



UGANDA DEVELOPMENT CORPORATION

Annual Report
FY 2020/21



UGANDA
DEVELOPMENT
CORPORATION

Driving Industrial Growth

Executive Summary

Uganda Development Corporation, is mandated with making long-term investments in strategic sectors of the economy in order to stimulate industrial and economic development of Uganda as well as directly spurring private sector growth. This is accomplished through investing in sectors of the economy, through capitalizing and resource support which provides a strategic bridge, that fosters both public and private sector developments.

Overview of performance

This annual report summarizes the level of achievement on strategy performance, main work plan activities, achievements and challenges of UDC during the Financial Year 2020/2021. UDC performance is premised on three core strategic objectives as outlined in the strategic plan, focusing on; Strengthening internal capacity and processes to deliver the UDC mandate, leveraging partnerships and networks to optimize resources and foster collaboration as well as investing in strategic and sustainable investments geared to overall economic and industrial development of Uganda.

Over the FY 2020/21, UDC has improved the means by which it brought together its human resource technological resources and the overall organization's capacity to respond to changes in the business environment and deliver value to its customers and stakeholders in line with its mandate. During the year, the Organizational capacity of UDC was improved through staff recruitments for agro – project officers as well as the Senior Human Resource Officer. Despite the statutory restrictions during the outbreak of covid-19, physical activities continued to take place with major setbacks. Working strategies were adopted to ensure continuity of UDC business through technological innovations like virtual meeting platforms. Additional office space was also acquired during the year, to accommodate the increasing staff numbers, along with new ICT office infrastructure.

To leverage partnerships and networks, UDC continued to explore partnerships with strategic external partners such as NORFUND (Norway) and United Green Group (United Kingdom) during the Financial year 2020/21. The engagements granted that UDC would provide suitable investment opportunities to these partners on behalf of government of Uganda. UDC and (NORFUND & United Green Group) signed Non-Disclosure Agreements to facilitate free exchange of information and build trust among the parties. The purpose of the partnerships engagements is to enhance economic development agenda for Uganda through supporting sectors such agro industry and renewable energy.

Furthermore, during the annual period, MoU's on strategic cooperation with National Planning Authority and Uganda Coffee Development Authority were signed with the aim of value addition and collaboration in the respective production chains.

During the FY 2020/21, UDC set out to invest in sustainable investments that included agro-manufacturing, mineral sector and strategic investments outside agro-manufacturing and minerals sector with the planned investments for overall economic and industrial development. These exhibited tremendous growths in terms of commercial sales, supply of raw materials and agricultural inputs, development of new products and created jobs through specialties at the different stages in the production chains.

Investment Portfolio

During the FY 2020/21 annual period, UDC increased the existing portfolio to eight (08) operational investments through the addition of Moroto Ateker cement factory. As at the end of the financial year, the overall investment portfolio included Mutuma Commercial Agencies, Kalangala Infrastructure Services, Mabale Tea growers, Soroti fruit factory, Nile hotel, Kigezi Highland tea limited, Atiak sugar factory and Moroto Ateker cement factory.

Efforts by UDC to increase the existing business and investment portfolio have been strengthened with over ten (10) new planned projects in the pipeline i.e. Yumbe Fruit Factory, Luwero Fruit Factory, Zombo Tea Factory, Alfasan Uganda Limited, Nwoya Fruit Factory, Acholi-bur Starch Factory, Kaaro Agric Producers Limited, Virika Pharmaceuticals Limited, Budadiri Arabica Coffee Factory Ltd and Gamma Decontamination Plant.

Challenges

The FY 2020/21 was greatly challenged by the impacts of the Covid-19 pandemic and the ensuing statutory restrictions that significantly affected the business operations of the UDC subsidiaries. The production chains especially the fruit factories registered drops in the production and business sales. Furthermore, force majeure actions impacted especially the sugarcane factory in Atiak, due to a fire outbreak that razed plantations of the out-growers. The insecurity and infrastructure

challenges have also persisted in the Moroto area, affecting the cement factory. Price fluctuations and market forces, coupled with transportation and logistical challenges occasioned by Covid-19 have remained a challenge to UDC and the subsidiaries during the FY 2020/21.

Globally, despite the challenges faced during this FY 2020-2021, UDC mandate and operational businesses and subsidies managed to remain sustainable and competitive; and the numerous lessons learnt through the various successes and challenges during the previous year strengthened UDC's resilience for the future, to ensure that UDC continues to register improvement for the economic transformation of Uganda.



Who we are

Uganda Development Corporation (UDC) is the investment arm of government mandated to promote and facilitate economic and industrial development in Uganda. It was re-established in 2016 by the UDC Act 2016. The Corporation is a wholly owned government institution whose mission is to establish sustainable investments in areas strategic to the social and economic transformation, and prosperity of Uganda. In order to deliver this ambition, the Corporation supports execution of investment in value addition with a focus on three key sectors namely; agro processing, mineral beneficiation, and infrastructure and social services.

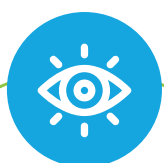
UDC invests in both new and grown projects, through capitalization and resource support, geared at fostering both public and private sector developments. Thus, through public-private partnerships, UDC provides the private sector with a platform for meaningful participation in industrial development of Uganda's economy. The purpose of UDC's intervention is not to compete with the private sector but rather to complement it and support it to grow.

The Corporation's mode of operation is through establishing subsidiaries and associate companies; entering public-private partnerships with any commercial, Industrial or agricultural entities; financing and management of investment

undertakings; promoting industrial or economic development; and research into industrial development. UDC offers amongst others, equity financing, shareholder loans, business development, Leases, Venture capital and advisory services and others as deemed fit and approved by the Board of Directors, to meet its objectives and to propel growth of enterprises operating in key growth sectors of the economy. Additionally, the Corporation provides expertise in management, governance, and technology enhancement to a point when the private sector is able to profitably and sustainably operate the investment.

To commit to a decision to invest in any project, UDC considers five (5) fundamental principles relating to the project's demonstrated high likelihood to: create both direct and indirect employment; use significant volumes of local raw materials/resources; improve Uganda's trade balance position either through increased exports or reduced imports; develop local entrepreneurship; and contribute to balancing regional development within the country.

Presently, most of UDC's investments are in agro-processing, with a few others in mineral beneficiation, and infrastructure and social services. The current investments include Soroti Fruit Factory, Atiak Sugar Factory, Bukona Agro Processors, Mutuma Commercial Agencies, Kigezi Highland Tea Factories, Kayonza Growers Tea Factory, Mpanga Growers Tea Factory, Mabale Growers Tea Factory, Nile Hotel, Munyonyo Commonwealth Hotel, and Kalangala Infrastructure Services.



Our Vision

To become the leading driver of industrial development for the social and economic transformation and prosperity of Uganda.



Mission

To establish sustainable investments in areas strategic to Uganda's social and economic transformation, and prosperity of Uganda.



Our Core Values

The Corporation nurtures a high-performance culture through its values namely Sustainability, Teamwork, Adaptability, Integrity, Reliability and Excellence. These values are not only principles guiding our investments at the corporation but are also the staircase to our excellence.

In order to accomplish this huge task, the Corporation must nurture a high-performance culture. The values and beliefs defining such culture are summarized in the acronym “**STAIR – E**”.

Sustainability

It is our commitment and responsibility for the future to invest in strategic and sustainable ventures that strikes a balance between benefit and social good.

Teamwork

UDC espouses team spirit, togetherness and collective responsibility for all actions, their intended and unintended outcomes.

Adaptability

UDC is flexible to take on new ideas/innovative ways of doing work and is proactive to emerging opportunities and challenges.

Integrity

As UDC, we subscribe to high ethical and moral standards. Staff are expected to conduct themselves professionally at work, in their social and private lives.

Reliability

UDC strives to demonstrate its consistent behavior through meeting and exceeding the expectations of our stakeholders.

Excellence

Excellence is a key virtue characterizing our undertakings and practices. We strive for perfection or near perfection in our processes and systems, as well as results.

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Corporate Governance

Executive Director's Word....



Dr. Patrick Birungi
Executive Director

Uganda Development Corporation (UDC) is committed to the transformation of Uganda through promoting and sustaining industrial and economic Development. Specifically, during the Financial Year 2020/21, preliminary reviews for new business plans seeking for partnership with UDC were conducted and finalized. FY 2020/2021, was a challenging because of Covid-19 pandemic that came with a multitude of effects including frequent country and international lockdowns with negative net effects on our operations, ongoing projects and pipeline projects. We, therefore, spent much of our effort supporting subsidiaries that were affected by Covid-19 pandemic to recover from the pandemic shocks.

The Corporation extends gratitude to its partners such as the Ministry of Trade, Industry and Cooperatives for its oversight role and timely policy guidance amidst multiple challenges. We are also thrilled by the Ministry of Finance, Planning and Economic Development (MoFPED) for timely financing of projects and companies that needed GoU financial support in an era of Covid-19 pandemic.

On a good note, some of our investments such as Kalangala Infrastructure Services (KIS) continued to provide access to clean water and energy to the communities. Equally, Soroti Fruit Factory (SOFTE) continued with production of quality TEJU Juice.

In the coming FY 2021/22, The Corporation will institute the Research, Monitoring and Evaluation function to improve on Corporation's documentation, learning and sharing. We will further enhance our partnerships and collaboration with all stakeholders as a mechanism of enhancing projects acceptance to the people we strive to serve.

It is my sincere hope that this report will enable you understand what UDC achieved during FY2020/2021, a year that was challenged by COVID-19 global pandemic.

A handwritten signature in blue ink, appearing to read 'Patrick B. Birungi', with a stylized flourish at the end.

Patrick B. Birungi (PhD).
EXECUTIVE DIRECTOR

UDC Strategic Plan

UDC developed and launched her ten-year Strategic Plan (FY 2019/20 – 2029/30) hinged on agro-manufacturing, minerals beneficiation, and strategic sector development. It is foreseen that

investments in these strategic sectors over the next ten years will drive creation of productive direct and indirect jobs, improve the trade balance position, and enhance Uganda’s capacity to benefit more from her resources.

Strategic Objectives

In implementation of this statutory mandate, the Corporations’ Strategic Plan (2019/20 – 2029/30) sets out three inter-dependent strategic objectives

1	2	3
<p>Strengthen internal capacity and processes for UDC to deliver its mandate</p> <ul style="list-style-type: none"> • Strengthen governance • Optimize resource base • Build investment and enterprise management competence • Align structure and skillset to strategy • Adoption of technology and systems • Improve the financial management • Risk management • Monitoring & Evaluation 	<p>Leverage partnerships and networks to optimize resources and foster collaboration</p> <ul style="list-style-type: none"> • Develop partnerships to co-finance feasibility studies • Utilize Operations & Management partnerships • Engage potential partners for co-investments and Joint Ventures • Utilize existing investment Management firms in priority sectors • Harnessing industrial and sectoral synergies 	<p>Invest in strategic and sustainable investments geared to overall economic and industrial development of Uganda.</p> <ul style="list-style-type: none"> • Investment in great multiplier effect areas in the economy, utilizing the local raw materials. • Enhance the capability of local firms • Prioritize investments in underdeveloped regions • Exit investments through channels such as stocks etc.

UDC, through its Strategic Plan seeks to invest in green fields and brown fields with the long-term aim of eventual divestiture of its interests in mature and ready-to-go investment under objectives of achieving these fundamental outputs:

- a) Create both direct and indirect employment, with a focus on productive jobs.
- b) Utilize local raw materials/ resources to manufacture for both the domestic and

international markets as stipulated by the BUBU policy.

- c) Improve the trade balance position as envisaged in the National Export Development Strategy, the National Industrial Development Policy, and the National Investment Policy, among others.
- d) Develop local entrepreneurship
- e) Balance regional development within the country.

Current UDC Investments

Over the years, UDC has invested in a number of green field and brown field enterprises namely, Kalangala Infrastructure services (KIS), Kigezi Highland Tea Limited (KHTL), Mabale Growers Tea Factory (MGTF), Soroti Fruit Factory (SOFTE), Kayonza Growers Tea Limited, Nile Hotel, Mutuma Commercial

Agencies (MCAL), Moroto Ateker Cement Factory, and Atiak Sugar Factory. The investment and support of the business enterprises has enabled UDC achieve its mandate and objectives geared towards promoting and facilitating industrial and economic development in the country.

1. Soroti Fruit Factory



Figure 1: a) Fruit juice Production chain and b) Final product ready for the market

UDC in partnership with the Government of South Korea (through Korea International Agency [KOICA]) and Teso Tropical Fruits Cooperative Union Limited (TEFCU) established a fruit processing factory in Soroti district. The factory that was commissioned in April 2019 has an installed capacity of 6MT/Hr and 2MT/Hr of oranges and mangoes respectively, effectively providing market for oranges and mangoes thus solving the challenge of post-harvest losses. The raw materials (oranges and mangoes) are predominantly purchased from farmers in Eastern and Northern Uganda and processed into fruit puree/concentrate and natural ready to drink juice under the “Teju juice” brand.

Government intervention through UDC in SOFTE is through equity participation with a shareholding of 80% and the 20% is by the fruit farmers through Teso Tropical Cooperative Union.

Key Milestones

During the annual period, Soroti Fruit Factory (SOFTE) started the process of developing two new products: i) concentrated dilute to drink orange fruit juice and ii) concentrated dilute to drink mango fruit juice, both packed in quantities of five (5) and one (1) liter jerrycans. Resultantly, 50 new direct jobs were created through the distributors as well as many more indirect jobs through the market system.

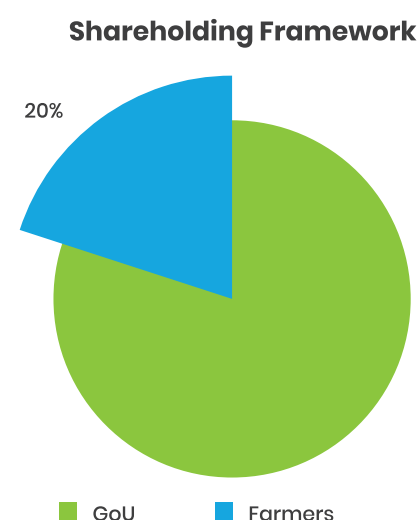
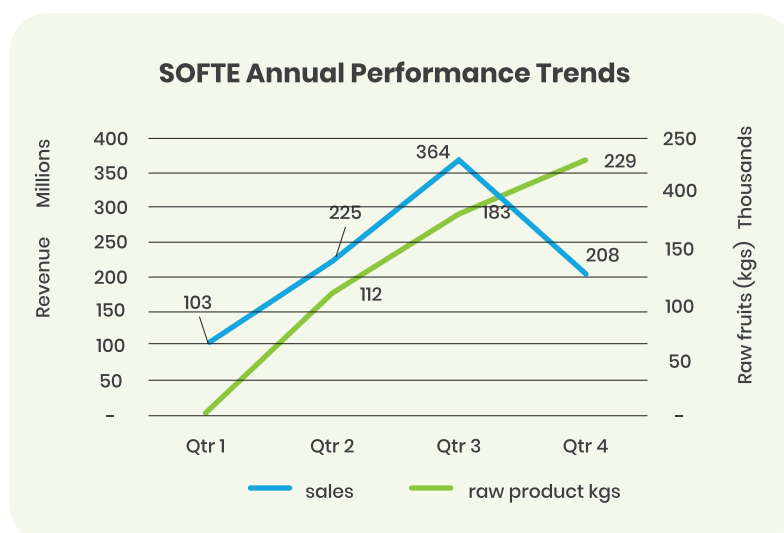


Figure 2: Annual performance milestones for Soroti Fruit Factory



50 new jobs created through Distributors.



Two (02) new products launched.



UGX 899.5 million in annual sales.

Across the year, the procured raw materials (fruits) for production of the juice increased to a tune of 229 tons by the fourth quarter up from 112 tons in the second quarter (**Fig.2**).

The total revenue realized from the sale of the juice products for the entire year was up to a tune of UGX 899.5 billion. Between the first and third quarter, there was steady growth realized in the sales, tripling from UGX 103 million up to UGX 364 million. However, there was drop in the fourth quarter, to UGX 208 million, attributed to the impact of the transport and logistical restrictions occasioned by Covid-19 pandemic.

