



# PETROLEUM FUND

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**FINANCIAL STATEMENTS OF THE PETROLEUM FUND  
FOR THE PERIOD ENDED 31 DECEMBER 2018**





**Ministry of Finance, Planning and Economic Development**

Reports and Audited Financial Statements of the

**PETROLEUM FUND**

For the Period ended 31 December 2018



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## List of Acronyms

<b><u>ACRONYM</u></b>	<b><u>MEANING</u></b>
FY	Financial Year
GAAP	Generally Accepted Accounting Principles
IESBA	International Ethics Standards Board of Accountants
IPSAS	International Public Sector Accounting Standards
ISSAIs	International Standards of Supreme Audit Institutions
NOC	National Oil Company
PAU	Petroleum Authority of Uganda
PFMA	Public Finance Management Act,2015
PRIR	Petroleum Revenue Investment Reserve
PSA	Production Sharing Agreements
SCE	Statement of Changes of Equity
UCF	Uganda Consolidated Fund
UGX	Uganda Shillings
UPF	Uganda Petroleum Fund
URA	Uganda Revenue Authority
USD	United States Dollars
VAT	Value Added Tax
WHT	Withholding Tax

## Commentary by the Accountant General to the Financial Statements

### Mandate

The Petroleum Fund (Fund) is established by section 56 of the Public Finance Management Act (PFMA), 2015 as amended that came into effect on March 2015. The Fund serves as a depository for all revenues accruing to Government from petroleum and related activities. Disbursements from the Fund are through appropriation to either the Consolidated Fund or to the Petroleum Revenue Investment Reserve (PRIR) Account.

These financial statements are prepared in compliance with S60 (b) of the PFMA and in accordance with Generally Accepted Accounting Principles. They are based on accounting policies, which have been consistently applied. Where necessary, prior period figures in the financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format in the current year's financial statements.

Below is a summary of the financial operations of the Fund for the period ended 31 December 2018.

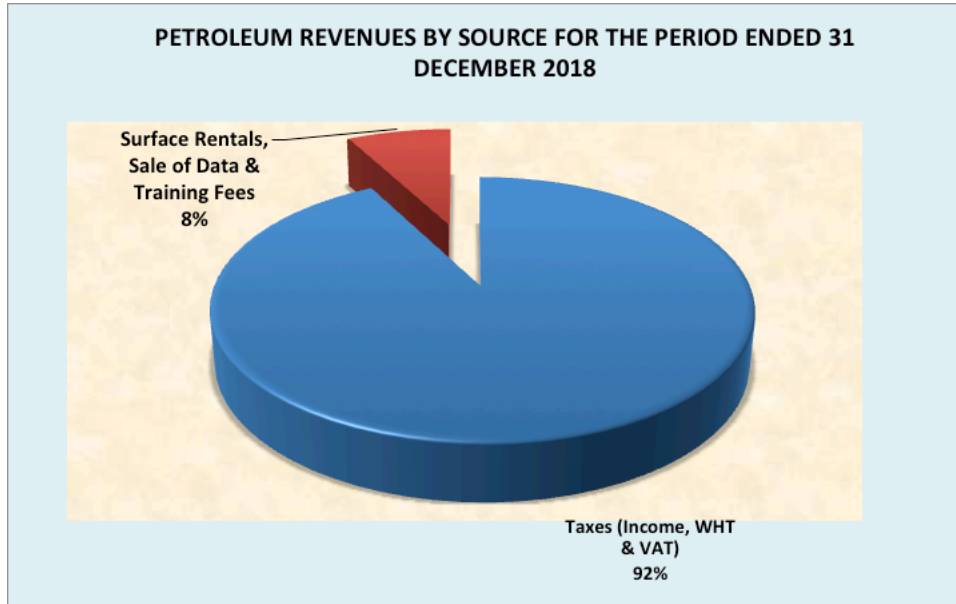
### Revenues

During the period, the Fund received revenue totaling to UGX 32,857,292,031 (Thirty-two billion, eight hundred fifty-seven million, two hundred ninety-two thousand, thirty-one shillings) compared to UGX 37,000,011,750 reported in December 2017. Despite an increase in tax collections by 26%, the total revenue collected during the period decreased by UGX 4,142,719,719 (Four billion, one hundred forty two million, seven hundred nineteen thousand, seven hundred nineteen shillings). The reduction is attributed to nil revenues realised from investment income and signature bonus for the current period compared to the 10billion collected during the period ended 31st December 2017.

