

## ANNUAL PERFORMANCE REPORT FY 2021/2022 JUNE 2022





UGANDA DEVELOPMENT CORPORATION Driving Industrial Growth

### ANNUAL PERFORMANCE REPORT FY 2021/2022

### **JUNE 2022**





# List of acronyms and abbreviations

BAPL	Bukona Agro Processors limited
DRC	Democratic Republic of Congo
FY	Financial Year
GoU	Government of Uganda
KIS	Kalangala Infrastructure Services
KHTL	Kigezi Highland Tea Ltd
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MCAL	Mutuma Commercial Agencies
MoU	Memorandum of Understanding
NAADS	National Agricultural Advisory Services
NMS	National Medical Store
SOFTE	Soroti Fruits Limited
SPV	Special Purpose Vehicle
UDB	Uganda Development Bank
UDC	Uganda Development Corporation
UMA	Uganda Manufactures Association
UTA	Uganda Tea Association

### TABLE OF CONTENTS

List of acronyms and abbreviations	
List of acronyms and abbreviations List of Tables	VI
Executive Summary	1
Key Highlights	1
Challenges faced by UDC Investee companies	2
Who we are	3
Vision	4
Mission	4
Our Core Values	4
Chairperson Board of Directors' Message	5
Executive Director's Message	6
UDC Strategic Plan	7
Strategic Objectives	7
Strengthen internal capacity and processes for UDC to deliver its mandate	
Current UDC Investments	8

THE TEA SUB SECTOR	9
MABALE GROWERS TEA FACTORY	
Milestones for Mabale Growers Tea Factory	10
Volume of green leaf purchased	
Value of green leaf purchases	11
Value of made tea sold locally	11
Value of made tea exported	
MPANGA GROWERS TEA FACTORY LTD	11
Milestones of Mpanga Tea Factory in FY 2021/2022	
Volume of Green Leaf Purchased	
Volume of Made Tea processed	12
Local Sales	
Value of Made Tea Exports	13
KAYONZA GROWERS TEA FACTORY LTD	13
Milestones of Kyaonza Growers Tea Factory	14

THE FRUITS SUB SECTOR	15
SOROTI FRUITS LIMITED	16
Local Sales	17

THE CASSAVA SUB SECTOR	19
BUKONA AGRO PROCESSORS LIMITED	
Milestones of Bukona Agro Processors in FY 2021/22	
THE COTTON SUB SECTOR	
MUTUMA COMMERCIAL AGENCIES	
THE SUGARCANE SUB SECTOR	
ATIAK SUGAR FACTORY	
INFRASTRUCTURE AND SERVICES	
Kalangala Infrastructure Services (KIS)	
Milestones registered by Kalangala Infrastructure Services FY 2021/22	
HOTEL & HOSPITALITY SERVICES	
Nile Hotel International Limited (NHIL)	
Munyonyo Commonwealth Resort Hotel	
CHALLENGES FACED BY UDC INVESTMENTS	
Progress on Other Projects Approved in FY 2021/2022	
Yumbe Fruit Factory	
Luwero Fruits Factory	
Zombo Tea Factory	
Nwoya Fruit Factory	
Acholibur Starch Factory	
Budadiri Arabica Coffee Factory Ltd	
Alfasan Uganda Limited	
Virika Pharmaceuticals Limited	
Moroto Integrated Cement, Lime and Marble Plant	
Other Projects under Preparation	
Cocoa Processing Factory in Bundibugyo	
Grain Companies	
GOVERNANCE Board of Directors	
PROFILES OF BOARD OF DIRECTORS	
UDC MANAGEMENT TEAM	
UDC FY 2022/2023 WORKPLAN	
Approved Work Plan for FY 2022/23	
FY 2021/2022 AUDITOR GENERAL'S REPORT	

### List of Tables

Table 1: Mabale Growers Tea Factory Performance in FY 2021/2210
Table 2: Mpanga's uptake of green (tea) leaf, payments to farmers and exports earnings12
Table 3: Performance of Kayonza Growers Tea Factory during FY 2021/2212
Table 4: Performance of Soroti Fruits Ltd (SOFTE) during FY 2021/2022
Table 5: Key performance of Bukona Agro Processors during FY 2021/222
Table 6: Uptake of seed cotton, payments to farmers and sales revenues in FY 2021/2022 24
Table 7: Key performance indicators of Kalangala Infrastructure Service Ltd
Table 8: Challenges faced by UDC investments in FY 2021/2022

### **Executive Summary**

This annual report presents the performance of UDC and her subsidiaries, and associated companies for the FY 2021/2022 to provide a snapshot of the Corporation performance and activities. As at end of June 2022, UDC had eleven (11) investments that were operating commercially. Seven (7) of which are in the agro-manufacturing sector namely; Soroti Fruits Limited, Mabale Growers Tea Factory, Mpanga Growers Tea Factory, Kigezi Highland Tea Ltd, Kayonza Growers Tea Factory, Bukona Agro Processors Ltd. and Mutuma Commercial Agencies. Atiak Sugar factory was undergoing Care and Maintenance and the facility is expected to resume commercial operations in FY 2022/2023. The other three (3) are in the infrastructure and services sector. They are Kalangala Infrastructure Services, Nile Hotel International Limited and Munyonyo Commonwealth Resort. The Corporation has several other projects under consideration.

### **Key Highlights**

- a) Mabale Growers Tea Factory, directly employed 448 workers on full time, of whom 40% are females. All employees are Ugandans.
- b) Regarding Mpanga Growers Tea Factory, the company directly employs 330 workers, of whom, 233 (71%) are males and 97 (29% females). In terms of age group, 121 (36.7%) are youth (aged 18–30 years).
- Mabale Growers Tea Factory purchased a total of 7,114,481 Kg of green leaf
   resulting in UGX 1,986,972,140 payment to farmers. The highest volume of green leaf purchases was recorded in Q1 (2,404,785 Kg) with farmers earning UGX 217,645,619.
- Mpanga Growers Tea Factory's total uptake of green leaf totaled 6,365,022
   Kgs with Q2 (3,273,621 Kgs), the highest recorded uptake. Q3 (1,321,769) and Q4 (1,053,652) indicated a reduction in uptake of green leaf attributed to prolonged drought and poor agronomic practices (lack of fertilizers).
- e) During the financial year, Mpanga Growers Tea Factory earned USD 550,330 in exports of made tea.
- f) During the financial year, SOFTE employment status stood at 82.
- g) In FY 2021/22, Soroti Fruits Ltd purchased a total of 217,814 Kg of mangoes and 253,747 Kg of oranges, with all fruits purchased from smallholder farmers found in Teso Sub-region. Oranges purchased in Q2 totaled to (253,747 Kgs). There were no purchases in Q1, Q3 &Q4 because the periods were off-season

for citrus in Teso and the entire country.

- h) Soroti Fruits Ltd (SOFTE) local sales totaled UGX1,498,769,284 in the entire FY 2021/22. Q4 returned higher revenue of sales (UGX 567,961,964) followed by Q3 (UGX 492,737,291.
- i) SOFTE payments made to suppliers totaled UGX286,289,264. The Suppliers were largely smallholder farmers of mangoes and fruits from the Teso Sub Region.
- j) Kalangala Infrastructure Services (KIS) recorded an increasing trend in power sold over the four quarters, with a total of 2,008,329 KWH sold in FY 2021/2022. This indicates a growing demand for power from the KIS grid. The growing demand is attributed to the increasing customer base in Kalangala Town Council and other nearby islands.
- k) Kalangala Infrastructure Services water sold grossed 42,429 m^3 earning UGX 299M in FY 2021/22
- KIS revenue generated from power amounted to UGX 2.1 B in a financial year.
   KIS was, therefore, able to use the revenue earned to further improve access to energy in Bugala communities.
- m) KIS recorded a total of 5,444 ferry trips during the financial year, generating UGX 17,000 million in revenue. The trips were plied along Lake Victoria mainly between Kalanagala and Masaka districts.

#### Challenges faced by UDC Investee companies

- Across all the UDC investments, there were reports of high cost of production. Investee companies were faced with high power tariffs coupled with the high cost of fuel, especially diesel.
- b) Insufficient supply of raw materials leading to below-capacity utilization at some factories. For example, Bukona Agro Processors reported an insufficient supply of cassava needed to produce denatured ethanol. This is attributed to prolonged drought that resulted in reduced cassava production and productivity.
- c) Poor tea (green) leaf quality from some out-growers hence compromising the quality of made tea. The poor-quality leaf output is largely attributed to prolonged drought and zero access to fertilizers between Q1 &Q2 FY 2021/2022.
- d) Inadequate cash inflows to implement the planned activities including loan repayments, and plant modifications and repairs at some of the investments.

### Who we are

Uganda Development Corporation (UDC) is the investment arm of the 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. To deliver this ambition, the Corporation supports the execution of investment in value addition with a focus on three key sectors namely, agroprocessing, mineral beneficiation, and infrastructure and social services.

UDC invests in both new and brown projects to achieve sustainable growth, creating value for stakeholders and ensuring the long-term success and viability of the businesses.

The Corporation's mode of operation is through establishing subsidiaries and associated companies; entering into 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 uses three financing options namely equity financing, lease financing and debt (shareholder loan) financing. Additionally, the Corporation provides expertise in management, governance and technology enhancement until that point when the investment can profitably and sustainably operate.

Decision to invest in any project is among others guided by 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-manufacturing, with a few others in mineral beneficiation, and infrastructure and social services. The current investments include Soroti Fruit Limited, 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.

# Vision

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

## Mission 🎸

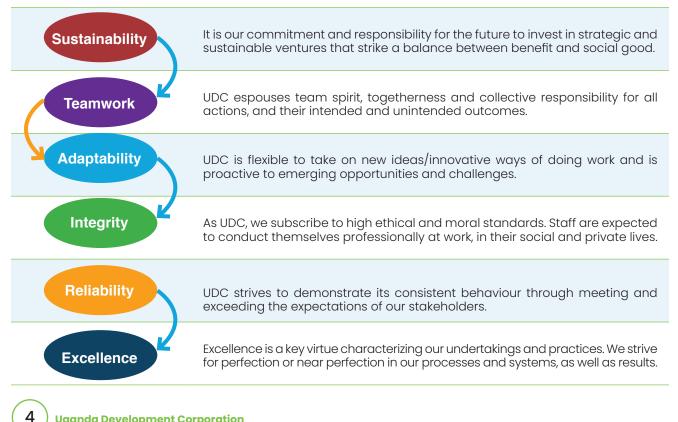
To establish sustainable investments in areas strategic to Uganda's social and economic transformation, and prosperity of Uganda.

### **Our Core Values**



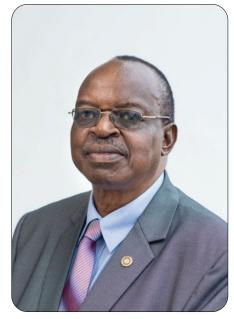
The Corporation nurtures a high-performance culture through its values namely Sustainability, Teamwork, Adaptability, Integrity, Reliability and Excellence. These values will not only be the principles guiding the conduct of business at the Corporation but will be considered the staircase to excellence.

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".



### Chairperson Board of Directors' Message

DC is evolving fast and the Board is committed, to steer the Corporation's mission of establishing sustainable investments in areas strategic to Uganda's Socioeconomic transformation and prosperity. In FY 2021/22, the board took important decisions in line with our mandate. The Board was inaugurated in the second Quarter of the Financial period under review and we were able to accomplish several business processes in line with enhancing human resource capacity,



risk management and business continuity. The Committees on Audit and Risk, Investments, Finance and Administration, worked hard to support management delivery on the planned activities. As at the end of the FY 2021/22, the Corporation had ten commercially viable projects across different sectors and regions of the country. The Corporation, further, made significant strides by way of scaling up the Corporation business portfolio. The Speke Resort Convention Centre is a state of the art- unique Project- that was designed and construction commenced. The project is expected to be completed in November 2023 and will host the planned Non-Aligned Movement (NAM) meeting in January 2024.

In the coming FY 2022/2023, we will enhance the Corporations systems, such as automating the processes for improved service delivery. We will also mobilize resources for pipeline projects that are yet to be implemented. We further plan to scale up partnerships and networks for service delivery.

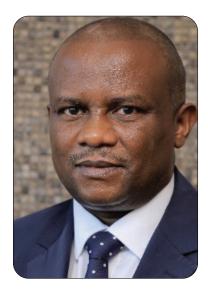
It is, therefore, my pleasure to invite you to read this Annual Report FY 2021/22 and I trust you will find it enlightening.

[Signed]

Godfrey Ruhurira Chairperson Board of Directors

### Executive Director's Message

ganda Development Corporation (UDC), is committed to continued transformation of Uganda through designing and investing in projects that have potential to significantly contribute to an improved economic wellbeing of Ugandans. Over the Financial Year under review, we put efforts in ensuring ongoing projects, especially, agroindustries are stable following the country's transition from Covid-19 era. During the FY, we introduced the Research,



Monitoring and Evaluation Department in alignment of the UDC Act 2016, with the Objective-, of Promoting and Facilitating Research in industrial development. We also amplified efforts of recruiting additional staff to further foster UDC vision, mission and objectives. During the financial year, we were able to take over interests of Government in Munyonyo Commonwealth Resort Ltd and commenced the construction of Speke Resort Convention Centre (SRCC). We also accomplished a number of studies such as feasibility and due diligence.

The findings will inform UDC on appropriate investment modalities. In the coming FY2022/23, UDC will continue to invest in existing subsidiaries and associated companies and provide the necessary support including financial and technical. We will as well support our partners to design and implement their own innovations geared towards enhancing profitability. In the coming FY2022/23, we will amplify efforts of establishing new projects such as Cocoa Processing Factory in Bundibugyo District. Suffice to note, however, the Tea Sub Sector was hit by prolonged drought in Q1 (July-September, 2022), coupled with failure to access fertilizers-attributed to the ongoing Russia-Ukraine War (Russia is the main source and supplier of fertilizers around the globe).

Absolute lack of fertilizers compromised access to quality green leaf by our companies. The Corporation appreciates the continued support by the Board for the oversight role played during the year. We further extend our gratitude to UDC's mother ministry- Ministry of Trade, Industry and Cooperatives (MTIC) and Ministry of Finance, Planning and Economic Development (MoFPED) for the continued budget support for UDC to invest in projects that are desired by Ugandans. It is my sincere hope that you find this annual report quite exciting and informative.

Patrick B. Birungi, PhD.

### UDC Strategic Plan

DC has a 10year Strategic Plan (FY 2019/20–2029/30) hinged on agromanufacturing, minerals beneficiation, and strategic sector development giving priority to areas where the private sector would not ordinarily invest as well as areas that attain complementarity and not competition with the private sector. 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 Corporation's Strategic Plan (2019/20 – 2029/30) sets out three inter-dependent strategic objectives.



