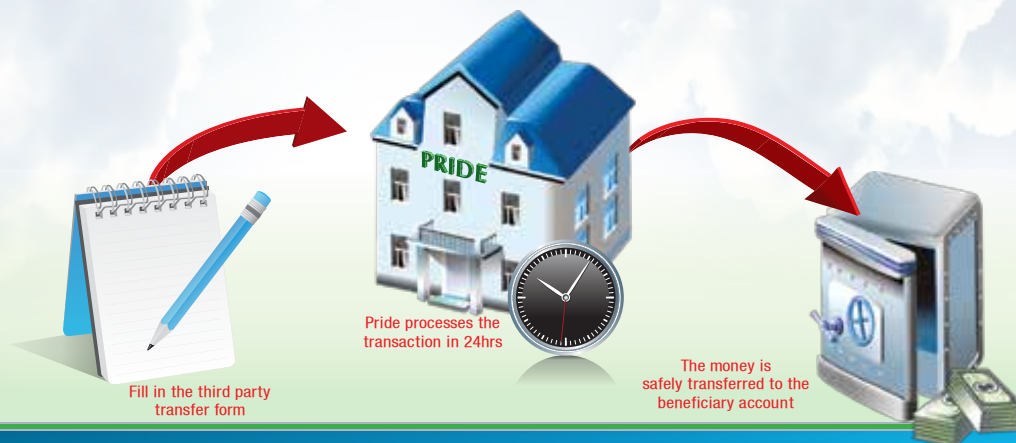
## Other Services.



1. **Western Union Money Transfer:** Pride is a full agent of Western Union. This means that you can enjoy value added, fast and reliable worldwide money transfer services at 24 of our branches country wide.
2. **Xpress Money Service:** Pride also offers Xpress Money, a fast growing money transfer service that enables you to send and receive money internationally.
3. **Mobile Money transfer services:** Pride is a super agent of the following mobile money products: M-sente, MTN Mobile Money, Warid Pesa, Airtel Money and Orange Money.
4. **Real Time Gross settlement (RTGS) and Electronic Funds Transfer (EFT):** Pride can transfer money from one client's account to other banks. This service is offered to both Pride clients and non Pride clients.

## Electronic payment

Pride transfers money from one client account to another, either within Pride or in other banks using EFTs (Electronic Funds Transfer) and RTGs (Real Time Gross Settlement).  
It is offered to **both Pride clients and non Pride clients.**



'Your Growth is Our Pride'

5. **ATM Services:** Pride currently boasts of 10 ATMs located in the following branches; Entebbe Road, Katwe, Kabalagala, Nakawa, Wandegaya, Nateete, City Centre, Mbarara, Jinja and Gulu. Additional ATMs will be added in the course of 2013. This is aimed at enhancing convenience to our customers as they can access their accounts 24hrs a day.



6. **Loan Insurance:** All loans accessed by Pride clients are insured against death, accidents, permanent and partial incapacitation and catastrophes.



## Foreword



I am pleased to report that Pride had yet another successful year, 2012. The company continued to lead in the Microfinance sector. We achieved record revenue, profits and free cash flow.

At the same time, we continued to deliver superior returns to the shareholders and we are well positioned for future growth in 2013.

The performance in 2012 was a result of disciplined execution by more than 540 Pride staff, who are the heart of the company and without them we could not have succeeded. We have steadily realigned our business models to lead in a new era of knowledgeable and well informed clients so as to enhance financial inclusion over the long term.

In conclusion, it gives me pleasure to express my gratitude to the Board, Management, Staff and clients for bringing us this far, as well as to our regulator, development partners and shareholders for the unwavering support. I trust we all share the excitement about the company's performance and in the way that the Pride family is building on the strong past to guarantee even a brighter future.

I hope that you will find this 2012 edition of the Annual Report informative and that it will give you an overview of Pride's operations during the year, as the good Lord richly blesses us all.

Veronica G. Namagembe  
MANAGING DIRECTOR



**Enoch Rukidi**  
Board Chairman



# Chairman's Statement

## Dear Stakeholders,

It gives me great pleasure, once again on behalf of the Board to present to you Pride's performance for 2012. I feel even more gratified when I present to you positive performance results on both the financial and other operational fronts.

The year under review was a turbulent one, as the country experienced a number of challenges that affected its rate of economic growth. This situation was not helped by the tight monetary stance by Bank of Uganda geared towards reducing inflationary pressure.

At the beginning of 2012, inflation was reported at 27% although it kept improving as the year progressed and by end of December 2012, it was reported at 5.5%. This had an effect on the capacity of our target customers to borrow and repay loans, leave alone saving as the purchasing power was greatly eroded, given the high fuel and food prices. The new KCCA plans to decongest the City saw some of our clients evicted from their business premises which impacted negatively on their business operations, ultimately affecting Pride's business growth projections. Despite these challenges, Pride registered impressive growth as presented below:

## Financial performance.

Below are the performance highlights for the year ended 31<sup>st</sup> December, 2012;

- Profit after tax increased by 67% from Ushs 6.63 billion in 2011 to Ushs 11.09 billion in 2012.
- Total assets increased by 25% from Ushs 9648 billion in 2011 to Ushs 120.27 billion in 2012.
- Net loans and advances (amortized cost) increased by 14% from Ushs 71.08 billion in 2011 to Ushs 80.69 billion in 2012.
- Customer deposits (Savings) increased by 23% from Ushs 28.83 billion in 2011 to Ushs 3549 billion in 2012.
- Total equity increased by 45% from Ushs 24.58 billion in 2011 to Ushs 35.66 billion in 2012.
- Return on Equity grew from 27% in 2011 to 31% in 2012.
- Return on Assets grew from 7% in 2011 to 9% in 2012.

The above performance is commended and reflects the resilience of Pride's Board, Management and staff in weathering the challenging business environment of 2012.