Challenges

- The company was negatively affected by the outbreak of Covid-19, which led to the statutory lockdown. In essence, the company's operational efficiency was reduced, markets for the already made juice to drink decreased, resulting into gross reduction in sales across the fourth quarter of the Financial year.
- Sourcing of spare parts became difficult due to accessibility and transportation setbacks arising from the COVID-19 international lockdowns. Reaching-out to manufacturers for the importation of spares became impossible.
- Lack of a recognizable packaging line for ready to drink Juices in PET (packaging plastic) leading to chockage in the Cooling Rooms.

2. Kigezi Highland Tea Ltd

UDC provided a ten (10) year Lease Financing facility to Kigezi Highland Tea Ltd for purposes of establishing two tea factories, the Kabale Tea processing facility and the Kisoro tea processing facilities each with a CTC production capacity of 450 kg/hr. This move is in line with promoting value addition and aligning the agro-manufacturing sector to the National Export Development strategy and the National Development Plan II. The Corporation is expected to start receiving lease rentals in August 2021 following expiry of the 3-year grace period.

Though the company has generated direct employment for technical, managerial, casual and indirect employment for the people involved in the production and marketing chains, it has continued operating, below capacity, given the absence of sufficient green leaf.

Key Milestones

- a) To increase access to green leaf to feed the factories, during the year, a Strategic Intervention Facilitation Agreement (SIFA) was signed between UDC and KHTL with a total target of planting 10 million seedlings over a two-year period. We are happy to note that during the annual period, a total of 4.317million seedlings were planted.
- b) Over 227 jobs were directly created, all of which have been filled by Ugandan nationals.

Challenges

Logistical and transportation challenges caused by the COVID-19 pandemic were the main setback during the financial year. There was a decline in the average monthly sales by approximately 60%. It should be noted, 94% of the tea produced by the factories was exported through the Mombasa Tea Auction market.



3. Atiak Sugar Factory

Atiak Sugar Factory, owned jointly by Horyal Investment Holding Company Ltd (HIHC) and UDC, is found in Amuru district in Acholi sub-region. The factory majorly processes sugar cane into brown sugar as the main product. However, out of its by-products (molasses and bagasse), the company also produces ethanol and electricity. The factory targets to benefit at least 15,000 sugar cane out growers in the region effectively creating jobs and improving livelihoods. UDC intervention was through equity participation with a total shareholding of 40% in the Horyal Investments Holding Company Ltd.

Key Milestones

Following the need to add value to excess sugar canes grown in Busoga Sub Region, GoU intervened and facilitated the transportation of sugar canes from Busoga sub region to Atiak Sugar factory for processing thus effectively utilizing the factory's capacity while preventing post-harvest losses. As a result, 47,968.30 Tons of sugar cane were transported and sugar processed, with a positive trickle-down effect on sugar cane out-growers in the Busoga Sub region.

Challenges

Between 26th, to 28th December 2020, there was a fire outbreak that razed 2,111 acres of mature sugar canes close to the South Sudan Boarder belonging to the out-growers. This resulted in reduced production capacity of the plant, thereby disrupting the supply chain.



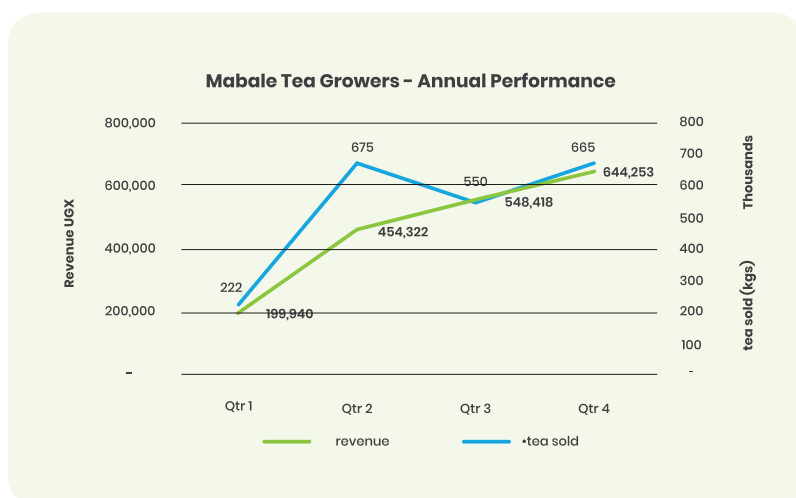
4. Mabale Growers Tea Limited



Mabale Growers Tea Factory Ltd (MGTF) is one of the tea factories established by the Government of Uganda, in the 1960s. It was privatized in 1994/5 and is presently owned by 3,000 small-holder tea farmers within Kyenjojo and Kabarole districts. The factory's operations began to fail necessitating external intervention. At the request of the factory's board and management, Government took a decision to capitalize Mabale Tea Factory by acquiring 49% shares in the factory which led to the financing of a 3rd CTC tea processing line.

Key milestones

- The company sold 2.112 million Kgs of made tea generating revenue of UGX 1.847 billion over the period under review.
- Maintained an employee workforce of **216** workers of which 63 workers were permanent staff while 153 workers were casual staff.



During the FY 2020/21, Mabale Grower's Tea factory registered an improvement in sales from UGX 199 million in the first quarter up to UGX 644 million in the fourth quarter representing 224% improvement (**Fig 3**). This is good for the business sustainability of the tea factory. Relatedly, there was a significant increase in the tea sold (by weight) from the 222 tonnes in the July – September quarter (FY 2020/21) to 665 tons in the fourth quarter, with the highest sales by weight realized in quarter 2 accounting for 675 tons

Figure 3: Commercial performance trend of MGTL –FY 2020/21

Challenges

- The effects of Covid-19 pandemic negatively affected the operations and marketing of tea at international level. This increased costs of operations as the factory strived to adhere to the Standard Operating procedures.
- Price fluctuations at the Mombasa Auction Market for ready-made tea was another challenge that affected the profitability of the factory.

5. Kalangala Infrastructure Services (KIS)



Kalangala Infrastructure Services (KIS) was started in May 2006 as a public private partnership (PPP) arrangement steered by the GoU. The Company was mandated to improve infrastructure on Bugala Island in Kalangala District.

GoU, through UDC acquired 45.7% ordinary shares and 45.7% convertible preference shares in the company. The other shareholders are Infracore Africa with 54.3% ordinary shares and 54.3% convertible preference shares as well as IDC South Africa with 100% shares.

Specifically, the improvements included:

- Provision of two new (Roll-on-Roll-off) ferries to operate between Bukakata and Luuku, and rehabilitation of ferry land sites at the two locations.
- Rehabilitation and expansion of the 66km main island road from Luuku to Mulabana via Kalangala town council – the road was completed in June 2016 and was handed over to GoU as per the agreement;
- Generation, transmission, and distribution of electricity on Bugala island via a solar hybrid power plant.
- Rehabilitation and expansion of the water supply system for Kalangala town council and seven (7) other settlement areas.

Milestones

- UGX 18.951Bn revenue realized for the Annual period
- About, 69, employees directly employed by KIS, all Uganda nationals.

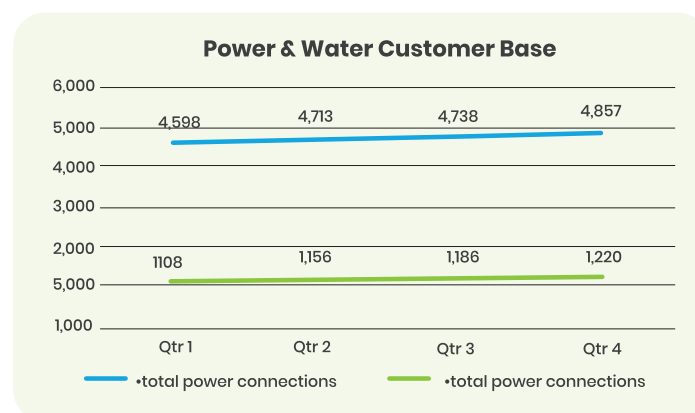
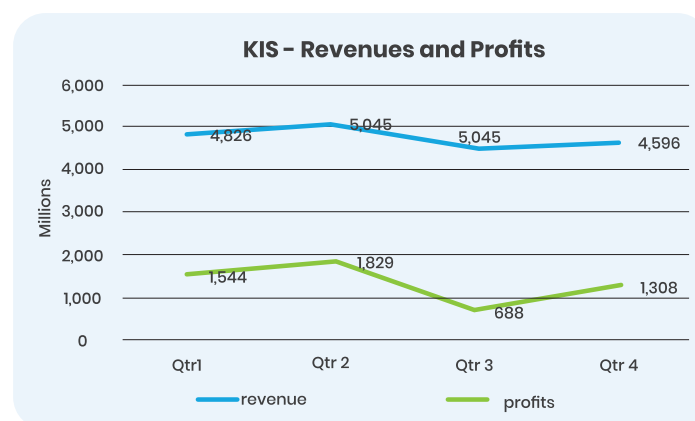


Figure 4: Kalangala Infrastructure Services quarterly performance trend dashboard

During the FY 2020/21 annual period, 259 new power connections were realised, increasing the customer connections from 4,598 in quarter one to 4,857, an increment of 5.6% (**Fig. 4**). Similarly, the service water connections increased by 112 new customers across the annual period, registering an improvement of 10.1% and increasing the total number of customers in quarter 4 to 1,220, up from 1,108 customers in Quarter 1 (FY 2020/21).

On the other hand, the average quarterly revenue registered across the annual period was UGX 4,738 billion, with the highest registered as UGX 5,045 billion in quarter 2. The January – March period (Quarter 3) had a slight decline in the revenues, registering UGX

4,484 billion, and this was occasioned to the travel restrictions that affected the transport arm of the business.

Challenges

- Disruption of transport services across Lake Victoria due to Covid-19 pandemic. This affected planned revenue collections
- Delayed payment of (road and ferry) by GoU resulting to limited cash flows for the company.
- Exposure to foreign exchange risk; The company's principal revenue sources are in Uganda Shillings yet the company's debt and some obligations to suppliers are denominated in dollars and other international currencies.

6. Mutuma Commercial Agencies



Mutuma Commercial Agencies (MCAL) which has been in operation since 1999, is found in Luuka District, Busoga Sub region. Currently, MCAL buys conventional seed cotton from over 6,000 farmers and through a process of ginning converts seed cotton to cotton lint and cotton seeds. The company further engages in value addition by converting its cotton seeds into cotton seed oil, cotton seed cake, soap stock and cotton husks. The lint is also further processed into hospital quality absorbent cotton wool. The factory was fully operational for the first three quarters of 2021, but the ginnery and oil mill were closed in the fourth quarter due to no stock.

Key Milestones

- Sold 212 tons of seed cake
- Over 5,000 tons of cotton wool, cotton seed oil and soap stock produced.
- Generated UGX 333.396 million as annual revenue

Challenges

- Inadequate raw materials like seed cotton and cotton seed
- Low market for cotton wool produced by the factory attributed to delayed procedural clearances by GoU.

7. Moroto Ateker Cement Factory Limited (MACL)



UDC collaborated with the private sector (Savannah Mines Ltd, Saboo Engineering PVT and Moroto District Investment Agency Ltd) to set up an integrated cement, lime and marble plant in Moroto district.

During the financial year, UDC scaled up the possibility of establishing an integrated cement, lime and Marble plant in Karamoja sub-region to add value to the limestone deposits within the districts of Moroto, Amudat, Nakapiripirit and Kaabong. This project aims at cutting back on the

country's import bill, support local miners, increase local revenue, improve standards of living of the people in Karamoja sub-region and increase export earnings from mineral products.

Milestones

- (i) Upon completion of a detailed geological mapping and sampling of marble prospects at the licensed exploration area during the FY 2020/21, UDC embarked on drilling activities in the licensed area to establish the volumes of available resources.
- (ii) Engagements with the Directorate of Geological Survey (DGSM) continued with a Drilling Plan agreed on in EL 1861, Loyoro, Kabong District.
- (iii) Community sensitizations of mining communities in Loyoro Sub County Kaabong District were undertaken to enhance project understanding and acceptance by communities.

Challenges:

- a) The project is challenged by lack of infrastructure (including roads), lack of funding and insecurity in the region.

8. Nile Hotel Limited



Nile Hotel International Ltd (NHIL) is a Company limited by shares incorporated on 28th 10/1994 and existing under the Companies Act. NHIL is wholly owned by the Government of Uganda through UDC

and is listed under Class II of the Public Enterprises Reform and Divestiture Act.

Milestone

- a) A total of UGX 572,620,674 was earned and paid out to UDC as dividends over the financial year.
- b) Over 145 Jobs directly created by the Hotel facility

Challenges

The Hotel facility did not survive the brant of the covid-19 pandemic. The pandemic disrupted the flow of business arising from closure of public gatherings, functions and meetings as a statutory measure to mitigate the spread of Covid-19. This resulted into reduction in cash flows.

Pipeline Projects

Uganda Development Corporation has undertaken to execute its mandate through several investment portfolios in the pipeline (planned for implementation). The planned projects for the new financial year entail the following:

1) Yumbe Fruit Factory

Located in West Nile, the investment is aiming at establishing a mango processing facility with an input capacity of 5MT/hr and output capacity of 2.5 MT/hr of single strength mango puree. The facility is a tripartite investment partnership between FONUS, UDC and Aringa Fruit Farmers' Cooperative Society.

UDC is expected to hold the Government equity upon completion of the investment discussions and structure. UDC intends to invest UGX 9.84bn into this project through provision of working capital.

During the reporting period recruitment of key technical personnel that will operate the factory was completed. Key positions recruited include: 1 Electrical Engineer, 1 Mechanical Engineer, 1 Project Manager and 1 Quality Assurance Officer. Further recruitments for technical and support systems are planned for the next FY 2021/22

2) Luwero Fruit Factory

This project is aimed at promoting value addition to fruits in the Greater Luwero area targeting the Districts of Luwero, Nakasongola, Nakaseke and Kiboga. The factory will have a processing capacity of 12MT/hour to process pineapples and mangoes into concentrates and ready to drink juice.

During the reporting period, revalidation of the 2013 feasibility study to suit the current context commenced, with technical input provided to the consultant. It is expected that the Revalidation exercise will be completed in Q1 of FY 2021/22.

3) Zombo Tea Factory

UDC intends to set up a single line of a CTC Tea Processing Facility operating at around 2,608kg/hr of the Ready-Made Tea in West Nile. The factory aims at producing black tea for export to the Mombasa Tea Auction Market.

The Corporation carried out a baseline survey in early 2017 to plan the tea factory investment in Zombo. The survey established several critical issues, notably that of the 1,480 acres required to sustainably run a 450kg/hr factory, only about 200 acres had been planted with tea, and that the area had no tea grower's cooperative society. Currently the feasibility study is being conducted to inform the investment.

4) Alfasan Uganda Limited

The project is an investment partnership between UDC and Alfasan Uganda Ltd whose aim and purpose are to invest in the installation of a local facility to produce high quality Veterinary medicines and vaccines for animals. (Anti- tick vaccines and acaricides).

This intervention by UDC is geared towards promoting the production of vaccines in the Country as a strategy of import substitution and improving the livestock in the country.

5) Nwoya Fruit Factory

The investment is aimed at establishing an economically viable Nwoya Fruit Processing Factory (NFPF) through a tripartite investment partnership between DUL, UDC/NAADS and other potential investors. The project aims at processing mainly Mangoes, Guava, Citrus and Pineapple which are available in the region. Preparations to undertake Due Diligence studies on the proposed project commenced and studies will be finalized in FY 2021/22.

6) Acholi-bur Starch Factory

UDC is exploring modalities of establishing a 400MT / day of Cassava starch processing facility under the Acholibur Parish Project pioneered by the Catholic Diocese of Gulu. During the reporting period, UDC engaged stakeholders in Gulu and other host communities to rally support of leaders to mobilize farmers to engage in productive and commercial cassava farming to supply cassava to the proposed Starch Factory.

7) Kaaro Agric Producers Limited

Kaaro Agric Producers Ltd intends to partner with Uganda Development Corporation (UDC) to set up an 8250 ton/ year specialty coffee (green beans and roast) plant in Kazo district. The total cost of the proposed coffee processing plant is estimated at UGX 10.25 billion and is to be financed by a mix of debt and equity.

8) Virika Pharmaceuticals Limited

Virika Pharmaceutical stores developed a proposal to start producing intravenous fluids one of the items we often fail to sustain in our health facility stores due to financial and in some cases logical factors. During the year, several interactions have been made with parties behind this initiative to guide on the project design in line with the principles of Public-Private Partnerships in the Health Sector.

