



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
KIIRA MOTORS CORPORATION
FOR THE YEAR ENDED 30TH JUNE 2019

OFFICE OF THE AUDITOR GENERAL
UGANDA

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LIST OF ACRONYMS

ACRONYM	MEANING
DSC	District Service Commission
ICT	Information Communication Technology
IFMS	Integrated Financial Management System
ISSAIs	International Standards of Supreme Audit Institutions
KMC	Kiira Motors Corporation
LGs	Local Governments
MDAs	Ministries, Departments and Agencies
MoFPED	Ministry of Finance, Planning and Economic Development
PFMA	Public Financial Management Act
PPDA	Public Procurement and Disposal of Assets
TI	Treasury instructions

**REPORT OF THE AUDITOR GENERAL ON THE AUDIT OF FINANCIAL STATEMENTS OF
KIIRA MOTORS CORPORATION LTD FOR THE YEAR
ENDED 30TH JUNE, 2019**

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of Kiira Motors Corporation for the year ended 30th June 2019. These financial statements comprise the Statement of Financial Position as at 30th June 2019, the Statement of Profit or Loss and other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the period then ended, together with accompanying schedules, a summary of significant accounting policies and other explanatory notes.

In my opinion, the accompanying financial statements of Kiira Motors Corporation for the year ended 30th June 2019, give a true and fair view of the financial position of the Company as at 30th June 2019, and of its financial performance and its cash flows for the year then ended in accordance with the basis of Accounting disclosed under note 12(3) to the financial statements, the Companies Act of Uganda 2012 and Section 51 of the Public Finance Management Act, 2015 (as amended).

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Corporation in accordance with the Constitution of the Republic of Uganda 1995 (as amended), the National Audit Act, 2008, the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code), and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matter

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined the matters described below to be key audit matters communicated in my report.

1.0 IMPLEMENTATION OF THE APPROVED BUDGET

Section 14 (1) of the Public Finance Management Act, 2015 (Approval of annual budget by Parliament) indicates that Parliament shall, by the 31st of May of each year, consider

and approve the annual budget and work plan of Government for the next financial year, the Appropriation Bill and any other Bills that may be necessary to implement the annual budget. In addition, Section 15 of the Public Finance Management Act, 2015 (Commitment of approved budget) indicates that, After approval of the annual budget by Parliament, the Secretary to Treasury shall issue the annual cash flow plan of Government, based on the procurement plans, work plans and recruitment plans approved by Parliament. The annual cash flow plan issued under subsection (1) shall be the basis for release of funds by the Accountant General to the Accounting Officers.

It has been observed over the years that planned and budgeted for activities of a number of Government entities are not implemented thereby affecting service delivery. In the overall office wide planning, I assessed risks like inadequate release of funds and failure to undertake budget monitoring and supervision that are likely to be the causes of failure to implement entity planned activities. The focus was put on the planned outputs of the entities which greatly impact on the wellbeing of communities.

Consequently I developed the following procedures in order to address the performance of the budget of the entity;

- (i) Ascertaining the amount received by the entity and the source of the funding
- (ii) Inquiring from management of off-budget financing received and ascertaining the basis for the off-budget financing, if any.
- (iii) Comparing the approved budget against the actual receipts
- (iv) Comparing the planned vote function outputs against the actuals and determining the variances
- (v) Reviewing utilisation of the funds.

Based on the procedures performed, the following were observed;

1.1 Revenue Performance

Section 45 (1) of the Public Finance Management Act 2015, requires the Accounting Officer to control the regularity and proper use of the money appropriated to the vote. Furthermore, Section 45 (3) of the same Act requires the Accounting Officer to enter into an annual budget performance contract with the Secretary to Treasury which shall bind the Accounting Officer to deliver on the activities in the work plan for the vote for the financial year based on planned outputs.

I noted the financial Year 2018/2019 is the First Year of operations as a self-accounting entity and during the same Year, UGX.24Billion was approved and appropriated to Kiira Motor Corporation as a Subvention under Vote 023, Ministry of Science of Science, Technology and Innovation.

I further noted that the funding received from Government through the Ministry of Science, Technology and Innovation during the Financial Year 2018/2019 was UGX.21,586,431,087 resulting into a revenue shortfall of UGX.2,413,568,913 which is 10% of the Approved Budget. The shortfall was caused by the Ministry Finance, Planning and Economic Development releasing less than what was approved in the National Budget.