## Risk Management.

Our continued focus on sound risk and treasury management practices also ensured that we absorbed the shocks of inflation and high cost of capital especially from both social and commercial lenders.

The credit risk remained moderate and this is commendable. The portfolio at risk (PAR) 30 days rate fluctuated between 1.9% to 1.3% throughout the year. The Risk Management Framework has improved and staff have continued to embrace risk management in their day to day work.

## Major Achievements.

During the year under review, Pride registered significant achievements. These include the following among others;

- The successful launch of the 30th branch in Gulu Town.
- The establishment of 4 contact offices, namely Kagadi, Isingiro, Ibanda and Pader to enhance rural outreach.
- Pride conducted 8 regional financial education workshops to sensitize customers and non customers in the areas of savings, budgeting, debt management, book keeping as well as their rights as financial services consumers. A total of 3,449 participants gained from the workshops.
- Pride started offering Xpress Money, a fast growing international money transfer service based in the Middle East.
- Pride was recognized by the business community under their umbrella body of Kampala City Traders Association (KACITA) as the best Microfinance Services provider in Uganda. In the same spirit, Pride became a Corporate member of KACITA.

## Corporate Social Responsibility (CSR).

Pride is a socially responsible corporate citizen that puts the well being of its customers and society at the centre of its operations.

In 2012, Pride contributed significantly towards various CSR causes. Key of these are:

- Purchase of church land for All Nations Discipleship Ministries church in Ntinda.
- Contributed to the organization of the farewell function of the Archbishop of the Church of Uganda and enthronement of a new one.
- Sponsored the Association of Microfinance Institutions of Uganda (AMFIU) towards the organisation of the National Microfinance conference.
- Heart surgery in Mulago hospital for Kirsten Namatovu.
- Mass wedding organized by Seguku Worship Centre Church, where 40 couples were joined in Holy Matrimony.
- Support to Namugongo Catholic Martyrs Shrine towards the purchase of a Public Address System.
- Contributed to the diagnosis and treatment of 3 year old Josiah Kasekende for autism in the United States of America.
- Was part of the funders to RAHAB UGANDA which focuses on getting prostitutes off the streets with an aim of rehabilitating and resettling them in society.

We pledge to continue extending support to activities/initiatives that improve the welfare of the community in line with our CSR policy.



## Outlook for 2013.

The one thing that is predictable about business is that it is fundamentally unpredictable. It is constantly changing by chance and by design. Both macro and micro forces bring new challenges every day. With that in mind, our plan for 2013 will focus on the following:-

1. Invest in and develop the human capital to help the organization create value in customer focus, better systems and processes, financial re-engineering so as to execute agreed upon strategies.
2. Gaining a greater share of our customers' businesses by expanding in areas where our foot print has not been felt or is not strong, selling more existing products/services and adding new delivery channels to reach the masses.
3. Delivering value by serving customers better and not compromising when it comes to the importance of customers, given that our success as a business depends entirely on their success.
4. Acquiring our own Head Office premises to cut down on rent expenses and reduce operational costs.
5. Building on our competitive strengths in group lending.
6. Launching Pride's Scholarship Program to support disadvantaged children of our customers.

## Conclusion.

I would like to extend a vote of thanks to all stakeholders that have made 2012 a successful year for Pride, despite the aforementioned challenges. First and foremost, to my fellow Board members for the robust oversight, the senior management team and staff for their dedicated service to the institution and our very supportive and loyal customers, without whom we would not have been able to remain the leading MDI in the country.

Secondly, I thank our development partners who have always been there to answer our calls for support. Key among these include: Norwegian Agency for Development Cooperation (NORAD), Agribusiness Initiative Trust (aBi Trust), GiZ, Stromme, International Labour Organization (ILO), Oikocredit and REGMIFA. Their support has been invaluable and we hope to continue working together for many years to come.

To the Pride family, I implore you to continue with this culture of excellence and post even better performance in 2013, guided by the vision, mission, core values and our brand promise 'Your Growth is Our Pride'.



Enoch Rukidi  
Board Chairman



# Board of Directors



**Enoch Rukidi**  
**Board Chairman**



**Peter Gachuba**  
**Chairman Strategy Committee**



**Maris Wanyera**  
**Chairperson Human Resource, Administration & Procurement Committee**



**Stephen Ddunga Kabugu**  
**Chairperson Board Audit Committee**



**Constance Makosya**  
**Chairperson Risk & ALCO Committee**



**Veronicah Gladys Namagembe**  
**Managing Director**



## Senior Management Team



Veronicah Gladys  
Namagembe  
**Managing Director**



Edward Nkangi  
**Executive Director**



Claire Ssamula Ekochu  
**Company Secretary /  
Head of Legal**



Dan Ivan Nambwira  
**Head of Internal Audit**



Irene Mwoyogwona  
**Head of Finance**



Vincent Kiyingi  
**Head of ICT**



Apollo Taremwa  
**Head of Operations**



Rehema N. S Mutazindwa  
**Head of Human Capital  
Management**



Deo Kateizi  
**Head of Corporate Affairs**



## From our Customers

Pride regularly interacts with its customers to find out their views, progress or challenges they face as they go about their businesses and try to forge appropriate solutions with them. In this report, we show case six of our customers from Mbarara, Lira, Jinja, Mukono, Kasese and Buwenge branches.

### Mr. Joseph Ssenyonga.

"I'm Joseph Ssenyonga, a customer of Pride Jinja branch. I started business in 1993, dealing in jerry cans in Jinja central market. I joined Pride in 1995 when it opened a branch in Jinja. I started with a loan of Ushs 150,000 and currently, I'm servicing a loan of Ushs 60,000,000. The good thing is that I pay my loan on time. So, when I need another one, it becomes very easy for me.

Pride has helped me a lot in supporting my business growth over the years. At present, I buy over 1,000 drums from factories in Kampala, Kisumu and Nairobi which I supply to my loyal customers locally and as far as Democratic Republic of Congo and South Sudan.