**Table I: Summary of revenues collected for the six months period ended December 2018**

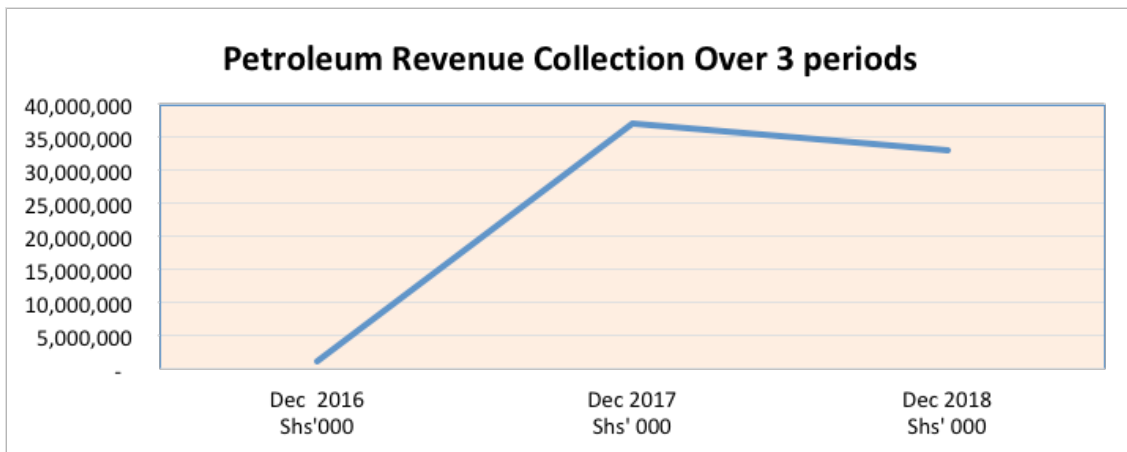
Revenue Source	December 2018 Shs	December 2017 Shs
Taxes (Income, VAT and WHT)	30,322,446,406	24,055,738,084
Surface rental, Training Fees & Sale of data	2,534,845,625	2,959,374,888
Investment Income	-	3,740,948,138
Signature Bonus	-	6,243,950,640
<b>Total</b>	<b>32,857,292,031</b>	<b>37,000,011,750</b>

Composition of petroleum revenues for the period ended 31 December 2018



Petroleum related tax collections by the Uganda Revenue Authority of UGX 30,322,446,406 represent 92% of the total revenues during the period. Other major revenue sources during the period relate to Surface rentals and training fees from Total EP, Tullow Uganda Operations PTY Ltd, and Armour Energy Ltd.

Petroleum Fund revenue trend analysis over the last 3 years



The sharp increase in revenues between December 2016 and 2017 was attributed to the collection of revenue from new sources to the fund i.e. WHT, VAT & Income tax from the companies dealing exclusively in petroleum related activities, signature bonus and Investment income that had not been earned during the period ended December 2016.

## Expenditures/Outflows

During the period, UGX 200 billion (Two hundred billion Shillings) was transferred to the Consolidated Fund in line with S58 of the PFMA 2015 to finance the oil related infrastructure. Other outflows from the Petroleum Fund were bank charges amounting to UGX 525,067.

## Statement of Changes in Equity (SCE)

Included in the SCE is unrealised foreign exchange loss worth UGX 14,403,821,034 due to translation of USD opening balances and revenues received during the period to Uganda Shillings at the closing rate for reporting purposes. The adjustment to the opening cash balances of UGX75,246 relates to a bank charge that had been charged on the Petroleum USD account on 24 January 2018 (FY2017/18) and reversed on 12th July 2018(FY2018/19).

## Financial Position of the Fund

The value of the Fund stood at UGX 288.7 billion compared to UGX 470 billion as at 30 June 2018. The reduction in the fund position from UGX 470 billion reported in June 2018 to the current UGX 288.7 billion is attributed to the transfer of UGX 200 billion to the UCF to finance the budget as per appropriation and reduction in the Petroleum revenues collected compared to the previous financial year. There was also realized foreign exchange loss on retirement of the receivable from Petroleum Authority of Uganda amounting to UGX120.8m. This was due to the appreciation of UGX against the USD at the time the funds were received on the Petroleum Fund USD account.

The composition of the fund is detailed in the table below.