#### Strengthen internal capacity and processes for UDC to deliver its

#### mandate

- Strengthen governance
- Optimize resource base
- Build investment and enterprise management competence
- Align structure and skillset to strategy
- Adoption of technology
   and systems
- Improve financial management
- Risk management
- Monitoring & Evaluation

## 2

Leverage partnerships and networks to optimize resources and foster collaboration

- Develop partnerships to co-finance feasibility studies
- Utilize operations & management partnerships
- Engage potential partners for coinvestments and joint ventures
- Utilize existing investment management firms in priority sectors
- Harnessing industrial and sectoral synergies

Invest in strategic and sustainable investments geared towards the overall economic and industrial development of Uganda.

- 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.

#### Strengthen internal capacity and processes for UDC to deliver its mandate

In FY 2021/22, Cabinet approved the appointment of eight (8) members to the Board of Uganda Development Corporation (UDC), chaired by Godfrey R. Ruhurira. Other members on the Board are: Geraldine Ssali Busuulwa, Francis Ogwang, Dr. Edward Nyatia, Barbara K. Mulwana, Dorothey Masifa Ochela and Dr. Patrick Birungi (Executive Director). In line with their mandate, a number of critical and important decisions were undertaken geared at scaling up industrialization and improving the social economic wellbeing of Ugandans.

The Corporation, further, established the Research, Monitoring and Evaluation Department in line with the UDC Act of conducting Research to inform industrialization of the country. The Information Technology Department was also beefed with additional staffing to provide IT services so as to speed up the corporation's processes.

#### **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 Limited (SOFTE), Kayonza Growers Tea Limited, Nile Hotel International Limited, 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.

# THE TEA SUB SECTOR

Uganda Development Corporation

### MABALE GROWERS TEA FACTORY

abale Growers Tea Factory Ltd is located in Kyenjojo district, Toro sub-region, Western Uganda. The factory is involved in green leaf processing. It has two CTC (Cut, Tear and Curl) lines each with a capacity of 600 Kg/Hr. The factory produces black tea for export. UDC has 48.5% shares in the factory.

#### **Milestones for Mabale Growers Tea Factory**

Employment: The factory directly employs 448 workers on full time, out of which 40% are females and 60% males. All jobs are occupied by Uganda nationals. Indirectly, the factory is estimated to have led to creation of at least 3,750 jobs, with beneficiaries mainly from host communities and neighboring districts.

		-			
	Q1	Q2	Q3	Q4	Total
Volume of green leaf purchased (kg)	2,404,785	729,430	1,782,591	2,197,675	7,114,481
Value of green leaf purchases (UGX)	957,358,816	598,765,233	677,384,580	862,743,700	3,096,252,329
Value of made tea sold locally (UGX)	28,604,238	598,765,233	212,473,000	188,992,655	1,028,835,126
Payment made to Local Suppliers	206,582,943	1,207,571,008	355,172,570	217,645,619	1,986,972,140
Value of made tea exported ( <b>USD</b> )	721,615	511,002	505,019	497,857	2,235,493

#### Table 1: Mabale Growers Tea Factory Performance in FY 2021/22

Source: Quarterly Performance Records FY 2021/2022.

#### Volume of green leaf purchased

In total, Mabale Growers Tea Factory purchased 7,114,481 Kg of green leaf that resulted in payments to farmers amounting to UGX 1,986,972,140. The highest volume of green leaf purchases was recorded in Q1 (2,404,785 Kg) with farmers earning UGX 217,645,619. Further, the volumes of green leaf purchased by the factory in other quarters were relatively lower, with 729,430 Kgs (Q2), 1,782,591Kgs (Q3), and 2,197,675 Kg (Q4). Generally, the factory's total green leaf purchases coupled with payments to local farmers were 'relatively stable' throughout the reporting year.

### Value of green leaf purchases

The total value of green leaf for purchases by Mabale, during the FY, summed to UGX 3,096,252,329, with Q1 posting the highest value of UGX 957,358,816. The values for green leaf purchases were relatively lower in Q2 and Q3, UGX 598,765,233 and UGX 677,384,580, respectively. However, the value for green leaf, increased in Q4 (UGX 862,743,700).

#### Value of made tea sold locally

In FY 2021/2022, total value of made tea sold locally by the factory totaled to UGX 1,028,835,126, with Q2 alone generating UGX 598,765,233. The values of made tea sold locally were lower in Q1 and Q4, with UGX 28,604,238 and UGX 188,992,655 respectively. The value of made tea sold locally decreased in Q3 to UGX 212,473,000 due to insufficient and low quality green leaf.

#### Value of made tea exported

The total value of made tea exported by Mabale Growers Tea Factory totaled USD 2,235,493, with QI generating higher revenue exports of USD 721,615. Generally, factory made tea exports were relatively stable throughout the year, with the factory earning USD 511,002 (Q2), USD 505,019 (Q3), and USD 497,857 (Q4).

### MPANGA GROWERS TEA FACTORY LTD

panga Growers Tea Factory is a public limited company owned by small holder tea growers. It was incorporated in 1995. It is located in western Uganda Kabarole district, producing high quality tea for local and export market. It is one of the tea factories formerly under Uganda Tea Growers Corporation (U T G C), established by an Act of parliament on 17th February 1966.

Mpanga Growers Tea Factory Limited processes green leaf into high quality made tea for primarily the export market and to a small extent the local Uganda market. The company has four estates where it grows the green leaf. These are Kasunga, Kibaale, Kyapa and Demo. Currently the company has a membership of 461 shareholders.

In October 2021, UDC recapitalized the tea factory to the tune of UGX.4.34 billion to facilitate purchase of green leaf to improve capacity utilization, and partial settlement of loan obligation. By June 2022, UDC's shares were 31.9%.



#### Milestones of Mpanga Tea Factory in FY 2021/2022

Job creation: The company directly employs 330 people, of whom, 233 (71%) are males and 97 (29% females). In terms of age group, 121 (37%) are youth (aged 18-30 years).

### Table 2: Mpanga's uptake of green (tea) leaf, payments to farmers and exports earnings

	QI	Q2	Q3	Q4	Total
Volume of green leaf purchased (kg)	715,980	3,273,621	1,321,769	1,053,652	6,365,022
Volume of Made Tea	232,381	748,045	315,105	256,121	1,551,652
Local Sales (UGX)	638,943,714	1,152,464,119	791,299,099	578,633,484	3,161,340,416
Value of made tea exported (USD)	47,894	160,045	261,360	81,031	550,330

Source: Quarterly Performance Records FY 2021/2022.

#### Volume of Green Leaf Purchased

In FY 2021/2022 total uptake of green leaf totaled to 6,365,022 Kgs with Q2 (3,273,621Kgs), the highest recorded for uptake. Q3 (1,321,769Kgs) and Q4 (1,053,652) indicated reduction in uptake of green leaf attributed to prolonged drought and poor agronomic practices (lack of fertilizers).

#### Volume of Made Tea processed

The volume of made tea produced by Mpanga Growers Tea Factory increased from 232,381 kg in the first quarter to 1,551,652 kg in the last quarter, indicating a growth of 567.7%. The second quarter saw the highest growth rate of 221.9%, with a volume of 748,045 kg. In contrast, the third quarter recorded the lowest growth rate of -57.9%, with a volume of 315,105 kg. The significant increase in the last quarter indicates an impressive performance by the factory in terms of tea production.

#### **Local Sales**

The first quarter earned UGX 638,943,714 only in sales, which increased by 513,520,405 (80.3%) in the second quarter generating UGX 1,152,464,119. However, the third quarter recorded a decrease of UGX 361,165,020 (1.4%), with a value of UGX 791,299,099.

#### Value of Made Tea Exports

Mpanga Growers Tea Factory Ltd exported made tea worth USD 47,894 in the first quarter, which increased by USD 112,151 (234.2%) in the second quarter to reach USD 160,045. The third quarter recorded a further increase of USD 101,315 (63.3%), with a value of USD 261,360. In total, Mpanga earned USD 550,330 in exports of made tea in FY 2021/2022.

### KAYONZA GROWERS TEA FACTORY LTD

Tea ayonza Growers Limited was established 1995 in Kigezi Sub in Region with headquarters or base in Kanungu District. The government of Uganda through UDC invested through lease financing in the factory by installing a third CTC line of 600 KG/Hr capacity. The purpose was to improve efficiency of the factory to process the increasing tea leaf in the region.



#### **Milestones of Kyaonza Growers Tea Factory**

Job creation: Kayonza Growers Tea Ltd (KGTL) employs 470 staff (350 males and 120 females) - 57.7% of these workers are youths.

Table 3: Performance of Ka	yonza Growers Tea Factor	y during FY 2021/22

Items	Q3	Q4	Total
Volume of green leaf purchased (Kg)	4,592,007	5,180,022	9,772,029
Volume of firewood purchased (m3)	2,264	2,700	4,964
Payments for green leaf (UGX)	2,087,141,034	2,250,288,784	4,337,429,818
Payment made for firewood (UGX)	137,700,000	115,146,000	252,846,000
Volume of Made Tea (Kgs)	274,791	273,738	548,529
Local Sales (UGX)	1,131,697,651	1,143,074,519	2,274,772,170
Value of made tea exported (USD)	1,204,322.6	1,250,227.5	2,454,550

Source: Quarterly Performance Records FY 2021/2022.

As shown in the table above, uptake of raw materials in FY 2021/2022, totaled to 9,772,029 Kgs, with Q3 contributing 5,180,022 Kgs of leaf and Q3, contributing 4,592,007 Kgs of Green leaf, translating into (11.3%) increase of green leaf uptake between the two quarters. Payment for the same equaled to UGX 4,337,429,818, with beneficiaries being smallholder farmers mainly from Kanungu district.

Additionally, the company purchased a total of 4,964m3 of firewood, with Q4 contributing 2,700 m3, and 2,264 Cubic Meters (m3) in Q3. This resulted into payment of UGX 252,846,000. Therefore, demand for firewood to facilitate black tea processing increased by 16.3% between Q3 and Q4.

**Sales:** Kayonza Growers Tea factory sales totaled to UGX 2,274,772,170, with sales coming from within Uganda.

**Exports:** Total revenue/earnings for exports amounted to USD 2,454,550 with the main market being the Mombasa Auction Market and Europe.

**Business expansion:** during FY 2021/2022, Kayonza Growers Tea Limited commenced the construction of a new tea processing factory at Mpungu village, Mpungu Sub County, Kanungu District. The factory once completed will help to absorb the surplus tea leaf in the region.

# **THE FRUITS** SUB SECTOR

### SOROTI FRUITS LIMITED

overnment of Uganda through UDC partnered with Korea International Cooperation Agency (KOICA) to establish a fruits processing factory in Soroti district, Teso Sub region (Soroti Fruits Ltd-(SOFTE). The shareholding of SOFTE is between UDC (80%) and Teso Tropical Fruits Cooperative Union –TEFCU (20%).

The factory was commissioned in April 2019, and has an installed capacity of 6MT/HR for processing of orange and mango fruits respectively. The fruits are predominantly purchased from smallholder farmers across the TESO sub-region and surrounding areas. They are processed into fruit puree/concentrates and natural ready to drink juice under the brand name 'Teju juice'.

**Employment:** SOFTE employment status stood at 82 staff as at June 30, 2022.



Items	QI	Q2	Q3	Q4	Total
Volume of Mango purchased (Kg)	-	194,068		23,746	217,814
Volume of Oranges Purchased (Kgs)	-	253,747	-	-	253,747
Exports USD		22,323			22,323
Local Sales (Aggregated) UGX	211,398,670	226,671,359	492,737,291	567,961,964	1,498,769,284
Payments made to local suppliers (Mangoes) UGX	_	100,391,120	_	_	100,391,120
Payments made to local suppliers Oranges (UGX)	-	119,921,424	65,976,720	-	185,898,144

### Table 4: Performance of Soroti Fruits Ltd (SOFTE) during FY 2021/2022

Source: Quarterly Performance Records FY 2021/2022.

In FY 2021/2022, Soroti Fruits Ltd purchased a total of 217,814 Kg of mangoes and 253,747 Kg of oranges, I, with all fruits purchased from smallholder farmers found in Teso Sub-region. Mangoes were purchased following the peak season in Q1 and Q4. Therefore, there were no purchases for mangoes in Q2&Q3 because it was off-season.

Oranges purchased in Q2 totaled to (253,747 Kgs). There were no purchases in Q1, Q3 &Q4 because the periods were off-season for citrus in Teso and the entire country.

#### **Local Sales**

The company's local sales totaled UGX1,498,769,284 in the entire FY2021/2022. Q4 returned higher revenue from sales (UGX 567,961,964) followed by Q3 (UGX 492,737,291). Therefore, there was notable improvement in sales from Q1 to Q4 as shown on the table above.

Other achievements registered during FY 2021/2022 include: -

**Trade penetration:** SOFTE acquired additional distributors for TEJU juice enabling significant product reach in peri urban and rural markets as well as concentrate market. For example, in Q4, SOFTE registered a major BUBU breakthrough in the concentrate and pulp market with Britania, a local company made an order of 18,800 litres of mango pulp and 1,600 litres of orange concentrate.





**Brand visibility and awareness:** During the FY SOFTE's brand warmth improved resulting into the creation of 100 new core trade accounts thus fostering ready market for Softe products.

**Brand Acceptance:** In FY 2021/22, there was notable growth in outlet stocking of TEJU products and consumption as evidenced by an increase in volume of sales.

**Innovations:** Successful introduction and product listing of the new 300ml Teju across the country resulted into a market surge in the demand of the 300ml Teju.

**Regulatory compliance:** 70 employees were medically tested and certified as fit to handle food thus enhancing Quality Assurance and compliance guidelines as per the National Bureau of Standards (UNBS).

**External Laboratory tests:** One testing routine was conducted for ready to drink Stock Keeping Units [SKUs] (Teju mango and orange pouch; Teju Acupa mango and orange) and municipal and borehole water samples, as a mechanism of ensuring compliance with public health and safety guidelines.

# THE CASSAVA SUB SECTOR

### **BUKONA AGRO PROCESSORS LIMITED**

ocated in Lapem Village, Koch-Goma Sub County, Nwoya District, Bukona Agro Processors, is a cassava based distillery manufacturing ethanol which is primarily used for domestic cooking in specially designed ethanol cook stoves. The Company is aiming at substituting the use of devastating Charcoal and the imported Liquefied petroleum gas(LPG), by adopting improved environmental and healthy cooking options provided by the company. Bukona is providing a large scale market for cassava, in Northern Uganda, to the tune of 20,000 tons of dry cassava chips annually and supporting the government objective of promoting and commercializing cassava along the Value Chain. Further, other raw materials used by the factory to manufacture denatured ethanol include maize and molasses.