Mr. Joseph Ssenyonga  
Client Jinja Branch

From my business, I have built several commercial houses both in Jinja and Masaka and built a permanent residential house for my family. I own a Fuso truck as well as a saloon car.

I am grateful to Pride for the support they have given me over the years because everything I have currently is because of Pride. In fact, I call myself a son of Pride Microfinance".

### Hajji Jamil Katongole.

"I am Jamil Katongole from Kiira village Isingiro district and a client of Pride, Mbarara branch. I started business in 2005 dealing in poultry farming with 100 birds. My breakthrough came in 2010 when I went to attend a conference at Namboole stadium which was organized to teach farmers.

During the conference, I was inspired by a story of a lady from Ndeija village, Mbarara district who was making a lot of money from rearing 1,000 birds and collecting between 25 - 30 egg trays per day.

When I went back home, I discussed with my wife on ways to expand our poultry business. Since I didn't have enough capital, I went to Pride and got a loan of Ushs 10 million which I used to construct a poultry house and to buy 5,000 birds.

Three years down the road, I now rear 20,000 birds and also employ over 10 people on my poultry farm. Am very grateful to Pride for it has enabled me to progress in my poultry farming business."



Hajji Jamil Katongole  
Client Mbarara Branch



## From our Customers

### Mrs. Janet Akullu.

"I'm a resident of Akolo village, Kole district and a client of Pride, Lira branch.

My husband and I run a family business called Good Feeding Hire Services dealing in chairs, tents, saucepans, serving dishes etc. We are also hired to cook at wedding functions, burials and other social events.

Our business has grown with the financial support from Pride and we now own a saloon car and a pick-up truck that ease our movement.

Since its establishment, our business has got financial support from only one financial institution and that is Pride Microfinance Ltd.

We appreciate Pride for standing with us and request that it continues helping business people like us."



Mrs. Janet Akullu  
Client Lira Branch

### Ms. Babirye Naziwa Viola.

"I hail from Kyabalongo village, Nakiwuga Sub County in Mukono district. I'm a client of Pride, Mukono branch. I started business in 1996, retailing small quantities of silver fish locally known as 'mukene' on market days. Business was not moving on well until I joined Pride in 2000 where I got a group loan of Ushs 150,000 to expand my business. This was a starting loan amount for new clients like me. Therefore, I have been in Pride for 12 years and my business has expanded very much. I now deal in assorted animal feeds, cotton seed cake and sea shells which I supply to farmers and animal feeds millers. I stock up to 100 bags!



Ms. Babirye Naziwa Viola.  
Client Mukono Branch

Currently, I'm servicing a loan of Ushs 10,000,000. I have bought a piece of land in my village where I'm constructing a Primary School. I believe this project will help the community. I have been able to provide for my family and we live a decent life. I also built a permanent house for my mother.

I really thank Pride because it has been good to me as a customer. I believe this is because of the mutual trust we have since I pay my loan installments in time to avoid problems like surcharges. I urge all Pride customers to be trustworthy so that Pride can support us and we develop ourselves."



## From our Customers

### Mr. Yunus Nusu.

"I am Yunus Nusu, a resident of Buwagi, Bwaise Zone, Buwenge Town Council and a client of Pride, Buwenge branch. I was born on 21/06/1971 at Magogo Kisozi in a family of 10 boys and 4 girls. Am married, with 3 wives and 16 children. I started by doing small scale agriculture on family land until I saved up to buy a bodaboda in 1993. By 1996, I had 3 bodabodas and decided to save Ushs 30,000 daily.

In 1998, I started a hardware shop until 2001 when I joined produce business dealing in coffee, sugarcane and maize. In 2004 I used my savings to buy an old truck (Carter). In 2010, I bought a Fuso truck which I use to transport my produce and hardware. I joined Pride in 2011 where I keep my savings. From my savings, I have managed to construct 3 residential houses, 1 commercial building and also have 4 vacant plots of land.

I advise other people to embrace a savings culture because it's a cheaper source of capital for investment. I thank Pride for its honesty and reliability in keeping my savings. "



Mr. Yunus Nusu  
Client Buwenge Branch

### Ms. Joy Kantura.

"Am Joy Kantura, a client of Pride, Kasese branch. I am a farmer and also deal in agriculture based drugs. I begun saving with Pride in 2007 after the branch carried out a mobilization drive for savings around Kasese town.

Am comfortable saving with Pride due to its flexibility, good customer care and quick services. I always spend less time in lines before I am served.

I have managed to save with Pride without borrowing because of my financial discipline. Before I opened an account with Pride, I used to spend money on non essential things like chocolates for children. But after I opened up my account with Pride, I ensure that I save on a weekly basis. If I fail to save say in a week, I then double my savings the following week.

I am motivated by seeing my savings accumulate and even have a plan of starting a big project in future using my savings. I am proud to have an account with Pride which has helped me to save."

We congratulate Joseph, Jamil, Janet, Babirye, Yunus and Joy for joining Pride and being good and trustworthy clients. We salute them for their resilient business spirit. They are an inspiration to other business people who may still be 'struggling'. The testimonies of these six clients give us confidence that we are performing well on our mission statement and causing positive change in the social and economic lives of our clients.