Shortfall in budgets implies that some activities may not be fully implemented and the corporation will not fully meet its planned objectives for the year. The Accounting Officer should liaise with the concerned stakeholders to ensure the entity is fully provided with planned resources to enable it run the planned programme of work.

1.2 Under Absorption

Section 45 (1) of the Public Finance Management Act 2015, requires the Accounting Officer to control the regularity and proper use of the money appropriated to the vote. Furthermore, Section 45 (3) of the same Act requires the Accounting Officer to enter into an annual budget performance contract with the Secretary to Treasury which shall bind the Accounting Officer to deliver on the activities in the work plan for the vote for the financial year based on planned outputs.

I established that Kiira Motors Corporation received UGX.23,298,588,923 and spent only UGX.22,481,205,856 resulting into under absorption of UGX.817,383,067. Under absorption of budgeted funds implies that most of the planned activities may not have been implemented. The Accounting Officer explained that they needed over UGX.2 billion for a signed contract and the UGX.680,732,625 was insufficient and they were awaiting release of additional funds. I advised the Accounting Officer to ensure proper planning and budgeting and endeavor to spend the available funds to implement all the planned activities.

1.3 Funding Balance not Incorporated in the Budget

Section 21 (1) of the Public Finance Management Act, 2015 requires an Accounting Officer to plan and manage the activities as indicated in the policy statement of the vote based on the annual cash flow plan issued by the Secretary to the Treasury under section 15 of the Act.

During the financial year, the Executive Director of Uganda Development Corporation transferred their shares in Kiira Motors Corporation to the Ministry of Science, Technology and Innovation along with UGX.1,712,157,836 being the Balance on UDC Bank Account. This amount was transferred to Kiira Motor Corporation account and utilized for operations and some paid to NEC to carry out the on-going construction works at Kiira Motor Plant.

I noted that the amount did not form part of the approved budget of the Corporation of UGX.24 billion and the authority to retain it was not provided. The Accounting Officer stated that these funds had been appropriated in 2017/18 under vote 110 for Uganda Development Corporation where Kiira Motor Corporation belonged and the funds were transferred to NEC for site clearance, drainage and fencing.

I advised the Accounting Officer to ensure that all funds are budgeted for before being spent to implement Corporation activities.

2.0 MANAGEMENT OF THE INNOVATION FUND

The Presidential Initiative on Science and Technology was started purposefully to enhance the development of science and research in the country. The initiative works through various bodies including the Uganda Industrial Research Institute (UIRI), the Uganda National Council of Science and Technology (UNCST), Makerere University Institute of Science and Technology/Food Science, and the various research stations across the country.

According to the Ministry of Science, Technology and Innovation, the National Research and Innovation Programme (NRIP) aims to encourage creativity and supporting innovations in Uganda with a main goal of promoting research and development, technology incubation and technology commercialization activities.

During the year under review, the following specific audit procedures were undertaken, to establish how entities were utilising the innovation fund;

- a) Ascertain whether there exists a legal framework/Guidelines establishing the Innovation Fund.
- b) Ascertain whether all funded projects were evaluated and approved by the Ministry of Science, Technology and Innovation.
- c) To confirm that Innovation funds paid during the year comply with the existing guidelines/approved proposals and have been fully utilised for the intended purpose.
- d) To confirm that each MDA disclosed the innovation funds received and spent.
- e) To ensure financial accountability following the close of each financial year.

I noted that there is currently no legal framework establishing the fund and there are neither guidelines nor a database of beneficiaries of innovation fund in the country and I have not been provided with the criterion for distribution of the fund to the different beneficiaries by either the Ministry of Finance Planning and Economic Development or that of Science, Technology and Innovation. I further noted the existence of many beneficiaries to the innovation fund for whom the Ministry of Finance planning and Economic development has not clearly provided a database to ease follow up.

I established that during the year under review, Kiira Motors Corporation received a total of UGX. 23,298,588,923 through the Ministry of Science, Technology and Innovation to finance its programs, as part of the Innovation funds.

I advised the Accounting Officer to engage the relevant stakeholders with a view of having the management of the fund streamlined for better service delivery.