The factory commenced commercial operations in May 2021. UDC, shareholding in the company is 40.5%.

### Milestones of Bukona Agro Processors in FY 2021/22

Job creation: The factory employs 145 workers (110 males and 35 females). Most (62%) of the employees are youths. Indirect jobs reported were over 2,000.



	FY2021/2022				
Key performance indicators	QI	Q2	Q3	Total	
Uptake of local raw materials (MT)					
Volume of cassava purchased from farmers (MT)	187	100	325	612	
Volume of wood purchased from local suppliers ( <b>MT</b> )	1,703	447	696	2,846	
Payments to suppliers of local materials (UGX. Million	ו)				
Payments to cassava farmers (Millions)	102.890	62.062	226	390.952	
Payments to wood suppliers	153.321	40.249	53	246.57	
Total payments to local suppliers (millions)	256.211	102.311	279	637.522	
Quantities of factory products sold					
Volume of denatured fuel (ethanol) sold (litres)	3,861	2,309	100	6,270	
Number of ethanol cook stoves sold	28	15	16	59	
Volume of sanitiser sold (litres)	682	200	-	882	
Domestic sales revenue from factory products (UGX. m	illion)				
Denatured fuels (ethanol)	14.673	8.777	.355	23.805	
Ethanol cook stoves	4.746	2.542	2.7	9.988	
Sanitiser	10.231	3.000	-	13.231	
Total domestic sales revenue	30	14	3.55	47.024	
Foreign exchange earnings from ethanol fuel (USD)	-	395,500	603,503	999,003	

#### Table 5: Key performance of Bukona Agro Processors during FY 2021/22

Source: Quarterly Performance Records FY 2021/2022.

Over the year, the volume of cassava (MT) purchased from smallholder farmers totaled to 612MT whereas firewood used in boilers in the course of processing grossed to 2,846MT.

Payments made for raw materials including cassava and firewood grossed to UGX 256.211M, with suppliers of these goods being smallholder farmers within the project host communities, thus scaling up household incomes during the financial year.

The volume of denatured fuel (ethanol) sold grossed to 6,270 liters with Q1 (3,861 liters sold), followed by Q2, that saw 2,309 litres sold. Bukona was also able to sell a total 59 ethanol cooking stoves in the country, while 882 liters of sanitizers were also sold in Uganda.

Denatured fuel, ethanol cook stoves and sanitizer earned UGX 47.1M (all sold in Uganda). However, exports for the same earned USD 999,003.

# **THE COTTON** SUB SECTOR



### MUTUMA COMMERCIAL AGENCIES



utuma Commercial Agencies (MCAL), located in Luuka District, Busoga Sub region has been in operation since 1999. Currently, MCAL buys conventional seed cotton from over 6,000 farmers and through a process of ginning, converts it into absorbent cotton wool as the primary product. Other factory products include cotton lint, cotton seed oil, cotton seed cake, soap stock and cotton husks.

**Job creation:** Despite the factory not being fully operational in much of the financial year due to inadequate materials and lack of mechanized equipment the factory continued to provide direct employment to 118 (77 males and 41 females).

### Table 6: Uptake of seed cotton, payments to farmers and sales revenues in FY 2021/2022

	QI	Q2	Q3	Q4	Total
Volume of Cotton purchased (MT)	8.750	_	0.458	_	9.208
Value of sales (Millions/UGX)	560	184,020	70,516	106,4319	920,968
Payments made to Local Suppliers (Millions/UGX)	4.755	0	1.358	0	6.113

Source: Quarterly Performance Records FY 2021/2022.

Mutuma Commercial Agency's financial performance was volatile due to inadequate working capital. In Q1, the company purchased 8.75 MT of cotton, which resulted in sales revenue of UGX 560 million with payments to local suppliers grossing to UGX 4.755 million.

However, there was no purchase of cotton in Q2, because the facility had a lot of processed cotton in store which had not yet been sold because negotiations with National Medical Store, (major market off-taker) were ongoing.



In Q3, the company purchased 0.458 MT of cotton, contributing to sales revenue of UGX 70.516 million and payments of UGX 1.358 million to local suppliers. In Q4, there was no purchase of cotton, resulting into reduced sales revenue of UGX 106.4 million.

Overall, there was a significant decrease in cotton purchases from Q1 to Q3, which led to a decrease in sales revenue and payments to local suppliers. In Q4, although there was no cotton purchase, the sales revenue was relatively high, because plenty of the cotton wool in the stores were sold.

## THE SUGARCANE SUB SECTOR



### ATIAK SUGAR FACTORY

DC in partnership with Horyal Investment Holdings Company (HIHC) has invested in setting up a plant to process sugar cane into brown sugar and by-products (molasses and bagasse to produce ethanol and up to 6MW of electricity in phase 1. The capacity of the plant in phase 1 is 1,650 TCD to be expandable to 3,500TCD in phase 2 and 5,000 TCD in phase 3. As at June 2022, UDC owned 40% shares in HIHC, the company that owns Atiak Sugar Factory.

2021/2022, During FΥ UDC accelerated efforts to acquire additional shares in HIHC in exchange for its planned investment to the tune of UGX 108 billion that will be strictly utilized for mechanising sugarcane production. The contract for Procurement of earth moving and agriculture mechanized machinery equipment were approved in FY 2021/22.





## INFRASTRUCTURE AND SERVICES



### Kalangala Infrastructure Services (KIS)

he investment started in May 2006 under Public Private Partnerships steered by the Government of Uganda (GoU) partnering with Infraco Africa Limited, eleQtra Limited and Industrial Development Corporation (IDC). Commercial operations of Kalangala Infrastructure Services (KIS) commenced in December 2012 with one ferry – MV Pearl.

KIS company, through partnership with GoU undertook infrastructure improvements on Bugala island including:

- a) Provision of two new (Roll-On-Roll-off) ferries (MV Pearl and MV Ssese) to operate between Bukakata and Luuku, and rehabilitation of ferry land sites at the two locations;
- b) Rehabilitation and expansion of a 66km main island road from Luuku to Mulabana via Kalangala town council;
- c) Generation, transmission and distribution of electricity on Bugala island via a solar hybrid power plant; and
- d) Rehabilitation and expansion of the water supply system for Kalangala town council and seven (7) other settlement areas.



#### Milestones registered by Kalangala Infrastructure Services FY 2021/22



**Employment:** The company employment stood at 67 staff.

# Table 7: Key performance indicators of Kalangala Infrastructure Service Ltd

Key performance indicators	FY2021/2022					
	QI	Q2	Q3	Q4	Total	
Power sold (KWH)	476,764	501,794	504,731	52,5040	2,008,329	
Power sales revenue (Including connection fees) (UGX million)	613,422	578,327	459,497	420,605	881,294	
Water sold (m^3)	20,536	21,893	-	-	42,429	
Water sales revenue including connection fees (UGX million)	76,904	86,910	66	62	291,814	
Ferry transport (number of trips)	1,252	1,420	1,386	1,386	5,444	
Ferry transport revenue (UGX million)	3,701.8	4,198.4	4,000	5,100	17,000	



Source: Quarterly Performance Records FY 2021/2022.

**Power:** KIS recorded an increasing trend in power sold over the four quarters, with a total of 2,008,329 KWH sold in FY2021/2022. This indicates a growing demand for power from KIS grid. The growing demand is attributed to increasing customer base in Kalangala Town Council and other nearby islands.

Water: Kalangala Infrastructure Services water sold grossed to 42,429 m^3 earning UGX 299M in FY 2021/22

**Power:** KIS revenue generated from power amounted to UGX 2.1 B in financial year. KIS was, therefore, able to use the revenue earned to further improve access to energy to Bugala communities.

**Ferry transport:** KIS recorded a total of 5,444 ferry trips during the financial year, generating UGX 17,000 million in revenue. The trips were plied along Lake Victoria mainly between Kalanagala and Masaka districts.

Ferry transport business line was the main 'cash cow' because it earned most of the revenue for the company compared to power and water business lines.

Generally, KIS business performance in FY2021/2022 was good, because the company was profitable despite the post Covid-19 associated challenges.

# HOTEL & HOSPITALITY SERVICES

# Nile Hotel International Limited (NHIL)

ile 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 Uganda Development Corporation and is listed under Class II of the Public Enterprises Reform and Divestiture Act. NHIL holds the assets where Kampala Serena Hotel seats. In 2020, UDC acquired the interest of GoU which is 100% shares attract dividends, that



and a concessional arrangement that attracts a concessional fee. In FY2021/2022, UDC was paid UGX 572,620,674 as dividends from Nile Hotel.

Nile Hotel directly employs five (5) people charged with managing the Serena Hotel concession. Serena Hotel directly provides employment to 301 people.

# Munyonyo Commonwealth Resort Hotel

tisanestablishedHospitality Investment in Munyonyo, in which Government of Uganda represented by UDC holds 25% shares. The Ministry of Finance, Planning and Economic Development officially handed over to UDC management of all the shares in Munyonyo Commonwealth Resort. The company directly provides 330 jobs.



# CHALLENGES FACED BY UDC INVESTMENTS

# Table 8: Challenges faced by UDC investments in FY 2021/2022

Challenge	Affected investment(s)	Actions being undertaken
Payment of historical heavy debt burden	Mabale, Mpanga, Mutuma	Companies renegotiated payment terms with creditors to extend the repayment period or restructure the debt, so as to reduce the interest rate or principal amount owed. This will provide short-term relief and allow the factory to manage their cash flow more effectively. The factories are exploring further options to increase revenue, such as expanding new product line or entering new markets. This will provide additional cash flow to help in payment of their debts.
Inadequate supply of raw materials & poor quality of the materials.	Tea Companies, Bukona Agro Processors.	The factories will invest in measures that will improve the quality of the materials they receive from farmers as a mechanism of ensuring quality assurance. Companies will directly work with smallholder farmers to scale up good agronomic practices such as supplying fertilizers to enhance crop production and productivity.
High cost of production in part caused by high fuel/power prices	All Investments	• The factories will embark on implementing energy- efficient technologies and practices, such as using renewable energy sources, optimizing production processes, and adopting lean manufacturing techniques so as to reduce energy consumption and costs, while also improving overall operational efficiency and sustainability.
Foreign exchange rate volatility and translation loss	Tea companies, KIS	<ul> <li>KIS will implement hedging strategies such as forward contracts or currency options.</li> <li>KIS will also conduct regular currency risk assessments, so as to diversify its revenue streams across different markets.</li> </ul>
Poor road network leading to increased cost of transportation of Mabale Growers Tea Factory inputs	Tea and Sugar Companies	<ul> <li>Companies to enhance collaboration efforts with local government authorities in order to improve feeder and access roads in the communities.</li> </ul>

Challenge	Affected investment(s)	Actions being undertaken
Low prices of factory products, and price fluctuations	Tea factories and Bukona Agro Processors	<ul> <li>Factories to opt for long-term contracts with buyers to stabilize prices and reduce the impact of price fluctuations.</li> <li>Bukona Agro processors to invest in market research in order to identify new markets for its products.</li> </ul>
Limited access to markets for manufactured products	Mutuma Commercial Agency (MCAL),	<ul> <li>MCAL is pursuing partnerships with other companies to expand their distribution network.</li> <li>MCAL is pursuing a contract with National Medical Store to supply cotton wool.</li> </ul>
Delayed payments by GoU for the road and ferry services resulting into difficulties in implementing planned activities.	Kalangala Infrastructure Services (KIS)	• KIS will negotiate with Government of Uganda for timely payment for services provided.
High cost of power generation without being able to recover the cost through the tariff, sky rocking fuel prices, limited solar capacity for the generation plant an alternative to thermal power.	Kalangala Infrastructure Services	<ul> <li>KIS and Government of Uganda through Ministry of Energy and Mineral Development are exploring options for connecting Solar-Hybrid Power grid on the national grid. This will reduce the associated generation and related costs.</li> </ul>
Exposure to foreign exchange risk, despite principal revenue sources being in Uganda Shillings.	Kalangala Infrastructure Services	<ul> <li>Currency swaps: KIS will explore options of a currency swap agreement with a financial institution or counterparty. This will involve exchanging the USD loan principal and interest payments for an equivalent of UGX amount at a fixed exchange rate. This would help the company to lock in the UGX/USD exchange rate, thereby reducing currency risk.</li> </ul>
Off-Season especially for Mangoes and Oranges resulting into low processing capabilities/under capacity	Soroti Fruits Limited	•SOFTE is seeking additional capital to automate processes and stock enough mangos and citrus.



# Progress on Other Projects Approved in FY 2021/2022

# **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.

In FY2021/2022, recruitment of key technical personnel that will operate the factory was completed. Key positions recruited were: 1 Electrical Engineer, 1 Mechanical Engineer, 1 Project Manager and 1 Quality Assurance Officer.

## **Luwero Fruits Factory**

This project aims at promoting value addition to fruits in the Greater Luwero area targteting 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.

In FY 2021/2022, revalidation of the 2013 feasibility study to suit the current context commenced with technical input provided to the consultant.

# **Zombo Tea Factory**

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

In the reporting period, UDC secured 15 Acres of land with support from Local Government Authorities. Further, stakeholder engagements to identify investment partners and form an SPV were conducted in Q4 FY 2021/2022, and more are planned in FY 2022/2023.

## **Nwoya Fruit Factory**

The proposed investment is an establishment of an economically viable fruit processing factory in Nwoya district through a tripartite investment partnership between Delight Uganda Limited (DUL) and UDC. Other potential investors may be considered. The proposed project aims at processing mainly mangoes, guava,

citrus and pineapple, which are readily available in the region. Due diligence was completed and the findings will inform the next steps.

## **Acholibur 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.

In the reporting period, UDC engaged stakeholders in Gulu and other host communities to rally support of leaders to mobilize farmers to engage in commercial cassava farming in order to supply cassava to the proposed factory.

## **Budadiri Arabica Coffee Factory Ltd**

Budadiri Arabica coffee factory, was seized by UDB on failure to service a loan of UGX 4 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. In the FY 2021/2022, the shareholders loan agreement, Business Transfer Agreement and novation agreement were signed by all parties and financial disbursement to UDB of an initial of UGX 4 billion made to clear the outstanding debt – that translated into a shareholder loan to the Special Purpose Vehicle (SPV). The factory is expected to commence commercial operations in FY 2022/2023.

## Alfasan Uganda Limited

The project is an investment partnership between UDC and Alfasan Uganda Ltd whose aim is to invest in the installation of a local facility to produce high quality veterinary medicines and vaccines for animals. UDC and Alfasan Uganda Ltd had a number of engagements such as project restructuring modalities all geared towards commencing the project.

## 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 logistical factors. 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. Feasibility study for the project was finalized and will inform decision making in FY 2022/2023.