9) Budadiri Arabica Coffee Factory Ltd

Budadiri coffee was reposed by UDB on failure to service a loan of UGX 4.0 billion and has not been in operation since 2014. The UDC board resolved that UGX 8.125 billion be invested in Budadiri through

the formation of a Special Purpose Vehicle (SPV) between BACFL and UDC.

10) Gamma Decontamination Plant

UDC in collaboration with the Ministries of Trade, Industry and Cooperatives; Ministry of Finance, Planning and Economic Development; and Ministry of Energy and Mineral Development; embarked on exploring the prospects to undertake an investment partnership with Tenaga Gamma Ltd (a Malaysian based entity) to set up a Gamma Irradiation (Co-60) facility with an irradiation capacity of 1 million curies in Uganda. This follows the increased interceptions and destruction of Ugandan agricultural exports due to noncompliance to SPS measures. The facility would be used to “sanitize” agricultural produce (mainly fruits and horticultural goods) before their being exported to foreign markets (e.g., Horticultural produce).

The scope is planned to further be expanded to cover other aspects for example treatment of the select imports such as pharmaceuticals and the SIT concept to eradicate crop pests and diseases.

Governance

Board of Directors

Under Section 6 of the Act, the governing body of the Corporation is a Board of Directors. The Board of Directors (BOD) was appointed on 25th October 2017 for a three-year term ending on 24th October 2020. During the FY 2020/21, the term of the Board

of Directors expired in the second Quarter of the financial year, (October 2020) and was not renewed. The Corporation, therefore, did not have an active Board for the rest of the Financial Year 2020/21

Profiles of Board of Directors



Hamu Mugenyi holds a Master of Laws, International Trade and Economic Law; Post Graduate Diploma in Legal Practice (LDC, Kampala); and Bachelor of Laws (LLB), Makerere University Kampala. He is a private legal practitioner with experience of over 20 years. During his career, he has been instrumental in setting up and founding of companies and overseen their growth and business development, some of which have contributed significantly to the growth of the economy of the country. He has been the Legal Advisor and consultant to private and parastatals advising on key commercial matters. He has served on various boards and as a leader of institutions.



Miriam Magala holds a Master of Laws (International Law), Post Graduate Diploma in Legal Practice and Bachelor of Laws. She is an Advocate by profession and currently serves as the Company Secretary/Head of Legal and Regulatory Affairs, PTA Reinsurance Company (ZEP-RE, Nairobi-Kenya), an entity of the Common Market of Eastern and Southern Africa (COMESA), responsible for the development of insurance and reinsurance markets and supporting sub-regional economic development within the COMESA Region. Prior to joining Zep- Re, she served as the Chief Executive Officer of Uganda Insurers Association (UIA). She has served on the Boards of Law Development Centre, Makerere University Retirement Benefits Scheme, Capital Markets Authority, the Organization of Eastern and Southern Insurers and chaired the Country's National Committee (November 2015- May 2018) tasked with implementation of the Uganda Agriculture Insurance Scheme effective 1 st July 2016 throughout the country. She further held a lecturing position with the Post - Graduate Law Development Centre from 2001 to 2014.



Godfrey Byamukama holds a Masters in Economic Policy & Planning, and Bachelor of Arts in Economics. He is a Certified Public Accountant, from the Institute of Certified Public Accountants of Uganda (ICPAU). Godfrey serves as an acting assistant commissioner for private sector and investment in the ministry of finance, planning and economic development. Before being appointed to his current role, he served in the ministry in the tax policy department for eight (8) years. he acquired skills in taxation policy, investment policy and private sector development. Godfrey has experience in policy analysis and formulation; planning and budgeting; and leadership, having served on different boards of public enterprises such as the Uganda development corporation. He is a member of the Institute of Corporate Governance, Uganda. Godfrey currently plays a key role at the ministry in promoting investment; planning for enterprise growth and development; and industrial development in Uganda.



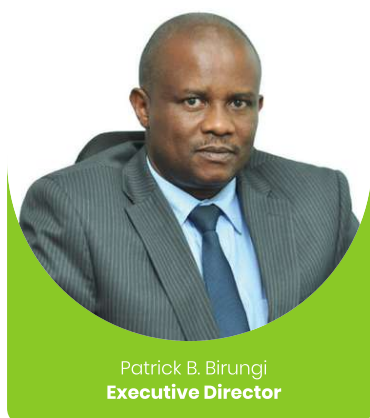
Ramathan Ggoobi holds a Master of Arts in Economic Policy and Planning and Bachelor of Arts in Economics, all, Makerere University. He is an Economist and Policy Analyst. He's a disciple of "Economics that works," and teaches the same at Makerere University Business School (MUBS). He co-owns the Great Lakes Communications Ltd, publishers of The Sunrise Newspaper. He heads the MUBS Economic Forum, a think-tank established in June 2011 to cause debate and generate evidence-informed solutions to Uganda's economic policy challenges. Ramathan has published widely both in refereed and peer-reviewed journals. He has consulted with Overseas Development Institute (ODI) UK; International Labour Organisation (ILO); DFID; Friedrich-Ebert Stiftung (FES); Government of Uganda; Action Coalition for Development and Environment (ACODE), Civil Society Budget Advocacy Group (CSBAG), Financial Sector Deepening Uganda (FSDU) among others. He's an enthusiast of industrial policy and believes both the State and Private sector have equal roles to play to transform a nation.



Josephine Okot holds an MBA International Business, and BCOM (Marketing). She is the Founder and Managing Director of Victoria Seeds Ltd. She has steered it from a struggling start up to Uganda's leading seed house which is evident in the 2018. Access to seed index. Okot's outstanding work has been recognized through numerous national and international accolades. Okot was awarded the prestigious 2007 YARA prize for a green revolution in Africa in recognition of her efforts to reverse Africa's declining agricultural productivity and standing as an example of African entrepreneurs willing to take risks and break new ground. She was an honorée of the 2009 Oslo Business for Peace Award in recognition of her work in promoting socially responsible and ethical business practice in an outstanding way. In 2011 she was the African woman of the year at the Africa Awards for Entrepreneurship for her outstanding work in supporting, promoting, mentoring women, and demonstrating qualities required to succeed in business. Josephine Okot presently serves on the Board of the International Institute of Tropical Agriculture; Uganda Development Corporation and she is Chair Board of Directors Soroti Fruit Ltd which is a subsidiary of UDC.



Andrew Rugasira holds an MSc in African Studies, from St Antony's College, University of Oxford, UK and a BA(Hons) in Law & Economics from the University of London, UK. Andrew is a consummate senior executive, change agent and social entrepreneur. He is acknowledged nationally and internationally for groundbreaking efforts in driving large-scale change through the development of various agri-business value-chains that generate revenue growth and community transformation. Andrew has over 25 years of experience in corporate strategy, marketing, and communications, and is a leadership coach and mentor. He is a published author, has received numerous international awards, and sits on several corporate and non-profit boards.



Patrick B. Birungi holds a PhD in Economics from the University of Pretoria. An Economist with excellent experience in programmes and project management currently working as the Executive Director of Uganda Development Corporation. Held the position Director of Development Planning at the National Planning Authority in Uganda for eight years, a Former Board member of the PPP committee of Government and sits on the board of several institutions. Previously worked as a Senior National Economist at UNDP (Uganda Country Office) gaining a lot of experience in supervision of GOU-UN programs and projects. Patrick spent most of his working career in the Academia as a senior Lecturer in Economics at Makerere University for fifteen years. He has also consulted widely for international, national and Government Institutions including but not limited to: World Bank; UN institutions; IDRC; AERC; NGOs; Government among many others. As a Director of Planning at the National Planning Authority he was in charge of production of long- and medium-term plans including the National Vision 2040 and the National Development Plan II. He is also widely published in internationally refereed journals, served on several International and National levels steering committees and Boards of different institutions.

UDC Management Team



Dr. Patrick Birungi
Executive Director



Christine Zaake
Director Finance & Administration



Hope A. Kisitu
**Corporation Secretary/Director
Legal & Corporate Affairs**



Andrew Mugerwa
**Director Investments,
Development and Appraisal**



Yudaya Kadondi
Manager Investments Services



Teo Nanyange
Manager Finance



Pauline Among
Manager Legal Services



Herbert Bitwire
**Manager Human Resource &
Administration**

**Figure 5: UDC Top Management
team 2020/2021**



Dan Atuhaire
Manager Procurement

Key Operational Accomplishments

1. Strengthening Internal Capacity, processes, and systems

UDC strives to strengthen internal capacity to execute her mandate with focus on practicing good corporate governance, improving UDC's investment and enterprise management competence, building capacity of internal stakeholders, improving efficiency through adoption of technology, improving financial management and operationalizing support functions for improved overall performance and productivity.

During the year, the Organizational capacity of UDC was improved through staff recruitments for positions of project officer-Agro Industrialization as well as a Senior Human Resource Officer.

Despite the statutory restrictions during the outbreak of covid-19, physical activities continued to take place with major setbacks. Adoption of working strategies was undertaken to ensure continuity of UDC business.

Management meetings continued to take-place virtually with an aim of providing operational direction across the corporation. More effort was put on supporting subsidiaries that were worst affected by Covid 19 pandemic through MoUs to streamline proper use of Covid 19 funds by companies that received relief funds.

The corporation received twenty-eight (28) applications seeking funding. Due diligence was conducted and funds disbursed to companies that fulfilled terms and conditions set out in the request for funds documents.



28

The number of companies that sought Covid -19 support funding

Additional office space was also acquired in the wake of increasing staff numbers, along with new ICT office infrastructure. The investment framework was boosted through development working sessions facilitated by Manufacturing Africa – McKinsey, to improve staff capacity in the appraisal of investments.

UDC also undertook the induction of members of the Board of Directors in a bid to strengthen the Strategic resourcing and Corporate governance.

2. Leverage partnerships and networks to optimize resources and foster collaboration

UDC recognizes the importance of strategic partnerships and networks in the achievement of its mandate. We envisage that with the key development partnerships, key Operations and Management partnerships, co-investment partnerships as well as good relations with other relevant implementation partners, our long-term Strategic Plan will be realized.

UDC continued to explore possible partnerships with strategic external partners such as NORFUND (Norway) and United Green Group (United Kingdom). The purpose of the partnerships engagements is to enhance economic development agenda for Uganda through supporting sectors such as agro industry and renewable energy.

The engagements agreed that UDC would provide suitable investment opportunities to these partners on behalf of government of Uganda. UDC and (NORFUND & United Green Group) signed Non-Disclosure Agreements to facilitate free exchange of information and build trust among the parties. MoU's on strategic cooperation with National Planning Authority and Uganda Coffee Development Authority were signed with the ambition of collaboration and value addition in the respective production chains

3. Investment in strategic and sustainable investments geared to overall economic and industrial development of Uganda

UDC has continually identified areas of potential in which the country can tap and increase her global market share thereby driving the industrial and economic development of the country. UDC, through the Strategic Plan selected priority sectors that have the greatest multiplier effect on the Ugandan economy, those that maximize the utilization of local raw materials as well as those that improve the country's trade position. The key sectors are

agro-manufacturing, mineral sector and strategic investments outside agro-manufacturing and minerals sector with the planned investments.

UDC has set out to invest and support industrial development at strategic level. We boast of multiple operating and manufacturing projects countrywide across a large divide of specialties. Over the year, these have exhibited tremendous growth in commercial sales, supply of raw materials and agricultural inputs, development of new products and created jobs through specialties at different stages of the production chains



UGANDA DEVELOPMENT CORPORATION

FY 2021/22 ANNUAL WORK PLANS

1. Operations Workplan FY 2021/22
2. Development Projects Workplan FY 2021/22



UDC Operations Workplan FY 2021/22

WORK PLAN FOR UDC OPERATIONS (WAGE AND NON-WAGE) FY 2021-2022				
VF Output Code	VF Out put	Annual Planned activities	Annual Planned outputs	Timelines
	Wage & Non Wage	Board and staff training and development	Trained Board members and staff	01-04
		Staff salaries, allowances and benefits paid	Payment of staff salaries, benefits (NSSF, gratuity)	01
		Insure staff (Medical and Workman Compensation)	Staff insured	01
		Advertise for recruitment of staff	Advertised in the print media for recruitment of staff	Q1 & 03
		Undertake monitoring and evaluation of on-going investments;	Prepared Project progress reports	01 - 04
		Undertake due diligence on potential projects, bench marking studies	Due diligence reports on potential projects prepared	01-04
		Enhance public relations of the corporation	Public Relations Enhanced	01 - 04
		Conduct board meetings and other related board activities	Board meeting reports	Q1 04
		ICT services subscriptions	internet subscription, antivirus & domain renewal, electronic recovery program etc	01 - 04
		Procure furniture and fixtures	Furniture and fixtures procured	01-02
		Procure consultancy firms on financial, HR, Legal services and ERP (Project management system,	Customised financial reports, well managed legal and recruitment processes	Q1-02
		Procure Computers, printers and computer accessories	Computers, printers and accessories procured	01-02
		Procure transport equipment	Vehicle procured	01
		Operations Support (rent, utilities, security, equipment maintenance etc) and administrative services(welfare, staff lunch, fuel & lubricants, vehicle maintenance etc)	Rent, utilities, security, equipment maintenance etc & administrative services i.e welfare, fuel & lubricants, vehicle maintenance etc, travels done	Q1 - 04

Development Projects Workplan FY 2021/22

WORKPLAN FOR UDC DEVELOPMENT PROJECTS FOR FY 2021/2022				
Zombo tea factory				
VF Output Code	VF Output	Annual Planned activities	Annual Planned outputs	Quarter of Undertaking
	Zombo tea factory	Develop a master plan, detailed technical engineering designs, Environmental & Social Impact Assessment, geo-technical	Developed a master plan, detailed technical Engineering designs, Bills of Quantities (BOQs) & Environmental & Social Impact (Assessment (ESIA) and geo-technical survey reports	Q2-03
		Develop technical engineering design, BOQs and service the land with water and electricity	Detailed technical design, Bills of quantities (BOQs) developed & water and electricity extended to the provide site	Q3-Q4
		Construct an access road to the project site	Access road to the project site constructed	03-04
		Monitor progress on (implementtaion of the project activities	project progress reports pro-duced	03-04
		procure a vehicle	vehicles procured	01
Luwero Fruit factory				
VF Output Code	VF Output	Annual Planned activities	Annual Planned outputs	Quarter of Undertaking
	Set up a fruit processing factory in Luwero	Construction of the fruit factory	Construction of the fruit factory commecned	02-04 02-04
		Procure, install & commission (machinery & equipment	Supplied, installed & commisssioned machinery & equipment	02-04
		Monitor progress on implementtaion of the project activities	project progress reports produced	02-04
		Porcure vehicles	vehicles procured	01
Set up a sheet glass plant				
VF Output Code	VF Output	Annual Planned activities	Annual Planned outputs	Quarter of Undertaking
	Set up a Sheet glass plant	Carry out exploration studies on white silica sand & other raw materials required in the production of sheet glass	Prepared exploration studies reports	01-02
		Conduct community sensitization on exploration activities	sensitization reports produced	Q1-Q2
		Undertake a feasibility study	feasibility study report produced	04

WORKPLAN FOR UDC DEVELOPMENT PROJECTS FOR FY 2021/2022

Nwoya fruit factory

VF Output Code	VF Output	Annual Planned activities	Annual Planned outputs	Quarter of Undertaking
	Nwoya fruit factory	Acquire equity in fruit facility	Equity acquired in Nwoya Fruit factory	02

Soroti fruit factory

VF Output Code	VF Output	Annual Planned activities	Annual Planned outputs	Quarter of Undertaking
	Soroti fruit factory	Supply and install additional processing equipment	Supplied and installed additional processing equipment	01-03
		Purchase of fruits	fruits purchased	01-04

Feasibility/ business plans and valuation studies

VF Output Code	VF Output	Annual Planned activities	Annual Planned outputs	Quarter of Undertaking
	Feasibility / business plans/ business valuation studies on potential investments	Undertake feasibility/business plans / business valuation on potential investments in agro- industrialization, manufacturing & mineral beneficiation (Lira spinning mill, meat processing, Kasese spinning mill, granite manufacture, soluble coffee plant	Prepared final feasibility/ business plan/ business valuation reports on potential investments in agro- industrialization, manufacturing & mineral beneficiation	01-04



