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THE REPUBLIC OF UGANDA

OFFICE OF  
THE AUDITOR GENERAL  
P.O.Box 7083  
KAMPALA

VISION: "to be an effective and supreme Audit Institution (SAI) in promoting effective public Accountability"

MISSION: To Audit and report to Parliament and thereby make an effective contribution to improving public and value for money spent.

IN ANY CORRESPONDANCE ON

**DCG 118/344/01**

THIS SUBJECT PLEASE QUOTE NO: .....

20<sup>th</sup> March, 2014

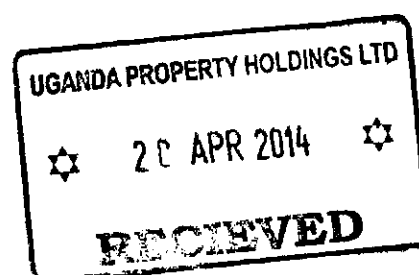
The Inspector General of Government  
**Kampala**

**UGANDA PROPERTY HOLDINGS LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2013**

I am enclosing a report, which I have already sent to the Speaker of Parliament in terms of Article 163 (4) of the Constitution.

John F. S. Muwanga  
**AUDITOR GENERAL**

- c.c Hon. Minister of Ethics and Integrity
- c.c Hon. Minister of State for Finance, Privatization Unit
- c.c The Executive Director, Uganda Property Holdings Limited
- c.c The Finance Manager, Uganda Property Holdings Limited
- c.c The Librarian, Makerere University



**OFFICE OF THE AUDITOR GENERAL**



**THE REPUBLIC OF UGANDA**

**UGANDA PROPERTY HOLDINGS LIMITED**

**REPORT AND OPINION OF THE AUDITOR GENERAL**

**ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2013**

**OFFICE OF THE AUDITOR GENERAL**

**UGANDA**

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## **ABBREVIATIONS**

GoU	Government of Uganda
IFRS	International Financial Reporting Standards
KSHS	Kenya Shillings
PFAA	Public Finance and Accountability Act
UGX	Uganda Shillings
UPHL	Uganda Property Holdings Limited

**UGANDA PROPERTY HOLDINGS LIMITED**  
**REPORT AND OPINION OF THE AUDITOR GENERAL TO PARLIAMENT**  
**FOR THE FINANCIAL YEAR ENDED 30<sup>TH</sup> JUNE 2013**

**THE RT. HON. SPEAKER OF PARLIAMENT**

I have audited the financial statements of the Uganda Property Holdings Limited (UPHL) which comprise of the Statement of Financial Position as at 30<sup>th</sup> June 2013, the Statement of Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and, a summary of significant accounting policies and other explanatory information as set out on pages 8 to 20.

**Management Responsibility for the Financial Statements**

The Directors of the company are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Companies' Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

My responsibility as required by Article 163 of the Constitution of the Republic of Uganda and Sections 13 and 19 of the National Audit Act, 2008 is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with the ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditor's

judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Part "A" of my report sets out my opinion on the financial statements. Part "B" which forms an integral part of this report presents in detail all the significant audit findings made during the audit which have been brought to the attention of management.

## **PART "A"**

### **Opinion**

In my opinion;

- The financial statements present fairly in all material respects the financial position of the Uganda Property Holdings Limited as at 30th June 2013 and the income and expenditure for the year then ended in accordance with the International Financial Reporting Standards and the Ugandan Companies Act (Cap 110) stated under note 10 (3) to the financial statements.
- The expenditure and receipts have been applied in all material respects for the intended purpose.

### **Other Matters**

Without qualifying my opinion, I draw your attention to the following matters;

- **Bank Loan**

The company obtained a loan from CFC Stanbic bank, Mombasa branch in 2006 repayable over 7 years, to construct a car port and expected to service the loan using the rent receivable from

the tenant. However, the tenant defaulted on rent payments and this necessitated restructuring of the loan. There is a risk of further losses in this business venture.

- **Non coding of payments prior to posting to ledgers**

The payment vouchers were not coded prior to posting of expenditure to the ledgers. Failure to classify the payments prior to posting may lead to misclassification of the expenditure at the time of posting. There is a risk of misrepresentation of the individual expenditure balances in the financial statements.

**Report on other legal requirements**

As required by the Ugandan Companies' Act, I report to you, based on my audit, that:

- (i) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of my audit.
- (ii) In my opinion, proper books of account have been kept by the company, so far as appears from my examination of those books; and
- (iii) The financial statements are in agreement with the books of account.



John F.S. Muwanga

**AUDITOR GENERAL**

KAMPALA

20<sup>th</sup> March 2014

## **PART "B"**

### **DETAILED REPORT OF THE AUDITOR GENERAL**

This section outlines the detailed audit findings, management responses and my recommendations in respect thereof.

#### **1.0 INTRODUCTION**

I am mandated by Article 163 (3) of the Constitution of the Republic of Uganda, 1995 (as amended), to audit and report on the public accounts of Uganda and of all public offices including the courts, the central and local government administrations, universities and public institutions of the like nature and any public corporation or other bodies or organizations established by an Act of Parliament. Accordingly, I carried out the audit of the Company to enable me report to Parliament.

#### **2.0 BACKGROUND INFORMATION**

Uganda Property Holdings is a limited liability company which was incorporated in November 1998 and is fully owned by the Government of Uganda (GoU). This followed a need to retain and run strategic real estate properties abroad belonging to the former government parastatals. It was mandated to manage government property in Uganda and abroad. UPHL owns properties in London - UK and Mombasa - Kenya in addition to the properties in Uganda. The company is owned by the Minister of Finance Planning and Economic Development and Minister of State for Privatization.

#### **3.0 OBJECTIVES OF THE COMPANY**

The key objectives of the company are:-

- (i) To take over ownership of all real estate properties abroad belonging to the Uganda Government and any other property that the Uganda Government might wish to vest in the Company and to manage, hold and administer all such property/properties.
- (ii) To operate as a holding and investment Company, and to acquire such freehold, leasehold or other interest in the property of government.
- (iii) To build, construct, maintain, alter, renovate, repair, furnish, enlarge, or pool company properties, collect rents and incomes from such property.