Other Matter

I consider it necessary to communicate the following matter other than those presented or disclosed in the financial statements;

3.0 STAFFING GAPS

Section 15(9) of the Uganda Public Service Standing Orders, 2010 mandates the Ministry of Public Service to determine the structure, terms and conditions of service for government entities. Good strategic planning also requires an entity to carry out human resource planning to ensure that an adequate number of qualified staff is in place to carry out the operational activities of an entity so as to enable her achieve the strategic objectives.

A review of the staff establishment of the Corporation revealed that out of the 35 established positions, only 31 positions were filled leaving 4 positions vacant. Staffing gaps negatively impact on the implementation of planned activities and this may fail the Corporation from achieving its intended objectives.

Management stated that they had embarked on a recruitment process to fill the vacant positions during the year 2019/2020. I advised the Accounting Officer to expedite the process of filling all approved positions.

Other Information

The Directors are responsible for the other information. The other information comprises the Statement of responsibilities of the Accounting Officer, Commentary on the financial statements by the Head of Accounts, and other supplementary information. The other information does not include the financial statements and my auditors' report thereon.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

Under Article 164 of the Constitution of the Republic of Uganda, 1995 (as amended) and Section 45 of the Public Finance Management Act, 2015, the Directors are accountable to Parliament for the funds and resources of the Kiira Motors Corporation.

The Directors are also responsible for the preparation of financial statements in accordance with the requirements of the International Financial Reporting Standards (IFRS), the Companies Act of Uganda 2012, Section 51 of the Public Finance Management Act 2015, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Corporation's ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the Kiira Motors Corporation, unless the Directors have a realistic alternative to the contrary.

The Directors are responsible for overseeing the Corporation's financial reporting process.

Auditor General's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users, taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Directors, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Responsibilities

In accordance with Section 19 (1) of the National Audit Act 2008, as well as the Companies Act of Uganda 2012, I report to you, based on my work described on the audit of Financial Statements, that;

- Except for the matters raised in compliance with legislation section below, and whose effect has been considered in forming my opinion on financial statements, the activities, financial transactions and information reflected in the financial statements that have come to my notice during the audit, are in all material respects, in compliance with the authorities which govern them.
- 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;
- In my opinion, proper books of account have been kept by the Corporation, so far as appears from my examination of those books.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

In accordance with Section 13 of the NAA, 2008, I have a responsibility to report material findings on the compliance of the Corporation with specific matters in key legislations. I performed procedures primarily to identify findings but not to gather evidence to express assurance.

The material finding in respect of the compliance criteria for the applicable subject matters are as follows;

4.0 ABSENCE OF FULLY CONSTITUTED BOARD OF DIRECTORS

The Memorandum and Articles of the Association of Kiira Motors Corporation prescribe a 9 Member Board of Directors providing for an independent majority 5 independent Directors, while facilitating the formation of the Standing Committees of the Board as follows;

- (i) The Executive Chairperson, Kiira Motors Corporation, serving as the Chairperson of the Board of Directors.
- (ii) The Permanent Secretary, Ministry of Science, Technology and Innovation representing Shareholders.
- (iii) The Vice Chancellor, Makerere University representing Shareholders.
- (iv) Chief Executive Officer, Kiira Motors Corporation
- (v) Five (5) independent Directors, forming a majority and at least two of these should be women.

It was observed that Kiira Motors Corporation was incorporated on 1st April 2014 as a Private Limited Company with Initial Share Capital of UGX.100,000,000 divided into 10,000 Ordinary Shares of UGX.10,000. The Equity Partners in Kiira Motors Corporation (KMC) are Government of the Republic of Uganda represented by the Ministry of Science, Technology and Innovation holding 96% of the initial Stock and Makerere University (4%).

It was observed that out of the 9 members of the Board of Directors prescribed by the Memorandum and Articles of the Association only two, i.e. the Executive Chairperson and the Chief Executive Officers were appointed.

The Corporation lacks a fully constituted Board of Directors to provide policy guidance, oversight for the implementation of the Corporation's projects, and establishes and oversees the projects governance and management structures.

Absence of a fully constituted Board poses a governance challenge to the Corporation which is just starting to develop. High level strategic decisions require a strong Board of directors and absence of the Board will lead to weaknesses in oversight and governance.

The Accounting Officer stated that they had just been transferred to Ministry of Science Technology and Innovation and board formation process is underway.

I advised the Accounting Officer to consult key stakeholders to ensure a fully constituted Board of Directors is put in place to help run and determine the strategic direction the Corporation should take.