## Moroto Integrated Cement, Lime and Marble Plant

UDC in partnership with the private sector is setting up an integrated cement, lime and marble plant in Moroto district to add value to the existing raw material (limestone and marble) that has not been fully exploited. In FY 2021/2022, key planned activities that had been planned for execution were suspended because of insecurity throughout the project catchment. The activities will recommence upon security assurance in the area by Government of Uganda.

# **Other Projects under Preparation**

UDC is exploring possibilities of establishing a Cocoa Processing Factory in the Rwenzori Sub Region, specifically, in Bundibugyo District. Further, Government of Uganda through UDC intend to support companies trading under the 'Grains Sub Sector' by providing additional capital in order to promote and foster quality assurance, regional and global competitiveness, among others.

## Cocoa Processing Factory in Bundibugyo

This is a reference to the Presidential directive in which the corporation was instructed the establish a Cocoa factory in Bundibugyo district to provide ready market, solve the post-harvest losses in the bumper harvest, promote value addition and create more employment opportunities.

In the reporting year, a feasibility study regarding the establishment of the facility commenced.

## **Grain Companies**

UDC commenced due diligence studies to assess the business attractiveness of four (4) entities to inform its (UDC's) investment decisions under the grains sub sector. The Businesses that underwent this process;

- (i) Aponye (U) Ltd in Kampala, Mubende and Kyazanga,
- (ii) Afrokai (U) Ltd in Wakiso, Nwoya and Kasese,
- (iii) Agro Ways (U) Ltd in Jinja, Namulesa and Mbarara, and
- (iv) Yaya Group Ltd in Masindi.

# OSPITAL CARE . CLINICAL CARE . HOSPITAL QUALITY . FRST



Fine Cotton Wool 100% Pure Ugandan Cotton

HOSPITAL QUALITY, FIRST AID HOSPITAL USE, CLINICAL CARE

# 400g

HOSPITAL CARE + CLINICAL CARE + HOSPITAL QUALITY FIRST

# GOVERNANCE The Board of Directors

nder Section 6 of the Act, the governing body of the Corporation is a Board of Directors. The New Board of Directors (BOD) was appointed on November 22, 2021 for a three-year term ending on 21<sup>st</sup> November 2024. The Board Members are; Godfrey R. Ruhurira (Chairperson), Geraldine Ssali Busuulwa (member), Francis Ogwang (Member), Dr. Edward Nyatia (Member), Dorothy Masifa Ochola (Member), Patrick B. Birungi, PhD, (Ex-Official and Executive Director).

## **PROFILES OF THE BOARD OF DIRECTORS**

Godfrey R. Ruhurira, is a partner and leadconsultantatAssociatedFinancial Services Ltd, a financial services consulting and management firm in Uganda, serving private and public sectors. He holds a BSc (Civil Eng.) and Master of Environmental Health Engineering both from University of Nairobi, Kenya.

He has 37 years' exposure in multisectoral projects' development and management related work. During his 20 years' employment with East African Development Bank, a regional financial institution, he obtained extensive training and exposure in development banking, business planning, analysis, management and board room matters. He held various managerial positions including Country Manager (Kenya) before

Godfrey R. Ruhurira

Chairman Board of Directors

early exit to private sector practice.

He has good understanding of micro, macroeconomic and sector policies of Uganda, its economy and development issues.



Geraldine is the Permanent Secretary in the Ministry of Trade, Industry and Co-operatives. She has been a director on the Board of Housing Finance Bank for the last 7 years. She is on the Board of Uganda Development Corporation, Uganda Revenue Authority, and Ngetta Tropical Holdings Ltd. Geraldine is the Chairperson of the Gayaza Old Girls Association, the alumni body of Gayaza High School where she attended both her O and A levels. Geraldine has a wealth of financial management experience both global and local cutting across different sectors ranging from Government, Banking, pensions, transport, retail and service industry. She currently owns a financial advisory consultancy firm - Regent Capital Ltd and a Petroleum and Gas company, Regent Energy Ltd. She is a former Deputy Managing Director of the National Social Security Fund, a position she held for 7 years and Acted as Managing Director of the Fund for a year in 2014. She has held a number of high-profile Finance positions in the United Kingdom: Heading the Corporate Services Unit at Her Majesty's Treasury (Ministry of Finance, UK); Monopolies and Mergers Commission (Now Competition Commission), and Transport for London.

### Geraldine is a Fellow of the Chartered Institute of Management accountants, (CIMA). She is also a fellow of Chartered Global Management Accountant (CGMA). Geraldine holds a Master of Business Administration degree in Finance and Finance professionals from the University of Manchester -Manchester Business School, with ninteen (19) years' post masters work experience in internationally reputable Geraldine financial organisations. is proudly an alumnus of Makerere University, Kampala, where she obtained a Bachelor of Science degree in Maths, Economics and Statistics. She was also the LC 1 Chairperson at CCE Hall.

## Geraldine Ssali Busulwa

Non-Executive Director

Dr. Edward Nyatia is a seasoned academic & business personwith25+years' experience in leading & managing skills innovation and change projects in the public & private sector. He's a trained scientist with an MSc & PhD in the Biomedical field. Edward has experience in strategic planning, project management, multicultural team building, organization culture change, prides in building sustainable teams and management practices. He has vast experience in Agribusiness and the hospitality industry both at advisory level and as an entrepreneur. Edward is a pro-active; results orientated individual with strong work ethics, can-do attitude, able to work with diversity; a dedicated team player of integrity with exceptional communication and organizing skills.



Francis Nyatia Independent Non-Executive Director

Dorothy is a holder of a Bachelor of Laws Degree (Mak), a Masters in Commercial Laws from the University of Cambridge and she is an Advocate of the High Court Uganda and East Africa, and a Chartered Secretary. She has extensive years of leadership and governance experience spanning the Legal, Financial Sector, Corporate Governance in multinational conglomerates and local and multilateral development finance institutions. Dorothy's executive management and board experience includes her roles as Manager, Board & AGM Management (African Export-Import Bank), Head of Legal & Company Secretary (Standard Chartered Bank & Uganda Development Bank), Legal Manager (Stanbic Bank Uganda) and Legal counsel in M/s Katende, Ssempebwa & Co. Advocates. She has had extensive Legal, Compliance, Investor Relations, Government and Public Policy experience and



**Dorothy Masifa** Non-Executive Director

training over her East-Africa wide career. Dorothy has supported the execution of corporate strategies and the embedding of effective corporate governance practices. She also developed a wide and deep set of expertise and relationships across industries, private sector, governments, led and project managed industry campaigns, influencer campaigns and developed key partnerships with multiple private sector players. A visionary thinker with a global perspective and entrepreneurial drive, Ogwang has a minimum of 17 years of banking experience, 8 of them at middle management and senior leadership levels. His banking experience ranges from Corporate and Investment Banking, Transaction Banking to Commercial and SME Banking, Credit/Risk management, Business Management growth and Development. Before joining EADB, Francis was the Country Manager Corporate Banking at EcoBank Uganda limited. Prior to this, he was Chief Business Manager at Centenary Bank Limited. He holds a Master of Business Administration and Bachelor of Arts Degree – Economics, both from Makerere University. He is also the President of the Rotary Club of Kiwatule.



Francis Ogwang Non-Executive Director

Patrick B. Birungi, holds a PhD in Economics from the University of Pretoria. An Economist with excellent experience in programmes and project management, he is currently working as the Executive Director of Uganda Development Corporation. He previously held the position of Director of Development Planning at the National Planning Authority in Uganda for eight years. He is a former Board member of the Public Private Partnership committee of the Government of Uganda. He sits on the board of several institutions. Other Positions Held include; Senior National Economist at UNDP (Uganda Country Office), where he gained a lot of experience in supervision of GoU-UN programms and projects. Patrick spent



Patrick B. Birungi Executive Director

most of his working career in the Academia as a senior Lecturer of 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 others. As a Director of Planning at the National Planning Authority Patrick 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



Patrick B. Birungi Executive Director



**Christine Zaake** Director Finance & Administration



Yudaya Kadondi Manager Investment Services



Herbert Bitwire Manager Human Resource & Administration



Hope A. Kisitu Corporation Secretary



**Teo Nanyange** Manager Finance



Mildred Barungi, PhD Manager, Research, Monitoring and Evaluation



Andrew Mugerwa Director Investments, Development and Appraisal



Pauline A. Ihumuza Manager Legal Services



Dan Atuhaire Manager Procurement

# UDC FY 2022/2023 WORKPLAN

# Approved Work Plan for FY 2022/23

Sector/Intervention	Annual Planned Activities	Annual Planned Outputs
Zombo Tea Factory	Construction of tea factory	Tea Factory constructed
	Procure a Supervising Consultant to supervise the construction works	Construction progress report
	Procure, install & commission equipment	Supplied, installed & commissioned machinery & equipment
	Monitor progress on implementation of the project activities	Project progress reports produced
Soroti Fruits Ltd	Purchase of fruits	Fruits purchased
Luwero Fruits Factory	Procure, install & commission equipment	Supplied, installed & commissioned machinery & equipment
	Monitor progress of project	Project progress reports produced
Establish a sugar Factory in Busoga sub-region	Acquire 150 acres of land	150 acres of titled land Acquired
	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 for the factory
	Develop technical engineering design, BOQs and service the land with water and electricity	Detailed technical designs, Bills of quantities (BOQs) developed & water and electricity extended to the project site
	Construction of the sugar factory	Construction of the sugar factory commenced
East Africa Medical Vitals	Acquire equity in East Africa Medical vitals	Equity acquired in East Africa Medical Vitals
Research	Undertake feasibility/ business plans / business valuation on potential investments in agro- industrialization, manufacturing and services	Prepared final Feasibility/ business plan/ business valuation reports on potential investments in agro- industrialization, manufacturing and services



# MANGO JUICE DRINK

210 ml



# MANGO JUICE DRINK

200 mL

# FY 2021/2022 AUDITOR GENERAL'S REPORT

TELEPHONE

G.eneral Line +256 • 41 - 7336000 Auditor General: +256 • 41 - 7336004 Sec.

Email:info@oag.go.ug Website: www.oag.go.ug





FOR ANY CORRESPONDENCE ON THIS MATTER PLEASE QUOTEN0:FIIT...46/,47,/O3.1/ 22 22<sup>nd</sup> December, 2022

The Accounting Officer Uganda Development Corporation **Kampala** 

#### REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF UGANDA DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30TH JUNE 2022

I am enclosing herewith a report which I have already sent to the Speaker in terms of Article 163 (4) of the \_\_\_\_\_\_ institution.

leund

John F. S. Muwanga AUDITOR GENERAL

Copy to: The Hon. Minister of Ethics and Integrity

The Permanent Secretary/ Secretary to the Treasury Ministry of Finance, Planning and Economic Development

The Inspector General of Government

The Accountant General Ministry of Finance, Planning and Economic Development

The Head of Accounts Uganda Development Corporation

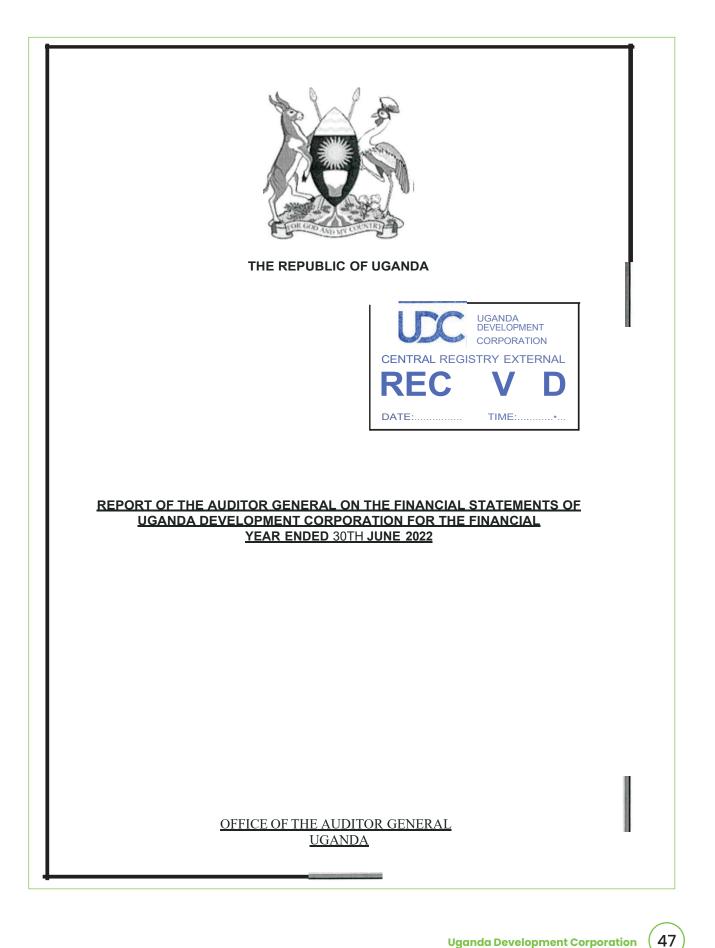
"To provide our stakeholders with independent audit results that promote good governence for better



VISION: "A Model Supreme Audit Institution that adds Value to Society...

seNice

-deliver





## UGANDA DEVELOPMENT CORPORATION

## CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2022

# DEGRIDAD DEVELOPMENT CORPORATION CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022 TABLE OF CONTENTS CONTENTS PAGE General Information 2 Report of the Directors 3-8 Statement of the Directors' Responsibilities 9 Financial Statements Consolidated Statement of Profit or Loss and other Comprehensive income 10 Consolidated Statement of Financial position 11 Consolidated Statement of Cash Flows 12 Consolidated Statement of Changes in Equity 13 Notes to the financial statements 14-46

ljrage

#### PRINCIPAL PLACE OF BUSINESS

Uganda Development Corporation 5<sup>th</sup> Floor Soliz House Plot 23, Lumumba Avenue P. 0. Box 70.42 KAMPALA

#### BANKERS

#### Bank of Uganda

Plot 37/45, Kampala Road P. 0. Box 7120 KAMPALA

Centenary Rural Development Bank Limited Plot 44-46 Kampala Road and Plot 2 Burton Street P. 0. Box 1892 KAMPALA

Dfcu Bank Plot 26, **Kyadondo** Road, Nakasero P. 0. Box 70 KAMPALA

#### AUDITORS

Office of the Auditor General P. 0. **Box** 7083 KAMPALA

2 age

#### 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 ancl prosperity of Uganda.

**3I**Page

#### **REPORT OF THE DIRECTORS (Continued)**

#### 2 Principal Activities

UDC has been involved in the following activities in the Financial Year 2021/2022:

- a) Operationalization and monitoring of entities in which the Corporation has invested e.g Kalangala Infrastructure Services Ltd, Soroti Fruits Limited (SOFTE), Mabale Growers Tea Factory Limited, Horyal Investment Holding Company Ltd, Kigezi Highland Tea Limited, Kayonza Tea Factory, and Kaaro Koffi limited.
- Investment in different sectors and entities e.g. Mpanga Growers Tea Factory, Budadiri Arabica Coffee Mills Ltd, Mutuma Commercial Agencies Ltd, and Bukona Agro-processors Ltd.
- c) Identification and carrying out due diligence, feasibility studies, appraisal, valuation and structuring of various proposed investments e.g. Alfasan Uganda Limited, Yumbe Fruit Factory, Luwero Fruit Factory, Zombo Tea Factory, Establishment of a Gamma Irradiation (SPS sanitization) Facility, Establishment of Busoga Sugar Factory, Establishment of a National Construction Co, Packaging Industry Feasibility and Value Chain Study, Establishment of Intravenous Fluids Plant, Establishment of an Integrated Sterilization and Shredder Facility, Establishment of a Cocoa Processing Plant, Establishment of a Beef Processing Factory, Establishment of a Soluble Coffee Plant, Establishment of a Paper Manufacturing Plant, Investment in grain sector and hotel sectors.
- 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: Munyonyo Commonwealth Resort Limited.