UDC ... the year in Pictorial

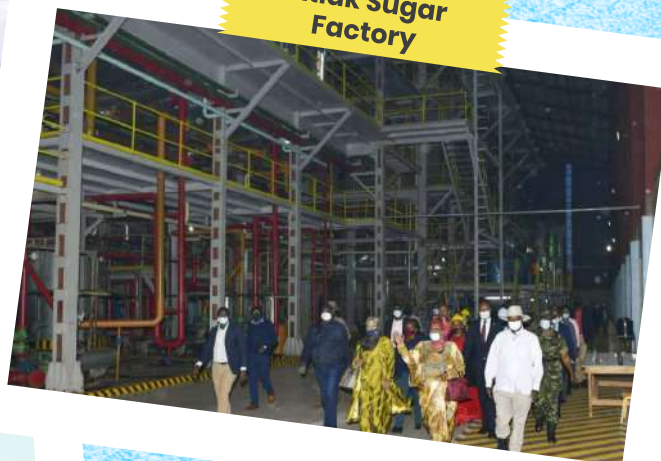
**Mpanga Growers
Tea Factory**



**Mutuma Commercial
Agencies Ltd**



**Atiak Sugar
Factory**



**Soroti Fruits
Factory**



**Kayonza Growers
Tea Factory**



Kigezi Highland Tea Ltd



Mabale Growers Tea Factory



Kalangala Infrastructure Services



Bukona Agro Processors Ltd



FINANCIAL STATEMENTS





UGANDA DEVELOPMENT CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2021

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

PRINCIPAL PLACE OF BUSINESS

Uganda Development Corporation
5th Floor Soliz House
Plot 23, Lumumba Avenue
P. O. Box 7042
KAMPALA

BANKERS

Bank of Uganda
Plot 37/45, Kampala Road
P. O. Box 7120
KAMPALA

Centenary Rural Development Bank Limited
Plot 44-46 Kampala Road and Plot 2 Burton Street
P. O. Box 1892
KAMPALA

Dfcu Bank
Plot 26, Kyadondo Road, Nakasero
P. O. Box 70
KAMPALA

AUDITORS

Office of the Auditor General
P. O. Box 7083
KAMPALA

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

REPORT OF THE DIRECTORS

1 UDC Vision and Mission

The Uganda Development Corporation (UDC) is a body corporate established under the Uganda Development Corporation Act 2016. The Corporation is set up with the primary objective of promoting and facilitating industrial and economic development of Uganda. The Objective of the Corporation shall be met through:

- i. establishment of subsidiary and associated companies;
- ii. entering into public private partnerships with any commercial, industrial or agricultural undertaking or enterprises;
- iii. using public private partnerships, assisting in financing and management of undertakings promoting industrial or economic development; and
- iv. promoting and facilitating research into industrial development.

The functions for which the Uganda Development Corporation is set up are to:

- i. Facilitate Government investment in strategic sectors of the economy for the purposes of industrial and economic development.
- ii. Promote, facilitate and implement public private partnerships in areas related to the objective of the Corporation.
- iii. Enter into joint ventures or other arrangements with any domestic or foreign entity for the purposes of fulfilling the objective of the Corporation.
- iv. Take over the interest of Government in Amber House Limited, Embassy House, Development House, Munyonyo Commonwealth Resort, Nile Hotel Limited, Phenix Logistics, and Tri-Star Apparels Limited; and to manage, promote and facilitate the interest of Government in those entities.
- v. Act as one of the implementing agencies of public private partnerships on behalf of Government.
- vi. Promote, finance or guarantee the financing of any undertaking in Uganda or outside Uganda, where Government is in partnership or joint venture with another entity, and
- vii. Cooperate with research organizations in furtherance of the objective of the Corporation

UDC Vision

To be the leading driver of industrial development for the social and economic transformation of Uganda.

UDC Mission

To undertake sustainable investments for the social and economic transformation and prosperity of Uganda.

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

REPORT OF THE DIRECTORS (Continued)

2 Principal Activities

UDC has been involved in the following activities in the Financial Year 2020/2021:

- a) Operationalization and monitoring of entities in which the Corporation has invested e.g Kalangala Infrastructure Services Ltd, Soroti Fruit Factory.
- b) Investment in different sectors and entities e.g Mabale Tea Factories, Horyal Investment Holding Company Ltd, Mutuma Commercial Agencies Ltd, Kaaro Koffi limited, Bukona Agro-processors Ltd, Alfasan Uganda Ltd, Kigezi Highland Tea Limited, Kayonza Tea Factory.
- c) Identification and carrying out due diligence, appraisal and valuation on proposed investments e.g Budadiri Arabica Coffee, Yumbe Fruit Factory, Luwero Fruit Factory, Zombo Tea Factory, Establishment of a Gamma Irradiation (SPS sanitization) Facility, Cassava Value Chain study.
- d) Exploration activities and studies on mineral projects e.g Moroto Cement Plant, Lake Victoria Glass Project, and Lake Katwe Salt Project.
- e) Take-over of Government assets in entities listed in schedule II of the UDC Act i.e Nile Hotel International Ltd.

3. Soroti Fruit Factory

The Soroti Fruit Factory (SOFTE) is a Government directed intervention aimed at supporting value addition in fruit processing for the promotion of industrial growth, income diversification and increasing household incomes in the Teso Region by providing a readily accessible and fairly priced market for their fruit produce. Teso Region comprises the Districts of Soroti, Kumi, Bukedea, Katakwi, Amuria, Serere, Ngora and Kaberamaido and is the leading producer of citrus fruits in the country.

The factory was built through a joint venture partnership between UDC and private sector (Teso Tropical Fruit Cooperative Union) with funding from Government of Uganda and a grant from the Government of South Korea represented by KOICA. Although KOICA pledged a Grant of US \$ 7.4 million for a Turnkey Factory (construction and machinery purchase, installation and commissioning), KOICA indicated that the final spend on the factory increased to US \$ 8m. The capacity of the factory is 6MT/hour of oranges and 2MT/hour of mangoes.

The factory was launched by H.E. the President of Uganda on 13th April 2019 and full commercial operations commenced in October 2019. The company's operations however, were negatively affected by the Covid-19 pandemic considering that the pandemic and the resultant lockdowns commenced in March 2020 just 6 months into the factory's commencement of operations. Despite the effects of the lockdown, SOFTE made sales amounting to Ushs. 818.8m from ready to drink juice and concentrates during the year under review.

4. Nile Hotel International Limited

Nile Hotel International Limited (NHIL) is a company incorporated under the Companies Act of Uganda with the principal activity of monitoring the operations of TPS Uganda Limited (the company to which GOU leased the property housing Serena Hotel Kampala), monitor the concession in accordance with the concession and lease agreement as well as undertaking new investments as may be determined by the Board.

In accordance to schedule II of the UDC Act 2016, NHIL was transferred to UDC during the year ended June 2021 following signing and registration of transfer resolutions by the former shareholders i.e Hon. Minister of Finance, Planning & Economic Development and Hon. Minister of State for Finance (Privatisation & Investment).

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

REPORT OF THE DIRECTORS (Continued)

The company made a profit of Ushs 75.5m compared to Ushs 1.1bn in June 2020. This has been due the effects of the Covid-19 pandemic which has negatively affected the hospitality sector, the Concessionaire, TPS Uganda Limited inclusive.

5. Kalangala Infrastructure Services

Kalangala Infrastructure Services is a Public Private Partnership arrangement mandated to improve infrastructure on Bugala Island in Kalangala District. It is a USD 50 million project. To facilitate the PPP arrangement, a special purpose vehicle in the names of "Kalangala Infrastructure Services Ltd" was formed. GOU, through UDC acquired 45.7% Ordinary shares and 45.7% convertible preference shares in Kalangala Infrastructure Services Ltd (KIS).

As at 30th June 2021, the following achievements had been recorded:

- i. Road works –rehabilitation, expansion and upgrade of the 66km main island road to class B gravel road was completed and being used by the community.
- ii. Ferry services – Two ferries were operating between Bukakata and Luuku i.e MV Sseese and MV pearl. A total of 5,568 ferry crossings were done by the 2 ferries during the period ended 30th June 2021 out of the projected total of 5,171. The increase was attributed to enforcement of social distancing SOPs in consideration of the increased traffic during the period.
- iii. Power supply construction - KIS is mandated to generate and sell Electricity on Bugala island. The hybrid plant is 1.6 MW, comprising of 1 MW of thermal (Diesel Gen set) and 0.6 MW peak of Solar generation. This system is connected to 33 KV mini grid and distribution transformers to serve the various load centres. The operations commenced in April 2015 with takeover from UEDCL of the Kalangala Town Council 8KM mini-grid which had 451 (9 commercial and 442 domestic) customers connected. By 30th June 2021, a total of 4,857 customers have been connected to the grid compared to 4,450 connections in June 2020. Despite the effects of Covid-19 however, the average consumption rate (KWh/customer) increased due to the sudden uptake of power by OPUL for running the factory in November 2020. It was further boosted by the renewal of investment on power extension by Rural Electrification under Electricity Connection Policy (ECP); the project undertaken by KIS on behalf of REA.
- iv. Water supply construction - rehabilitated and expanded Kalangala Town Council water system and constructed 5 water supply systems for Kasekulo, Mulabana, Kagulube, Nakatiba and Mulore. A total of 1,220 customers had been connected with consumption of 16,205 cubic meters in the quarter ended 30th June 2021 compared to 1,074 customers in June 2020. The increment in consumption and connections was due to Government having continued to lift lockdown restrictions.

The company is however, experiencing a number of challenges among which include:

- Inconsistent demand pattern due to effect of COVID -19 Pandemic.
- High cost of operation due frequent lightning incidences
- Fast deteriorating pole structures, owing to rising water level in Lake Victoria.
- The rising water levels have also damaged water intake structures in three water sites i.e Mwena, Kagulube and Mutambala.

No funds were allocated to Kalangala Infrastructure Services in the period ended 30th June 2021.

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

REPORT OF THE DIRECTORS (Continued)

6. Investments in Tea Sector

This is a Government wider strategy to promote value addition along the various agro industry value chains. In line with the strategy, Uganda Development Corporation has undertaken investments in various tea factories i.e. Kabale, Kisoro, Kayonza and Mabale. In addition, UDC is establishing a tea factory in Zombo, Nebbi District.

The Corporation investment in the tea sector is being implemented through acquisition of equity stake in the partner tea factories with the exception of Kabale and Kisoro tea factories where UDC offered lease financing.

In addition, Government of Uganda extended a grant to UDC to support tea planting in Kigezi region to boost the green leaf supply to the two (2) tea factories in Kabale and Kisoro to which UDC extended a finance lease.

As at 30th June 2021, the key accomplishments were as follows:

- i **KHTL (Kabale & Kisoro tea factories):** Procured machinery and equipment for Kabale and Kisoro tea factories. UDC also procured auxiliary equipment for Kabale and Kisoro tea factories such as Generators and Trucks. All the equipment and auxiliary equipment were given under a finance lease. The factories were commissioned on 1st August 2018 and they are currently operational.

The factories average production for the period before Covid-19 pandemic was 120MT of readymade tea per month. This translates into average sales of USD 200,000 per month through the Mombasa tea auction. In addition, the factories were on average injecting UGX 240m per month in purchase of green leaf, payment of wages & utilities since commissioning them in August 2018 with 240 people directly employed by the 2 factories and about 3,000 indirect jobs created (comprising farmers & other players involved in the tea value chain).

However, due to Covid-19 pandemic, the two factories' operations were affected. The average monthly sales declined by approximately 50% i.e to an average of USD 100,000 per month.

The factories' operations were also affected by inadequate green leaf and to ensure continued production and therefore payment of the extended lease to KHTL, the GOU extended a Ushs. 50bn grant for tea planting in the Kigezi region to increase on the amount of green leaf for the 2 factories. By close of the financial year, a total of 6.7m tea seedlings out of the total number of 10m tea seedlings had been planted and verified by UDC following a strategic intervention agreement between Kigezi Highland Tea Limited (KHTL) and UDC in line with the grant for tea planting in the Kigezi region.

- ii **Kayonza Tea Growers Factory:** The supply, installation and commissioning of a 3rd tea processing line for Kayonza tea factory was completed in February 2020.

The factory averaged exports of USD 850,000 per month in the period ended 30th June 2021. The employment levels stood at 740 workers inclusive of the estate workers and only 20 workers were added as a result of the installation of the 3rd CTC line.

- iii **Mabale Growers Tea Factory Limited (MGTF):** UDC managed to stop the foreclosure on the factory by KCB Bank through injection of funds based on a Memorandum of Agreement (MOA) cleared by the Solicitor General. The factory was fully operational following recruitment of a new General Manager and provision of working capital.

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

REPORT OF THE DIRECTORS (Continued)

Since UDC's intervention to revive MGTFL in March 2020, the factory has been able to export 2,169,349 kgs of made tea to Mombasa Tea Auction earning USD 2,146,835. In addition, a total of Ushs 4,574,391,485 has been injected into the local economy through the purchase of green leaf from farmers and transport.

However, the factory's operations were also affected by Covid-19 especially sales. The industry has been hit by poor market prices due to reduced demand for tea arising from the global effect of Covid-19 and the effect the pandemic has had on the buyers. The company also faces delays in made tea transportation as a result of increased boarder restrictions/clearance protocols, delays in imports for spares, packaging materials and other imports. All these have reduced sales, increased the cost of production and storage costs therefore affecting the overall performance of the company.

- iv **Zombo Tea Factory:** UDC was in the process of undertaking viability studies to inform decision making on the project. The first draft for the feasibility study had been submitted by the consultants by close of the financial year.

7. Directors

The composition of UDC Board during the period was as follows:

Name	Position
Mr. Hamu Mugenyi	Chairperson
Mr. Andrew Rugasira	Member
Ms. Josephine Okot	Member
Mr. Godfrey Byamukama	Member
Mr. Ramathan Ggoobi	Member
Ms. Miriam Magala	Member
Dr. Patrick B. Birungi	Member/Executive Director

The Board term however expired on 24th October 2020.

8. Financial Position

The financial position as at 30th June 2021 is set out on page 10.

9. Reserves

The reserves of the Corporation are set out on page 9.

10. Other Remarks

There is need to expedite Capitalization of the Corporation and appointment of the Board to enable UDC fulfill the mandate of promoting, spearheading and facilitating the economic and industrial development of Uganda.

11. Auditors

The Office of the Auditor General is the Auditor of UDC as per S.27(1) of the UDC Act.


Executive Director

1/12/2021

**UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Uganda Development Corporation (UDC) is a body corporate established under the Uganda Development Corporation Act 2016. The Corporation is set up with the primary objective of promoting and facilitating industrial and economic development of Uganda

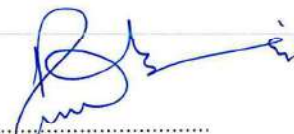
UDC operated as a Subvention under the Ministry of Trade, Industry and Cooperatives during the period ended 30th June 2021.

The Board is responsible for preparing financial statements for a given financial year reflecting a true and fair view of the state of affairs of Uganda Development Corporation and its subsidiaries. The Board also ensures that the Corporation and its subsidiaries keep proper accounting records that disclose, with reasonable accuracy, the financial position of the Group. The Board is also responsible for safeguarding the assets of the Group. The term for the UDC Board expired on 24th October 2020 and a new Board is yet to be appointed.

Management on behalf of the Board therefore accepts 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. Management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Corporation and for the period. Management further accepts 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.