#### **4.0 AUDIT OBJECTIVES**

The audit was carried out in accordance with International Standards on Auditing and accordingly included a review of the accounting records and agreed procedures as was considered necessary. In conducting my reviews, special attention was paid to establish:-

- a. Whether the Company managers were managing the Company in accordance with the Companies Act;
- b. Whether the financial statements present a true and fair view of the financial position as at 30<sup>th</sup> June 2013, and its revenue and expenditure incurred for the period in conformity with the IFRS;
- c. Whether the Company had adhered to the established financial compliance requirements;
- d. Whether goods and services financed had been procured in accordance with the procurement law;
- e. Whether all necessary supporting documents, records and accounts were kept in respect of all Company activities and whether the linkages exist between the books of accounts and the financial statements;
- f. That the Company's internal control structure for financial reporting and/or safeguarding assets, including controls in computer based systems were suitably designed and implemented to achieve the control objective; and
- g. That the internal controls were in compliance with the relevant laws, policies, practices and regulations governing procurements, accounting and human resource;

#### **5.0 PROCEDURES PERFORMED**

##### **1) Revenue/Receipts**

Obtained all schedules of receipts and reconciled the amounts to the Company's cashbooks and bank statements.

##### **2) Expenditure**

Vouched transactions to establish whether documentation were in support of the expenditures agreed with the amounts and descriptions on the vouchers; reviewed and reconciled the bank statement transactions to test for occurrence and whether they were properly controlled and accounted for.

3) **Internal Control System**

Reviewed the internal control system and its operations to establish whether sound controls were applied throughout the period.

4) **Procurement**

Reviewed the procurement of goods and services under the company during the period under review and reconciled with the approved procurement plan.

5) **Fixed Assets Management**

Reviewed the use and management of the Company's assets during the period under review.

6) **Financial Statements**

Examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessed the accounting principles used and significant estimates made by management; as well as evaluating the overall financial statement presentation.

**6.0 AUDIT FINDINGS**

**6.1 Bank Loan**

The company obtained a loan from CFC Stanbic bank, Mombasa branch in 2006 repayable over 7 years, to construct a car port and expected to service the loan using the rent received from the tenant. However, the tenant encountered challenges arising from business rivalries and municipal restrictions, thereby failing to pay rent. As a result, the loan was restructured in September 2011 changing the repayment period to a further 7 years with an increased interest payable. The principle loan amount stood at UGX.3,309,727,470 as at 30<sup>th</sup> June 2013

There is a risk of losing money in this business venture which is currently not maximally utilised due to business rivalries in Mombasa.

Management explained that the Company failed to pay the monthly installments of KSHS.5,200,000 leading to the Board's decision to restructure the loan in September 2011, whose balance stood at KSHS.123,998,170, at that time.

I have advised management to assist the tenant through consultations with the Municipal authorities using the EAC structures. Meanwhile management should ensure that it follows the repayment plan instituted by the Board.

#### **6.2 Non coding of payments prior to posting to ledgers**

It was noted that the payment vouchers were not coded prior to posting of expenditure to the ledgers. Failure to classify the payments prior to posting may lead to misclassification of the expenditure at the time of posting. This makes it difficult to match the individual payment voucher with the ledger balances. There is a risk of misrepresentation of the individual expenditure balances in the financial statements. Management acknowledged the error and undertook to code the payments in future.

I have advised the Accounting Officer to liaise with the Accountant General develop a proper coding system by developing a chart of accounts

#### **6.3 Revenue performance**

A review of the budget estimates and the financial statements for the year revealed that out of the total budget of UGX.6,033,916,522, only UGX.4,745,255,784 (79%) was actually collected, creating a shortfall of UGX.1,288,660,738. Failure to realize all the budgeted revenues hinders implementation of planned activities and consequently the attainment of company objectives.

Management attributed the shortfalls to the idle car park in Mombasa from which UGX.1.332Bn had been planned to be collected. I have advised management to identify and adequately address the causes of under collection of revenue for improved funding.

#### **6.4 Lack of Performance Plans**

Staff performance appraisal is part of the performance management which helps to identify performance gaps and development needs of individual employees. A review of the personnel files indicated that they all lacked performance plans to be used as a basis for appraisal.

In his response, the Accounting Officer explained that UPHL developed a performance management tool although which was pending approval of the board for implementation.

I have advised the Accounting Officer to ensure that the Human Resource Department and supervisors agree on performance plans with the supervisees, to be used a basis for appraisals at the end of the performance period.

**6.5 Follow up of prior year audit recommendations**

A review of the status of implementation of prior year's audit recommendations revealed that the two issues were still outstanding as summarised in the table below;

S/N	PRIOR YEAR ISSUE	STATUS
1.	Loan Interest KSHS.134,152,306.80	Not addressed
2.	Inadequate Staffing	Not addressed

Non implementation of audit recommendations could imply that management does not consider audit as a value addition to the activities of the company, leading to the re-occurrence of the same issues in the current audit.

I have advised management to ensure that audit recommendations are implemented to enhance accountability and better stewardship of the company resources.

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# **UGANDA PROPERTY HOLDINGS LTD.**

**(UPHL)**

***FINANCIAL REPORT FOR THE  
YEAR ENDED 30 JUNE 2013***

**UGANDA PROPERTY HOLDINGS LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30.06.2013**

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# UGANDA PROPERTY HOLDINGS LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30.06.2013

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#### 1.0 BACKGROUND INFORMATION

Uganda Property Holdings Ltd. (UPHL) is a Government of Uganda owned Company under the Ministry of Finance, Planning and Economic Development. It was established by the Cabinet Minute of the 29<sup>th</sup> Government of Uganda Cabinet Sitting which took place on 27<sup>th</sup> May 1998. (MIN 312 (CT 1998))

The Cabinet decided that a company be established to take over the ownership of all domestic and foreign located real estate properties that belonged to the Government. Consequently, Uganda Property Holdings Limited was incorporated in November 1998 as a fully Government owned company limited by shares.