Ms. Joy Kantura  
Client Kasese Branch



# Pride's Risk Management Statement

## 1. Introduction.

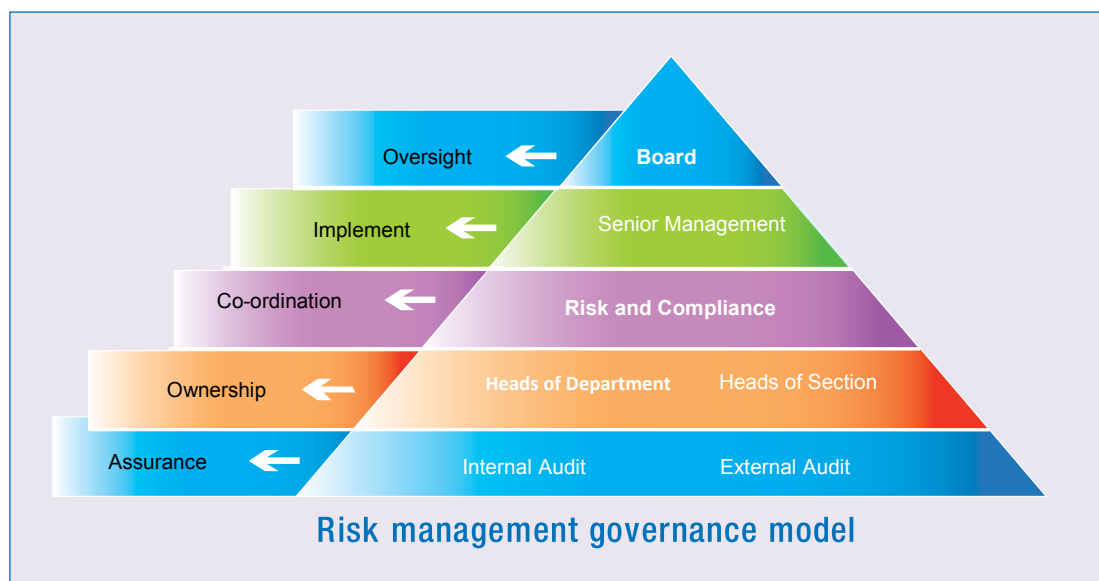
The ever changing business environment has continuously increased Pride's risk profile driven by the day to day business activities in execution of the institution's business strategy. Our core business activities include, deposit mobilization, lending and money transfer services through a number of delivery channels including over the counter transactions using the biometric finger print, point of sale services and ATMs. These core strategies and delivery channels expose Pride to a number of risk categories including; Strategic Risk, Credit Risk, Reputational Risk, Operational Risk, ICT Security Risk, Liquidity Risk, Compliance Risk, Market Risk (Interest rate risk and foreign exchange risks) and systemic risks.

Pride continues to leverage on an all inclusive risk management approach for which the institution's business culture is centered. Despite the economic turbulence in the past year characterized by unstable macro economic variables, Pride registered reasonable growth in key performance variables.

## 2. Risk Governance.

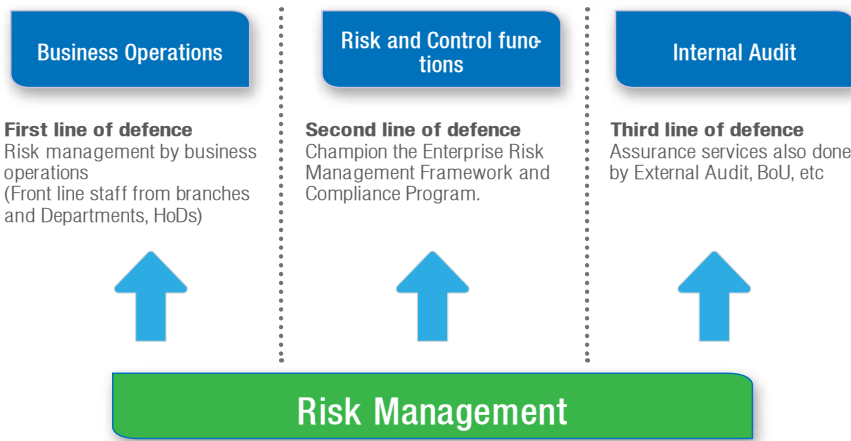
Pride's Board bears the ultimate responsibility for Risk Management through undertaking sound institutional oversight as governed by sound Corporate Governance principles and practices. The Board is responsible for defining the risk appetite and approving all business strategies. Pride's Senior Management Team is responsible for implementing the corporate strategy in a way that minimizes loss related exposures and maximizes the opportunities to achieve company's strategic objectives aligned to Pride's Mission and Vision. The Risk Management processes are co-ordinated by the Risk and Compliance section. Internal Audit plays a critical role in evaluating effectiveness of the risk management strategies.

See schematic illustration of the risk governance model below;



### 3. Risk Management, Implementation and Monitoring.

To inculcate a culture of Enterprise Risk Management, Pride has utilized the 3-lines of defense model that operationalizes risk management processes to all levels within the organization ranging from the Board to the front line staff that are the face of the organization to the final treasured customers. Centre to this has been continuous sensitization and awareness for all staff plus Senior Management and Board. This all inclusive approach is summarized schematically below;



#### 3.1 Internal Policies and Procedures.

To standardize risk management practices, the Board defines a set of internal policies and procedures ranging from Credit policy Manual, Operational Manual, Human Resource Manual, ICT Security Manual, Fraud policy, Audit Manual, Corporate Governance Manual, Business Continuity Plan, Treasury Manual, Corporate Risk Management Framework, etc. All these include mechanisms to ensure compliance, identification and regular reporting to the Management and Board from the different business functions of significant business risks and the management of those risks. These are all aligned to the Regulatory (BOU) and Statutory Compliance regimes. Overall, Pride maintains a zero tolerance approach to non compliance.

#### 3.2 Internal Audit.

Pride's risk management processes are subjected to Internal Audit reviews that subsequently form an objective assessment of the adequacy of policies and procedures for information of the Board.

#### 3.3 External Reviews.

To complement the audit reviews, other reviews are done by external stakeholders like Bank of Uganda, statutory bodies like NSSF, PPDA, URA, among others.





# Pride Star Employees 2012



Nayiga Fortunate  
**Head Office**



Nabukeera Prossy  
**Katwe Branch**



Twongirwe Penninah  
**Kawempe Branch**



Lakony Richard  
**Gulu Branch**



Namutebi Winfred  
**Lugazi Branch**



Nyakato Amreen  
**Mbarara branch**



Mwesigye Herbert  
**Ishaka Branch**



Evelyn Kazibwe  
**Wandegeya Branch**



Nabifo Dorothy  
**Kabalagala Branch**

We congratulate the above staff for being the stars of 2012 and urge them to continue with that spirit of performance excellence.