John F.S. Muwanga
AUDITOR GENERAL
KAMPALA

23rd December, 2019

FINANCIAL STATEMENTS



KIIRA MOTORS

— C O R P O R A T I O N —

MISSION VEHICLES MADE IN UGANDA



**FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2019**

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KIIRA MOTORS CORPORATION INFORMATION FOR THE YEAR ENDED 30TH JUNE 2019

BOARD OF DIRECTORS MEMBERS:

Hon. Prof. Sandy Stevens Tickodri Togboa
Mr. Paul Isaac Musasizi

Executive Chairman.
Chief Executive Officer

REGISTERED OFFICE:

Plot 13, Kimera Road, Ntinda
P. O. Box 29905

KAMPALA

Tel:+256393517888

Website: www.kiiramotors.com

AUDITOR:

The Auditor General
Office of the Auditor General
Apollo Kaggwa Road
P.O Box 7083
KAMPALA

BANKERS:

Bank of Uganda
P.O Box 7120
KAMPALA

SHAREHOLDERS:

Government of the Republic of Uganda (96%) represented by the Ministry of Science, Technology Innovation and Makerere University (4%).

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30TH JUNE 2019

The Directors submit their report together with the audited financial statements for the year ended 30 June 2019 which disclose the state of affairs of the Kiira Motors Corporation in accordance with section 123(1) of the Companies Act, 2012.

1. Incorporation

Kiira Motors Corporation (KMC) is a State Enterprise and is domiciled in Uganda, established to undertake the commercialization of the Kiira Electric Vehicle Project, championing value addition in the domestic automotive industry for job and wealth creation.

2. Principal Activity

Kiira Motors Corporation (KMC) was established to undertake the commercialization of the Kiira Electric Vehicle Project, championing value addition in the domestic automotive industry for job and wealth creation.

3. Results from Operations

The results of Kiira Motors Corporation are set out on Page 8.

4. Directors

The Directors who held office during the year and up to the date of this report are set out on Page iii.

5. Auditors

In accordance with Section 167 to 170 of the Companies Act, 2012 Laws of Uganda, the financial statements are required to be audited once every year by the Auditor General of Uganda or an Auditor appointed by him to act on his behalf. For the year ended 30 June 2019, the Auditor General carried out the audit of Kiira Motors Corporation himself.

6. Approval of the Financial Statements

The financial statements were approved at the meeting of the Directors held on the

.....^{16th} day of^{December}.....2019

STATEMENT OF DIRECTORS RESPONSIBILITIES FOR THE YEAR ENDED 30TH JUNE 2019

The Companies Act, 2012 requires the Directors to make available to the shareholders and other parties, audited financial statements for each financial year which show a true and fair view of the state of affairs of the Company as at the end of the financial year.

It also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company and safeguarding its assets.

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards, the Companies Act, 2012, and for such internal controls as Directors determined are necessary for the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Board of Directors confirm that, during the period of review, in the execution of their duties they have complied with the duties imposed by the Companies Act, 2012. The Directors also confirm that:

- Adequate accounting records were kept inclusive of proper minutes of all resolutions passed by the available Board Members.
- They took such steps as were reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.
- Proper internal control systems were employed by or on behalf of the Company.
- Expert advice was obtained on matters where they lacked sufficient expertise.

Approval of the Annual Financial Statements

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS and the Companies Act, 2012. The Directors are of the opinion that the financial statements give a true and fair view of the financial affairs of the Company and its operating results.

The Directors believe that the Auditor was given unrestricted access to all financial information and all representations made to them during their audit were valid and appropriate.

Notwithstanding the above mentioned information, the Directors wish to draw attention to the fact that, Kiira Motors Corporation did not have a fully constituted Board of Directors as at the time of the Audit.

These financial statements:

- were approved by the available Board Members on 16th December,2019;
- are to the best of Directors' knowledge and belief confirmed to be complete and correct; and,

- fairly represent the net assets of the Company as at 30th June 2019 as well as the results of its activities for the period then ended in accordance with IFRS.

The Directors confirm that for the period under review, the company has submitted all regulatory and other returns and any other information as required by the Uganda Company's Act.

Nothing has come to the attention of the Directors to indicate that the Company will not be able to meet its obligations and the requirements of the Companies Act, 2012 for the next twelve months from the date of this statement.