#### THE MANDATE

- a) **Securing Uganda's Foreign Assets:** To act as a vehicle for securing Uganda's foreign-based real estate assets through sustainable, effective and efficient management of such properties wherever they may be.
- b) **Provide Real Estate Development for GOU:** Provide an alternative means of offering real estate development services to GOU through purchase, lease, exchange, construction or otherwise so as to allow smooth operations of Government services.
- c) **Investment Vehicle:** To operate as a holding and investment company to ensure appreciation of GOU real estate assets and receiving the income there from on behalf of GOU.
- d) **Maintenance of GOU Properties:** To offer maintenance services for GOU properties by undertaking the full range of requisite activities including: alter, renovate, repair, furnish, enlarge, pull down and remove or replace collect rents and income and to supply to tenants and occupiers such amenities, facilities, and advantages as may be deemed expedient.

#### VISION STATEMENT

A vibrant and a viable Government of Uganda real estate enterprise.

#### MISSION STATEMENT

To own and sustainably manage Government of Uganda real estate investment

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**UGANDA PROPERTY HOLDINGS LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30.06.2013**

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**CORE VALUES**

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- i. *Integrity, transparency and accountability*
  - ii. *Equity and fairness*
  - iii. *Customer focus*
  - iv. *Teamwork and efficiency*
  - v. *Patriotism, ethics, commitment*
- 

**PRINCIPAL ACTIVITIES:** The principal activity of the Company is to manage the real estate

Properties of the Government of Uganda.

**2.0 PROPERTIES OWNED AND MANAGED BY UPHL**

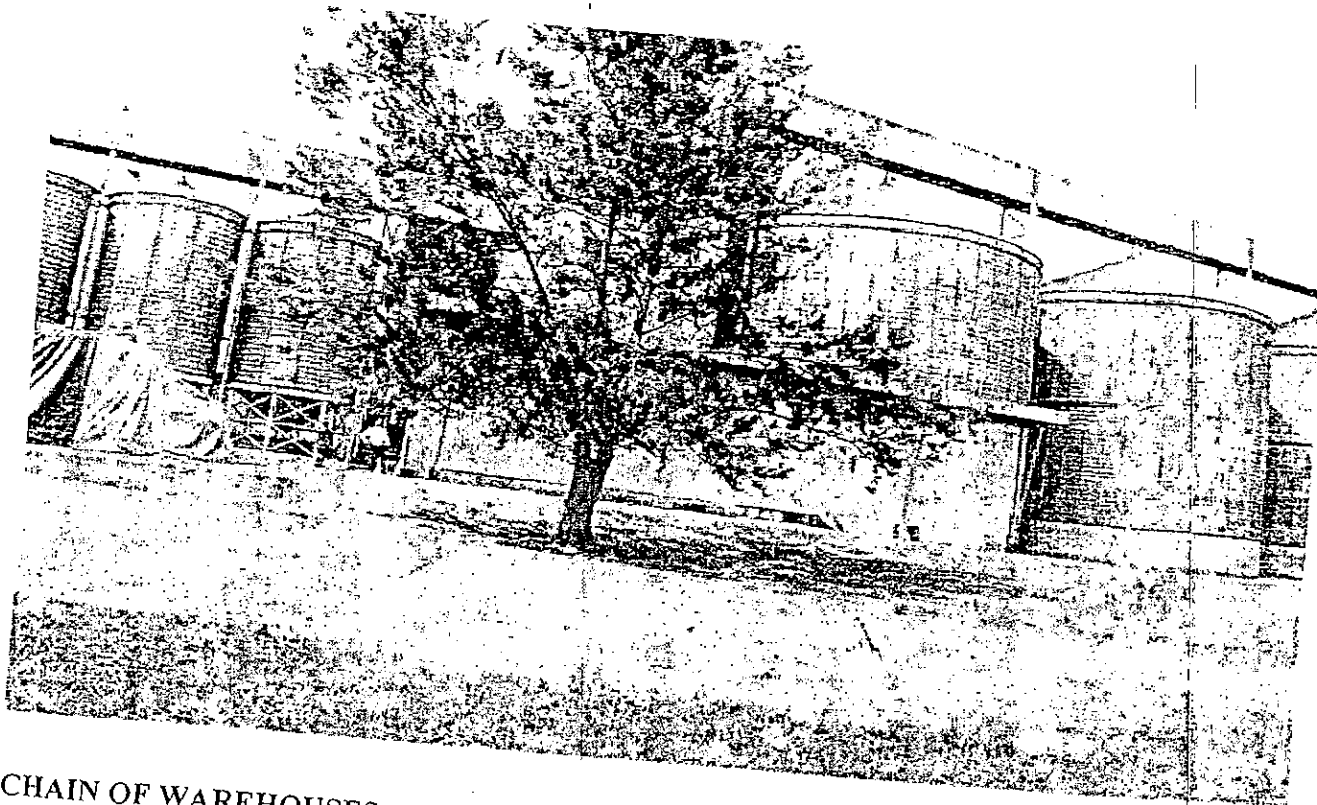
As of 30<sup>th</sup> June 2013, UPHL owned and managed the following properties:

- (a) Five residential properties in Mombasa Kenya.
- (b) Two office blocks in Mombasa Kenya.
- (c) Two commercial buildings in Mombasa
- (d) One Car Port in Mombasa Kenya.
- (e) Twelve warehouses in Mombasa Kenya
- (f) Four residential House in London – UK
- (g) One large ware House in Nalukolongo
- (h) One large warehouse in Tororo
- (i) Former Coffee processing Complex in Bugolobi
- (j) Parcels of Land in Tororo, Nalukolongo and Bugolobi
- (k) Silos complex in Jinja - Masese
- (l) Manages Farmers House



UGANDA PROPERTY HOLDINGS LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30.06.2013