# Pride Events



Pride Customers attending Financial Education Workshops Organized by Pride in various parts of the country.



During 2012, Pride was recognized by the business community as the best Microfinance service provider in Uganda.



Pride's Head of Corporate Affairs Mr. Deo Kateizi, (left) exchanging a partnership agreement with the Xpress Money official (right) during the launch of the Xpress money service at Pride in December 2012.



Pride Managing Director Ms. Veroninah Namagembe shaking hands with the Norwegian Ambassador to Uganda H.E Thorbjorn Gaustadsther at the launch of customer workshops in September 2012.



Team Pride at the MTN Annual Marathon, November 2012. Pride participated for a charitable cause to provide clean water to Bududa district residents.



The Minister of State for Microfinance, Hon. Caroline Amali Okao addressing guests during the launch of Pride's 30th branch in Gulu on 17th March 2012.



# Report of the Directors

## REPORT OF THE DIRECTORS.

The directors submit their report and the audited financial statements for the year ended 31 December 2012, which show the state of Pride Microfinance Limited (MDI) ('the company') affairs.

### 1. PRINCIPAL ACTIVITIES.

The company takes deposits from the public and various institutions and provides advances to customers.

### 2. MARKET RISK.

Market risk exists wherever the company has taken trading, banking and investment positions. Trading and investment limits are set by the Board of Directors ('Board') to contain the risk of losses within a prescribed amount in the event of adverse price movements.

### 3. CAPITAL ADEQUACY.

The company monitors the adequacy of its capital using ratios advised by Bank of Uganda. These ratios measure capital adequacy by comparing the company's eligible capital with its statement of financial position assets, off-statement of financial position commitments and market and other risk positions at a weighted amount to reflect their relative risk.

The market risk approach covers the general market risk. Assets are weighted according to broad categories of notional credit risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Three categories of risk weights (0%, 20%, 100%) are applied; for example, cash and investments in Government securities have a zero risk weighting which means that no capital is required to support the holding of these assets. Balances with banks and other financial institutions will be subject to a risk weight of 20%. Premises and other fixed assets, long term investments, loans net of provisions, inter-branch balances and other assets carry a 100% risk weighting.

### Capital Requirement Basis.

Core capital required is 15% of the total risk weighted assets including the risk weighted contingent claims.

Total capital required is 20% of the total risk weighted assets including the risk weighted contingent claims.

Based on the above ratios and definitions of capital, the company's capital adequacy position is as follows:

	Statement of Financial Position	Risk Weighted	Statement of Financial Position	Risk Weighted
	Nominal Amount	Amount	Nominal Amount	Amount
	2012	2012	2011	2011
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
<b>Assets (net of provisions):</b>		-	-	-
Notes and coins	2,196,271	-	1,826,179	-
Deposits with banks	28,629,395	5,725,879	14,797,856	2,959,571
Investment in treasury bills	-	-	1,917,802	-
Loans and advances to customers	80,689,100	80,689,100	71,080,598	71,080,598
Other assets	4,166,198	4,166,198	3,286,296	3,286,296
Current income tax recoverable	99,297	99,297	128,349	128,349
Deferred income tax asset	-	-	28,245	28,245
Property and equipment	4,194,398	4,194,398	2,980,526	2,980,526
Intangible asset	294,346	294,346	343,827	343,827
<b>Total Risk Weighted Assets</b>	<b>120,269,005</b>	<b>95,169,218</b>	<b>96,389,677</b>	<b>80,807,412</b>
<b>Capital ratios</b>	<b>Capital</b>	<b>Ratio</b>	<b>Capital</b>	<b>Ratio</b>
	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
Tier 1 capital	28,887,770	30.77%	23,619,104	29.6%
Tier 1+ Tier 2 capital	33,959,240	36.17%	28,602,682	35.8%

The above computation indicates that the company complies with the capital adequacy requirements under Sections 15 and 16 of the Micro Finance Deposit-Taking Institutions Act, 2003.



## Directors 2012

### Directors.

The Directors who served during the year and to the date of this report were: -

Mr. Enoch Rukidi	-	Chairman
Mrs. Constance Makosya	-	Member
Mr. Peter Gachuba	-	Member
Ms. Maris Wanyera	-	Member
Mr. Stephen Kabugu	-	Member
Ms. Veronicah G. Namagembe	-	Managing Director
Mr. Edward Nkangi	-	Executive Director (Effective 2 January 2013)


### 4. AUDITORS.

Ernst & Young were appointed as auditors for the financial year 2012 and have expressed their willingness to continue in office in accordance with section 159 (2) of the Ugandan Companies Act (Cap 110).

### 5. APPROVAL OF THE FINANCIAL STATEMENTS.

The financial statements were approved by the directors at a meeting held on 20th March 2013.

By order of the Board

Signed.....  
Mrs. Claire . S. Ekochu  
SECRETARY TO THE BOARD

Date: 20<sup>th</sup> March 2013



# Statement Of Directors' Responsibilities

The company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the Statement of Financial Position as at 31 December 2012, the Statement of Comprehensive Income, the Statement of Changes in Equity and Statement of Cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, the MDI Act, 2003 and the Ugandan Companies Act.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. They are also responsible for safeguarding the assets of the company.

Under the Ugandan Companies Act, the directors are required to prepare financial statements for each year that give a true and fair view of the state of financial affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the directors to ensure the company keeps proper accounting records that disclose with reasonable accuracy the financial position of the company.

The directors accept responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, and the reporting requirements of the MDI Act, 2003 and Ugandan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the profit for the year ended 31 December 2012. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the business will not be a going concern for the next twelve months from the date of this statement.