.....
Director, Finance & Administration



.....
Executive Director

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30TH JUNE 2021


	Note	June 2021 Ushs '000	June 2020 Ushs '000 Re-stated
Revenue	3	818,761	166,311
Cost of sales	4	(2,133,377)	(1,467,403)
Gross profit		(1,314,617)	(1,301,093)
Concession fees	5	722,068	-
Government Subvention	6	10,781,271	5,438,096
Other Income	7 & 8	763,441	164,171
Finance income	25	459,814	459,814
Grant income	26	15,339,073	1,588,316
		26,751,051	6,349,305
Operating costs	9	(646,891)	(470,463)
Sales and Distribution	10	(983,165)	(373,859)
Finance & Administration Costs	11	(9,550,281)	(6,737,267)
Research and Development costs	13	(553,361)	67,456
Trial runs and commissioning costs	14	-	795,276
Capacity building and facilitation to farmers	15	-	3,541,590
Infrastructure costs	16	-	3,447,592
Share of profit (loss) of Associates	23	1,314,795	1,976,179
Tea planting expenses	26	(2,318,164)	(855,662)
Sugar cane transportation expenses	26	(10,665,787)	-
Gain/loss on disposal/de-consolidation of subsidiary		-	(13,340,272)
Depreciation and amortisation	12	(2,537,085)	(1,960,502)
Foreign Exchange losses/gains	17	(259)	237,187
Profit (loss) from operations		810,853	(7,323,438)
Income tax	37	(745)	-
Profit (loss) for the period		810,108	(7,323,438)
		-	-
Profit (loss) attributable to owners of the Corporation		2,176,828	(5,986,908)
Non-controlling interests		(1,366,721)	(1,336,530)
		810,108	(7,323,438)

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

	Note	June 2021 Ushs '000	June 2020 Ushs '000 Re-stated
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	18	39,242,767	40,826,656
Intangible Assets	19	12,105	-
Investment Property	20	225,220,000	-
Development Investments & Projects	21	24,587,040	6,285,536
Exploration Expenditure	22	729,601	323,208
Investments in Associates	23	97,011,181	89,696,385
Finance Lease Receivables	25	8,513,580	9,665,841
Other Financial Assets	24	34,210,242	15,830,242
		429,526,516	162,627,870
Current Assets			
Finance Lease Receivables	25	1,612,075	-
Trade and Other Receivables	28	3,059,141	1,275,320
Interest Receivable	29	145,863	-
Amount due from TPS	30	1,440,586	-
Held to maturity investments	31	4,750,000	-
Inventory	32	2,535,150	2,317,189
Bank and Cash Balances	27	82,711,478	14,444,392
		96,254,293	18,036,902
TOTAL ASSETS		525,780,809	180,664,772
EQUITY & LIABILITIES			
Equity			
Capitalization Grants	33	311,891,429	182,218,866
Revaluation Reserves		205,909,291	-
Accumulated Reserves	34	(22,223,798)	(31,578,131)
Equity Attributable to Owners of the Corporation		495,576,922	150,640,734
Non-controlling interests	36	(3,763,343)	(2,424,230)
Total Equity		491,813,580	148,216,504
Long-term Liabilities			
Government Grants –non-current portion	26	23,318,064	28,279,209
Deferred Income Tax Liability	37	1	-
		23,318,065	28,279,209
Current Liabilities			
Government Grants -current portion	26	9,680,999	3,769,228
Trade payables & other payables	38	968,164	399,831
		10,649,164	4,169,059
TOTAL EQUITY & LIABILITIES		525,780,808	180,664,772

These financial statements are signed on behalf of management by:


 1/12/2021
 Patrick B. Birungi, PhD
 Executive Director


 1/12/2021
 Ms. Christine K. Zake
 Director, Finance & Administration

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30TH JUNE 2021

	Note	June 2021 Ushs '000	June 2020 Ushs '000 Re-stated
OPERATING ACTIVITIES			
Net cash flows from operating activities	39	(14,789,030)	6,363,650
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	18	(916,039)	(11,131,678)
Acquisition of Intangible assets	19	(12,337)	-
Purchase of Shares in associates	23	(6,000,000)	(23,103,853)
Development Investments	21	(18,301,503)	(3,991,413)
Exploration Costs	22	(406,393)	(298,460)
Disposal of old assets		-	65,965
Fixed Deposit Interest Income	8	738,219	143,559
Decrease/increase in finance lease receivables	25	(459,814)	(459,814)
Increase in other financial assets	24	(18,380,000)	(8,516,147)
Net cash flows from investing activities		(43,737,868)	(47,291,841)
FINANCING ACTIVITIES			
Capital contribution	33	110,199,787	37,728,427
Subvention for Capital items	26	455,190	465,561
Dividends paid		(101,051)	-
Conditional Grant (Tea planting)	26	-	5,000,000
Conditional Grant (Busoga Sugar Cane transportation subsidy)	26	16,000,000	-
Net cash flows from Financing activities		126,553,926	43,193,988
Net increase (decrease) in cash and cash equivalents		68,027,028	2,265,797
Cash and cash equivalents at beginning of the year		14,684,450	12,178,595
Cash and cash equivalents at year end		82,711,478	14,444,392

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

STATEMENT OF CHANGES IN EQUITY AS AT 30TH JUNE 2021

	Attributable to owners of the Corporation				Non-controlling interest	Total Equity
	Revaluation Reserve Ushs '000	Corporation Capitalization Ushs '000	Retained Earnings Ushs '000	Total Ushs '000	Ushs '000	Ushs '000
As at July 1, 2020 (Re-stated)	-	182,218,866	(31,578,131)	150,640,734	(2,424,230)	148,216,504
Opening balance - Consolidation of NHIL	205,909,291	19,472,776	6,632,493	232,014,561	-	232,014,561
Contribution to Assets & Dev Projects (GOU)	-	110,199,787	-	110,199,787	-	110,199,787
Profit/Surplus for the period (UDC)	-	-	8,132,886	8,132,886	-	8,132,886
Profit for the period (NHIL)	-	-	83,445	83,445	-	83,445
Share of profits for Corporation/NCI	-	-	(5,494,490)	(5,494,490)	(1,339,112)	(6,833,603)
As at 30 June, 2021	205,909,291	311,891,429	(22,223,798)	495,576,923	(3,763,342)	491,813,580

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS

1 Corporation Information

- 1.1 The Uganda Development Corporation (UDC) is a body corporate established under the Uganda Development Corporation Act 2016. The Corporation is set up with the primary objective of promoting and facilitating industrial and economic development of Uganda.

The Corporation had 2 subsidiaries during the year ended 30th June 2021 i.e. Soroti Fruits Limited and Nile Hotel International Limited.

1.2 Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention.

1.3 Functional Currency

The consolidated financial statements are presented in Uganda shillings which is the Corporation's functional and presentation currency rounded to the nearest thousand.

2 Accounting Policies

2.1 Investments in Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

2.2 Non-Controlling Interests (NCIs)

NCIs are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2.3 Loss of control

The assets and liabilities of a subsidiary and any other related NCIs and OCI are derecognized when the Group loses control over the subsidiary. Any resulting gain or loss is recognized in profit or loss.

2.4 Investments in Associates

Associates are those entities in which the Group has significant influence but not control over its financial and operating policies. The shareholding is usually between 20% and 50% of voting rights. The investments are accounted for using the equity method. They are initially recognized at cost and thereafter adjusted for Group's share of post-acquisition profits (losses) until the date significant influence is lost.

2.5 Foreign currency

Foreign currency transactions are recorded in Uganda Shillings at the prevailing rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency exchange differences are recognized in the statement of profit or loss in accordance with IAS 21. No foreign currency Bank Account was held during the year.

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2.6 Government Grants

The Group recognizes an unconditional government grant related to salaries and operational costs in profit or loss and other comprehensive income. Other government grants are recognized as deferred income if there is reasonable assurance that they will be received and the group will comply with the conditions associated with the grant. These are then recognized in profit or loss on a systematic basis over the useful life of the asset.

2.7 Employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

Defined contribution plans

The employees of the Group are members of defined contribution plan. Contributions to the plan are recognized in profit or loss in the year to which they relate.

2.8 Property, Plant and Equipment

Items of property, plant and equipment are recognized as assets when it is probable that the future economic benefits associated with the asset will flow to the entity, and the cost of the asset can be measured reliably in accordance with IAS 16.

Items of Property, Plant and Equipment are measured at cost less accumulated depreciation. Cost includes expenditure that directly attributable to the acquisition of the asset.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Corporation. Ongoing repairs and maintenance are expensed as incurred.

Items of Property, Plant and Equipment are depreciated for twelve months in the year of acquisition and no depreciation is charged in the year of disposal as follows:

Motor Vehicles	20%
Office Equipment	12.5%
Plant & Equipment	5% - 20%
Computers	33.3%
Furniture and Fittings	12.5%
Buildings	5%
Other assets	5% - 20%

Depreciation is calculated using Straight Line method. Assets in the course of construction (capital work-in-progress) are not depreciated.

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is recognized in the statement of profit or loss and other comprehensive income in the year the asset is derecognized.

2.9 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost comprises of all purchase costs including taxes, transport, handling and other costs incurred in bringing the inventories to the present location and condition, net of trade discounts received, on a First-In-First-Out basis. The replacement cost of inventories is considered as the net realizable value.

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2.10 Research and Development Costs

Research and Development Costs are recognized as an asset if it is probable that the future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably in accordance with IAS 38.

Other Research and Development costs are expensed through the statement of profit or loss and other comprehensive income in accordance with IAS 38.

2.11 Provisions

Provisions are recognized in accordance with IAS 37 when; the group has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation.

2.12 Contingent Liabilities

A contingent liability is a possible obligation that arises from past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation. Contingent liabilities are not recognized in the statement of financial position of the Corporation but are disclosed in the notes in accordance with IAS 37.

2.13 Accounting for Exploration costs

The Corporation adopts IFRS 6 to account for expenses incurred in the Exploration for and evaluation of mineral resources. Exploration for and evaluation of mineral resources means the search for mineral resources, including minerals, oil, natural gas and similar non-regenerative resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource is demonstrable.

The Corporation recognizes the exploration and evaluation expenditures as assets and these are presented as a separate class of assets as required in accordance with IFRS 6.

2.14 Finance Lease accounting

The Corporation applies IFRS 16 when accounting for finance leases where the Corporation is the lessor. Upon lease commencement, the corporation recognizes assets held under a finance lease as a receivable at an amount equal to the net investment in the lease where the net investment in the lease is the present value of the lease payments plus the unguaranteed residual value.

The Corporation recognizes finance income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment.

2.15 Re-statement of Financial Statements for June 2020/Prior year adjustments

The Financial Statements for the year ended 30th June 2020 have been re-stated to reflect the true picture after incorporation of the changes in Soroti Fruits Limited's financial statements which had been consolidated with UDC financial statements before the audit of Soroti Fruits Factory accounts was completed. The changes in SOFTE accounts mainly arose from re-classification of different items in the financial statements i.e cost of sales, sales and distribution costs, operating costs among others.

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 Revenue	June 2021 Ushs '000	June 2020 Ushs '000
Sales revenue	818,761	166,311
	818,761	166,311

Soroti Fruits Limited (SOFTE) trades in munge and orange ready to drink juice and concentrates and most recently lemon concentrates. The ratio of mango to orange juice is 65:35. In October 2020, the company introduced PET bottled juice on the market which helped to increase sales despite the challenges posed to the company by the Covid-19 pandemic.

4 Cost of Sales	June 2021 Ushs '000	June 2020 Re-stated* Ushs '000
Opening Stock-Packaging materials	2,285,777	1,359,797
Add: Purchases		
Oranges	197,805	1,093,722
Mangoes	125,232	127,324
Lemons	1,899	-
Additives and Reagents	276,507	8,105
Packaging materials	516,743	62,888
Less: VAT on purchases	(303,702)	(92,364)
Less: Closing Stock	(2,439,771)	(2,285,777)
Add: Direct costs (i)	1,396,678	1,193,709
Expired/Fermented Stock	76,209	-
	2,133,377	1,467,403

*The cost of sales for the comparative year have been re-stated to match the figures with the audited financial statements of SOFTE for the period ended 30th June 2020. The differences relate to re-classification of costs into administration expense, sales and distribution expenses and operating costs during the audit which resulted in increases/decreases in different amounts within the cost of sales computation.

(i) DIRECT COSTS	Ushs '000	Ushs '000
Production salaries and wages	746,019	705,060
Fuel, Lubricants and Oils	26,996	137,520
Utilities	112,756	110,174
Gratuity-Production staff	132,525	240,954
Production consumables	45,881	-
Fruits for Factory trial runs-Attoti	332,500	-
	1,396,678	1,193,709

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 Concession Fees (NHIL)	June 2021 Ushs '000	June 2020 Ushs '000
*Concession fees receivable / top-up on quarterly reconciliation	-	-
4% concession top up 3rd quarter 2020 (Management accounts)	72,566	-
4% concession top up 4th quarter 2020 (Management accounts)	296,079	-
4% concession top up 1st quarter 2021 (Management accounts)	202,529	-
Concession fees adjustment for 2020/21 based on TPS annual audit	(67,082)	-
4% concession top up 2nd quarter 2021 (Management accounts)	217,976	-
	722,068	-

On 14th January 2004, GOU and Nile Hotel International Limited entered into a concession and lease agreement with TPS Uganda Limited where by the Concessionaire was to finance, undertake and manage the refurbishment and re-development of the Complex (the former Nile Hotel and Conference Centre) to Five star standard pursuant to and in accordance with the terms & provisions of the agreement. The end date of the agreement was the 30th anniversary of the Transfer date.

Impact of the Covid-19 pandemic on the performance and liquidity of the Concessionaire:
The Concessionaire has faced low business and liquidity difficulty due to the ongoing Covid-19 Pandemic and related economic and social lock downs. As a result, the concessionaire has not paid concession fees starting from 1st April 2020 to 30th June 2021. In addition, concession top-up fees for 2019 were not paid when due. However, the concessionaire has shown preparedness to pay the outstanding concessions in installments as soon as there are indications of the situation improving.

6 Government Subvention	June 2021 Ushs '000	June 2020 Ushs '000
Government releases	137,270,758	48,500,334
Subvention used for capital items	(455,190)	(465,561)
Subvention capitalized on Development Projects	110,199,787)	(37,728,427)
Adjustment for Conditional Govt Grant for Sugar cane transportation subsidy for Busoga sugar cane growers	(16,000,000)	(5,000,000)
Differed grant income (amortization for Fixed assets)	165,491	131,750
	10,781,271	5,438,096

During the year under review, UDC operated as a subvention under Ministry of Trade, Industry and Cooperatives and received subventions through the same ministry. For the moment, UDC is solely funded by GOU. The subventions have been adjusted for government grants utilized to purchase fixed assets, capitalization grants for development projects and amortization of government grants as shown above. The rest of the subvention has been recognized in the statement of profit or loss and other comprehensive income.

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

OTHER INCOME			
7	Other Income	June 2021	June 2020
		Ushs '000	Ushs '000
	Rent from LKSP	3,480	3,480
	Payment in lieu of notice – Kiwa	4,300	-
	Other income (SOFTE)	17,442	-
	Gain on disposal of assets	-	17,132
		25,222	20,612

Income relate to rent from Lake Katwe Salt Factory Junior and Senior Quarters. Most of the tenancy agreements were terminated due to the inhabitable state of the houses. However, to avoid vandalism, tenancy agreements for a total of 8 houses which are still in habitable conditions were not terminated. UDC is exploring ways of reviving the salt factory.

8	Interest Income on Fixed Deposit	June 2021	June 2020
		Ushs '000	Ushs '000
	UDC Headquarters	316,462	143,559
	Nile Hotel International Limited	421,757	-
		738,219	143,559

The UDC Board resolved to invest funds that were not immediately required due to their respective projects still undertaking studies into fixed deposit facilities in line with Section 24 (2) of the UDC Act 2016. The interest relates to held to maturity fixed deposit investments (UGX 421.8m for Nile Hotel: UGX for UDC Hdqtrs) and interest on deposit balances earned by UDC Hdqtrs amounting to UGX 164m).

9	Operating Costs	June 2021	June 2020
		Ushs '000	*Re-stated
			Ushs '000
	Goods & services-Quality Assurance	75,305	27,474
	Waste garbage disposal, fumigation	18,280	61,002
	Insurance costs	280,709	289,453
	Maintenance - Machinery & Equipment-Operating	205,676	47,770
	Uniforms & protective gear	66,920	44,763
		646,891	470,463

*The operating costs for the comparative year have been re-stated to match the figures with the audited financial statements of SOFTE for the period ended 30th June 2020. The differences relate to re-classification of costs into administration expense, sales and distribution expenses and operating costs during the audit.

10	Sales and Distribution costs	June 2021	June 2020
		Ushs '000	Re-stated*
			Ushs '000
	Salaries-marketing	164,193	123,235
	Gratuity-sales staff	35,341	28,008
	Advertising and Public Relations	722,366	202,395
	Travel and Perdiem expenses	61,265	20,220
		983,165	373,859

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

*The sales and distribution costs for the comparative year have been re-stated to match the figures with the audited financial statements of SOFTE for the period ended 30th June 2020. The differences relate to re-classification of costs into administration expense, sales and distribution expenses and operating costs during the audit.

11 Finance & Administration Costs – Summary	June 2021	June 2020 Re-stated*
	Ushs '000	Ushs '000
Staff Costs	6,430,719	5,042,983
Non-executive directors' remuneration & board expenses	702,016	1,013,446
Operations and administrative costs	2,417,547	680,839
	9,550,281	6,737,267

*The finance and administration costs for June 2020 have been re-stated to allow for reporting of depreciation and amortization separately on the face of the statement of profit or loss and other comprehensive income.