SILOS AT PLOT M82 MASESE - JINJA



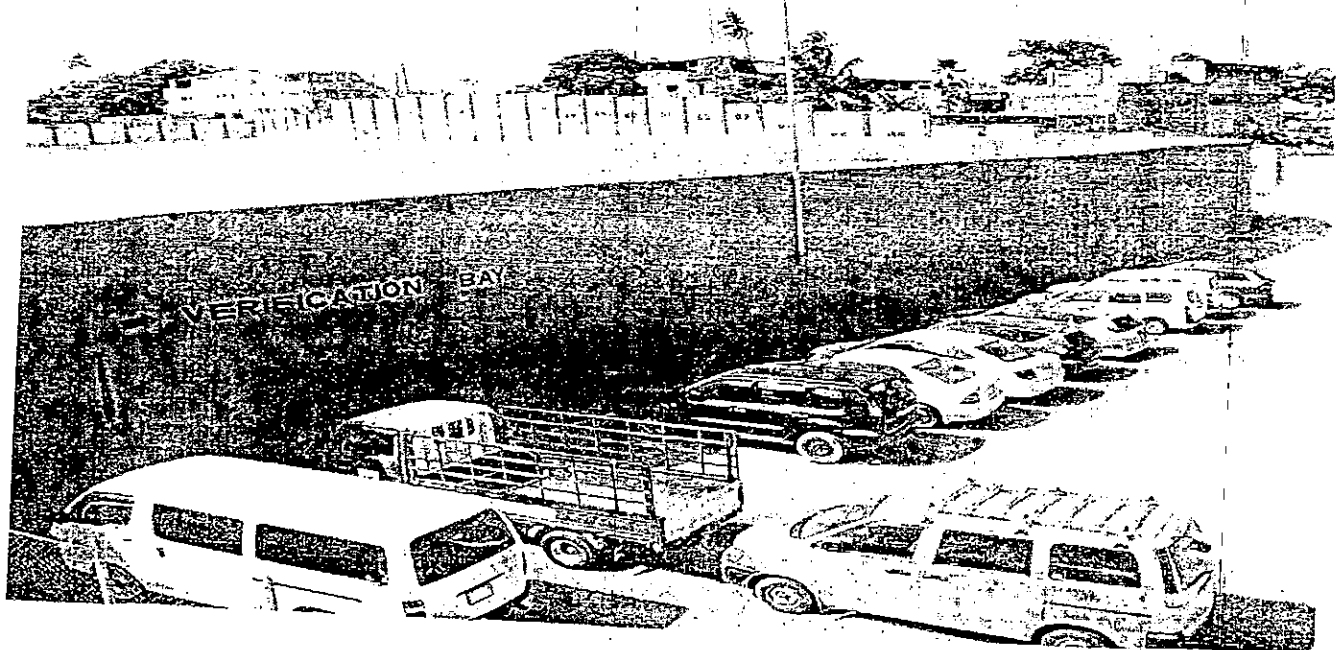
CHAIN OF WAREHOUSES AT PLOT 9695/25 & 26 CHANGAMWE



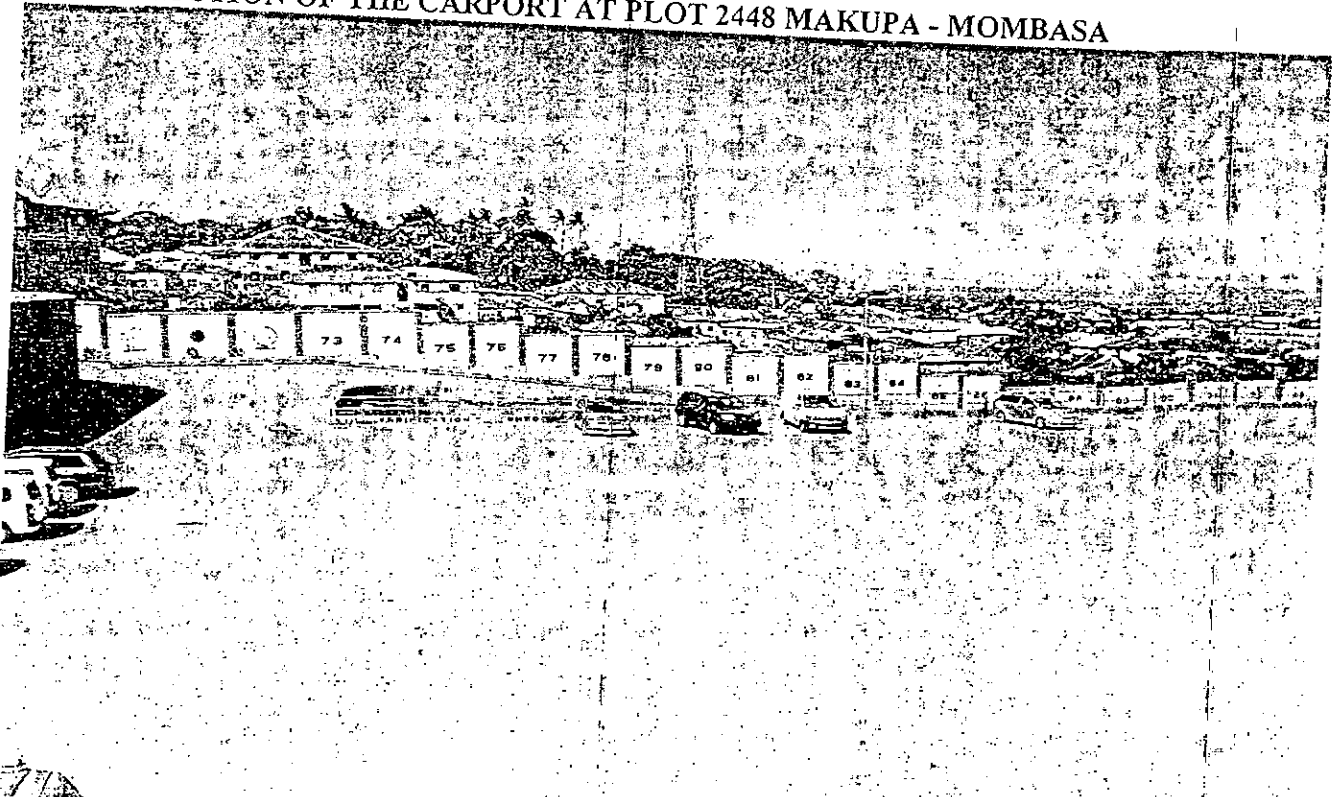
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UGANDA PROPERTY HOLDINGS LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30.06.2013