## Approval of the Financial Statements.

The financial statements were approved by the Board of Directors on 20th March 2013 and were signed on its behalf by:

Mr. Enoch Rukidi  
Director (Chairman)

Ms. Veronichah G. Namagembe  
Managing Director

Ms. Maris Wanyera  
Director



# Financial Highlights 2012

## Graphs

### 1. Total Assets



Total Assets increased by 25% from Ushs 96.5bn to 120.3bn.

### 2. Loans and Advances

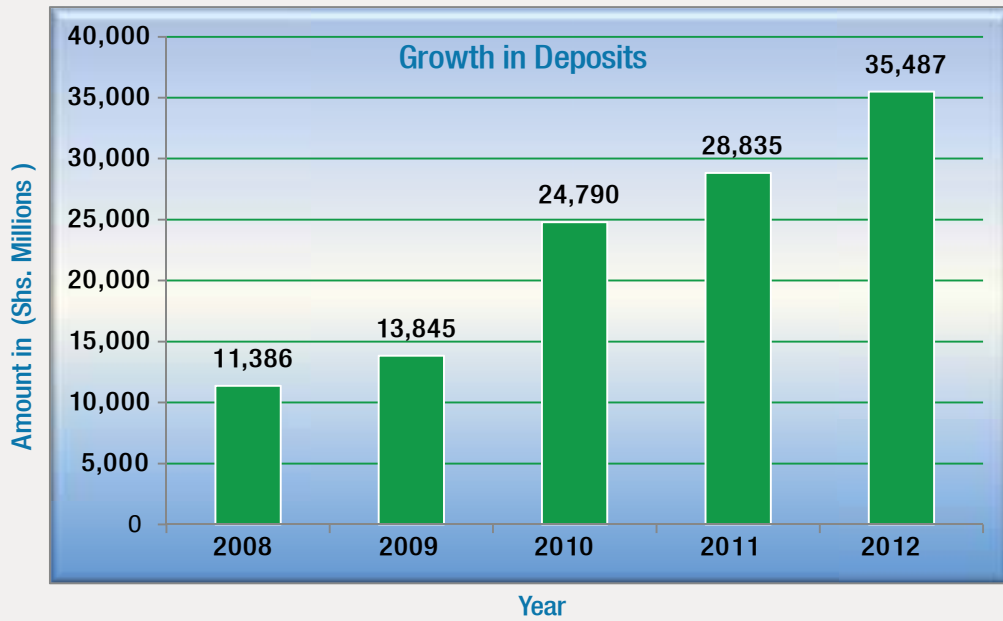


Loans and advances increased by 14% from Ushs 71.1bn to 80.7bn.



# Financial Highlights 2012

## 3. Deposits



Saving deposits increased by 23% from Ushs 28.8bn to Ushs 35.5bn

## 4. Profit after tax



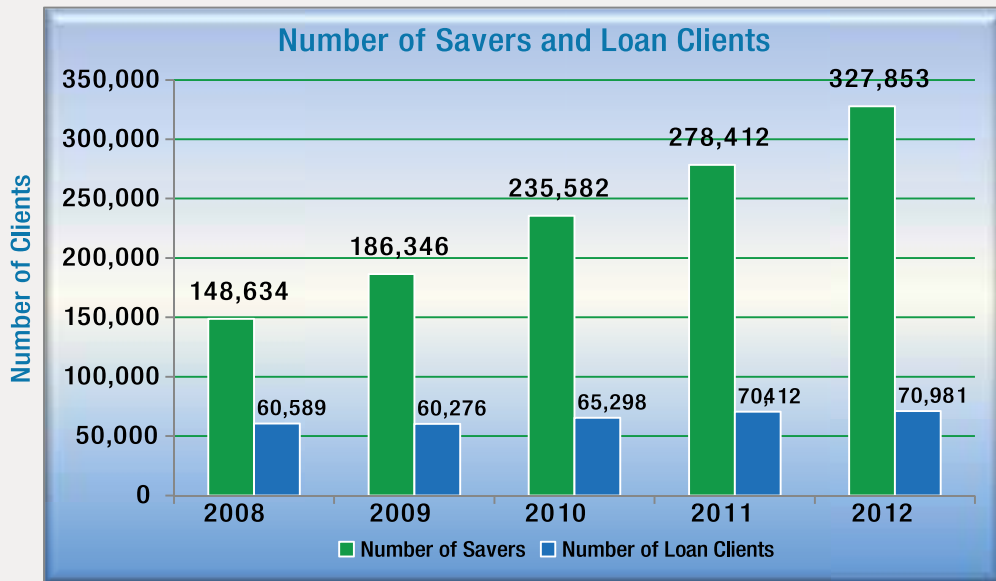
In 2012, net profit increased by 67% from Ushs 6.6bn to Ushs 11.1bn





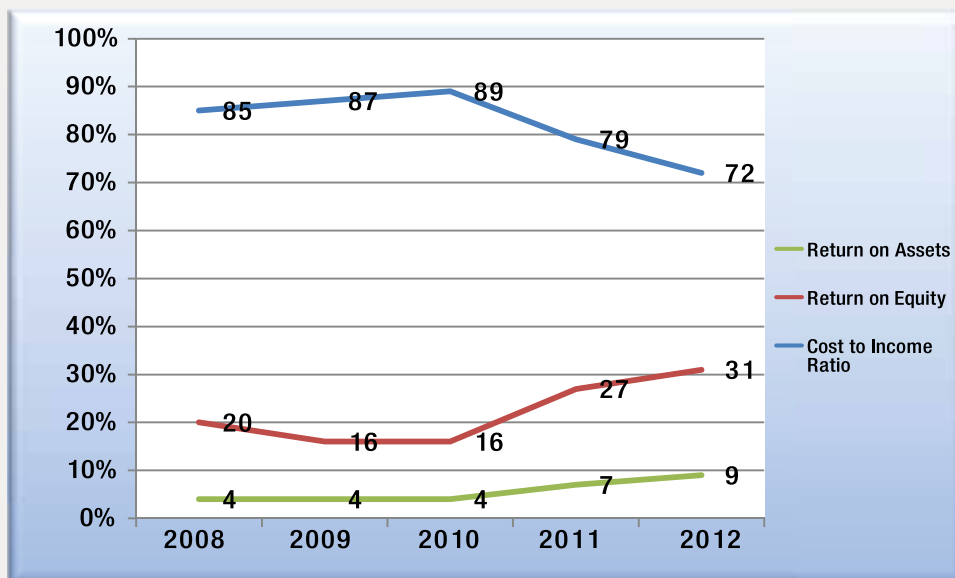
# Financial Highlights 2012

## 5. Number of Savers and Loan clients.



In 2012, the savers increased by 18% while loan clients increased by 1%.