#### 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 submitted that the final spend on the factory increased to US \$ 8m. The capacity of the factory was originally 6MT/hour of oranges and 2MT/hour of mangoes. This was expanded with installation of an additional 6MT/hour mango line which was commissioned in December 2021.

The factory was launched by H.E. the President of Uganda on 13<sup>th</sup> 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. SOFTE produces concentrates and ready to drink juice branded as TEJU Juice (mango.and orange). The factory is recovering from the effects of Covid-19 and TEJU juice is now on shelves of most supermarkets in Uganda. The company made sales worth Ushs.1.27bn in the reporting period compared to 819m in June 2021.

#### 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.

4IP,ige

#### **REPORT OF THE DIRECTORS (Continued)**

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).

The company is recovering from the effects of the Covid-19 pandemic which negatively affected the hospitality sector; the Concessionaire, TPS Uganda Limited inclusive. This is evidenced by an improvement-in the profits made by the company in the year er-tded June 2022 i.e. Ushs. 799m compared to Ushs 83.4m in June 2021.

#### 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 USO 50 million project. To facilitate the PPP arrangement, a special purpose vehicle in the names of "Kalangala Infrastructure Services Ltd" was formed. GOU, through UOC acquired 45.7% Ordinary shares and 45.7% convertible preference shares in Kalangala Infrastructure Services Ltd (KIS). The other shareholders include: InfraCo Africa, eleQtra Limited and IDC South Africa.

As at 30th June 2022, 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.
- Ferry services Two ferries were operating between Bukakata and Luuku i.e MV Ssese and MV pearl. A total of 5,444 ferry crossings were done by the 2 ferries during the period ended 30<sup>th</sup> June 2022.
- 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 30<sup>th</sup> June 2022, a total of 5,134 customers have been connected to the grid compared to 4,857 connections in June 2021.
- 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 1,430 customers had been connected by 30<sup>th</sup> June 2022 compared to 1,220 customers in June 2021.

The company made a profit of UGX 1.78bn in its financial year ended 31s<sup>1</sup> December 2021 up from UGX 368m in December 2020

5 age

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, Mabale and Mpanga. In additi\_on, UDC is establishing a tea fact ry 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 2022, the key accomplishments were as follows:

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 two factories' operations were drastically affected by the Covid-19 pandemic which led to approximately 50% decline in the average monthly sales i.e. an average of USO 100,000 per month as at June 2021. However, as at June 2022; the two factories bounced back to their pre- Covid-19 pandemic sales, with their monthly earnings averaging at approximately USO 209,500 per month through sales at the Mombasa tea auction.

The factories purchased approximately 880,000 Kgs of green leaf from the **tea farmers** on a monthly basis, and injected UGX 390m per month in purchase of green leaf.

The factories also generated direct employment to, 247, people with 168 men and 79 women as at June 2022. Moreover, 131 employees fall In the age category of 18-30 whereas 116 fall in the age category of 30-64 years, and about 3,000 indirect jobs created (comprising farmers & other players involved in the tea value chain).\*

The factories' operations were however affected by inadequate green leaf and to ensure continued production and therefore payment of the extended lease to KHTL, the GOU extended a Ushs, 5bn 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, all the 10m tea seedlings had been planted and the verification process for the final batches 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 was on-going.

ii **Kayonza Tea Growers Factory:** The supply, installation and commissioning of a 3<sup>rd</sup> tea processing line for Kayonza tea factory was completed in F.ebruary 2020.

The employment levels stood at 740 workers inclusive of the estate workers and 20 workers were added as a result of the installation of the 3rd CTC line.

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

6 IP ge

#### **REPORT OF THE DIRECTORS (Continued)**

Since UDC's intervention to revive MGTFL in March 2020 until June 2022, the factory has been able to export 2.169,349 kgs of made tea to Mombasa Tea Auction earning USO 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 price's 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. 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 factory was reinstated in May 2021 after UDC clearing the non-performing loan in Bank of Baroda (U).

Since UDC's intervention to revive Bukona in May 2021, the factory has been able to export 2,238,000 Liters of ethanol to VIVO Kenya earning USO 1,981,280. In addition, a total of Ushs. 4.2bn has been injected into the local economy through the purchase of various raw material - cassava and sorghum and molasses from farmers and transport. The employment levels stood at 150 including casuals and full time employees.

The factories' operations were however affected by inadequate cassava and to ensure continued production and therefore fulfillment of the contract to supply ethanol *to* VIVO energy in Kenya, the Board of Directors approved the use of alternative raw materials such as sorghum and molasses to avoid gaps in servicing the contract with VIVO energy. Efforts *to* encourage farmers to plant more cassava in the region were on-going by close of the reporting period.

#### 8. Horyal Investment Holding Company Ltd (Atiak Sugar Factory)

Horyal Investment Holding Company Itd (HIHC) is a limited liability company, incorporated on 11-th April 2013 and owns/operates the Atiak sugar factory located in Atiak, Amuru district. The factory has a present installed processing capacity of 1650 TCD expandable to 3500 tonnes of cane crushed per day (phase two) and 5000 TCD {phase three}. UDC's investment in the company is through equity acquisition (standing at 40%), shareholder loans and lease financing. At design, the factory was to obtain sugar cane plantation out growers' Cooperative society, Gem Pacilo Cooperative Society and Ayuu Alali Sugar cane out growers Cooperative Society) that own the 60,000 acres of farm land, altogether, about 12,000 members.

The factory was commissioned in October 2020 with sugarcane crushing installed capacity of 495,500 tons annually but was operating at about 26% of its crushing capacity due to unavailability of sugarcane in Atiak and Lamwo districts as a result of rampant fire out breaks and unreliable manual labour. Due to this and other factors, the factory operations were halted to allow for a re-development of the farming through mechanised agriculture, increased infrastructure. including more roads, construction of housing and bulk service amenities for the factory operations and enhancement of the company's governance and management. As a result, a total of UGX 108bn was allocated for mechanization of agriculture in the year under review.

7 | Page

#### **REPORT OF THE DIRECTORS (Continued)**

Upon completion of mechanization of sugar cane growing and therefore availability of adequate cane to run the factory scheduled to be achieved in 2025, the factory will offer a number of social-economic benefits including: employing over 3,500 people (farm & factory) and empowering at least 12,000 households most of whom are War Returnees & Women-led-households resulting from the historical Lord Resistance Army (LRA) civil war (1987- 2007).

#### 9. Directors

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

Name

Mr. Godfrey R. Ruhurira Dr. Edward Nyatia **Mr.** Francis Ogwang Ms. Geraldine Ssali Ms. Dorothy M. Ochola Dr. Patrick B. Birungi Position Chairperson Member Member Member Member Member/Executive Director

#### 10. Financial Position

The financial position as at 30th June 2022 is set out on page 11.

#### 11. Reserves

The reserves of the Corporation are set out on page 10.

#### 12. Other Remarks

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

#### 13, Auditors

The Office of

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

**Executive Director** ---- 2022

81f-age

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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 Board 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 Fi'nancial Reporting Standards. The Board 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. The Board 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.

Dr. Patrick B. Birungi Executive Director

..... Mr. Godfrey R. Ruhurira Chairperson, BOD

9 age



#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30TH JUNE 2022

	Note	June 2022 Ushs'000	June 202 Ushs'00
Revenue	3	1,270,142	<b>Re-state</b> 818,76
Cost of sales	4	(1,263,253)	(992,99
ross profit		6,889	(174,230
Concession fees	5(a)	1,504,141	722,06
Government Subvention	6	12,009,798	10,615,78
nvestment Income Grant income	7 8	5,268,534 7,948,220	459,81 15,504,56
Other Income	9	572,128	763,44
	-	27,309,709	27,891,43
Operating costs	10	(1,527,604)	(1,711,069
Sales and Distribution	11	(665,006)	(1,059,37
inance & Administration Costs	12	(10,201,825)	(9,445,202
Research and Development costs	14	(1,151,308)	(553,36
Share of profit (loss) of Associates	23	(311,323)	1,314,79
ea planting expenses	26	(1,092,475)	(2,318.164
Sugar cane transportation expenses	26	(4,827,739)	(10,665,787
Depreciation and amortisation	13	(2,900,047)	(2,633,619
inance Costs	15	(44,060)	(16,68
Foreign Exchange losses/gains	16	(3,212)	(25
Profit (loss) from operations		4,585,111	802,71
ncome tax	38	(63,181)	(74
Profit (loss) for the period		4,521,930	801,97
Other Comprehensive Income			
Other comprehensive income net of tax	5(b)	164,687	
otal Other Comprehensive Income for the period		164,687	
Profit (loss) Attributable to:			
Owners of the Corporation		5,621,259	2,168,69
lon-controlling interests	34	(1,099,328)	(1,366,721
		4,521,930	801,97
<b>Total Comprehensive Income Attribut</b> able to: Owners of the Corporation		164,687	
Ion-controlling interests		164,687	

	Note	June <b>2022</b> Ushs'000	June 2021 Ushs'000 Re-stated
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	17	42,947,931	39,242,767
Right of Use Assef (Office Space Lease)	18(a)	289,602	675,737
intangible Assets	19	9,455	12,105
Investment Property	20	200,000,000	225,220,000
Development Investments & Projects	21	7,504,668	24,587,040
Exploration Expenditure	22	1,095,770	729,60
Investments in Associates	23	118,926,838	97,011,18
Finance Lease Receivables	25	7,409,810	8,513,580
other Financial Assets	24	42,970,472	34,210,242
		421,154,545	430,202,253
Current Assets			
Finance Lease Receivables	25	3,224,150	1,612,075
Trade and Other Receivables	28	2,498,777	3,059,14
Interest Receivable	29	120,481	145,863
Amount due from TPS	30	470,476	1,440,586
Held to maturity investments	32	6,900.000	4,750,000
Amount receivable from URA - VAT Litigation	31	3,406,739	
Inventory	33	2,448,143	2,535,150
Bank and Cash Balances	27	212,451,710	82,711,478
	. <u> </u>	231,520,477	96,254,293
TOTAL ASSETS		652,675,022	526,456,540
EQUITY & LIABILITIES			
Equity			
Capitalization Grants	34	462,243,365	311,891,429
Revaluation Reserves		180,689,291	205,909,29
Accumulated Reserves	35	{13,034,605}	(22,231,932
Equity Attributable to Owners of the		000 000 050	405 500 700
Corporation	37	629,898,052 (4,862,671}	<b>495,568,78</b> (3,763,343
Non-controlling interests Total Equity	37	625,035,381	491,805,440
Long-term Liabilities			
Government Grants -non-current portion	26	22,643,837	23,318,064
Lease Liability (Office space)			271,885
Deferred Income Tax Liability	38	22,643,838	23,589,949
Current Liabilities		22,043,030	23,363,943
Government Grants -current portion	26	3,268,179	9,680,999
Lease Liability (Office space)		307,613	411,986
Trade payables & other payables	39	1.420.011	968,164
	00	1,720,011	000,10-

#### TOTAL EQUITY & LIABILITIES

These financial state ents were approved by the Board of Directors on .....December 2022 and were signed on its be al b



Dr. Patrick B. Birungi Executive Director

11 a 5

Mr. Godfrey R. Ruhurira Chairperson, BOD

652,675,022 526,456,546

UGANDA DEVELOPMENT CORPORATION				
CONSOLIDATED FINANCIAL	STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022			

STATEMENT OF CASH FLOWS FOR TH	E PERIOD E	NDED 30TH JUNE 202	22
OPERATING ACTIVITIES	Note	June <b>2022</b> Ushs <b>'000</b>	June 2021 Ushs'000 Re-stated
Net cash flows from operating activities	40	(611,059)	(14,683,951)
Net cash nows from operating activities	40	(011,000)	(14,000,001)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	17	(6,212,846)	(916,039)
Payment for Right of Use Asset (Office space)	18(a)		(105,080)
Repayment of lease liabilities	18(b)	(420,318)	(10.007)
Acquisition of Intangible assets	19	(3,580)	(12,337)
Purchase of Shares in associates	23	(4,893,082)	(6,000,000)
Development Investments	21	(25,153)	(18,301,503)
Exploration Costs	22	(592,543)	(406,393)
Fixed Deposit Interest Income	9	554,237	738,219
Decrease/increase in finance lease receivables	25	(508,305)	(459,814)
Increase in other financial assets	24	(8,760,229)	(18,380,000)
Net cash flows from investing activities		(20,861,819)	(43,842,947)
FINANCING ACTIVITIES			
Capital contribution	34	150,351,937	110,199,787
Subvention for Capital items	6	861,173	455,190 (101,051)
Dividends paid Conditional Grant (Busoga Sugar Cane transportation			(101,001)
subsidy)	26		16,000,000
Net cash flows from Financing activities		151,213,109	126,553,926
Net increase (decrease) in cash and cash			
equivalents		129,740,232	68,027,028
Cash and cash equivalents at beginning of the year		- 82,711,478	14,684,450
Cash and cash equivalents at year end	27	212,451,710	82,711,478

12 Page

#### STATEMENT OF CHANGES IN EQUITY AS AT 30TH JUNE 2022

Attributable t	0	owners	of th	ıe	Corporation
----------------	---	--------	-------	----	-------------

	Revaluation Reserve Ushs '000	Corpo <b>ra</b> tion Capitalization Ushs'000	Retained Earnings Ushs'000	Total Ushs'000	Non- controlling interest Ushs '000	Total Equity Ushs '000
As at July 1, 2021 (Re- stated)	205,909,291	311,891,429	(18, <b>820</b> ,550)	498,980,170	(3,763,342)	495,216,828
Contribution to Assets & Dev Projects (GOU)	-	150,351,937	-	<b>150</b> ,351, <b>937</b>	-	150,351, <b>937</b>
Profit/Surplus for the period (UDC) Profit for the period			9,384,154 799.105	9,384,154 799.105		9,384,154 799.105
(NHIL) Unrealised revaluation gain	(25,220,000)		799,105	(25,220,000)	-	(25,220,000)
Share of profits for Corporation/NCI			<u>(4.<b>397</b>.313)</u>	<u>(4.397.313)</u>	<u>(1.099.328)</u>	(5.496.642)
As at 30 June, 2022	<u>180.689.291</u>	<u>462.243.365</u>	<u>(13.034.605)</u>	<u>629.898.052</u>	<u>(4.862.671)</u>	<u>625.035.381</u>

**131** age

#### 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 30<sup>th</sup> June 2022 i.e. Soroti Fruits Limited and **N**ile 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 in accordance to IFRS 10. 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 in accordance to IAS 28. 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.