Staff costs include net salaries, PAYE, NSSF, gratuity, insurance and staff welfare and allowances.

Details	June 2021	June 2020
	Ushs '000	Ushs '000
Staff costs	6,430,719	5,042,983
Stationery & printing	46,356	71,040
Rent	579,733	423,082
Travel & Perdiem	292,356	574,654
Cleaning & Sanitation	53,521	92,209
Newspapers, Magazines & periodicals	14,532	11,734
Workshops and meeting	69,434	101,987
Information Communications Technology	96,612	124,616
Utilities	62,081	38,965
Telephone charges	65,457	24,480
Postage and Courier	630	1,501
Subscriptions	23,277	9,955
Vehicle running- Fuel, Oils, Lubricants and Maintenance	254,241	194,571
Equipment and other Maintenance	36,107	16,899
Maintenance – Civil	6,820	1,855
Carriage, Haulage, Freight and transport hire	26,001	15,117
Bank and related Charges	15,449	12,978
Small office equipment	1,150	4,732
Short term consultancy - financial advisory	138,641	-
Guard & security services	73,726	77,368
LKSP Land valuation fees	-	51,272
Other expenses	1,263,438	1,370,926
Consolidation adjustments for SOFTE (capitalised costs)	-	(1,525,657)
	9,550,281	6,737,267

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(i) STAFF COSTS		
Salaries	4,672,373	3,648,040
Gratuity	1,016,201	854,837
Staff medical insurance	210,011	70,709
Other staff costs	532,134	469,396
	6,430,719	5,042,983

(ii) OTHER EXPENSES		
Recruitment Expenses	6,188	17,314
Advertising & Public Relations	269,808	140,227
Commissions, Fines, Penalties & Legal fees	197,650	49,450
Non-executive directors' remuneration & board expenses	702,016	1,013,446
Board allowances payable (prior year adjustment)	-	128,190
Allowances-other committees	24,642	16,750
Training	28,680	5,550
Exchange Losses/Gains	3,633	-
Other administration & management expenses	30,821	-
	1,263,438	1,370,926

12 Depreciation and Amortization	June 2021	June 2020
	Ushs '000	Ushs '000
Depreciation of Property, Plant & Equipment	2,533,340	3,121,639
Amortization of Intangible Assets	3,745	-
Consolidation adjustments for SOFTE (correction due to revision of depn rates)	-	(1,161,137)
	2,537,085	1,960,502

Please refer to Note 16 & 17 for details

13 Research & Development Costs	June 2021	June 2020
	Ushs '000	Ushs '000
Short term consultancies, due diligence, appraisals & project development costs	553,361	745,546
Prior year adjustment for SOFTE (capitalized costs)	-	(813,002)
	553,361	(67,456)

Research & development costs relate to due diligence, appraisal and other preliminary project development costs on new projects on which the Corporation has not yet established viability.

14 Trial Runs & Commissioning Costs	June 2021	June 2020
	Ushs '000	Ushs '000
Trial runs & commissioning costs (Prior year adjustment for SOFTE - capitalized costs)	-	(795,276)
	-	(795,276)

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 Capacity Building & Facilitation to Farmers	June 2021 Ushs '000	June 2020 Ushs '000
Mobilization & training of fruit farmers (Prior year adjustment for SOFTE - capitalized costs)	-	(3,541,590)
	<u>-</u>	<u>(3,541,590)</u>
16 Infrastructure Costs	June 2021 Ushs '000	June 2020 Ushs '000
Infrastructure costs (Prior year adjustment for SOFTE - capitalized costs)	-	(3,447,592)
	<u>-</u>	<u>(3,447,592)</u>
17 Foreign Exchange Gain/Loss	June 2021 Ushs '000	June 2020 Ushs '000
Realized Forex gains	-	237,187
Foreign exchange gain/(loss) on receivables from TPS/USD		
Bank balances	(259)	-
	<u>(259)</u>	<u>237,187</u>

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

18: Property, Plant and Equipment Cost	Furniture & Fittings		Computers		ICT & Data Network		Office Equipment		Folklifts		Motor Vehicles		Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
As at 1 July 2019	585,252	384,988	188,009		184,035		300,363		554,657		2,197,304		
Prior year adjustments - Capitalization of SOFTE Assets	116,780	42,827	79,277		101,310		-		-		340,195		
Additions during the period	15,840	49,712	-		27,761		-		1,175,887		1,269,200		
As at 30 June 2020	717,872	477,527	267,287		313,106		300,363		1,730,543		3,806,698		
NHIL Assets at the beginning of the year	41,876	11,895	-		8,867		-		-		62,639		
Additions during the period	151,373	144,441	-		34,152		-		418,620		748,582		
As at 30 June 2021	911,122	633,862	267,287		356,126		300,363		2,149,163		4,617,922		
Accumulated Depreciation													
As at 1 July 2019	316,601	316,128	175,300		88,962		60,073		422,271		1,379,334		
Prior year adjustments - Capitalization of SOFTE Assets	(43,705)	(88,715)	(169,954)		(17,004)		-		(29,686)		(349,064)		
Charge for the period	53,969	94,507	87,226		34,992		48,058		267,952		591,704		
As at 30 June 2020	331,866	321,921	92,572		106,950		108,131		660,537		1,621,975		
NHIL Accumulated Depn at the beginning of the year	18,931	6,910	-		3,386		-		-		29,228		
Charge for the period	75,476	102,011	58,180		38,789		38,446		269,337		582,239		
As at 30 June 2021	425,273	430,841	150,752		149,124		146,577		929,874		2,233,442		
Net carrying amount													
As at 30 June 2021	484,849	203,021	116,535		207,001		153,786		1,219,289		2,384,480		
As at 30 June 2020 (re-stated)*	386,007	155,606	174,715		206,157		192,232		1,070,007		2,184,723		
*Restated to recognize changes in SOFTE Financial statements after audit for the year ended 30th June 2020.													

*Restated to recognize changes in SOFTE Financial statements after audit for the year ended 30th June 2020.

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021
18: Property, Plant and Equipment (Continued)

	Borehole	Water Tanks	Maintenance & Electrical Equipment	Plant & Machinery	Infrastructure	Buildings	Land	Total
Cost	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
As at 1 July 2019	93,676	587,528	139,150	17,277,190	-	14,171,714	1,139,008	33,408,266
Prior year adjustments - Capitalization of SOFTE Assets	4,033	10,161	-	6,208,978	3,536,000	10,629	(1,030,512)	8,739,288
Additions during the period	-	-	-	119,634	-	-	-	119,634
As at 30 June 2020	97,710	597,688	139,150	23,605,803	3,536,000	14,182,343	108,496	42,267,189
NHIL Assets at the beginning of the year	-	-	-	-	-	-	-	-
Additions during the period	42,443	74,314	-	28,630	-	22,067	-	167,453
As at 30 June 2021	140,153	672,002	139,150	23,634,433	3,536,000	14,204,409	108,496	42,434,642
Accumulated Depreciation								
As at 1 July 2019	9,759	146,882	55,660	863,860	-	831,233	-	1,907,394
Prior year adjustments - Capitalization of SOFTE Assets	(5,761)	(87,223)	(50,094)	(242,011)	212,146	(498,102)	-	(671,046)
Charge for the period	4,794	26,901	26,717	1,471,842	166,192	692,461	-	2,388,907
As at 30 June 2020	8,791	86,561	32,283	2,093,691	378,338	1,025,592	-	3,625,255
Charge for the period	6,568	29,272	21,373	1,077,037	157,882	658,941	-	1,951,074
As at 30 June 2021	15,359	115,833	53,656	3,170,728	536,221	1,684,533	-	5,576,329
Net carrying amount								
As at 30 June 2021	124,794	556,169	85,494	20,463,705	2,999,779	12,519,876	108,496	36,858,313
As at 30 June 2020 (re- stated)	88,918	511,128	106,867	21,512,112	3,157,661	13,156,751	108,496	38,641,933

*Restated to recognize changes in SOFTE Financial statements after audit for the year ended 30th June 2020.

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19: Intangible Assets

	Quick Books	Premavilla - Project Management	Microsoft Office Licenses	Total
Cost	Ushs '000	Ushs '000	Ushs '000	Ushs '000
As at 1 July 2020	4,981	4,850	-	9,831
Additions during the period	-	-	12,337	12,337
As at 30 June 2021	4,981	4,850	12,337	22,169
Accumulated Amortization				-
As at 1 July 2020	4,546	1,772	-	6,318
Charge for the period	435	1,601	1,707	3,742
As at 30 June 2021	4,981	3,372	1,707	10,060
Net carrying amount				-
As at 30 June 2021	-	1,478	10,631	12,105
As at 30 June 2020	435	3,078	-	3,513

20: Investment Property*

	Land	Buildings	Total
	Ushs '000	Ushs '000	Ushs '000
As at 1 July 2020	140,000,000	85,220,000	225,220,000
Fair value gain/(loss)	-	-	-
As at 30 June 2021	140,000,000	85,220,000	225,220,000
As at 1 July 2019	125,700,000	62,910,000	188,610,000
Fair value gain/(loss)	14,300,000	22,310,000	36,610,000
As at 30 June 2020	140,000,000	85,220,000	225,220,000

*Investment Property Valuation: The fair value of the company's investment property, land and buildings on Plot 16-20 Nile Avenue, LRV 2466 Folio 11, Kampala at 30 June 2019 was arrived at on the basis of a valuation carried out retrospectively as at 17th December 2018 by CMT Realtors Limited (Chartered Surveyors), independent professional valuers that are not related to the company.

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 Development Projects/Investments

(a) Luwero Project	June 2021 Ushs '000	.June 2020 Ushs '000
Opening Balance	376,067	367,142
Additions in the year	-	8,925
Closing Balance	376,067	376,067
(b) Tea Project (Kayonza CTC Machinery)	June 2021 Ushs '000	.June 2020 Ushs '000
Opening Balance	4,358,266	356,860
Additions in the year	-	4,388,774
Less: Devt project costs expensed (to R&D)	-	(387,367)
Closing Balance	4,358,266	4,358,266
(c) Zombo Project	June 2021 Ushs '000	.June 2020 Ushs '000
Opening Balance	65,959	-
Prior Year Adjustment	-	63,826
Additions in the year	-	2,133
Closing Balance	65,959	65,959
(d) Lake Katwe Salt Project	June 2021 Ushs '000	.June 2020 Ushs '000
Opening Balance	979,240	-
Prior Year Adjustment	-	979,240
Additions in the year	-	-
Closing Balance	979,240	979,240
(e) Lake Victoria - Sheet Glass project	June 2021 Ushs '000	.June 2020 Ushs '000
Opening Balance	222,247	-
Prior Year Adjustment	-	246,995
Additions in the year	-	(24,748)
Closing Balance	222,247	222,247
(f) Moroto Ateker - Cement project	June 2021 Ushs '000	.June 2020 Ushs '000
Opening Balance	270,634	-
Prior Year Adjustment	-	266,937
Additions in the year	-	3,698
Closing Balance	270,634	270,634

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(g) Mutuma Commercial Agencies Ltd	June 2021 Ushs '000	June 2020 Ushs '000
Opening Balance	-	-
Additions in the year	2,500,000	-
Closing Balance	2,500,000	-
(h) Alfasan Uganda Ltd	June 2021 Ushs '000	June 2020 Ushs '000
Opening Balance	-	-
Additions in the year	947,648	-
Closing Balance	947,648	-
(i) Bukona Agro-processors Ltd	June 2021 Ushs '000	June 2020 Ushs '000
Opening Balance	-	-
Additions in the year	11,765,715	-
Closing Balance	11,765,715	-
(j) Kaaro Koffi Limited	June 2021 Ushs '000	June 2020 Ushs '000
Opening Balance	-	-
Additions in the year	3,068,182	-
Closing Balance	3,068,182	-
(k) Soroti Fruits Limited	June 2021 Ushs '000	June 2020 Ushs '000
Opening Balance	13,123	-
Prior Year Adjustment	-	13,123
Additions in the year	19,958	-
Closing Balance	33,081	13,123
Total Development Projects/Investments	24,587,040	6,285,536

(a) Luwero Project

The Luwero project is a proposed factory to produce pineapple and other fruits in the greater Luwero Region. A feasibility study was completed in October 2013, is being re-validated following budget allocation to the Corporation for implementation of Luwero Fruit Factory Project.

(b) Tea Project (Kayonza CTC Machinery)

On 27th April 2018, Uganda Development Corporation (UDC) entered into a contract with Vikram India Limited for the supply, installation and commissioning of a 600kg/Hr CTC Tea processing equipment (3rd line) for Kayonza Tea Factory at a total contract sum of Shs. 4,358,265,911 (Four Billion Three Hundred Fifty Eight Million Two Hundred Sixty Five Thousand Nine Hundred Eleven Shillings Only).

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

All machinery was delivered and installed at Kayonza tea factory site in the financial year ended June 2020 and the funds spent have been recognized under development projects pending finalization of the form of engagement.

(c) Zombo Project

UDC is in the process of undertaking viability studies to inform decision making regarding the Zombo project.

(d) Lake Katwe Salt Project

UDC owns property in Kasese District. This property is located in Katwe Kabatooro town council. It comprises of: the remains of the dilapidated Lake Katwe Salt Factory; dilapidated Senior quarters (12 Bungalows) and junior quarters (10 blocks). To avoid vandalism at the quarters, a total of 8 houses which were still in a fairly habitable condition were rented out to tenants. Land titles for 3 plots of land were acquired with land valued at UGX 979.2m. The process of acquiring land titles for the remaining two plots was on-going by close of year.

The project is at a stand-still at the moment following the failure to obtain a mining lease from the Department of Geological Surveys and Mines. The same was given out to a private party and UDC is exploring ways of implementing the projects in light of the developments at hand.

(e) Lake Victoria - Sheet Glass project

LVGW was incorporated in 2015 with a mandate to carry on the business of mining, extracting, manufacturing, processing, of all types of glass & mirror from white silica sand. UDC holds 70% of the shares of the limited liability company with the remaining shares being held by KIMU Investments Ltd. Due to the fact that the project is still in development stage, the investment was re-classified under Development Projects until the project is flagged off.

A provisional exploration license no. EL 00047 was granted to UDC for 3 years effective 2nd July 2020. The costs relating to prospecting activities leading to the granting of the exploration license are capitalized in accordance with IFRS 6.

(f) Moroto Ateker - Cement project

This is a company incorporated in 2016 with a mandate to produce, manufacture, treat, process, and refine all kinds of cement, lime and marble products. At the time of incorporation, UDC held 51% shares and the remaining 49% held by Savanah Mines Ltd. Due to the fact that the project is still in development stage, the investment was re-classified under Development Projects until the project is flagged off.

The costs relating to exploration activities are capitalized in accordance with IFRS 6. By the reporting date, exploration studies were on-going.

(g) Mutuma Commercial Agencies Ltd

Mutuma Commercial Agencies Ltd was incorporated as a limited liability company under the Companies Act with the main object being to erect, purchase or take on lease, or otherwise acquire oil mills, works, and machinery, carry out the business of seed crushers and manufacture of lint seed cotton and other cakes and engage in any other commercial trade.

The expenditure for the period relate to part payment for shares pending finalization of share acquisition process. This will be transferred to Investment in Associates or Subsidiaries upon finalization of the share acquisition process.

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

All machinery was delivered and installed at Kayonza tea factory site in the financial year ended June 2020 and the funds spent have been recognized under development projects pending finalization of the form of engagement.

(c) Zombo Project

UDC is in the process of undertaking viability studies to inform decision making regarding the Zombo project.

(d) Lake Katwe Salt Project

UDC owns property in Kasese District. This property is located in Katwe Kabatooro town council. It comprises of: the remains of the dilapidated Lake Katwe Salt Factory; dilapidated Senior quarters (12 Bungalows) and junior quarters (10 blocks). To avoid vandalism at the quarters, a total of 8 houses which were still in a fairly habitable condition were rented out to tenants. Land titles for 3 plots of land were acquired with land valued at UGX 979.2m. The process of acquiring land titles for the remaining two plots was on-going by close of year.

The project is at a stand-still at the moment following the failure to obtain a mining lease from the Department of Geological Surveys and Mines. The same was given out to a private party and UDC is exploring ways of implementing the projects in light of the developments at hand.