## Return on Equity and Return on Assets



Return on Equity grew from 27% in 2011 to 31% in 2012, while Return on Assets grew from 7% to 9%.



# Report Of The Independent Auditors

## Report on the Financial Statements.

We have audited the accompanying financial statements of Pride Microfinance Limited (MDI), which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the financial statements.

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Ugandan Microfinance Deposit Taking Institutions Act, 2003 and Companies Act (Cap 110), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' responsibility.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pride Microfinance Limited (MDI) as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Ugandan Microfinance Deposit Taking Institutions Act, 2003 and Companies Act (Cap 110).



# Report Of The Independent Auditors

## Report on other legal requirements

As required by the Ugandan Companies Act (Cap 110) we report to you, based on our audit, that:

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit;
- ii. In our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
- iii. The company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Ernst & Young  
Certified Public Accountants  
Ernst & Young House 18, Clement Hill Road

Kampala,  
2013



# Financial Statements

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	UShs'000	UShs'000
Interest income	38,591,707	31,029,457
Interest expense	(4,666,225)	(3,483,247)
<b>Net interest income</b>	<b>33,925,482</b>	<b>27,546,210</b>
Fee and commission income	4,796,278	3,099,183
Fee and commission expenses	(100,170)	(49,069)
<b>Net fee and commission</b>	<b>4,696,108</b>	<b>3,050,114</b>
Other operating income	3,259,915	2,964,509
<b>Net operating income</b>	<b>41,881,505</b>	<b>33,560,833</b>
Impairment losses on loans and advances	(169,569)	29,156
Personnel costs	(15,591,413)	(14,570,749)
Depreciation and amortisation	(1,164,742)	(1,067,211)
Other operating expenses	(12,114,324)	(10,258,546)
<b>Total expenses</b>	<b>(29,040,048)</b>	<b>(25,867,260)</b>
<b>Profit before income tax</b>	<b>12,841,457</b>	<b>7,693,573</b>
Income tax expense	(1,754,715)	(1,063,227)
<b>Profit for the year</b>	<b>11,086,742</b>	<b>6,630,346</b>
<b>Other comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income, net of tax</b>	<b>11,086,742</b>	<b>6,630,346</b>



# Financial Statements

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	2012	2011
	UShs'000	UShs'000
<b>ASSETS</b>		
Cash and balances with banks	30,825,666	16,624,035
Financial investments: held-to-maturity	-	1,917,802
Loans and advances to customers	80,689,100	71,080,598
Other assets	4,166,198	3,372,479
Deferred income tax asset	-	28,245
Current income tax recoverable	99,297	128,349
Property and equipment	4,194,398	2,980,526
Intangible assets	294,346	343,826
<b>TOTAL ASSETS</b>	<b>120,269,005</b>	<b>96,475,860</b>
<b>LIABILITIES AND EQUITY</b>		
Customer deposits	35,487,400	28,834,654
Excess savings over Loan Insurance Fund	3,595,634	3,687,404
Loan insurance fund	12,036,541	10,864,086
Other liabilities	7,610,665	6,741,372
Amount due to related company	371,640	371,640
Debenture	4,281,663	4,281,663
Borrowed funds	20,768,097	16,964,931
Deferred grants	221,499	151,881
Deferred income tax liability	230,895	-
<b>TOTAL LIABILITIES</b>	<b>84,604,034</b>	<b>71,897,631</b>
<b>EQUITY</b>		
Share capital	6,001,750	6,001,750
Retained earnings	26,435,595	16,576,148
Regulatory reserves	3,227,626	2,000,331
<b>TOTAL EQUITY</b>	<b>35,664,971</b>	<b>24,578,229</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>120,269,005</b>	<b>96,475,860</b>

The financial statements were approved by the Board of Directors on 20th March 2013 and signed on its behalf by:

Director (Chairman): .....

Managing Director: .....

Director: .....

Secretary: .....





# Financial Statements

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital	Retained earnings	Statutory reserves	Total equity
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
At 1 January 2011	6,001,750	10,725,088	1,221,045	17,947,883
Profit for the year	-	6,630,346	-	6,630,346
Transfer to regulatory reserve	-	(779,286)	779,286	-
<b>At 31 December 2011</b>	<b>6,001,750</b>	<b>16,576,148</b>	<b>2,000,331</b>	<b>24,578,229</b>
At 1 January 2012	6,001,750	16,576,148	2,000,331	24,578,229
Profit for the year	-	11,086,742	-	11,086,742
Transfer to regulatory reserve	-	(1,227,295)	1,227,295	-
<b>At 31 December 2012</b>	<b>6,001,750</b>	<b>26,435,595</b>	<b>3,227,626</b>	<b>35,664,971</b>

The statutory credit risk reserve represents amounts by which provisions for impairments of loans and advances determined in accordance with the Microfinance Deposit Taking Institutions Act 2003 (MDI Act 2003) exceed those determined in accordance with International Financial Reporting Standards. The excess amounts as appropriated from retained earnings are required by the Bank of Uganda prudential guidelines.