14 age

#### 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 in accordance to IAS 20.

#### 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 in accordance to IAS 19.

#### 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 in accordance to IAS 2. 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.

#### 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 2021/Prior-year adjustments

The Financial Statements for the year ended 30th June 2021 have been re-stated to incorporate changes in Nile Hotel International Limited's financial statements made during the audit of the company. Also, the re-statement was to recognize a Right of Use Asset and Lease Liability in relation to UDC Headquarters' rental agreement with Mukwasi General Contractors Limited.

16 age

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

3

4

3 Revenue	June 2022 Ushs'000	.June 2021 Ushs '000
Sales revenue	1,270,142	818,761
	1,270,142	818,761

Soroti Fruits Limited (SOFTE) trades in mange and orange ready to drink juice and concentrates and most recently lemon concentrates. The ratio of mango to orange juice is 65:35.

Cost of Sales	June 2022 Ushs'000	June 2021 *Restated Ushs'000
Cost of sales	1,263,253	992,991
	1,263,353	992,991

The cost of sales relate to SOFTE. These have been restated to recognize reclassified costs i.e a total of Ushs. 1.064bn has been reclassified to Operating costs while Ushs. 76.2m reclassified to sales & distribution costs.

5 (a) Concession Fees (NHIL)	June 2022 Ushs '000	.June 2021 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) TPS Income top up recognized after reconciliation of TPS		217,976
audited accounts of 2021 TPS Concession income for the 3 <sup>rd</sup> guarter Jul-Sept 2021 i.e.	386,894	
\$50,887.85 @ 3,600 TPS Concession top up for Jan-Dec 2020 basing on	183,160	
management accounts TPS Concession income top up for the first quota Jan-Mar	159,490	
2022 Concession fees for Oct-Dec 2021 i.e. \$52,480.64@	168,955	
3530.39 Concession fees for Jan-Mar 2022 i.e. \$57,697.64@	185,277	
3530.39 Concession income billed for Apr-Jun 2022 i.e. \$60,429.19	203,695	
@ 3585.52	216,670	
-	1.504.141	722.068

On 14<sup>th</sup> 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 30<sup>th</sup> anniversary of the Transfer date.

17I dge

7

8

# UGANDA DEVELOPMENT CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

5(b) C	Concession Fees (NHIL)	June 2022 Ushs'000	. <b>June 2021</b> Ushs'000
	Interest penalty charged on un-paid concession fees (\$45,976.95)	164,687	
		164.687	
6	Government Subvention	June 2022	June 2021
		Ushs'000	Ushs '000
	Government releases	163,222,908	137,270,758
	Subvention used for capital items	(861,173)	(455,190)
	Subvention capitalized on Development Projects Adjustment for Conditional Govt Grant for Sugar cane	(150,351,937)	(110,199,787)
	transportation subsidy for Busoga sugar cane growers		(16,000,000)
	Differed grant income (amortization for Fixed assets)		165,491
	Prior year adjustment - Transfer to Govt Grants		,
	(amortization for Fixed assets)		(165,491)
		12,009,798	10,615,781

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 and capitalization grants for development projects as shown above. The rest of the subvention has been recognized in the statement of profit or loss and other comprehensive income.

Investment Income	June <b>2022</b>	June 2021
	Ushs'000	Ushs'000
Finance income (interest) on KHTL Lease.	<b>508</b> ,305	459,814
Accrued interest on Shareholders' Loan to HIHc.	3,803.229	
Accrued interest on Shareholders' Loan to MGTFL	957,000	
	5,268,534	459.814

\*UDC extended a finance lease to Kigezi Highland Tea Limited on CTC and Auxiliary equipment in 2018. The lease runs for 11 years at 5% interest and the finance income relates to interest earned for the period.

. The accrued interest relates to shareholders' loans extended to Horyal Investment Holding Company Limited (HIHC) and Mabale Growers Tea Factory Limited (MGTFL). The shareholders' loan to MGTFL is for 6 years effective 23rd December with a grace period of 2 years. The Shareholders' loans to Atiak run for 5 years effective 30th may 2020 and 4 years effective 6th October 2020 with 3 years and 2 years grace period respectively. All the loans carry an interest of 10%.

Grant Income	June 2022	June 2021
	Ushs'000	Ushs'000
Grant Income (KOICA)	1,616,105	2,355,122
Grant Inci;,me (KHTL)	1,092,475	2,318,164
Grant Income (Busoga Sugarcane transportation)	4,827,739	10,665,787
Prior year adjustment - Transfer from Govt subvention		
(amortization of Fixed assets grant)	411,901	
Grant Income (Fixed assets)		165.491
	7,948,220	15,504,564

Grant income refers to amortization of grants for KOICA, KHTL, Busoga Sugar cane transportation subsidy and grant for fixed assets. For details please refer to Note 24.

# 1s ag

NOTES TO THE FINANCIAL STATEMENTS (Continued)

# 9 OTHER INCOME a) Other Income

	17.891	25.222
Other income (SOFTE)	14,411	17.442
Payment in lieu of notice - Kiwa		4,300
Rent from LKSP	3,480	3,480
Other Income	June 2022 Ushs'000	June 2021 Ushs'000

Rent 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.

b)	Interest Income on Fixed Deposit UDC Headquarters Nile Hotel International Limited	June 2022 Ushs '000 218,804 335,433	June 2021 Ushs'000 316,462 421,757
		554,237	738,219

The interest relates to held to maturity fixed deposit investments (UGX 335m for Nile Hotel) and interest on deposit balances earned by UDC Hdqtrs amounting to UGX 219m).

	Total Other Income	572,128	763,441
10	Operating Costs	June 2022	.June 2021
		Ushs '000	Ushs '000 Restated*
	Goods & services-Quality Assurance Waste garbage disposal, fumigation	127,227	75,305 18,280
	Insurance costs	118,840	280,709
	Maintenance - Machinery & Equipment-Operating	43,495	205,676
	Uniforms & protective gear		66,920
	Production costs	1,238,042	1,064,178
		1,527,604	1,711,069

\*Operating costs for the previous year have been restated to match up the changes made in SOFTE financial statements due to reclassification of production costs from cost of sales to operating cost.

11	Sales and Distribution costs	June 2022	.June 2021 Re-stated*
		Ushs'000	Ushs'000
	Salaries-marketing	179,080	164,193
	Gratuity-sales staff	41,625	35,341
	Advertising and Public Relations	121,781	722,366
	Travel and Perdiem expenses	74,048	61,265
	Distribution	156,563	
	Vehicle Repair and Maintenance	31,643	
	Sampling	16,380	
	Expired Products	43,886	76,209
		665, <u>006</u>	1,059,374

19 d5e

12

# UGANDA DEVELOPMENT CORPORATION CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

#### 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 financial statements of SOFTE for the period ended 30th June 2021. The differences relate to re-classification of expired products from cost of sales to sales and distribution costs.

Finance & Administration Costs - Summary	June 2022	.June 2021
	Ushs'000	Ushs'000
		Re-stated**
Staff Costs*	7,019,919	6,430,719
Non-executive directors' remuneration & board expenses	553,158	702,016
Operations and administrative costs	2,628,748	2,312,468
	10.201.825	9.445.202

\*Staff costs include net salaries, PAYE, NSSF, gratuity, insurance and staff welfare and allowances. \*\*The re-statement in June 2021 relate to recognition of lease for office space which had previously recorded as rent expense.

	Details	June 2022 Ushs'000	June <b>2021</b> Ushs'000
	Staff costs	7,019,919	6,430,719
	Stationery & printing	105,622	46,356
	Rent	246,656	474,653
	Travel & Perdiem	720,701	292,356
	Cleaning & Sanitation	39,702	53,521
	Newspapers, Magazines & periodicals	7,922	14,532
	Workshops and meeting	176,243	69,434
	Information Communications Technology	35,270	96,612
	Utilities	68,253	62,081
	Telephone charges	64,164	65,457
	Postage and Courier	45	630
	Subscriptions	17,297	23,277
	Vehicle running- Fuel, Oils, Lubricants and Maintenance	197,502	254,241
	Equipment and other Maintenance	53,292	36,107
	Maintenance - Civil	890	6,820
	Carriage, Haulage, Frieght and transport hire	10,605	26,001
	Bank and related Charges	22,293	15,449
	Small office equipment		1,150
	Short term consultancy - financial advisory	451,871	138,641
	Guard & security services	121,952	73,726
	Other expenses	841,625	1,263,438
		10,201,825	9,445,202
)	STAFF COSTS		
	Salaries	5,133,533	4,672,373
	Gratuity	1,090,088	1,016,201
	Staff medical insurance	188,601	210,011
	Other staff costs	607,698	532,134
		7,019,919	6,430,719

# $20 \, \mathsf{IP}$

68

(i)

	NOTES TO THE FINANCIAL STATEMENTS (Continued)		
ii)	OTHER EXPENSES		
	Recruitment Expenses Advertising & Public Relations Commissions, Fines, <b>Penalties</b> & Legal fees <b>Non-</b> executive directors' remuneration & board expenses Allowances-other committees <b>Training</b> Exchange Losses/Gains	36,495 135,5 <b>41</b> 553,158 2,860 13,100 106	6,188 269,808 197,650 702,016 24,642 28,680 3,633
	Other administration & management expenses	100,365 <b>841,625</b>	30,821 <b>1,263,438</b>
13	Depreciation and Amortization	June 2022 Ushs'000	June 2021 Ushs '000
	Depreciation of Property, Plant & Equipment Depreciation of Right of Use Asset (Office Space) Amortization of Intangible Assets	2,507,682 386,135 6,230	2,533,340 96,534 3,745
		2,900,047	2,633,619
	Please refer to Note 17 & 18 for details		
14	Research & Development Costs	June 2022 Ushs'000	June 2021. Ushs '000
	Short <b>term</b> consul <b>ta</b> ncies, due <b>diligen</b> ce, appraisals & project development costs	1,151,308	553,361
		1,151,308	553,361
	Research & development costs relate to due diligence, appr preliminary project development costs on new projects on w established viability.		
15	Finance Costs	June 2022 Ushs '000	June 2021. Ushs'000
		44,060	16,680
	Finance costs (office space lease)	44,000	10,000

Please refer to Note 18 for details

16	Foreign Exchange Gain/Loss	June 2022 Ushs '000	June 2021 Ushs '000
	Foreign exchange gain/(loss) on receivables from TPS/USD Bank balances	(3,212}	(259)
		(3,212)	(259)

21 age

UGANDA DEVELOPMENT CORPORATI CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIGU in OED 30 JUNE 2022							
	Furniture & Fittings	Computers	ICT & Data Network	Office Equipment	Folklifts	Motor Vehicles	Total
17: Property, Plant and Equipment Cost	Ushs'000	<b>Ushs</b> '000	Ushs'000	Ushs'000	Ushs'000	<b>Ushs</b> '000	Ushs'000
As at 1 July 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
Additions during the period	55,500	37,986	81,853	27,233		758,000	960,572
As at 30 June 2022	966,622	671,848	349,140	383,358	300,363	2,907,163	5,578,494
Accumulated Depreciation							
As at 1 July 2020	331,866	321,921	92,572	106,950	108,131	660,537	1,621,975
NHIL-Accumulate Depn at the beginning of the year	18,931	6,910		3, <b>386</b>			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	426,273	430,841	150,752	149,124	146,577	929,874	2,233,442
Prior year adjustment (correction of							
understatement of depreciation of motor vehicles						44,570	44,570
Charge for the period	62,034	83,603	20,711	38,244	14,693	368,499	587,784
As at 30 June 2022 Net carrying amount	488,308	514,445	171,463	187,368	161,270	1,342,943	2,865,796
As at 30 June 2022	478,314	157,403	177,677	195,991	139,093	1,564,220	2,712,698
As at 30 June 2021	484,849	203,021	116,535	207,001	153,786	1,219,289	2,384,480

22 Pag

UGANDA DEVELOPMENT CORPORATI CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIGU c,DED 30 JUNE 2022								
17: Property, Plant and Equipment (Continued) Maintenance								
	Borehole	Water Tanks	& 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 30 June 2020	97,710	597,688	139,150	23,605,803	3,536,000	14, <b>18</b> 2,343	108,496	42,267,189
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
Additions during the period				5,252,248				5,252,248
As at 30 June 2022	140,153	672,002	139,150	28,886,681	3,536,000	14,204,409	108,496	47,686,890
Accumulated Depreciation								
As at 1 July 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
Charge for the period	4,990	35,966	8,168	1,125,217	210,099	490,888		1,875,328
As at 30 June 2022	20,349	151,798	61,824	4,295,945	746,320	2,175,421		7,451,657
Net carrying amount								
As at 30 June 2022	119,804	520,203	77,326	24,590,736	2,789,680	12,028,988	108,496	40,235,233
As at 30 June 2021	124,794	556,169	85, <b>494</b>	<b>20</b> ,463, <b>705</b>	2,999,779	12,519,876	108,496	36,858,313

23 **|**, age

Uganda Development Corporation

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18: (a) Right of Use Asset **Office Space** Ushs'000 Cost As at 1 July 2020 772.271 Additions during the period 772,271 As at 30th June 2021 772,271 As at 1 July 2021 Additions during the period 772,271 As at 30th June 2022 Accumulated Depreciation As at 1 July 2020 96.534 Charge for the period 96,534 As at 30th June 2021 96,534 As at 1 July 2021 386,135 Charge for the period 482,669 As at 30th June 2022 289,602 Net carrying amount as at 30th June 2022 675,737 Net carrying amount as at 30th June 2021

On 1st April 2021, Uganda Development Corporation signed a tenancy agreement with Mukwasi General Contractors Limited to rent office space measuring 514 square meters on 4<sup>th</sup> floor of Soliz House. The agreement is for 2 years running ending 31s<sup>t</sup> March 2023.

The same has been reported on as a lease in the financial statements in accordance to IFRS 16.