**Table II: Financial Position of the Petroleum Fund**

PETROLEUM FUND (UGX)	FY 2018/2019 Shs	FY 2017/2018 Shs
Opening balance (July 01, 2018)	121,840,546,088	30,922,461,076
Additions:		
Revenue for the Reporting Period	37,518,765,719	36,532,223,863
Transfers from the UCF (Receivable)		85,308,322,225
Payments:		
Transfer to the Consolidated Fund	(148,321,087,430)	(30,922,461,076)
Closing balance as at 31 December, 2018	11,038,224,377	121,840,546,088
<b>PETROLEUM FUND (USD)</b>		
Opening Balance ( July 01, 2018)	\$ 86,525,730.06	\$108,764,044
Additions for the period	\$ 1,491,013.67	\$3,740,934.42
Less: Bank Charges	(\$141.04)	(\$180)
Transfer to the Consolidated UCF	(\$13,947,633.89)	(\$25,979,068)
Closing balance as at 31 December, 2018	\$ 74,068,968.80	\$ 86,525,730
<b>RECEIVABLE</b>		
Revenue collections not yet remitted to the Fund (UGX)	2,525,404,963	12,877,415,932
Receivables		



The receivables are tax collections of UGX 2,525,404,963 (Two billion five hundred twenty five million, four hundred four thousand, nine hundred sixty three shillings) that was collected by the Uganda Revenue Authority of Uganda (URA) and had not been remitted to the Fund by the reporting date. The opening balance of UGX 12.9billion (UGX9.7bn from URA and UGX3.16 from PAU) reported as a receivable in the previous financial year was duly recovered during the period.

### Contingent Liabilities

A contingent liability is a possible obligation that arises from past events, 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 entity (IPSAS 19). Under the Production Sharing Agreements(PSAs) signed between the Government and the various oil and gas companies (licensees), government will reimburse all the recoverable costs that are incurred in accordance with the PSAs and verified by the Office of the Auditor General (OAG) once production commences. For the period 2001 to 2011, the licensees submitted USD 1,014,840,402 as recoverable costs of which only USD 935,692,423 was verified by OAG as being complaint with the PSAs. This figure (USD 935,692,423) will be paid to the licensees once production commences and has therefore not been recognised but disclosed in the statement of contingent liabilities. The figures for the period 2012 to date will be included in the Financial Statements once their verification by the OAG is finalized.

### Petroleum Fund Bank Accounts

The Petroleum Fund currently maintains three bank Accounts two of which are in Bank of Uganda. The third one was opened on 23rd June 2017 in the Federal Reserve Bank of New York to facilitate investment under the Petroleum Revenue Investment Reserve. The two accounts in Bank of Uganda are denominated in UGX for the local currency deposits and USD for the United States Dollar denominated transactions respectively. Below are the Petroleum Fund bank accounts

**Table III: Petroleum Fund bank Accounts**

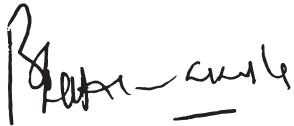
Account Name	Currency	Location	A/C NO.
Petroleum Fund	USD	BoU, Kampala Road	003300328400010
Petroleum Fund	UGX	BoU, Kampala Road	003300328000026
BoU Petroleum Fund	USD	Federal Reserve Bank, New York, USA	021086676

### Petroleum Investment Framework

To facilitate investment under the Petroleum Revenue Investment Reserve in line with PFMA 2015, the ministry has finalized the draft Petroleum Revenue Investment policy, the Operational Management Agreement and Terms of reference of the Investment Advisory Committee. On approval, these will act as a framework to guide Bank of Uganda and the Investment Advisory Committee regarding investment of the petroleum fund revenues.

## Petroleum Fund Reports

In line with S61 (1) of the PFMA 2015, the annual report on inflows, outflows, and Assets of the Fund was prepared and submitted to Parliament in December 2018. All the previous semi-annual and annual Financial Statements of the Fund have been prepared and audited by the Office of the Auditor General and published on the ministry website.



**L. Semakula**  
**ACCOUNTANT GENERAL**

10th May, 2019

## Report of the Auditor General on the financial statements of Uganda petroleum fund for the six month period ended 31st December, 2018

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

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Uganda Petroleum Fund for the six month ended 31st December 2018. These financial statements comprise the Statement of Financial Position as at 31st December, 2018, the Statement of Financial Performance, Statement of Changes in Equity and Statement of Cash Flows for the period then ended, accompanying schedules and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 16.