# Financial Statements

## STATEMENT OF CASHFLOWS YEAR ENDED 31 DECEMBER 2012

	2012	2011
	Ushs '000	Ushs '000
<b>Net cash flows from/(used in) operating activities</b>	<b>12,379,240</b>	<b>(925,747)</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of assets	41,808	31,661
Purchase of property and equipment	(2,378,574)	(1,106,535)
Acquisition of intangible assets	(97,474)	(126,200)
<b>Net cash flows used in investing activities</b>	<b>(2,434,240)</b>	<b>(1,201,074)</b>
<b>FINANCING ACTIVITIES</b>		
Capital grant received	453,465	146,908
Loans repaid	(945,725)	(5,863,635)
Loans received	13,260,424	8,334,925
<b>Net cash flows from financing activities</b>	<b>4,256,631</b>	<b>2,618,198</b>
<b>Net increase in cash and cash equivalents</b>	<b>14,201,631</b>	<b>491,377</b>
<b>Cash and cash equivalents at 1 January</b>	<b>16,624,035</b>	<b>16,132,658</b>
<b>Cash and cash equivalents at 31 December</b>	<b>30,825,666</b>	<b>16,624,035</b>



# General Information

FOR THE YEAR ENDED 31 DECEMBER 2012

## BANKERS:

### **Stanbic Bank Uganda Limited**

17 Hannington Road  
Crested Towers  
P.O. Box 7131  
Kampala

### **Barclays Bank Uganda Limited**

Kampala Road  
P.O.Box 7101  
Kampala, Uganda

### **Centenary Rural Development Bank Ltd**

P.O. Box 13 Bugiri

### **Citibank Uganda Limited**

Centre Court, Ternan Avenue  
Nakasero Plot No 4  
P.O. Box 7505  
Kampala, Uganda

### **Crane Bank Limited**

Plot No 38, Kampala Road,  
P.O. Box 22572, Kampala, Uganda.

### **Bank of Africa**

Plot 45, Jinja Road,  
P.O. Box 2750,  
Kampala, Uganda





## Pride Branch Addresses

	Branch	Address
1	Arua	Plot 1 Avenue Road P.O. Box 905 Arua Telephone: +256476420490
2	Bugiri	Plot 1 Mivule Road P.O. Box 170 Bugiri Tel: +256 43 250 130
3	Bushenyi	Plot 3 High Street P.O. Box 341, Bushenyi Tel: +256 485 433 929
4	Buwenge	Corner House Kamuli Road P.O. Box 1839 Jinja Tel: + 256 752 718 417
5	City Centre	Plot 40-46 Mukwano Arcade P.O. Box 7566 Kampala Tel: +256 414 507 051
6	Fort Portal	Plot 23 Rukidi Road P.O. Box 968 Fortportal Tel: +256 483 422 989
7	Entebbe Road	Plot 8-10 Metropole House Entebbe Road P.O. Box 7566 Kampala Tel: +256 041 446297, +256 0414 346930, +256 0414 258150, +256 0312 226265/6
8	Hoima	Plot 30 Old Tooro Road Muganywa Centre Building P.O. Box 168 Hoima Tel: +256 465 40 469
9	Iganga	Plot 37/38 Main Street P.O. Box 170 Iganga Town Tel: +256 43 242 430
10	Ishaka	Plot 22 Rukungiri Road P.O. Box 341 Ishaka Tel: +256 485 443 477
11	Jinja	Plot 32/34 Main Street P.O. Box 1839 Jinja Tel: +256 434 121 316
12	Kabalagala	Plot 261 Muyenga Road P.O. Box 7566 Kampala Tel: +256 510 447
13	Katwe	Plot 413 Katwe Road P.O. Box 7566 Kampala Tel: +256 414 345 709
14	Kawempe	Plot 3726 Bombo Road (Lukadde Stage before Total Petrol Station) P.O. Box 7566 Kampala Tel: +256 414 567 155

	Branch	Address
15	Nakulabye	Nakulabye S J Basiriak Building Hoima Road P.O. Box 7566 Kampala Tel: +256 414 345 709
16	Mukono	Jinja Road next to URA Offices P.O. Box 541 Mukono Tel: +256 414 290 130
17	Nakawa	UMA Show Ground Behind UMA Offices P.O. Box 7566 Kampala Tel: +256 414 220 751
18	Nateete	Masaka Road, Opposite Nateete Police Station P.O. Box 7566 Kampala Tel: +256 414 272 600
19	Wandegeya	Plot 95 1/2 Bombo-Gayaza Road Round About P.O. Box 7566 Kampala Tel: +256 414 540 078
20	Lugazi	Plot 6 Ntenga Road P.O. Box 541 Mukono Tel: +256 414 448 106
21	Masaka	Plot 25 Masaka-Kampala Road P.O. Box 351 Masaka Tel: +256 481 420 647
22	Mbarara	Plot 59 High Street P.O. Box 1619 Mbarara Tel: 0485420826
23	Kasese	Saad Building P.O. Box 487 Kasese Tel: +256 483 444 151
24	Kabale	Plot 143 Kabale P.O. Box 368 Kabale Tel: +256 486 424 207
25	Mbale	Plot 15 Republic Street P.O. Box 2516 Mbale Tel: 0454434235/0757334235
26	Soroti	Plot 33/35 Solut Avenue P.O. Box 720 Soroti Tel: +256 454 461 632
27	Lira	Plot 48 Obote Avenue Lira Town Tel: +256 473 420 283
28	Kabwohe	Mbarara Road Opp. Caltex Filling Station P.O. Box 341 Bushenyi Telephone: +256 485 422 939



## Pride Branch Addresses

	Branch	Address
29	Rukungiri	Plot 22 Rukungiri Road P.O. Box 289 Rukungiri Telephone: +256 486 442 483
30	Gulu	Plot 17 , Cemetery Road P.O Box 149, Gulu Tel. 0392-718417
31	Kagadi Contact Office	High Street Kagadi town
32	Pader Contact Office	Main Street Pader Town
33	Isingiro Contact Office	Kabingo Trading Centre
34	Ibanda Contact Office	High Street Ibanda Town