Hon. Prof. Sandy Stevens Tickodri Togboa
Executive Chairman

Mr. Paul Isaac Musasizi
Chief Executive Officer

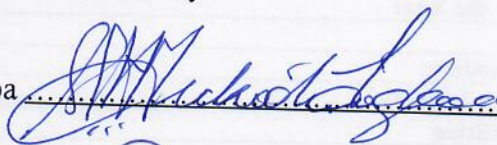
Mr. George William Jingo
Senior Accountant

STATEMENT OF FINANCIAL PERFORMANCE AS AT 30TH JUNE 2019

	Note	30 th June 2019 Shs	30 th June 2018 Shs
OPERATING REVENUE			
Revenue			
Transfers Received From Other Government Units	2	23,298,588,923	-
Total Revenue		23,298,588,923	-
Operating Expenses			
Selling, General and Administration Expenses	3	4,223,690,000	-
Foreign Exchange Loss (Gain)	4	607,994	
Depreciation on property and equipment	5	9,950,369	
Surplus for the year		19,064,340,560	

These financial statements were approved for issue by the Board of Directors on the ... 16th day of December 2019 and signed on its behalf by:

Hon. Prof. Sandy Stevens Tickodri Togboa
Executive Chairman



Mr. Paul Isaac Musasizi
Chief Executive Officer



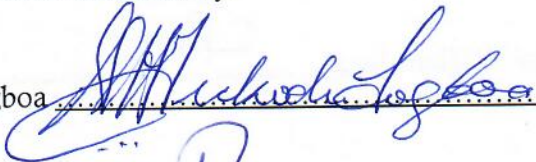
Mr. George William Jingo
Senior Accountant

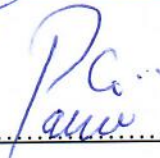



STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

	Notes	30 th June 2019 Shs	30 th June 2018 Shs
Assets			
Non-Current Assets			
Property, Plant and Equipment	5	18,246,957,493	
Total Non-Current Assets		18,246,957,493	
Current Assets			
Cash and Cash Equivalents	6	681,796,307	-
Receivables	7	135,586,760	-
Total Current Assets		817,383,067	-
Total Assets		19,064,340,560	-
Represented By:			
Equity			
Surplus for the Year		19,064,340,560	
Liabilities			
Current Liabilities		-	-
Non-Current Liability		-	-
Total Liabilities		-	-
Net Worth		19,064,340,560	-

These financial statements were approved for issue by the Board of Directors on the^{16th}
day of December2019 and signed on its behalf by:

Hon. Prof. Sandy Stevens Tickodri Togboa 
Executive Chairman

Mr. Paul Isaac Musasizi 
Chief Executive Officer

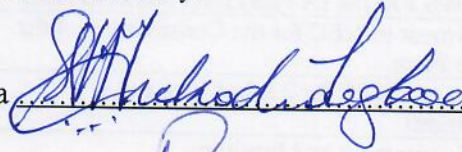
Mr. George William Jingo 
Senior Accountant

STATEMENT OF CHANGES IN EQUITY (NET WORTH)

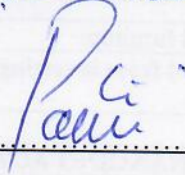
	Notes	30 th June 2019 Shs	30 June 2018 Shs
At 1 July - Net worth Last Year (B/F)		-	-
Add: Surplus/deficit for the year (<i>see statement of Financial Performance</i>)		19,064,340,560	-
At 30th June 2019 - Closing Net Financial Worth		19,064,340,560	-

These financial statements were approved for issue by the Board of Directors on the^{16th}
day of December 2019 and signed on its behalf by:

Hon. Prof. Sandy Stevens Tickodri Togboa
Executive Chairman



Mr. Paul Isaac Musasizi
Chief Executive Officer



Mr. George William Jingo
Senior Accountant



CASH FLOW STATEMENT FOR THE PERIOD ENDED 30TH JUNE 2019

	Notes	30 th June 2019 Shs	30 th June 2018 Shs
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		19,064,340,560	
Add: Depreciation Charge for the year	5	9,950,369	-
Less: Receivables for the year	7	(135,586,760)	
Net Cash from Operating Activities		18,938,704,169	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Advance Payment to NEC for the Construction of the Kiira Vehicle Plant	5	(17,320,349,251)	
30% Payment to CHTC for 2 E-bus Kits and 2 Charging Stations	5	(866,565,075)	
Purchases of equipment and furniture	5	(69,993,536)	-
Net cash inflows/(outflows) from investing activities		(18,256,907,862)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
			-
Net increase (decrease) in cash and cash equivalents	6	681,796,307	-