UPPER SECTION OF THE CARPORT AT PLOT 2448 MAKUPA CAUSEWAY – MOMBASA



LOWER SECTION OF THE CARPORT AT PLOT 2448 MAKUPA - MOMBASA



**UGANDA PROPERTY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30.06.2013**

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**3.0 MANAGEMENT INFORMATION**

**DIRECTORS AND PROFESSIONAL ADVISORS**

**BOARD MEMBERS**

Hon. Akaki Jovino Ayumu	Chairman Board
Hon. Winnie Masiko	Board member
Mr. Haruna N. Semyano	Board member
Amb. Idi Osman Rizingala	Board member
Mr. Matyama Fredrick (For PS Finance)	Board member
Ms. Dora Kutesa (For PS Foreign Affairs)	Board Member
Mr. Dennis Obbo (For PS Lands)	Board member
Mr. Kihembo M. Martin	Managing Director

**REGISTERED OFFICE**

Plot 6/8, Parliament Avenue  
Farmers House  
P.O Box 34140  
Kampala  
Tel: 0414-341808

**BANKERS**

Stanbic Bank-IPS branch Kampala  
Kampala  
Plot 12 Parliament Avenue

Stanbic Bank- Mombasa  
Digo Rd.  
Mombasa

**SECRETARIES/ LAWYERS**

Niwagaba and Mwebasa Advocates  
Kampala, Uganda

**AUDITORS**

Auditor General of Uganda  
P.O Box 7083  
Kampala, Uganda

**Branch Offices**

UPHL  
PLOT 1/291  
Mashundu Street, Shimanzi  
P.O Box 90373  
Mombasa

**UGANDA PROPERTY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30.06.2013**

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**4.0 REPORT OF THE BOARD**

I am pleased to present to you the Board of Directors' report for the financial year 2012/13. I would like to thank the Ministers of Finance, Planning and Economic Development for the generous support they extended to the Board and the company during the year. I would also like to thank the Board Members, Management and staff of UPHL and all other stakeholders for their contribution towards the success the company has attained this year.

The year has not been a bed of roses. Among the strains the company went through was the redundancy of the Carport for the last two years which property cost the Company huge amount of money to put. However, we were able to secure the operating licenses in May 2013 and the Carport was handed over to the operators in July 2013.

The company was able to carry out major renovation on its buildings more especially the re-roofing of the warehouses at plot 9695/25 & 26. In General, the company has been able to:

- Repair and Maintain its properties in attractive shape
- Streamline Management and administration of the company
- Improve reporting and compliance.

The challenges faced during the year included:

- Redundancy of the Carport in Mombasa. For the whole year, the facility was vacant and therefore no revenue was earned from it.
- The company was not able to recover shs. 4.7 billion from the Government. The Company spent money on refurbishment of the Apparel Factory in Bugolobi for use by Tri Star Ltd. This was supposed to be refunded to the Company by the Government.

**RESULTS**

	30.06.2013 U.shs.	30.06.2012 U.shs
Net Profit for the year	<u>545,326,552</u>	<u>355,032,537</u>

**UGANDA PROPERTY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30.06.2013**

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**5.0 STATEMENT OF DIRECTOR'S RESPONSIBILITIES**

The Uganda Companies Act requires the Directors to prepare financial statements for each financial year that gives a true and fair view of the statement of affairs of the Company as at the end of the financial year and its profit or loss. It also requires the Directors to ensure that the company keeps proper accounting records that disclose with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the financial statements set out on pages 9-20 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards and the requirements of the Uganda Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of the accounting records that were relied upon in the preparation of the financial statements as well as adequate systems of internal financial control.

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

Signed on behalf of the board of Directors by:



BOARD CHAIRMAN

18/3/2014

Date



MANAGING DIRECTORS

17/03/2014

Date


**UGANDA PROPERTY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30.06.2013**

**6.0 CONSOLIDATED STATEMENT OF FINANCIAL POSITION.**

	Notes	30.06.2013 U.Shs	30.06.2012 U.Shs
<b>NON-CURRENT ASSETS</b>			
Property Plant & Equipment	6	122,946,766,879	123,821,836,780
<b>CURRENT ASSETS</b>			
Trade and other debtors	14	5,841,193,824	8,059,872,575
Cash and bank balances	11	246,748,417	88,666,233
		<u>6,087,942,241</u>	<u>8,148,538,808</u>
<b>CURRENT LIAB.</b>			
Less Trade and other payables	12	1,831,681,973	2,351,832,678
		<u>1,831,681,973</u>	<u>2,351,832,678</u>
<b>NET CURRENT ASSETS</b>		<u>4,256,260,268</u>	<u>5,796,706,130</u>
<b>NET ASSET</b>		<u>127,203,027,147✓</u>	<u>129,618,542,910</u>
<b>FINANCED BY:</b>			
<b>BORROWINGS, CAPITAL AND RESERVES.</b>			
Auth. Share Cap. (100 Ord. Shares @ 100,000)		10,000,000	10,000,000
<b>RESERVES</b>			
Capital and revenue reserves	16	(1,533,855,998)	381,425,450
Revaluation reserve	7	107,362,393,237	107,362,393,237
		<u>105,823,393,237</u>	<u>107,743,818,687</u>
<b>GOVERNMENT GRANT (Deferred income)</b>	8	18,064,762,438	18,527,961,475
<b>BANK LOAN</b>	15	3,309,727,470	3,346,762,748
		<u>127,203,027,147</u>	<u>129,618,542,910</u>