(e) Lake Victoria - Sheet Glass project

LVGW was incorporated in 2015 with a mandate to carry on the business of mining, extracting, manufacturing, processing, of all types of glass & mirror from white silica sand. UDC holds 70% of the shares of the limited liability company with the remaining shares being held by KIMU Investments Ltd. Due to the fact that the project is still in development stage, the investment was re-classified under Development Projects until the project is flagged off.

A provisional exploration license no. EL 00047 was granted to UDC for 3 years effective 2nd July 2020. The costs relating to prospecting activities leading to the granting of the exploration license are capitalized in accordance with IFRS 6.

(f) Moroto Ateker - Cement project

This is a company incorporated in 2016 with a mandate to produce, manufacture, treat, process, and refine all kinds of cement, lime and marble products. At the time of incorporation, UDC held 51% shares and the remaining 49% held by Savannah Mines Ltd. Due to the fact that the project is still in development stage, the investment was re-classified under Development Projects until the project is flagged off.

The costs relating to exploration activities are capitalized in accordance with IFRS 6. By the reporting date, exploration studies were on-going.

(g) Mutuma Commercial Agencies Ltd

Mutuma Commercial Agencies Ltd was incorporated as a limited liability company under the Companies Act with the main object being to erect, purchase or take on lease, or otherwise acquire oil mills, works, and machinery, carry out the business of seed crushers and manufacture of lint seed cotton and other cakes and engage in any other commercial trade.

The expenditure for the period relate to part payment for shares pending finalization of share acquisition process. This will be transferred to Investment in Associates or Subsidiaries upon finalization of the share acquisition process.

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(h) Alfasan Uganda Ltd

Alfasan Uganda Ltd is a limited liability company registered with the objective to conduct business in farm products and agricultural products/supplements; including the manufacture, import and sale of veterinary medicine and any other related products.

The expenditure for the period relate to part payment for shares pending finalization of share acquisition process. This will be transferred to Investment in Associates or Subsidiaries and financial assets upon finalization of the share acquisition process.

(i) Bukona Agro-processors Ltd

Bukona Agro-processors Ltd is a limited liability company incorporated on 13th November 2013 registered with the objective to carry out business of manufacturing and trading in sugar, ethanol, distilleries, allied products, power generation, bio fertilizers, briquettes and other agro products.

The company will provide direct employment to 150 people and provide market for cassava cultivated in northern Uganda through purchase of cassava from 6,900 cassava out growers organized under the Gulu catholic Arch diocese. The company requires 75 tons of Dry cassava per day which is about 25,000 tons of Dry cassava annually translating into 75,000 tons of fresh cassava from 10,000 acres annually.

Bukona Agro-processors Ltd has since mobilized again for production following the intervention from UDC in March 2021. The company has recruited staff and carried out dry trial runs in April 2021 and preparations to commence purchase of cassava for production were on-going by close of the financial year.

The expenditure for the period relate to part payment for shares pending finalization of share acquisition process. This will be transferred to Investment in Associates or Subsidiaries upon finalization of the share acquisition process.

(j) Kaaro Koffi Limited

On 17th March 2021, UDC entered into a Master Investment Agreement (MIA) with Kaaro Agri Producers. The MIA set out the basic understandings and arrangements to govern the relationship and investments made by both parties towards the establishment of a coffee grading and roasting facility. As part of the agreement, the parties also agreed to form a Special Purpose Vehicle in the names of Kaaro Koffi Limited to enable the parties fulfill their goal.

The expenditure for the period relate to part payment for shares pending finalization of share acquisition process. This will be transferred to Investment in Associates or Subsidiaries and financial assets upon finalization of the share acquisition process.

(k) Soroti Fruits Limited

The Soroti Fruits Limited (SOFTE) is a limited liability company registered under the Companies Act with its core business being to process orange, mango fruit into concentrate/pulp and ready to drink juice for commercial use.

The prior year adjustment relate to recognition of payables for SOFTE on contracts made by UDC Headquarters removed from SOFTE accounts during the company's audit for the year ended June 2020.

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 Exploration Expenditure		
(a) Moroto Ateker - Cement project	June 2021	June 2020
	Ushs '000	Ushs '000
Opening Balance	292,057	-
Additions in the year	406,393	292,057
Closing Balance	698,450	292,057
(b) Lake Victoria - Sheet Glass project	June 2021	June 2020
	Ushs '000	Ushs '000
Opening Balance	31,151	-
Additions in the year	-	31,151
Closing Balance	31,151	31,151
Total Exploration Expenditure	729,601	323,208

See narrative in Note 19 (e) and (f) above on Moroto Ateker Cement and Lake Victoria Glass Works

23 Investment in Associates		
(a) Kalangala Infrastructure Services Ltd	June 2021	June 2020
	Ushs '000	Ushs '000
Opening Balance	1,380,724	6,718,640
Prior year adjustments (revision to opening balance)*	318,282	-
Additions in the year	-	-
Prior year adjustment (reclassification of investment preference shares in KIS)	-	(7,314,095)
Adjustment for prior year post acquisition profits	-	2,930,795
Profit share from associate in the year	996,513	(954,616)
Closing Balance	2,695,520	1,380,724

*The prior year adjustment is intended to match the opening balance with the audited financial statements of KIS for the period ended 31st December 2021.

(b) National Commodity Exchange Ltd	June 2021	June 2020
	Ushs '000	Ushs '000
Opening Balance	400,000	400,000
Additions in the year	-	-
Closing Balance	400,000	400,000
(c) Horyal Investment Holding Company Limited (HIHC)	June 2021	June 2020
	Ushs '000	Ushs '000
Opening Balance	80,295,661	64,811,808
Additions in the year	-	15,483,853
Closing Balance	80,295,661	80,295,661

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(d) Mabale Growers Tea Factory	June 2021	.June 2020
	Ushs '000	Ushs '000
Opening Balance	7,620,000	-
Additions in the year	6,000,000	7,620,000
Closing Balance	13,620,000	7,620,000
Total Investment in Associates	97,011,181	89,696,385

(a) Kalangala Infrastructure Services Ltd

GOU, through UDC acquired 3,373,500 shares at Ushs. 5,000 each. This represents 45.7% ordinary shares amounting to UGX 9.6bn resulting into 1,910,681 shares; and 45.7% convertible preference shares amounting to UGX 7.3bn resulting into 1,462,819 shares in Kalangala Infrastructure Services Ltd (KIS).

UDC, as a holder of convertible preference shares is entitled to receive dividends payable from distributable cash on the stated value of the convertible preference shares at the dividend rate of 14% per annum. This shall be cumulative and have priority in payment over any distributions paid or payable to holders of ordinary shares. No dividends have been accrued for UDC's convertible preference shares as there was no distributable cash as at the Company's year ended December 31st, 2020.

(b) National Commodity Exchange Ltd

GOU, through UDC acquired 40% of Ordinary Shares in Uganda National Commodity Exchange Limited. The other shareholders include: The Grain Council of Uganda Ltd; Uganda Coffee Traders Federation Ltd; Uganda Commercial Farmers Association Ltd; Uganda Cooperative Alliance Ltd; and Uganda National Farmers Federation Ltd. The process of operationalizing the Company was still under way.

(c) Horyal Investment Holding Company Limited (HIHC)

On 29th May 2018, GOU, through UDC acquired 10.1% of Ordinary Shares in Horyal Investment Holding Company Limited (HIHC) whose main business is the establishment and running of the Atiak Sugar factory. UDC acquired an additional 21.9% in FY 2018/2019 and in the financial year 2019/20, UDC acquired an additional 8% of Ordinary Shares in HIHC bringing its total shareholding to 40%.

The factory was launched into commercial operations by H.E the President of Uganda on the 22nd October 2020. However, the company's operations have been greatly affected by lack of raw materials due to the numerous fires that burn sugar cane. By close of the reporting period, Government had allocated a total of Ushs 16bn in form of transport subsidy grant to Busoga sugar cane growers cooperative union to transport cane from greater Busoga region to Atiak Sugar Factory to not only provide raw material to the sugar factory but also solve the problem of over production of cane in the Busoga region which had resulted in lack of market as the sugar factories in the region could not consume all the cane produced.

(d) Mabale Growers Tea Factory

UDC entered into a Memorandum of Agreement with Mabale Growers Tea Factory Limited in March 2020 to aid implementation of Government's strategic decision to intervene and invest in Mabale Growers Tea Factory Limited. A total of UGX 13.62bn in form of share subscription was invested in Mabale Growers Tea Factory as at 30th June 2021.

The process of acquisition of shares in Mabale tea factory was being finalized by close of period.

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 Financial Assets		
(a) Horyal Investment Holding Company Limited (HIHC)	June 2021	June 2020
	Ushs '000	Ushs '000
Opening Balance	8,516,147	-
Additions in the year	12,000,000	8,516,147
Closing Balance	20,516,147	8,516,147
(b) Mabale Growers Tea Factory	June 2021	June 2020
	Ushs '000	Ushs '000
Opening Balance	-	-
Additions in the year	6,380,000	-
Closing Balance	6,380,000	-
(c) Kalangala Infrastructure Services Ltd (KIS)	June 2021	June 2020
	Ushs '000	Ushs '000
Opening Balance	7,314,095	-
Additions in the year	-	7,314,095
Closing Balance	7,314,095	7,314,095
Total Financial Assets	34,210,242	15,830,242

Horyal Investment Holding Company Limited (HIHC)

UDC offered a Shareholders loan amounting to UGX 12bn to HIHC. The shareholders' loan has a tenure of 4 years with a grace period of 2 years (inclusive) at 10% interest.

(b) Mabale Growers Tea Factory

UDC offered a Shareholders loan amounting to UGX 6.38bn to Mabale Growers Tea Factory. The shareholders' loan has a tenure of 6 years with a grace period of 2 years (inclusive) at 10% interest

(c) Kalangala Infrastructure Services Ltd

UDC holds convertible preference shares in Kalangala Infrastructure Services Limited attracting a dividend of 14% per annum payable from distributable cash on the stated value of the convertible preference shares. No dividends have been accrued for UDC's convertible preference shares as there was no distributable cash as at the Company's year ended December 31st, 2020.

	Present value of minimum lease payments	
25 Finance Lease Receivables	June 2021	June 2020
	Ushs '000	Ushs '000
Within one year (Aug 2022)	1,612,075	-
In the 2nd to 5th year inclusive (Aug 2023 - Aug 2026)	6,448,301	6,448,301
After 5 years (Aug 2027 - Aug 2029)	4,836,226	6,448,301
PV of minimum lease payments receivable	12,896,602	12,896,602
Less: unearned finance income	3,230,761	3,690,575
Add: Finance income receivable for the period	459,814	459,814
PV of minimum lease payments receivable	10,125,655	9,665,841

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Analyzed as:

Non-current finance lease receivables	1,612,075	-
Current finance lease receivables	8,513,580	9,665,841
	10,125,655	9,665,841

Interest Receivable

Opening Balance	919,628	459,814
Finance income for the period- CTC Equipment	292,542	292,542
Finance income for the period- Auxiliary Equipment	167,272	167,272
Sub-total	459,814	459,814
Closing Balance	1,379,443	919,628

UDC bought CTC tea processing equipment and auxiliary equipment which were installed and commissioned in August 2018. The equipment was leased to Kigezi Highland Tea Limited effective 1st August 2018. The lease has been recognized as a finance lease in accordance with IFRS 16.

UGANDA DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 Government Grants

	GOU Grants (related to Sugar cane Planting) Ushs '000	GOU Grants (related to Tea Planting) Ushs '000	GOU Grants (related to UDC Fixed assets) Ushs '000	KOICA Grant (Soroti Fruit Factory) Ushs '000	Total Ushs '000
Opening Balance June 30, 2020	-	4,144,338	514,549	27,389,549	32,048,437
Additions during the period	16,000,000	-	455,190	-	16,455,190
Total	16,000,000	4,144,338	969,739	27,389,549	48,503,627
Deferred grant income (grant amortisation - P/L)	(10,665,787)	(2,318,164)	(165,491)	(2,355,122)	(15,504,564)
Closing Balance June 30, 2021	5,334,213	1,826,174	804,248	25,034,428	32,999,063
Closing Balance June 30, 2020	-	4,144,338	514,549	27,389,549	32,048,437

Grant -Current portion
Grant – Non-current portion
Total

June 30, 2021
9,680,999
23,318,064
32,999,063

June 30, 2020
3,769,228
28,279,209
32,048,437

UDC receives subventions from Government of Uganda through Ministry of Trade, Industry and Cooperatives. Subventions received and used to purchase Assets are recognized as Government grants in accordance to IAS 20. The grants are amortized through statement of profit or loss over the useful life of the asset.

Also included in the grant is UGX 5bn GOU grant to farmers of Kigezi region aimed at supporting production of green leaf in order to secure sustainability of the UDC investment in KHTL. A total of 6.7m tea seedlings had been planted by close of the financial year.
UGX 16bn grant was offered by GOU through UDC to Busoga sugar cane growers cooperative union as a subsidy on transportation of sugar cane from the greater Busoga region to Atiak sugar factory in Amuru District. The grant was aiming at solving the problem of excess cane in the Busoga region through creation of market for the farmers.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

In addition, the Corporation has a USD 8m grant from the Korean Government through its development agency, KOICA. The Grant was for a Turnkey factory in Soroti District which produces Orange and Mango juice and concentrates. Specifically, the Grant relates to the construction of the factory buildings and supply and installation of processing machinery and equipment for Soroti Fruit Factory. The grant is amortized through statement of profit or loss over the useful life of the buildings and factory machinery. By close of the year, the factory had commenced commercial production although amidst the challenges posed by Covid-19 pandemic.

UDC has so far fulfilled most of the conditions of the grant and there is no indication of default that may lead to cancellation of the grant.

27 Cash and Cash Equivalents	June 2021	June 2020
	Ushs '000	Ushs '000
Bank Balance (i)	82,701,052	14,438,227
Cash Balance	10,426	6,165
	82,711,478	14,444,392
(i) Details	Ushs '000	
Bank Balance in Bank of Uganda	70,862,284	3,284,304
Bank Balance in UDC Investment Accounts	10,633,147	9,745,098
Bank Balance on Soroti Fruits Accounts	486,398	1,408,825
Bank Balance on NHIL Accounts (Stanbic & Absa)	719,224	-
	82,701,052	14,438,227

For the purpose of the cash flow statement, cash and cash equivalents comprise of the above cash and bank balances.

28 Trade and other receivables	June 2021	June 2020
	Ushs '000	Ushs '000
Accountable Advances (Project Devt & Studies)*	977,519	182,565
Staff salary advances	31,732	470
Prepayments to Suppliers**	1,692,886	28,500
Current tax - VAT receivable (SOFTE)	231,508	62,428
Credit sales (SOFTE)	23,848	-
Accountable Advances (Tea Planting)***	89,418	988,915
Un paid up capital	-	2,000
LKSP Debtors	12,230	10,442
	3,059,141	1,275,320

*Accountable advances relate to funds advanced to staff and sister agencies for official duties, studies and exploration activities.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**On 30th November 2020, Uganda Development Corporation (UDC) entered into a contract with China Huangpai Food Machines Uganda Ltd for the supply, installation and commissioning of a 6 ton/hour Mango line for Soroti Fruit Factory at a total contract sum of Shs. 5,197,698,000 (Five Billion One Hundred Ninety Seven Million Six Hundred Ninety Eight Thousand Shillings Only). 30% of the total contract sum which amounts to UGX 1.56bn was paid as advance in line with the contract terms and has been recognized as a receivable in the period ended December 2020. Contract execution is still on-going.

The rest of the amounts relate to prepayments by SOFTE and pre-paid rent for UDC Headquarters premises.

***On 5th December 2019, UDC entered into a Strategic Intervention Agreement with Kigezi Highland Tea Limited (KHTL) for implementation of a grant by GOU to facilitate tea planting in Kigezi sub-region. The grant is aimed at increasing green leaf supply in the area in order to secure sustainability of the UDC investment in KHTL.

By 30th June 2021, the tea planting exercise was still ongoing and a total of 6.7m tea seedlings had been planted.