These financial statements were approved for issue by the Board of Directors on the^{16th}
day of December.....2019 and signed on its behalf by:

Hon. Prof. Sandy Stevens Tickodri Togboa
Executive Chairman

Mr. Paul Isaac Musasizi
Chief Executive Officer

Mr. George William Jingo
Senior Accountant

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Accounting Policies

These are the specific principles, bases, conventions, rules and practices applied in preparing and presenting these financial statements. These are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of preparation of financial statements

The financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), taking into consideration the Companies Act, 2012 requirements. The measurement basis applied is the historical cost principle. The financial statements have been prepared on an accrual basis of accounting.

b) Going concern consideration

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the reporting period.

c) Presentation currency

The reporting & presentation currency is the Uganda Shilling.

d) Reporting Period

The reporting period for these financial statements is from 1st July 2018 to 30th June 2019.

e) Revenue

Revenue represents cash received by the entity during the financial year and comprises transfers received from other government units.

f) Transfers from other Government Units

Comprise funds appropriated under one vote but transferred to another vote for execution of the intended activities of the former. These funds are recognized when received.

g) Translation of transactions in foreign currency

Foreign currency transactions are translated into Uganda Shillings using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Financial Performance.

h) Property, Plant and Equipment (Physical Assets or Fixed Assets)

Property, Plant, and Equipment (PPE) are tangible items that are held for use in the production or supply of goods or services, or for administrative purposes; and are expected to be used during more than one reporting period. These are tangible non-current assets including infrastructure assets, machinery, furniture, vehicles, and other equipment.

The cost of an item of PPE will be recognized as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the

entity; and the cost or fair value of the item can be measured reliably. PPE is initially measured at historical cost on the date of acquisition or recognized at fair value in the absence of the former. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Historical cost includes expenditure directly attributable to the acquisition of the Asset. The day to day servicing of PPE will be recognized in the statement of performance as repairs and maintenance expense and not included in the carrying amount of the asset.

Subsequent to initial recognition, an item of PPE is measured at either at cost less any accumulated depreciation or at a revalued amount, being its fair value at the date of the revaluation, less any subsequent accumulated depreciation, and subsequent accumulated impairment losses. Revaluations will be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Revaluation increases or decreases will be recognized in the revaluation reserve in the statement of Changes in Equity.

Depreciation is calculated on the depreciable amount using the straight-line basis over the expected useful lives of the assets concerned. Non produced assets such as Land are depreciated at a zero rate. The various asset classes, descriptions together with their respective depreciation rates are detailed in the table below.

Asset Class	Description	Depreciation rate
(a) Buildings and structures		
Non-Residential Buildings	All commercial buildings, military purposes other than dwellings	5%
Residential Buildings	All residential buildings for residential purposes	
	houseboats, mobile homes, and caravans	
Roads and Bridges	highways, roads, streets, bridges, Airfields/ runways, railways and subways	
Other Structures	Sewers, waterways, harbors, dams, and other waterworks.	
	Shafts, tunnels and other structures associated with mining subsoil assets.	
	Outdoor sport and recreation facilities.	
	Communication lines, power lines, and pipelines.	

(b) Machinery, furniture and vehicles		
Transport Equipment	motor vehicles, trailers and semi-trailers, ships, railway locomotives, motor cycles and bicycles	30% for > 7 tonnes 20% for < 7 tonnes
Earth Moving Equipment	Earth Moving Equipment	30%
Machinery and Equipment	ICT Equipment/Data handling equipment	40%
	Electrical Machinery, precision and optical, medical appliances	30%
Furniture and Fittings	Furniture and sculptures, cabinets, paintings & and other works of art or antiques, other collections of considerable value e.g Museum display collections	20%
Aircrafts	All aircrafts costs	
Non Produced assets	Land, cultivated Assets and other naturally occurring assets	0%

Items of PPE are derecognized when the asset is disposed of, or when they are no further economic benefits or service potential expected for their use. The gain/loss arising from the disposal or retirement of an item of PPE is determined as the difference between the sales proceeds and the carrying value and is recognized the Statement of Financial Performance. Proceeds from disposal of property, plant and equipment are recognized as non-tax revenue in the period when it is due.