The notes set out on pages 13-20 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on .....2013 and were signed on behalf of the directors by:-

  
 CHAIRMAN BOARD

  
 MANAGING DIRECTOR

**UGANDA PROPERTY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30.06.2013**

**7.0 CONSOLIDATED STATEMENT OF INCOME.**

	Notes	30.06.2013 U.Shs	30.06.2012 U.Shs
INCOME	4	4,745,255,784	4,514,184,962
LESS OPERATING EXPENSES			
Operating expenses	5	3,188,103,573	3,133,221,408
Depreciation	6	1,475,024,696	1,501,006,952
TOTAL OPERATING EXPENSES		4,663,128,269	4,634,228,360
		82,127,515	(120,043,398)
Government Grants transferred to P/L	8	463,199,037	475,075,935
		545,326,552	355,032,537
RETAINED EARNINGS		545,326,552	355,032,537
Add Profit/loss B/F	16	381,425,450	476,432,266
Adjustment in prof. B/F	17	(2,460,608,000)	(450,039,353)
RETAINED PROF. C/F		(1,533,855,998)	381,425,450

The notes on pages 13 to 20 form an integral part of these financial statements.

**UGANDA PROPERTY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30.06.2013**

**8.0 STATEMENT OF CHANGES IN EQUITY**

	REVALUATION RESERVE U.shs.	GOV'T RESERVE U.shs.	CAP. & REV RESERVES U.shs.	TOTAL U.shs.
As at 1st July, 2012	107,362,393,237	18,527,961,475	381,425,450	126,271,780,162
Adjust			(2,460,680,000)	(2,460,680,000)
Profit/Loss for the year			545,326,552	545,326,552
Government Grants		(463,199,037)		(463,199,037)
Revaluation				
At 30 June, 2013	107,362,393,237	18,064,762,438	(1,533,855,998)	123,893,299,677

The notes on pages 13 to 20 form an integral part of these financial statements.



**UGANDA PROPERTY HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30.06.2013**

**9.0 STATEMENT OF CASH FLOWS**

	30.06.2013 U.Shs	30.06.2012 U.Shs
<b>CASHFLOW FROM OPERATING ACTIVITIES:-</b>		
Net profit from operations	82,127,515	(120,043,398)
Adjustment for:-		
Depreciation	1,475,024,696	1,501,006,952
Cash flows from Operating profit before changes in operating Assets and Liabilities	<u>1,557,152,211</u>	<u>1,380,963,554</u>
<b>Changes in operating assets and liabilities</b>		
Decrease in trade and other receivables	2,218,678,751	78,186,384
Receivables written off	(2,460,608,000)	
Decrease in trade and other payables	<u>(520,150,705)</u>	<u>(94,344,456)</u>
	<u>(762,079,954)</u>	<u>(16,158,072)</u>
Tax Obligations from previous years		<u>(450,039,353)</u>
		<u>(466,197,425)</u>
Net Cash generated from operating activities	<u>795,072,257</u>	<u>914,766,129</u>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	<u>(599,954,795)</u>	<u>(950,941,904)</u>
Net Outflow in investing activities	<u>(599,954,795)</u>	<u>(950,941,904)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loan from CFC Stanbic Bank	<u>(37,035,278)</u>	<u>(199,876,252)</u>
Net Cash outflows in financing activities	<u>(37,035,278)</u>	<u>(199,876,252)</u>
Net cash in generated during the year	<u>158,082,184</u>	<u>(236,052,027)</u>
Cash and cash equivalents opening	88,666,233	324,718,260
Cash and cash equivalents closing	<u>246,748,417</u>	<u>88,666,233</u>

The notes on pages 13 to 20 form an integral part of these financial statements.

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10.0 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2013

**1. THE STATUS OF ACCOUNTING ENTITY**

Uganda Property Holdings Ltd is a limited liability company fully owned by the Government of Uganda. It was incorporated in 1998 to commercially manage Government property in Uganda and abroad. It has properties in Uganda, London – UK and Mombasa – Kenya. The Company is owned by the Minister of Finance and Economic Development and Minister of State for Privatisation.

**2. ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are as set out below:-

**3. BASIS OF ACCOUNTING**

The financial statements of Uganda Property Holdings Limited have been prepared in accordance with International Financial Reporting Standards (IFRS).

The preparation of Financial Statements in conformity with IFRS requires estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenditure during the reporting period. Although the estimates are based on the Board's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

As at 30<sup>th</sup> June, 2013, the current assets exceeded the liabilities and the company meets its day today obligations from its current assets. On this basis, the Board considers it appropriate to prepare the financial statements on the going concern basis which assumes that the company will be in operational existence for the foreseeable future.

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**4. REVENUE RECOGNITION**

Revenue is recognized to the extent that it is probable that economic benefits flow to the Company and revenue can be reliably measured. Revenue is measured at the fair value consideration received excluding discounts and VAT. Revenue is recognized by billing customers for rent. Other incomes earned by the Company are recognized on accruals basis.

**Revenue**

	U. SHS 30.6.2013	U. SHS 30.6.2012
Rental Income Nalukolongo/Tororo	655,145,400	908,262,000
WFP Contribution to repairs	-	457,953,870
Sale of bid documents	1,712,240	5,956,550
Sale of scrap	209,954,000	1,600,000
Income Farmers' house	60,241,878	56,756,035
Rent income JZ Holdings (Masese)	100,000,000	100,000,000
Rental London	523,767,187	640,624,571
Court Awards London	-	152,000,000
Rental MSA	3,049,270,673	2,042,367,055
Rental income Bugolobi	130,164,406	76,245,966
Use of Kololo Airstrip	-	40,500,000
Lease income (TIC Nalukolongo)	15,000,000	15,000,000
Other incomes (forex gain)	-	16,918,915
<b>Total</b>	<b>4,745,255,784</b>	<b>4,514,184,962</b>