18 (b) Lease Liability	Office Space
	Ushs'000
As at 1 July 2020	
Increase during the year	667,191
Interest for the year	16,680
Payments during the year	
As at 30th June 2021	683,871
As at 1 July 2021.	683,871
Increase during the year	
Interest for the year	44,060
Payments during the year	(420,318)
As at 30th June 2022	307,613

24 | '1ge

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

Maturity Analysis:		lune 0		lune 0004
		June 2 Ushs		June 2021 Ushs'000
		USIIS	000	
		Minimum Payme	nts	Minimum Payments
Within one year		315,	239	420,318
In the 2nd year				315,239
Lease payments		315,	239	735,557
Less: Amounts representing finance cost		(7,6	626)	(51,686)
PV of minimum lease payments		307,	613	683,871
Analyzed as:				
Non-current lease liability				271,885
Current lease liability		307,613	3	411,986
·		307,613	3	683,871
19: Intangible Assets				
	Quick	Premavilla -	Microsoft	Total
	Books	Project Management	Office Licenses	
Cost	Ushs'000	Ushs'000	Ushs'000	Ushs'000
As at 1 July 2021	4,981	4,850	12,337	22,169
Additions during the period			3,580	3,580
As at 30 June 2022	4,981	4,850	15,917	25,749
Accumulated Amortization				
As at 1 July 2021	4,981	3,372	1,710	10,063
Charge for the period		1,478	4,752	6,230
As at 30 June 2021	4,981	4,850	6,462	16,294
Net carrying amount As at 30 June 2022			9,455	9,455
As at 30 June 2021		1,478	10,627	12,105

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

20: Investment Property*	Land Ushs'000	Buildings Ushs'000	Total Ushs'000
As at 1 July 2021	140,000,000	85,220,000	225,220,000
Fair value gain/(loss)		(25.220.000)	<u>(25.220.000)</u>
As at 30 June 2022	140,000,000	60,000,000	200,000,000
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

\*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 as at 30 June 2022 was arrived at on the basis of a valuation carried out by CMT Realtors Limited (Chartered Surveyors), independent professional valuers that are not related to the company.

21 (a)	Development Projects/Investments Luwero Project	June 2022 Ushs '000	June 2021 Ushs'000
	Opening Balance Additions in the year	376,067	376,067
	Closing Balance	376,067	376,067
(b)	Tea Project (Kayonza CTC Machinery)	June 2022 Ushs'000	June 2021 Ushs '000
	Opening Balance Additions in the year	4,358,266	4,358,266
	Closing Balance	4,358,266	4,358,266
(c)	Zombo Project	June 2022 Ushs'000	June 2022 Ushs'000
	Opening Balance	65,959	65,959
	Additions in the year Closing Balan_ce	65,959	65,959
(d)	Lake Katwe Salt Project	June 2022 Ushs'000	.June 2022 Ushs'000
	Opening Balance	979,240	979,240
	Additions in the year		
	Closing Balance	979,240	979,240

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(e)	Lake Victoria - Sheet Glass project	June 2022 Ushs'000	June 2021 Ushs'000
	Opening Balance	222,247	222,247
	Additions in the year Closing Balance	222,247	222,247
(f)	Moroto Ateker - Cement project	June 2022	June 2021
	Opening Balance	<b>Ushs'000</b> 270,634	Ushs'000 270,634
	Prior Year Adjustment (Reclassification of amount spent on	270,004	210,004
	fencing project site)	226,373	
	Additions in the year	25,153	
	Closing Balance	522,160	270,634
(g)	Mutuma Commercial Agencies Ltd	June 2022 Ushs'000	.June 2021 Ushs'000
	Opening Balance	2,500,000	
	Prior year adjustment-reclassification to Associates Closing Balance	(2,500,000}	2,500,000 <b>2,500,000</b>
(h)	Alfasan Uganda Ltd	June 2022 Ushs'000	June 2021 Ushs'000
	Opening Balance	947,648	
	Additions in the year		947,648
	Closing Balance	947,648	947,648
(i)	Bukona Agro-processors Ltd	June 2022 Ushs '000	June 2021 Ushs '000
	Opening Balance	11,765,715	
	Prior year adjustment-reclassification to Associates Closing Balance	(1f,765,715}	11,765,715 <b>11,765,715</b>
U)	Kaaro Koffi Limited	June 2022 Ushs'000	June 2021 Ushs'000
	Opening Balance	3,068,182	
	Prior year adjustment-reclassification to Associates	{3,068,182}	3,068,182

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

(k)	Soroti Fruits Limited Opening Balance Prior Year Adjustment	June 2022 Ushs'000 33,081	June 2021 Ushs'000 13,123
	Additions in the year		19,958
	Closing Balance	33,081	33,081
	Total Development Projects/Investments	7,504,668	24,587,040

#### (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 but due to budget shortfalls, the project was put on hold. The process of re-validating the feasibility study was on-going by close of the period.

# (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).

All machinery was delivered and installed at Kayonza tea factory site and the funds spent have been recognized under development projects pending finalization of the form of engagement. Engagements on conversion of the amount into a soft loan were on-going by close of the period.

# (c) Zombo Project

The feasibility study for the project was completed and by close of the period, processes to acquire land had been commenced.

# (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.

UDC failed to obtain a mining lease from the Department of Geological Surveys and Mines to implement the project. The Corporation is now exploring other ways of implementing the project and a preliminary review of the potential partner who was awarded the manning lease had been completed by close of the financial year.

# (e) Lake Victoria - Sheet Glass Project

LVGW was. incorporated in 2015 with a mandate to car[y 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.* 

An exploration license was granted to UDC and a team of geologists from UDC and Department of Geological Surveys and Mines had been constituted to carry out the exploration activities. The costs relating to prospecting activities leading to the granting of the exploration license are capitalized in accordance with IFRS 6.

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### (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 Itd. Duetothefact 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 had been put on hold due to the insecurity in the Karamoja region.

#### (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 Investment has been re-classified to Investment in Associates following finalization of the share acquisition process.

#### (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 balance 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. By close of the period, valuation of the company was on-going.

# (i) Bukona Agro-processors Ltd

Bukona Agro-processors Ltd is a limited liability company incorporated on 13<sup>th</sup> 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.

Despite the fact that the process of valuation that will inform final shareholding in Bukona was still ongoing by close of the financial year, the investment has been re-classified to Investment in Associates based on the interim shareholding and presence of significant influence over the company.

In accordance to IAS 28, significant influence will be presumed where the investor holds 20% or more of the voting power (directly or through subsidiaries) in an investee. And significant influence is usually evidenced in one or more of the following ways:

- representation on the board of directors or equivalent governing body of the investee;
- participation in the policy-making process, including participation in decisions about dividends or other distributions;
- material transactions between the entity and the investee; interchange of managerial personnel; or
- provision of essential technical information

UDC held an interim shareholding of 40.5% in Bukona Agro Processors by close of the period, had representation on the board and participation in decision making process.

29 Page

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### U) 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 (SPV) in the names of Kaaro Koffi Limited to enable the pprties fulfill their goal.

Although the process of valuation of Kaaro Agri Producers contribution was on-going by close of the period, the investment has been re-classified to Investment in Associates based on demonstration of existence of significant influence over the SPV company i.e 45% interim shareholding, board representation and participation in decision making process.

#### Soroti Fruits Limited (k)

Exalenation Exaemitian

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.

22 (a)	Exploration Expenditure Moroto Ateker - Cement project	June 2022 Ushs'000	June 2021 Ushs'000
	Opening Balance Prior year adjustme <b>n</b> t (Reclassification of amount spent on	698,450	292,057
	fencing project site)	(226,374)	
	Additions in the year	578,192	406,393
	Closing Balance	1,050,268	698,450
(b)	Lake Victoria - Sheet Glass project	June 2022 Ushs'000	June 2021 Ushs '000
	Opening Balance Additions in the year	31,151 14,351	31,151
	Closing Balance	45,503	31,151

See narrative in Note 21 (e) and (f) above on Moroto Ateker Cement and Lake Victoria Glass Works

23 (a)	Investment in Assodates Kalangala Infrastructure Services Ltd	June 2022 Ushs'000	.June 2021 Ushs'000
	Opening Balance	2,695,520	1,380,724
	Prior year adjustments (revision to opening balance)* Additions in the year	(335,611)	318,282
	Share of post-acquisition profit in the period	1,320,645	996,513
	Closing Balance	3,680,554	2,695,520

30 Page

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

\*The prior year adjustment is intended to match the opening balance with the audited financial statements of KIS for the period ended 31s<sup>t</sup> December 2021.

(b)	National Commodity Exchange Ltd	June 2022	June 2021
	Opening Balance Additions in the year	Ushs '000 400,000	<b>Ushs '000</b> 400,000.
	Closing Balance	400,000	400,000
(c)	Horyal Investment Holding Company Limited (HIHC)	June 2022 Ushs'000	June 2021 Ushs '000
	Opening Balance Additions in the year	80,295,661	80,295,661
	Closing Balance	80,295,661	80,295,661
(d)	Mabale Growers Tea Factory	June 2022 Ushs '000	June 2021 Ushs'00O
	Opening Balance Additions in the year Prior year adjustment - share of post-acquisition loss for June	13,620,000	7,620,000 6,000,000
	2021 Share of post-acquisition profit in the period	(987,052) {309,305}	
	Closing Balance	12,323,643	13,620,000
(e)	Mutuma Commercial Agencies Ltd	June 2022 Ushs '000	.June 2021 Ushs '000
	Opening Balance Prior year adjustment-reclassification from Oevt Project	2,500,000	
	Additions during the period	186,926	
	Closing Balance	2,686,926	
(f)	Bukona Agro-processors Ltd	June 2022 Ushs'000	June 2021 Ushs '000
	Opening Balance		
	Prior year adju tment-reclassification frC?m Devt Project	11,765,715	
	Additions during the period	191,568	
	Closing Balance	11,957,283	

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(g)	Kaaro Koffi Limited	June 2022 Ushs'000	June 2021 Ushs'000
	Opening Balance		
	Prior year adjustment-reclassification to Associates	3,068,182	
	Additions during the period		
	Closing Balance	3.068.182	
(h)	Budadiri Arabica Coffee	June 2022 Ushs'000	June 2021 Ushs '000
	Opening Balance		
	Additions during the period	174,589	
	Closing Balance	174,589	
(i)	Mpanga Tea Growers Factory	June 2022 Ushs'000	June 2021 Ushs '000
	Opening Balance		
	Additions during the period	4,340,000	
	Closing Balance	4.340.000	
	Total Investment in Associates	118,926,838	97,011,181

# (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 pf 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, 2021.

#### (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 Itd. A consultant to review the business model and advise on the best way to operationalize the business was procured and work was on-going by close of the period.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### (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 22hd 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, the business had been pushed back to the development phase to enable it implement strategies to make the business more sustainable. As part of the strategies, Government allocated a total of Ushs.108bn for purchase of agricultural mechanization equipment and the procurement process for the same was on-going by the close of the period. The machinery will be given to HIHC under a finance lease arrangement.

## (d) Mabale Growers Tea Factory Limited

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.

Although the valuation report to inform the final shareholding in Mabale was still pending approval of the Chief Government Valuer by close of the period, The investment has been reported as an Associate based on demonstration of existence of significant influence over the company i.e 48.5% interim shareholding, board representation and participation in decision making process.

#### (e) Mutuma Commercial Agencies, Bukona Agro processors Ltd and Kaaro Koffi Limited

Please refer to Note 19 under Development projects above.

#### f) Budadiri Arabica Coffee Mills Limited

Budadiri Arabica Coffee Mills Ltd is a limited liability company incorporated on 21<sup>51</sup> April 2022 to carry on the business of manufacturing, producing, refining, processing coffee products, foods and beverages. UDC was allocated 32% shareholding and a total of Ushs. 174.6m was invested in the current period as part payment for shares in the company.

#### (g) Mpanga Growers Tea Factory Limited

UDC entered into a Memorandum of Agreement with Mpanga Growers Tea Factory Limited. in September 2021 to aid implementation of Government's strategic decision to intervene and invest in Mpanga Growers Tea Factory Limited. A total of UGX 4.34bn in form of share subscription was invested in the company as at 30th June 2022.

Although the valuation report to inform the final shareholding in Mpanga was still on-going by close of the period, the investment has been reported as an Associate based on demonstration of existence of significant influence over the company i.e 31.9% interim shareholding, board representation and participation in decision making process.

#### 24 Financial Assets

(a)	Horyal Investment Holding Company Limited (HIHC)	June 2021 Ushs '000	June 2021 Ushs'000
	Opening Balance	20,516,147	8,516,147
	Additions in the year		12,000,000
	Accrued Interest	3,803,229	
	Closing Balance	24.319.377	20,516,147

33 PJg e

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

(b)	Mabale Growers Tea Factory	June 2022 Ushs'000	.June 2021 Ushs'O00
	Opening Balance Additions in the year Accrued Interest	6,380,000 957, <u>000</u>	6,380,000
	Closing Balance	7,337,000	6,380,000
(c)	Budadiri Arabica Coffee Mills Ltd	June 2022	June 2021
	Opening Balance Additions in the year	<b>Ushs'O00</b> 4,000,000	. Ushs '000
	Closing Balance	4,000,000	
(d)	Kalangala Infrastructure Services Ltd (KIS) Opening Balance Additions in the year	<b>June 2022</b> <b>Ushs '000</b> 7,314,095	June 2021 Ushs '000 7,314,095
	Closing Balance	7,314,095	7,314,095
	Total Financial Assets	42,970,472	34,210,242

#### (a) Horyal Investment Holding Company Limited (HIHC)

UDC offered two a Shareholders' loans totaling to Ushs. 20.5bn to HIHC. The first loan amounts to Ushs. 8.5bn running for 5 years with a grace period of 3 years (inclusive) commencing 30<sup>th</sup> May 2020. The second loan amounts to Ushs. 12bn having a tenure of 4 years with a grace period of 2 years (inclusive) commencing 6<sup>th</sup> October 2020. Both loans attract interest of 10% interest and interest is accrued during the grace period.

Accrued interest for the period has been recognized as part of the loan balance.

# (b) Mabale Growers Tea Factory

UDC offered a Shareholders loan amounting to Ushs. 6.38bn to Mabale Growers Tea Factory. The shareholders' loan has a tenure of 6 years with a grace period of 2 y\_ears (inclusive) commer:icing 23<sup>rd</sup> December 2020 attracting an interest of 10%.

Accrued interest for the period has been recognized as part of the loan balance.

#### (c) Budadiri Arabica Coffee Mills Ltd

UDC offered a Shareholders loan amounting to Ushs. 4bn to Budadiri Arabica Coffee Mills Ltd. The shareholders' loan runs for 7 years with a grace period of 2 years (inclusive) commencing 30<sup>th</sup> June 2022 at 10% interest.

Interest during the grace period will be spread over and paid over the remainder of the loan period.