i) Receivables

Receivables are classified and measured in accordance with IAS 39. They are carried at amortized cost and impaired accordingly whenever necessary. Bad debts when identified are written off in line with proper approvals.

j) Inventories

Inventories are measured at the lower of cost and net realizable value in line with IAS 2. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories includes all costs of purchase, costs of conversion (direct labour and production overhead) and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. Where inventory is acquired at no cost, or for nominal consideration, its cost shall be its fair value at the date of acquisition. Consumable supplies are expensed in the period in which they are paid for. Where they

are acquired at no cost, or for nominal consideration, their cost shall be their fair value at the date of acquisition. All inventory items at year-end are reflected using first-in-first out cost formula.

k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts. In the statement of financial position bank overdrafts are included in borrowings.

l) Borrowings

Borrowings if any, are initially recorded in the Statement of Financial Position [the balance sheet] at cost net of any transaction costs paid.

Interest expense and any other expense on borrowings are recognized in the Statement of Financial Performance when they fall due.

m) Employee benefits

Employee benefits include salaries, pensions and other related-employment costs. Employee benefits are recognized when incurred. No provision is made for accrued leave or reimbursable duty allowances.

n) Contingent assets and liabilities

In line with IAS 37, contingent liabilities are disclosed when the contingency becomes evident but not recognized in the financial statements. Contingent assets are not recognized but rather disclosed where an inflow of economic benefits is probable.

o) Outstanding Commitments

Commitments include operating and capital commitments arising from non-cancelable contractual or statutory obligations. Outstanding commitments relating to non-cancelled contractual or statutory obligation where goods have been delivered or service provided are included in the statement of financial position as payables.

p) Current and non-current liabilities

This represents domestic and foreign liabilities / commitments and should be classified as a current liability when, it;

- Is expected to be settled in the normal course of the entity's operating cycle; or
- Is due to be settled within twelve months of the reporting date

All other liabilities with a remaining term longer than one year are classified as non-current liabilities.

Note 2: Revenue - Transfers received from Other Government Units

Comprise funds appropriated under one vote but transferred to another vote for execution of the intended activities. This transfer was received from the Ministry of Science, Technology and Innovation Vote – 023 and Uganda Development Corporation.

	30 th June 2019 Shs	30 th June 2018 Shs
Transfers received from other Gov't units- Current - MOSTI	21,586,431,087	-
Transfers received from other Gov't units- Current - UDC	1,712,157,836	-
Total	23,298,588,923	-

In the course of Quarter Three, Uganda Development Corporation transferred UGX 1,712,157,836 to KMC as Financial Assets. These funds were appropriated in FY2017/18 under UDC to cover the Kiira Vehicle Plant Site Clearance, Drainage and Fencing.

Note 3: Selling, General and Administrative Expenses

Expenditure on Selling, General and Administrative during the year principally comprise the following:

	30 th June 2019 Shs	30 th June 2018 Shs
Employee Expenses	2,906,419,794	-
General Expenses	749,934,160	-
Communications	95,300,379	-
Utility and Property Expenses	12,493,255	-
Supplies and Services	26,768,224	-
Professional Services	46,533,000	-
Insurances and Licenses	4,403,600	-
Travel and Transport	377,341,088	-
Maintenance	4,496,500	-
Total Selling, General and Administrative Expenses	4,223,690,000	-

Note 4: Foreign Exchange Gains and Losses

During the year, foreign exchange losses and gains were as follows:

	30 th June 2019 Shs	30 th June 2018 Shs
Realized loss	607,994	-
Net Foreign Exchange (gains)/ Losses	607,994	-

Note 5: Property, Plant and Equipment Movement Schedule as at the end of June 2019