In my opinion, the financial statements of Uganda Petroleum Fund for the six months period ended 31st December, 2018 are prepared, in all material respects, in accordance with the Public Finance Management Act (PFMA), 2015 and in accordance with the Generally Accepted Accounting Principles (GAAP).

#### **Basis of 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 Uganda Petroleum Fund in accordance with the Constitution of the Republic of Uganda, 1995 (as amended), the National Audit Act, 2008, the International Ethics Standards Board of Accountants (IESBA) Code of Ethics for Professional Accountants (Parts A and B), 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 Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in my audit of the financial statements of the current period. I have determined that there is no key audit matter to communicate in my report.

#### **Emphasis of Matter**

Without qualifying my opinion, I draw your attention to Note 6 and 11 disclosed in the financial statements:

- **Draw down of funds from the Petroleum Fund**  
Section 59 (1) & (3) of the PFMA, 2015 (as amended) states that the money withdrawn from the Uganda Petroleum Fund (UPF) to the Consolidated Fund (UCF) to support the annual budget shall

not exceed the amount authorized by Parliament in the Appropriation Act and for avoidance of doubt, petroleum revenue shall be used for financing of infrastructure and development projects of Government and not the recurrent expenditure of Government.

I noted that the funds amounting to UGX.200 billion were accessed under requisition number 015/2018/2019. However, the requisition did not explicitly state the infrastructure and development projects that would be funded from the petroleum revenues. I therefore could not confirm whether the amount was transferred in accordance with Section 59 (3) of the PFMA.

This is attributed to the absence of a detailed Appropriation Act and accompanying specific guidance to indicate the activities for which the funds have been budgeted for.

Under the above circumstances, there is a risk that the funds withdrawn from the petroleum fund may not finance the infrastructural projects as stipulated in the PFMA, 2015.

Management explained that internal discussions on formulating procedures and specific guidance for operations under the UPF are still ongoing. Management further explained that the draw down was meant for financing part of the development budget deficit on infrastructure projects earmarked under Uganda National Roads Authority, which included the Oil infrastructure.

I advised the Accounting Officer to liaise with the relevant authorities to expedite the process of formulating sufficient procedures and guidelines to operationalize Section 58 and 59 (3) of the PFMA 2015, so as to ensure clarity in the appropriation of funds from the UPF to the Uganda Consolidated Fund and the Petroleum Revenue Investment Reserve.

- **Delayed Remittance of Petroleum Revenue Collections**

I noted under Note 11 to the financial statements, a receivable figure of UGX.2,525,404,963, being collections by the Uganda Revenue Authority (URA) not remitted to the Petroleum Fund as at 30th June, 2018.

The delay to remit petroleum revenues is attributed to the delayed reconciliation of revenues collected between Uganda Revenue Authority and Accountant General's Office. The failure to transfer the prescribed funds contravenes the provision under Section 56 (2) and (3) of the PFMA, 2015.

Management explained that the transfer of petroleum revenues to Uganda Petroleum Fund (UPF) is done monthly, however the delay is as a result of cut off timelines and reconciliations in establishing amounts due to the UPF. The URA is in the process of setting up a portal for collecting of petroleum revenues such that funds collected are remitted in real time.

I advised the Accounting Officer to liaise with URA to ensure timely reconciliations and remittance of petroleum revenues to the Petroleum Fund in accordance with the PFMA, 2015.

***Other matter***

In addition to the matters raised above, I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements.

- **Absence of a Fiscal Rule in the Management of the Petroleum Fund**

Section 56 of the PFMA, 2015 (as amended), establishes the Uganda Petroleum Fund (UPF). The

withdrawal of funds from the UPF is guided by Section 58 (a & b) where funds can be withdrawn upon Parliamentary Appropriation and issuance of a grant of Credit by the Auditor General. The funds can either be transferred to the Uganda Consolidated Fund (UCF) for budget support or to the Petroleum Revenue Investment Reserve (PRIR) for investment.

I noted that the process of appropriation and eventual transfer of funds to either the UCF or PRIR is not guided by any fiscal rule, but left to the discretion of the Ministry of Finance, Planning and Economic Development during the budget formulation process, and Parliament, which lacks guidance in assessing and approving government proposed spending and investment of oil revenues during appropriation.