#### (d) 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, 2021.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

		Present value of minimum lease payments		
25 Finance Lease Receivables	June 2022 Ushs'000	June 2021 Ushs'000		
Within one year (Aug 2023)	3,224,150	1,612,075		
In the 2nd to 5th year inclusive (Aug 2024 - Aug 2	027) 6,448,301	6,448,301		
After 5 years (Aug 2028 - Aug 2029)	3,224,150	4,836,226		
PV of minimum lease payments receivable	12,896,602	12,896,602		
Less: unearned finance income	2.770.946	3,230,761		
Add: Financ income receivable for the period	508,305	459,814		
PV of minimum lease payments receivable	10,633,960	10,125,655		
Analyzed as:				
Non-current finance lease receivables	7,409,810	8,513,580		
Current finance lease receivables	3,224,150	1,612,075		
	10,633,960	10,125,655		
Interest Receivable				
Opening Balance	1,379,443	919,628		
Finance income for the period- CTC Equipment	323,393	292,542		
Finance income for the period-Auxiliary Equipme	nt 184.912	167,272		
Sub-total	508,305	459,814		
Closing Balance	1.887.748	1.379.443		

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.

35 | 'age

#### UGANDA DEVELOPM Nr CUKI-'URATION CONSOLIDATEu r-11'IANCIAL STATEMENTS FOR THE PERIOD ENucu 30 JUNE 2022

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 26 Government Grants

	GOU Grants (related to Sugarcane 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, 2021	5,334,213	1,826,174	804,248	<b>2</b> 5,034,428	32,999,063
Additions during the p riod			861,173		86 <b>1</b> ,173
Total	5,334,213	1,826,174	1,655,421	25,034,428	33,860,236
Deffered grant income (gr <b>a</b> nt amortisation - P/L)	(4,827,739}	{1,092,475)	(411,901)	(1,616,105)	(7,948,220)
Closing Balance June 30, 2022	<b>506,47</b> 4	733,699	1,253,521	23,418,322	25,912,016
Closing Balance Jun 30, 2021	5,334,213	1,826,174	804,248	25,034,428	32,999,063
Grant -Current portion Grant - Non-current portion Total				June 30,2022 3,268,179 22,643,837 - <b>25,912,016</b>	June 30,2021 9,680,999 23,318,064 32,999,063

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. All the 10m seedlings had been planted by close of the financial year and processes to verify the planted seedlings to make final payments under the grant were on-going 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 At\_iak sugar factory in Amuru District. The grant was aiming at solving the problem pf excess cane in the Busoga region through creation of market for the farmers.

36 **|** -' d e

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

In addition, the Corporation has a USO 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 which was done directly by KOICA. The grant is amortized through statement of profit or loss over the useful life of the buildings and factory machinery. The factory commenced commercial operations in 2019 although amidst the challenges posed by Covid-1 9pandemic.

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

27	Cash and-Cash Equivalents	June 2022 Ushs'000	June 2021 Ushs'000
	Bank Balance (i) Cash Balance	212,445,981 5,729	82,701,052 10,426
(i)	Details	<u>212.451.710</u>	<u>82.711.478</u>
		Ushs '000	
	Bank Balance in Bank of Uganda Bank Balance in UDC Investment Accounts Bank Balance on Soroti Fruits Accounts Bank Balance on NHIL Accounts (Stanbic & Absa)	200,944,914 10,851,951 183,192 465,925	70,862,284 10,633,147 486,398 719,224
		212,445,981	82,701,052

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 2022 Ushs'000	June 2021 Ushs'000
	Accountable Advances (Project Devt & Studies)*	1,618,835	977,519
	Staff salary advances	11,399	31,732
	Prepayments to SuppliersH	190,137	1,692,886
	Current tax - VAT receivable (SOFTE)	309,231	231,508
	Credit sales-(SOFTE)	264,887	23,848
	Accountable Advances (Tea Planting)***	89,418	89,418
	LKSP Debtors	14,870	12,230
		2.498.777	3.059.141

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

37 | Page

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

\*\*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 all the 10m tea seedlings had been planteq and the verification process to clear the grant balances was still on-going.

# 29 Accrued interest receivable

Accrued Interest on Bank Fixed Deposits of UGX 6.3 billion

	Interest receivable - DFCU Bank	June 2022 Ushs'000	June 2021 Ushs'000 87,810
	ECO Bank@ 8.5% annual interest Ugx. 2.2bn	51,822	- ,
	Housing Finance @ 8.5% annual interest Ugx. 1.6bn	22,170	
	DFCU @ 8.5% annual interest Ugx. 1.6bn	21,853	
	UAP @ approximate 10.6% annual interest Ugx. 1.5bn	24,636	
	Interest receivable - Eco Bank 1.4bn		58,053
		120,481	145,863
30	Receivables from TPS	June 2022 Ushs '000	June 2021 Ushs '000
	Concession fees receivable (Bal b/f from June 2021)	470,476	718,518
	4% of TPS total revenue		789,150
	Less: Concession fees rental billed/paid/reversed Reversed concession top-up for the July-June 2020 basing on		
	Audited accounts		<u>(67,082)</u>
		470,476	1,440,586

#### **Refer to Note 5: Concession Fees**

#### 31 Receivables from URA (VAT Litigation)

In the of April 2015, Uganda Revenue Authority (URA) gave the Nile Hotel Limited 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 held in DFCU Bank.

URA later lost the appeal in the commercial court. Though URA filecf a notice to appeal, th.ey-did not proceed with the submission of the actual appeal. However, Nile Hotel is positive that this is a done win. 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. During the year, highly productive negotiations have been ongoing with URA. A settlement is the only viable option for URA. Hence our provision for a contingent asset of UGX 3,406,739,382 (VAT principal plus accrued penalty interest recoverable) is now reinstated in the books of accounts as a receivable - Tax Recoverable URA VAT litigation in the Balance sheet and reinstated in retained earnings as a prior year adjustment- Tax recoverable URA VAT Litigation.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

32	Held to Maturity Investments	June 2022 Ushs '000	June 2021 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
	ECO Bank@ 8.5% annual interest	2,200,000	
	Housing Finance@ 8.5% annual Interest	1,600,000	
	DFCU @ 8.5% annual.interest	1,600,000	
	UAP @ 10.6% a <b>nn</b> ual interest	500,000	
	UAP @ 10.6% annual interest	1,000,000	
		6,900,000	4,750,000
33	Inventory	June 2022	June 2021 Re-stated
		Ushs'000	Ushs '000
	Stationery & Pantry items	37.856	49.984
	Inventory SOFTE*	2,410,287	2,485,167
		2,488,143	2,535,150

SOFTE inventory majorly consists of Ushs 1.5bn for concentrates and pulp; packaging materials amounting to Ushs 575m; ready to drink juice amounting to Ushs 144m; additives amounting to Ushs 107m among others.

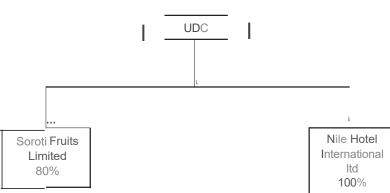
34	Capitalization Grants	June 2022 Ushs '000	June 2021 Ushs'000
	Opening balance Additions during the period Transfer of NHIL	311,891,429 150,351,937	182,218,866 110,199,787 19,472,776
	Closing balance	426,243,365	311,891,429

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

35	Retained Earnings	June 2022	June 2021
		Ushs'000	Ushs'000 Re-stated
	Opening balance July 1, 2021	(22,231,932)	(31,578,131)
	Opening balance July 1, 2020 - (consolidation of NHIL)	× ,	6,632,493
	Share of post-acquisition profits/(losses)	(4,397,313)	(5,466,882)
	Addition-s during the period (UDC Hdqtrs & NHIL)	10,183,258	8,208,197
	Prior year adjustments - capitalized Expenditure on SOFTE)		(27,608)
	Prior year adjustments- NHIL *	3,411,382	
	Closing balance	(13.034.605)	(22.231.932)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 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 USO 8m grant from the Korean Government through its development agency, KOICA was received as 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 was hampered by the Covid-19 pandemic and the company is just recovering.

An improvement was made in the sales of the company i.e Ushs. 1.27bn in June 2022 compared to Ushs. 818.8m in June 2021.

#### 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 (Privatiza\_tion & 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.

40 iJ age

# 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. The company is however recovering from the effects of Covid-19 as evidenced by the improvement in profit reported in the period of Ushs. 825.6m compared to Ushs. 75.5m in June 2021.

3('	Non-controlling interests	June 2022 Ushs'000	June 2021 Ushs '000
	Opening balance <b>July 1</b> , 2020 Share of post-acquisition <b>profits</b> /( <b>losses)</b> <b>Prior</b> year adjustments - capitalized <b>Expenditure</b> on SOFTE)	(3,763,342) (1,099,328)	(2,424,230) (1,366,720) 27,608
	Closing balance	(4.862.671)	(3,763,342)
38	Tax (NHIL)	June 2022 Ushs'000	June 2021 Ushs'000
(a)	Income tax expense Current income tax charge Deferred income tax charge	63,181	
		63,181	
(b)	Income tax payable	June 2022	June 2021
	Income Tax expense for current year Tax payable brought forward Prior-year written down value adjustment	63,181	35, <b>3</b> 89 745
	Tax paid Tax paid 2020/2021		(35,389)
	Provisional Tax paid Payment due to change in prior-written down values		<u>(745)</u>
	Tax payable carried forward	63,181	

# (c) Deferred income tax (NHIL)

Deferred income tax is calculated on all temporary differences using the liability method at a principal tax rate of 30% (June 2021: 30%). The net deferred income tax liability is attributed to the following:

	Deferred income tax liabilities	June 2022 Ushs'000 1	June 2021 Ushs'000 1	
	Accelerated tax depreciation			
	Net d-eferred income tax liability	. 1	1	
39	Trade & Other Payables	June 2022	June 2021	
	Trade <b>Pav</b> ables	<b>Ushs'000</b> 706.245	Ushs'000 663,137	
	Employee Benefits*	494,186	84,761	
	Prepayments from LKSP tenants	557	1,397	
	Amber House payables	41,481	41,481	
	BOD payables (retainer & gratuity)	62,400	125,400	
41 <b> </b>	Page			

Legal fees (Payables and Provisions)**51,96151,9Taxes payable63,181	88
Taxes payable63,181	
Closing balance 1,420,011 968,	64
* Employee benefits relate to gratuity, NSSF, salaries and wages payable to personnel f personnel of SOFTE and Nile Hotel International Limited.	or
** Legal fees payables and provision relate to outstanding payments to Nile Hotel Lawyers an provision for legal fees on the Rock trust case (please refer to note 41 for details).	d
40. Operating Activities Note June 2022 Ushs '000	June 20 Ushs '0
Cash flows from Operating Activities	Re-state
Profit before tax 4,585,111 Adjustment for:	802,7
Depreciation and amortization122,900,047	2,633,6
Non-cash government grant 26 (7,948,220) (7	15,504,56
Other income 169,329	
Interest on lease (office space) 44,060	16,6
Fixed Deposit Interest Income (re-classification)8(554,237)	(738,2
Share of profit (loss) of associates23311,323	(1,314,7
(492,587)(492,587)Decrease/(Increase) in inventory3287,007Decrease/(Increase) in amounts due from TPS30970,110	1 <b>4,104,5</b> (217,9) (722,0)
Decrease/increase in debtors & prepayments 28 560,364	(1,748,7
	1,550,0
Decrease / (increase) in held-to-maturity investments 31 (2,150,000)	
Decrease / (increase) in held-to-maturity investments31(2,150,000)Decrease/(Increase) in in payables38388,666	508,5
	5

(611,059)

(14,683,951)

42 Page

Net cash flows from operating activities

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 41. 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.

Wh n available, the Corpor?tion measures the fair yalue of an instrument L!Sing 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.

• L vel 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 2022 Ushs'000	June 2021 Ushs'000
Level 3 (significant unobservable ir:ipats)		
Investment property	<u>200.000.000</u>	225.220.000

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 2021/2022 by CMT Realtors Limited (Chartered Surveyors), independent professional valuers that are not related to the Corporation.

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

**43** | rage

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 42. Financial Risk Management

The mandate of UDC exposes the Corporation to a variety of financial risks. These include credit risk, liquidity risk, investment risk and market risk. Risk management in UDC is carried out by management with oversight of the Board of Directors.

#### (a) Investment Risk

The Corporation faces a risk of loss of funds invested in case the companies in which UDC invests make losses or fail and close. The investment risk is further strengthened by the impact of Covid-19 pandemic which has negatively affected the pro uction and sales of ou, rinvestee companies.

	June 2022	June 2021
	Ushs '000	Ushs'000
Investments in Associates	118,926,838	97,011,181
Development Investments & Projects*	5,305,914	22,639,811
	124,232,752	119,950,992

.. Amounts included in Development investments that are not yet categorized in terms of a financial asset have been excluded.

The risk is being minimized through representation on the Board of those companies to ensure proper governance. In some instances. UDC retains the right to recruit key management positions. There is a critical investment analysis at the planning stage aimed at ensuring success of the ventures.

#### (b) Credit Risk

This is the risk that could arise due to default of counter-parties to honor their obligations. In the case of UDC, the credit risk may arise from financial assets such as Bank balances & fixed deposits, finance lease and Shareholders loan.

The table below summarizes the Corporation's potential exposure to credit risk:

June 2022.	June 2021
Ushs'000	Ushs'000
42,970,472	34,210,242
10,633,960	10,125,655
1,116,407.	1,664,778
470,476	1,440,586
6,900,000	4,750,000
212,456,314	82,711,478
274,547,629	134,902,74 <b>0</b>
	Ushs'000 42,970,472 10,633,960 1,116,407 470,476 6,900,000 212,456,314

\* Receivables that are not financial instruments such as accountable advances, some prepayments, VAT receivables have been excluded

The credit risk has been minimized by the Corporation obtaining Bank guarantees for prepayments. The Corporation also uses Letters of Credit especially in dealing with foreign suppliers to reduce the consequences of breach of contracts by suppliers. The Corporation retains a legal ownership of the leased assets until the end of the finance lease period. The corporation only gives loans at a minimal level and only to the companies where UDC has equity shareholding.

44 | Page

# 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 and the investees in the tea factory whose revenue is primarily US Dollars denominated. Therefore, any fluctuc1tions in the exchange rates affect the overall revenue of the entity.

#### 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, Mpanga Growers Tea Factory, Mutuma Commercial Agencies.

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.

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

#### 43. Contingent Liabilities

(a) On April 30, 2018, Rocktrust Contractor-s 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 4<sup>th</sup> 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  $7^{1}_{h}$  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 materials were supplied without verification and the process of coming up with an agreed quantity supplied is on-going.



5th Floor Soliz House, Plot 23, Lumumba Avenue, P.O. Box 7042, Kampala, (U)

- T +256 414 258 204
- E ed@udc.go.ug
- E info@udc.go.ug