	Land	Construction Work In Progress	Motor Vehicles	Machinery and equipment Work In Progress	Machinery and equipment	Furniture and Fittings	ICT Equipment	TOTAL
	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs
Cost								
As at 30 June 2018	=	=	=	=	=	=	=	=
Additions	-	17,320,349,251	-	866,565,075	22,804,036	31,067,500	16,122,000	<u>18,256,907,862</u>
Disposals	-	=	-	=	=	=	=	=
As at 30 Jun 2019	=	<u>17,320,349,251</u>	=	<u>866,565,075</u>	<u>22,804,036</u>	<u>31,067,500</u>	<u>16,122,000</u>	<u>18,256,907,862</u>
Depreciation								
As at 30 June 2018	=	=	=	=	=	=	=	=
Charge for the year	-	-	-	-	2,088,503	4,142,333	3,719,533	9,950,369
Disposals	-	-	-	-	=	=	=	=
As at 30 June 2019	=	=	=	=	<u>2,088,503</u>	<u>4,142,333</u>	<u>3,719,533</u>	<u>9,950,369</u>
Net carrying amount								
As at 30 June 2019	=	<u>17,320,349,251</u>	=	<u>866,565,075</u>	<u>20,715,533</u>	<u>26,925,167</u>	<u>12,402,467</u>	<u>18,246,957,493</u>
As at 30 June 2018	=	=	=	=	=	=	=	=

Included in Property, Plant and Equipment is Work in Progress for Construction of the Kiira Vehicle Plant Start-Up Facilities amounting to UGX 17,320,349,251 and Work in Progress for Machinery and Equipment relating to the two electric buses and two charging stations from CHTC Motor Co. Ltd amounting to UGX 866,565,075.

Note 6: Cash and cash equivalents

	30 th June 2019 Shs	30 th June 2018 Shs
DOMESTIC		
Cash in Bank	680,732,625	-
Cash at Hand- Imprest	1,063,683	-
Total Cash and Bank Balances	681,796,308	-

Note 7: Receivables

Comprise the following receivables at the end of year net of any provision for receivables doubtful of recovery.

	30 th June 2019 Shs	30 th June 2018 Shs
DOMESTIC		
Other Accounts Receivable	29,274,260	-
Total Domestic Receivables	29,274,260	-
FOREIGN		
Advances	106,312,500	-
Total Foreign Receivables	106,312,500	-
Total Receivables	135,586,760	
Less Provisions Against Doubtful Accounts	-	-
Net Receivables	135,586,760	-

- (1) *Other Accounts Receivables include; Prepaid medical insurance of 22,166,889 for 4 months i.e. July, 19 to Oct, 19, prepaid fuel of 5,587,320 i.e. 1,674,620 on card1 and 3,912,700 on card2, prepaid electricity of 1,280,998.32 and prepaid water of 239,052.*
- (2) *Advances is made up of a prepayment to China Hi-Tech New Energy Auto Company Limited for the customs CKD training for the KMC staff undertaking the training for 5 months up to mid October 2019.*

Note 8: Contingent Asset:

There are funds totaling to UGX 8,923,350,798 held at Makerere University for Kiira Motors Corporation which was released between FY2012/13 and FY2015/16 when Kiira Motors Project was still under Makerere University. These funds had been planned for the construction of the Kiira Vehicle Plant Start-Up facilities in Jinja.

In addition to the UGX 8,923,350,798 held at Makerere, the following activities at the Kiira Vehicle Plant Start-Up facilities in Jinja are being implemented by Makerere University using balance of the funds which was released to Makerere University for the Kiira Motors Project. These are the following;

- (1) Construction and installation of a 3.7km long 33kV medium voltage electricity power line connecting the Kiira Vehicle Plant Site to the National Electricity Grid at a cost of UGX 1,383,074,746 and supervised by Umeme.
- (2) Installation of the 5.4km of the six (6) inch Water Pipeline Connecting the Kiira Vehicle Plant to the Municipal Water Supply System at a cost of UGX 585,964,426 and supervised by National Water & Sewerage Corporation.

- (3) Construction of the Dual Carriage Principal road (2.44km long) and Classified road (350m long) at a cost of UGX 3,367,413,672 and supervised by KOM Consult Ltd at a cost of UGX 195,345,470.
- (4) Consultancy services for the detailed design, specification, servicing plan and construction of the Kiira Vehicle Plant supervision at a cost of UGX 1,476,614,240.

Note 9: Long term Contractual Commitments:

As at 30th June 2019, contractual commitments amounted to UGX 2,006,616,825 due to CHTC Motor Co. Ltd for the Contract which was signed to jointly design and manufacture Two Electric Buses (Kayoola EVS) and Two Charging Stations to be assembled and piloted as Market Validation Buses in Uganda. The total contract value is UGX 2,873,181,900 but as at the end of this financial year, only 30% down payment, which is UGX 866,565,075 had been made as per the payment terms in the contract. The milestone for making the next payment of 60% had not been met by the close of the financial year. This is not recognized in the financial statements because it had not yet been incurred.