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**5. EXPENSES**

	30.06.2013	30.06.2012
	U.Shs	U.Shs
<b>STAFF COSTS</b>		
Salaries and wages	629,459,759	471,296,177
NSSF	37,559,420	37,724,516
Training and Welfare	15,851,712	15,917,286
Workshops	-	9,996,740
Gratuity	314,892,898	35,903,667
Medical Insurance	34,453,065	31,142,000
Sub Total	<u>1,032,216,854</u>	<u>601,980,386</u>
<b>ADMINISTRATIVE COSTS</b>		
Professional & Consultancy fees	201,375,327	207,541,437
Travel and transport (Mgt)	122,378,389	116,026,821
Subsistence allowance (Mgt)	98,456,453	55,006,018
Entertainment	16,543,997	9,494,406
Courier Charges	13,620,881	12,498,245
Telephone fax and internet & email	24,104,468	21,424,259
Electricity	11,022,433	17,842,099
Printing and stationery	10,560,455	12,398,567
Water	3,899,918	1,145,768
Advertising	18,461,545	13,939,964
Sitting allow. - Mgt and contracts Comm.	7,400,000	9,067,200
Newspapers and Periodicals	4,761,967	2,724,655
Subscription	3,641,796	3,631,173
Trading Licenses	762,900	712,820
Security expenses	111,741,833	107,186,624
Equipment maintenance	17,976,731	9,528,481
Strategic plan expenses	-	13,573,000
Bad debts	-	91,880,294
Accounting Software	5,250,000	-
Cleaning	24,275,785	6,487,000
Sub total	<u>696,234,878</u>	<u>712,108,831</u>
<b>FINANCIAL COSTS</b>		
Interest	721,160,759	926,888,709
Bank Charges	11,246,150	10,979,217
Forex losses	127,783,243	-
Sub Total	<u>860,190,152</u>	<u>937,867,926</u>
<b>BOARD COSTS</b>		
Travel and transport (Board)	28,669,114	35,123,920
Sitting allow Board	27,140,000	19,543,000

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	Retainer Board	35,834,000	25,245,714
	Subsistence allowance (Board)	76,440,780	48,964,301
	Entertainment Board	5,038,164	2,668,100
	Sub Total	<u>173,122,058</u>	<u>131,545,035</u>
<b>PROPERTY COSTS</b>			
	Management/Agent fees	61,967,630	101,559,422
	Municipal Rates	131,721,938	60,172,436
	Rent and Railway sidings	6,544,269	8,932,377
	Insurance	72,941,563	101,638,564
	Property maintenance and repairs	153,164,231	477,416,431
	Sub total	<u>426,339,631</u>	<u>749,719,230</u>
<b>GRAND TOTAL</b>		<u><u>3,188,103,573</u></u>	<u><u>3,133,221,408</u></u>

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**6. PROPERTY, PLANT AND EQUIPMENT**

Items of property, plant and equipment are stated at cost/revalued value less accumulated depreciation. Non current assets are revalued from time to time and any gains or losses are carried directly to the Revaluation Reserve. The property, plant and equipment was last revalued in the year 2010.

Depreciation is calculated to write off the cost of the assets over their successful economic life as follows:-

<u>Assets Category</u>	<u>Rate</u>	<u>Method</u>
Land	Nil	-
Buildings	2.5%	Reducing Balance method
Furniture & Equipment	20.0%	Reducing Balance method
Machinery	20.0%	Reducing Balance method
Computers	30.0%	Reducing Balance method
Motorcycles	25.0%	Reducing Balance method

All assets that are in existence at the balance sheet date are depreciated for the full year.

**PROPERTY, PLANT AND EQUIPMENT SCHEDULE.**

	Land	Buildings	Furniture and Equipment	Computers and Accessories	Motorcycle	Total
	U.Shs	U.Shs	U.Shs	U.Shs	U.Shs	U.Shs
Cost/Revaluation	65,883,500,000	62,406,734,890	70,449,580	44,075,080	2,745,768	128,407,505,318
Additions		598,600,682		1,354,114		599,954,796
At 30th June, 2013	65,883,500,000	63,005,335,572	70,449,580	45,429,194	2,745,768	129,007,460,114
Depreciation						
At 1st July, 2012	0	4,520,375,223	39,565,716	23,187,717	2,539,882	4,585,668,538
Charge for the year	0	1,462,124,009	6,176,773	6,672,443	51,471	1,475,024,696
At 30th June, 2013	0	5,982,499,232	45,742,489	29,860,160	2,591,354	6,060,693,235
Net book value						
At 30th June, 2013	65,883,500,000	57,022,836,340	24,707,091	15,569,034	154,414	122,946,766,879
At 30th June, 2012	65,883,500,000	57,886,359,667	30,883,864	20,887,363	205,886	123,821,836,780

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**7. REVALUATION**

Revaluation of Land and buildings was done in June, 2010 which gave rise to revaluation surplus. The surplus represents increase in carrying amount of assets as a result of revaluation.

	U Shs.
Balance B/F (30/6/2012)	107,362,393,237
Transferred to P/L	-
Balance C/D (30/6/2013)	<u>107,362,393,237</u>

**8. GOVERNMENT GRANTS**

Grants were received from the Government of Uganda in form of properties. The grant amount equivalent to the depreciation of the buildings acquired in grants is transferred to income annually (IAS 20). The rate of depreciation is 2.5%

**GOVERNMENT GRANTS**

	U. Shs.
Balance B/F (30/6/2012)	18,527,961,475
Transferred to P/L	(463,199,037)
Bal C/D (30/6/2013)	<u>18,064,764,438</u>

**9. CURRENCY**

Assets and liabilities expressed in foreign currencies are translated into Uganda shillings at the rates of exchange ruling on the Balance sheet date. On the balance sheet date, the transactions rates were; 1 Kenya shilling = 30 Uganda Shillings and 1 Great Britain Pound = 4,000 Uganda Shillings. Transactions during the year are translated at the rates ruling at the date of the transaction. Gains and losses are dealt with in the income statement.