29 Accrued interest receivable

Accrued Interest on Bank Fixed Deposits of UGX 6.3 billion

	June 2021 Ushs '000	June 2020 Ushs '000
Interest receivable - DFCU Bank	87,810	-
Interest receivable - Barclays Bank	-	-
Interest receivable - Eco Bank	58,053	-
	145,863	-

30 Receivables from TPS

	June 2021 Ushs '000	June 2020 Ushs '000
Concession fees receivable (Bal b/f from June 2020)	718,518	1,718,586
4% of TPS total revenue	789,150	(1,982,804)
Less: Concession fees rental billed/paid/reversed	-	915,654
Reversed concession top-up for the July-June 2020 basing on Audited accounts	(67,082)	67,082
	1,440,586	718,518

Refer to Note 3 on impact of Covid-19 on the Concessionaire

31 Held to Maturity Investments

	June 2021 Ushs '000	June 2020 Ushs '000
Fixed deposits held DFCU Bank @ 9.6% Annual interest	3,300,000	-
Fixed deposits held in Eco Bank @ 10% annual interest	1,450,000	6,300,000
	4,750,000	6,300,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 Inventory	June 2021	June 2020 Re-stated
	Ushs '000	Ushs '000
Stationery & Pantry items	49,984	31,412
Inventory SOFTE*	2,485,167	2,285,777
	2,535,150	2,317,189

SOFTE inventory majorly consists of Ushs 1.59bn for concentrates and pulp; packaging materials amounting to Ushs 372m; ready to drink juice amounting to Ushs 269m; diesel at Ushs 121m and additives amounting to Ushs 127m. The inventory for June 2020 has been re-stated to reflect changes made during SOFTE Audit for the period ended 30th June 2020.

33 Capitalization Grants	June 2021	June 2020 Re-stated
	Ushs '000	Ushs '000
Opening balance	182,218,866	143,511,199
Additions during the period	110,199,787	37,728,427
Transfer from Government Grants	-	979,240
Transfer of NHIL	19,472,776	-
Closing balance	311,891,429	182,218,866

Capitalization grants are funds received from Treasury (through Ministry of Trade, Industry and Cooperatives) for Development Projects and Investments

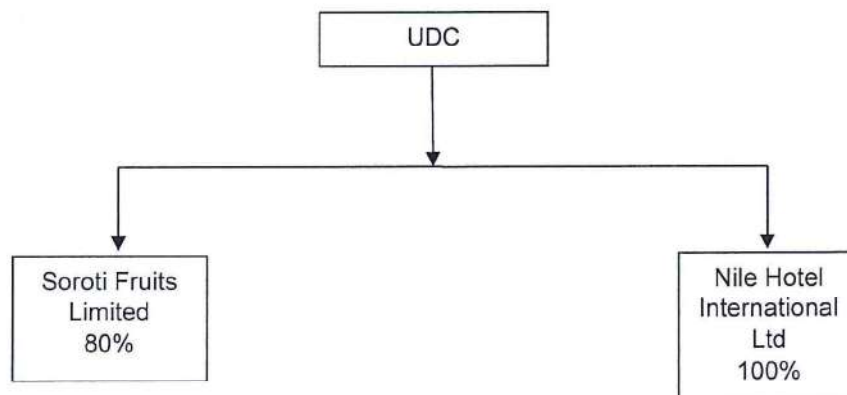
34 Retained Earnings	June 2021	June 2020 Re-stated
	Ushs '000	Ushs '000
Opening balance July 1, 2020	(31,578,131)	(23,683,854)
Opening balance July 1, 2020 - (consolidation of NHIL)	6,632,493	-
Share of post-acquisition profits/(losses)	(5,466,882)	(5,346,119)
Additions during the period (Corporation)	8,216,331	1,415,228
Realized gain on asset revaluation	-	32,677
Prior year adjustments - capitalized Expenditure on SOFTE)	(27,608)	9,035,173
De-recognition of Disposed Sub profits /losses (KMC & Amber House de-recognition)	-	(13,340,272)
Prior year adjustments (De-consolidation of L. Victoria & Moroto)	-	309,035
Closing balance	(22,223,798)	(31,578,131)

*The re-statement is aimed at incorporating changes in reserves for UDC Headquarters following a prior year adjustment to recognize PAYE payable on Board retainer for June 2020.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 Subsidiaries



Soroti Fruits Limited (SOFTE)

SOFTE is a limited liability company incorporated under the Laws of Uganda. UDC owns 80% of the shares in SOFTE with the remaining 20% owned by Farmers through their umbrella body Teso Tropical Fruit Growers Cooperative Union (TEFCU). The mandate of SOFTE is to construct and operate the fruit processing facility in the Teso Region.

The factory produces juice and concentrates from mangoes and oranges. A USD 8m grant from the Korean Government through its development agency, KOICA was received for a Turnkey factory. Specifically, the Grant relates to the construction of the factory buildings and supply and installation of processing machinery and equipment for the factory.

By the reporting date, construction and installation of equipment by KOICA were completed and the factory was launched by H. E. the President of Uganda on 13th April 2019. By close of the year, the factory had commenced commercial production. However, as it is with most businesses, the company's growth has been hampered by the current Covid-19 pandemic.

Despite the effects of the lockdown, SOFTE made sales amounting to Ushs. 818.8m from ready to drink juice and concentrates during the year under review.

Nile Hotel International Limited (NHIL)

NHIL is a company incorporated under the Companies Act of Uganda with the principal activity of monitoring the operations of TPS Uganda Limited (the company to which GOU leased the property housing Serena Hotel Kampala), monitor the concession in accordance with the concession and lease agreement as well as undertaking new investments as may be determined by the Board.

In accordance to schedule II of the UDC Act 2016, NHIL was transferred to UDC during the year ended June 2021 following signing and registration of transfer resolutions by the former shareholders i.e Hon. Minister of Finance, Planning & Economic Development and Hon. Minister of State for Finance (Privatization & Investment).

On 14th January 2004, GOU and Nile Hotel International Limited entered into a concession and lease agreement with TPS Uganda Limited where by the Concessionaire was to finance, undertake and manage the refurbishment and re-development of the Complex (the former Nile Hotel and Conference Centre) to Five star standard pursuant to and in accordance with the terms & provisions of the agreement. The end date of the agreement was the 30th anniversary of the Transfer date.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

The company's performance has however been greatly affected by the Covid-19 pandemic through affecting the performance and liquidity of the Concessionaire. As a result, the concessionaire has not paid concession fees starting from 1st April 2020 to 30th June 2021 although has shown preparedness to pay the outstanding concession fees in installments as soon the situation improves.

36 Non-controlling interests	June 2021	June 2020
	Ushs '000	Ushs '000
Opening balance July 1, 2020	(2,424,230)	(3,509,649)
Share of post-acquisition profits/(losses)	(1,366,720)	(1,336,530)
Prior year adjustments - capitalized Expenditure on SOFTE)	27,608	2,256,851
De-recognition of Disposed Sub losses (L.Victoria/Moroto)	-	165,098
Closing balance	(3,763,342)	(2,424,230)

37 Tax (NHIL)	June 2021	June 2020
	Ushs '000	Ushs '000
(a) Income tax expense		
Current income tax charge	-	313,049
Deferred income tax charge	-	-
	-	313,049

(b) Income tax payable	June 2021	June 2020
Income Tax expense for curent year	-	313,049
Tax payable brought forward	35,389	29,275
Prior-year written down value adjustment	745	-
	-	-
Tax paid	-	(57,406)
Tax paid 2020/2021	(35,389)	(29,275)
TPS Withholding tax certificate	-	(141,912)
Provisional Tax paid	-	(78,342)
Payment due to change in prior-written down values	(745)	-
Tax payable carried forward	-	35,389

(c) Deferred income tax

Deferred income tax is calculated on all temporary differences using the liability method at a principal tax rate of 30% (June 2018: 30%).The net deferred income tax liability is attributed to the following:

Deferred income tax liabilities	June 2021	June 2020
	Ushs '000	Ushs '000
Accelerated tax depreciation	1	1
Net deferred income tax liability	1	1
Deferred income tax liabilities	June 2021	June 2020
	Ushs '000	Ushs '000
Accelerated tax depreciation	1	1
Net deferred income tax liability	1	1

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

38 Trade & Other Payables	June 2021	June 2020
	Ushs '000	Ushs '000
Trade Payables	663,137	91,113
Employee Benefits*	84,761	64,800
Prepayments from LKSP tenants	1,397	2,237
Amber House payables	41,481	1,041
BOD payables (retainer & gratuity)	125,400	63,000
Legal fees (Payables and Provisions)**	51,988	49,450
Prior year adjustment***	-	128,190
Closing balance	968,164	399,831

* Employee benefits relate to gratuity payable to personnel of Nile Hotel International Limited.

** Legal fees payables and provision relate to outstanding payments to Nile Hotel Lawyers and provision for legal fees on the Rock trust case (please refer to note 41 for details)

*** Prior year adjustment relate to PAYE on Board retainer which was not yet cleared by close of the period ended 30th June 2020.

39. Operating Activities	Note	June 2021	June 2020
		Ushs '000	Ushs '000
Cash flows from Operating Activities			Re-stated
Profit before tax		810,853	(7,323,438)
Adjustment for:			
Depreciation and amortization	12	2,537,085	1,640,965
Non-cash government grant	26	(15,504,564)	(1,720,066)
Gain on disposal of old assets		-	(17,132)
Loss/gain on partial disposal of Moroto & Amber House		-	13,340,272
Fixed Deposit Interest Income (re-classification)	8	(738,219)	(143,559)
Share of profit (loss) of associates	23	(1,314,795)	(1,976,179)
		(14,209,640)	3,800,862
Decrease/(Increase) in inventory	32	(217,961)	(846,840)
Decrease/(Increase) in amounts due from TPS	30	(722,068)	-
Decrease/increase in debtors & prepayments	28	(1,748,770)	263,217
Decrease / (increase) in held-to-maturity investments	31	1,550,000	-
Decrease/(Increase) in in payables	38	508,542	65,117
Other receivables – interest on fixed deposit income		87,001	-
Taxes Paid	37	(36,134)	-
Decrease/(Increase) in in Letters of Credit		-	3,081,294
Net cash flows from operating activities		(14,789,030)	6,363,650

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

40. Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Corporation measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Corporation establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price - i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases the difference is not recognized in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

There are no material differences between the fair values and the carrying amounts of the corporation's financial assets and liabilities. The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly from the market.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The table below analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

	June 2021 Ushs '000	June 2020 Ushs '000
Level 3 (significant unobservable inputs)		
Investment property	<u>225,220,000</u>	<u>225,220,000</u>

The fair value of the Corporation's investment property, land and buildings on Plot 16-20 Nile Avenue, LRV 2466 Folio 11, Kampala was arrived at on the basis of a valuation carried out in the course of the financial year 2018/2019 by CMT Realtors Limited (Chartered Surveyors), independent professional valuers that are not related to the Corporation.

The Corporation does not have other assets or liabilities measured at fair value at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(c) Liquidity Risk

Liquidity risk is the risk that UDC will not be able to meet its obligations as they fall due. This mainly arises due to the fact that the Corporation wholly relies on Government Subvention for funding at the moment. This poses a risk that projects started may not receive adequate funding due to the uncertainty associated with releases from Government or that they may not receive funding due to change in Government policy.

Management is minimizing this risk by entering into contracts only when funds are available to avoid failure to meet obligations. Efforts to obtain capitalization for UDC have also been intensified by engaging the different stakeholders responsible to curb the risk of uncertainty in releases.

Furthermore, the Corporation is looking out for Development partners to partner with in the investments to break away from reliance on one source of funding.

(d) Market Risk

Market risk comprises of three types of risk: currency risk (foreign exchange risk), interest rate risk, and price risk. Through its investments in various companies, the Corporation is exposed to all types of market risk.

Foreign exchange risk

This is the risk that adverse changes in exchange rates may cause a reduction in the Corporation's future earnings or in the value of its equity investments.

Due to its investment in Kalangala Infrastructure Services Ltd (KIS), the Corporation faces an exchange rate risk due to the fact that the borrowings to KIS and some costs for equipment, materials, salaries and services are denominated in US Dollars yet the Company's revenues are in Uganda Shillings.

However, KIS is minimizing this risk through adoption of foreign currency hedging strategies which include matching foreign currency denominated liabilities with foreign currency denominated assets. Foreign exchange spot rates are also negotiated with banks on a competitive basis.

The group also faces exposure through Nile Hotel International whose revenue is primarily US Dollars denominated. Therefore, any fluctuations in the exchange rates affect the overall revenue of the entity.

Also, the investment of the Corporation in the tea sector has been affected by the foreign exchange fluctuations over the last couple of months which has in turn reduced the Uganda shillings value of the sales of the companies yet being matched with costs which remained the same in Uganda shillings.

Interest rate risk

The Corporation is exposed to risk of changes in market interest rates through its investees that are partly financed through borrowing with floating interest rates e.g Kalangala Infrastructure Services Ltd, Horyal Investment Holding Company Limited and Mabale Growers Tea Factory.

To manage this, the Corporation may compel its investee companies to re-negotiate these loans with the aim of having better terms such as fixed interest rates.

Price risk

The Corporation faces a risk through its investments in the different companies especially the tea sector which have faced fluctuating prices at the Mombasa Tea auction caused by the effects of the Covid-19 pandemic. This has led to reduction of revenue in Dollar terms to the tea factories for the same volume of ready-made tea.

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This in turn reduces the working capital of the investee companies therefore affecting their operations including servicing of loans.

42. Contingent Assets (Litigations)

VAT Litigation in the Commercial Court

In April 2015, Uganda Revenue Authority (URA) gave the NHIL a tax assessment in which the company is said to have a Value Added Tax (VAT) liability of Ushs 1,703,369,691 (Principal: Ushs 987,340,734 and Interest: Ushs 716,028,957). URA went further and confiscated the UGX 1,703,369,691 from the Company's fixed deposit account in DFCU Bank. The Company appealed this assessment in the Tax Tribunal and thereafter won the case. However, in 2017 URA appealed to the High Court against the ruling.

URA has again lost the appeal in the commercial court. Though URA has filed a notice to appeal, they have not proceeded with submitting the actual appeal yet. However, Nile Hotel is positive that this is a done win and URA will unlikely succeed with its intention to re-appeal. A ruling in a similar appeal by URA, i.e. Civil appeal no.22 of 2012, the Judge ruled on 9th March 2021 that URA had no legal right to appeal a TAT ruling after losing in the Commercial court. Hence our provision for a contingent asset of UGX 5,700,584,568 (principal plus interest).

43. Contingent Liabilities

- (a) On April 30, 2018, Rocktrust Contractors Ltd filed a claim with the Center for Arbitration and Dispute Resolution (CADER) vide CAD/Arb/No.12 of 2018 for recovery of Ushs. 1,277,029,989/=, with respect to a contract for the Supply, Installation and Commissioning of two separate sets/units of Electrical Accessories & Equipment for the two Kigezi Highland Tea Limited Factories in the Districts of Kabale and Kisoro for the contract price of Ushs. 899,543,358 /= executed on January 18, 2017.

Following grant of an arbitral award against UDC, the Corporation applied to the High Court to set aside the award. Currently, the arbitral award is not enforceable as UDC applied to have it set aside. Therefore, it has been recognized as a contingent liability.

- (b) Ms. Hellen Tumuhimbise filed a complaint of unlawful termination with the high Court at Kampala. The High court ruled on 4th June 2021 compelling the Corporation to consider renewal of the contract of the complainant and also awarded Ushs 10,000,000 as damages to Ms. Hellen Tumuhimbise.

The Corporation has appealed against the ruling of the High court on 7th June 2021 and we await further management of the case at the court of appeal.

In a parallel matter, Hellen Tumuhimbise filed another complaint of unlawful termination with the Kampala Labour Office on 10th November 2020. Following a failure by the parties to reach an amicable resolution of the dispute through mediation at the District Labour Office, the matter was referred to the Industrial Court and a Memorandum of Claim filed by her Counsel. The Respondent (UDC) filed its Memorandum of reply. The Parties await a mandatory mediation by a court appointed mediator as a start of the dispute hearing process.

- (c) In order to carry out exploration activities to establish the quantities and qualities of limestone and marble to aid decision making in the construction of Cement factory in Moroto, UDC had to open up roads to the raw materials site in Loyoro. UDC solicited help of the Moroto District Local Government to assist in procurement for a contractor to construct drainages, and supply raw materials for opening up of the access roads at UGX415,576,000. In the same vein a contract for supply of fuel & lubricants amounting UGX 102,883,200 to facilitate the activity of opening up of roads. The contractor/supplier claims to have supplied raw materials and fuel however, due to challenges caused by insecurity in the area, the

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materials were supplied without verification and the process of coming up with an agreed quantity supplied is on-going.

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