The lack of a fiscal rule may lead to undesirable spending and investment decisions by Government that can ultimately harm the economy, especially in times of economic instability.

Management explained that draft fiscal rule options had been developed and were awaiting Cabinet approval, which will be implemented to guide the subsequent appropriation of funds out of the Uganda Petroleum Fund. The Initial UPF revenues were a one off case, and unpredictable but appropriated in accordance with the provisions of the law.

I advised management to expedite the process of approval of the fiscal rule that will guide the appropriation of the funds from the UPF, as well as government spending and investment decisions both in the short and long run.

## **Other Information**

The Accounting officer is responsible for the other information. The other information comprises the statement of responsibilities of the Accounting Officer and the commentaries by the Head of Accounts and the Accounting Officer, 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 consider that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regards.

## **Responsibilities of the Accounting Officer for the Financial Statements**

Under Article 164 of the Constitution of the Republic of Uganda, 1995 (as amended) and section 60 of the Public Finance Management Act (PFMA), 2015, the Accountant General is responsible for maintenance of proper books of account and proper records of the Petroleum Fund; and preparation and submission of semi-annual and annual financial statements that are free from material misstatement whether due to error or fraud.

In preparing the financial statements, the Accountant General is responsible for assessing the Fund's ability to continue delivering its mandate, disclosing, as applicable, matters related to the delivery of the mandate of Uganda Petroleum Fund, unless the Fund's management has a realistic alternative to the contrary.

The Accountant General is responsible for overseeing the Fund'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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund management.
- Conclude on the appropriateness of management's 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 Fund's ability to deliver its mandate. 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 Petroleum Fund to fail to deliver its mandate.
- 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 Accounting Officer 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 Accounting Officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with him/her 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 Accounting Officer, 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, I report to you, based on my work described on the audit of Financial Statements, that 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.

#### **Report on the Audit of Compliance with Legislation**

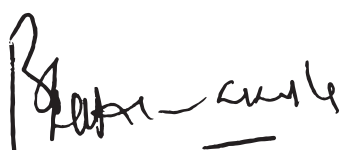
In accordance with Sections 13 of the National Audit Act, 2008, I have a responsibility to report material findings on the compliance of the Fund with specific matters in key legislations. I performed procedures to identify findings but not to gather evidence to express assurance. There were no reportable issues.



**John F.S. Muwanga**  
**AUDITOR GENERAL**  
4th July, 2019

## Statement of Financial Performance for the period ended 31 December 2018

	Notes	Actual 31 December 2018 Shs	Actual 30 June 2018 Shs
<b>Operating revenue</b>			
Sale of Petroleum	3	0	0
Tax Revenue	4	30,322,446,406	46,253,948,139
Non Tax Revenue	5	2,534,845,625	16,734,523,777
<b>Total revenue</b>		<b>32,857,292,031</b>	<b>62,988,471,916</b>
<b>Expenses/Outflows</b>			
Transfers to the Consolidated Fund	6	200,000,000,000	125,300,000,000
Transfers to Petroleum Revenue Investment reserve	7	0	0
Bank Charges	8	525,067	650,824
Foreign exchange losses (gains)	9	120,818,722	-
<b>Total Expenses/Outflows</b>		<b>200,121,343,789</b>	<b>125,300,650,824</b>
<b>Excess of revenue over expenditure from operating activities</b>		<b>(167,264,051,758)</b>	<b>(62,312,178,908)</b>



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L. Semakula  
Accountant General

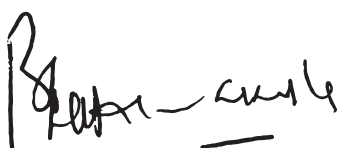


## Statement of Financial Position as at 31 December 2018

	Notes	31 December 2018 Shs	30 June 2018 Shs
<b>ASSETS</b>			
Cash and Cash equivalents	10	286,222,960,711	457,538,747,288
Receivables	11	2,525,404,963	12,877,415,932
Investments	12	0	0
<b>Total Assets</b>		<b>288,748,365,674</b>	<b>470,416,163,221</b>
Liabilities		0	0
Borrowings		0	0
<b>Total Liabilities</b>		<b>0</b>	<b>0</b>
Net Assets		288,748,365,674	470,416,163,221
REPRESENTED BY;			
<b>Net Worth</b>		<b>288,748,365,674</b>	<b>470,416,163,221</b>