**FOREX GAINS/LOSSES**

Gains on GBP Pounds transaction	75,928,436
Loss on US Dollar transaction	(7,109,883)
Gain on Assets held in GBP Pounds at close of the year	10,503,564
Loss in Kenya Shillings Loan	(239,054,482)
Gains on Recievables/payables in Kenya Shilling	<u>31,949,122</u>
	(127,783,243)

**10. BORROWING COSTS**

Costs associated with and servicing of loans apart from the principle repayments are recognized as expense in the period in which they are incurred.

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**11. CASH AND CASH EQUIVALENTS**

For the purpose of the statement of cash flows, cash and cash equivalents comprises of cash on hand and balances at the bank.

	U. Shs	U. Shs
	30.6.2013	30.6.2012
Cash and Cash Equiv.		
Cash at Hand Kampala	15,087,750	50,900
Mombasa cash at hand	79,800	748,925
Cash at Hand London	25,771,320	47,567,715
Stanbic bank-Mombasa	1,369,636	30,363,899
Barclays bank-Kampala	159,572,880	
Stanbic UPHL-HQ	39,344,641	2,125,594
Stanbic Farmers House	5,522,390	7,809,200
	<u>246,748,417</u>	<u>88,666,233</u>

**12. TRADE AND OTHER PAYABLES**

These are recognized at fair value. It includes lease income received in advance from TIC Plastics Ltd. with outstanding balance of 1,005,000,000

	U. Shs	U. Shs
	30.0.2013	30.6.2012
Lease income in advance	990,000,000	1,005,000,000
Rental Income Advance and accruals Momb	155,607,841	63,222,494
Rental Income Advance and accruals Uganda	170,013,127	85,613,974
Accrued Taxes	116,061,005	747,996,210
Proposed Dividends	400,000,000	450,000,000
Total	<u>1,831,681,973</u>	<u>2,351,832,678</u>

**13. EMPLOYEE BENEFITS**

The company pays salaries and wages to its employees and contributes to National Social Security Fund (NSSF) and pays gratuity. The company's obligation to the scheme is limited to 10% of the employee's gross pay which is charged to income.



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**14. TRADE AND OTHER RECEIVABLES**

These are recognized at fair value. The debtors comprise mainly of Government of Uganda Shs.4,741,740,000.

Trade and other receivables

	30.06.2013 U.Shs	30.06.2012 U.Shs
G.O.U	4,741,740,000	4,741,740,000
Trade receivables Mombasa	228,364,479	2,965,144,077
Trade receivables Uganda	624,836,854	200,988,498
Receivables London	246,252,491	152,000,000
Total	<u>5,841,193,824</u>	<u>8,059,872,575</u>

**15. BANK LOAN**

The company obtained a loan from CFC Stanbic in Mombasa in 2006 repayable in 7 years. The loan was restructure in September 2011 changing the repayment period to a further 7 years starting September 2011.

U. SHS.

Loans - CFC Stanbic Mombasa	
Balance B/F(30/6/2012)	3,346,762,748
Repayments	(276,089,760)
Exchange loss	239,054,482
Balance C/D (30/6/2013)	<u>3,309,727,470</u>

**16. MOVEMENT IN CAPITAL AND REVENUE RESERVES**

U. shs

Bal b/f (30/6/2012) - Revenue	381,425,450
Adjustments for write off	(2,460,608,000)
Retained Profits for the year	545,326,552
Bal c/f (30/6/2013)	<u>(1,533,855,998)</u>

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**17. WRITE OFF FROM REVENUE RESERVES**

In 2009, the Company entered into a lease agreement with Central Purchasing Company Ltd. for the Carport in Mombasa. Revenue was recognized in the years 2009 and 2010. However revenue of shs 2,460, 608,000 has proved un collectable. This revenue had been reported in the previous years and contributed to the growth of the revenue reserves. As such, the same amount has been written off against the revenue reserves.

**18. CONTINGENT LIABILITIES.**

On the reporting date, UPHL had the following cases in Court. However management considers the magnitude and the impact of the cases too small to affect the operations of the Company.

TENANT	DETAILS/OBJECTION	CURRENT POSITION/COMMENT
<u>EDWARD JOSEPH</u> <u>NGARACHU V/S</u> <u>UPHL</u>	Rent was increased from kshs 20.000 to 35.000/= in October 2011. Tenant launched complaints to the Rent Restriction Tribunal CASE NO: 203 of 2011.	Case has dragged/the tribunal appears only once in Mombasa. Next sitting will be in march 2014 when tribunal will have sitting in Mombasa.
<u>AMANI MATANO</u> <u>V/S UPHL</u>	Tenant issued with rent increment notice from kshs 20.000/= to 35.000/= starting October 2011. Tenant launched complaint in the rent restriction tribunal CASE NO: 209 of 2011. Tenant applied to pay rent to the tribunal and consent was granted.	Case has dragged/the tribunal appears only once in Mombasa. Next sitting in march 2014 when tribunal will have sitting in Mombasa.
<u>ADAH NYABOK</u> <u>T/A FIMODA</u> <u>FASHIONS v/s</u>	Tenant launched an appeal of ruling of the business premises rent tribunal terminating the lease. 1. First hearing date was in march 2013.	Mention of the case is scheduled for march 2014
<u>IORA DRIVING</u> <u>SCHOOL V/S</u> <u>UPHL</u>	UPHL Terminated tenancy through a notice copied to the business premises rent tribunal due to non-payment of rent on 9/06/2011. Tenant applied for certificate of urgency to be heard before lease is terminated.	Mention is scheduled for March 2014
<u>JESSE MASHATE</u> <u>V/S YOWERI</u> <u>MUSEVENI</u>	Plaintiff tried to attach UPHL property in London	Attachment was challenged in Court and UPHL was awarded GBP 40,000

**18. ADJUSTMENTS IN PRESENTATION**

Where necessary comparatives given have been adjusted to conform with changes in presentation in the current year.