## Statement of Changes in Equity (Net Worth) as at 31 December 2018

	31 December 2018 Shs	30 June 2018 Shs
Net worth Last Year (B/F)	470,416,163,221	506,634,968,677
Revaluation Reserve (Unrealised gains/(losses) )	(14,403,821,034)	26,093,373,452
Adjustment of Overstated cash balances	0	0
Adjustment for understated cash balances	75,246	0
<b>Add: Excess of revenue over expenditure for the Year          (See Statement of Financial Performance)</b>	<b>(167,264,051,758)</b>	<b>(62,312,178,908)</b>
<b>Closing Net Financial Worth</b>	<b>288,748,365,674</b>	<b>470,416,163,221</b>



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 L. Semakula  
 Accountant General

## Cash Flow Statement for the Period ended 31 December 2018 [Direct Method]

	31 December 2018 Shs	30 June 2018 Shs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Revenue		
Sale of Petroleum	0	0
Taxes	27,797,041,443	36,532,223,863
Non Tax Revenue	2,534,845,625	13,578,832,120
Transfers from Other Funds – UCF	0	85,308,322,225
Other inflows(Receivables)	12,877,415,932	0
<b>Total receipts from operating activities</b>	<b>43,209,303,000</b>	<b>135,419,378,208</b>
Payments For Operating Expenses:		
Transfers to the Consolidated Fund	200,000,000,000	125,300,000,000
Transfers to Petroleum Revenue Investment reserve	0	0
Bank Charges	525,067	650,824
Foreign exchange losses (gains)	120,818,722	0
<b>Total payments for operating activities</b>	<b>200,121,343,789</b>	<b>125,300,650,824</b>
<b>Net cash inflows/(outflows) from operating activities</b>	<b>(156,912,040,789)</b>	<b>10,118,727,384</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(156,912,040,789)</b>	<b>10,118,727,384</b>

## Reconciliation of movement of cash during the year

	31 December 2018 Shs	30 June 2018 Shs
<b>At the beginning of the year</b>	<b>457,538,747,288</b>	<b>421,326,646,452</b>
Revaluation Reserve (Un Realised gains/ (losses)	(14,403,821,034)	26,093,373,452
Adjustment of Overstated cash balances *	0	0
Adjustment of understated cash balances **	75,246	0
Net increase (decrease) of cash from the Cash flow Statement	(156,912,040,789)	10,118,727,384
<b>At the end of the year</b>	<b>286,222,960,711</b>	<b>457,538,747,288</b>

For purposes of the cash flow statement, cash and cash equivalents comprise

	<b>31 December 2018</b> <b>Shs</b>	<b>30 June 2018</b> <b>Shs</b>
Cash and bank balances	286,222,960,711	457,538,747,288
Less bank overdrafts	-	0
<b>Net cash and bank balances</b>	<b>286,222,960,711</b>	<b>457,538,747,288</b>

## Notes to the Financial Statements

### Accounting Policies

The Treasury is the reporting entity of the Government of the Republic of Uganda for purposes of preparing financial statements of the Petroleum Fund. The Principal address of the Treasury is set out below:

The Ministry of Finance, Planning and Economic Development,  
Plot 2/12 Apollo Kaggwa Road,  
P.o. Box 8147,  
Kampala – UGANDA  
Tel: +256 (0) 41 707900;  
Fax: +256 (0) 41 250005  
Website: [www.finance.go.ug](http://www.finance.go.ug)

### Bankers

- (i) Bank of Uganda  
P.O Box 7120  
Plot 37/45 Kampala Road  
Kampala  
Uganda
- (ii) The Federal Reserve Bank  
New York  
United States

#### 1.1 The Petroleum Fund

The Petroleum Fund is established by Section 56 of the PFMA as a depository into which petroleum oil revenues that accrue to the Government shall be paid.

#### 1.2 Governance of the Fund

In accordance with Section 56(3) of the PFMA, the Minister of Finance is responsible for the overall management of the fund and oversees all transfers into and withdrawals from the fund. Any withdrawals from the Fund shall be made under authority granted by an appropriation Act and a warrant of the Auditor General. On the other hand, the Bank of Uganda is responsible for the operational management of the Petroleum Revenue Investment Reserve.

The Accountant General is responsible for the maintenance of proper books of accounts of the fund, and submission of semi-annual and annual financial statements to the Minister, Secretary to the Treasury and to the Auditor General.

#### 1.3 Purpose of the Fund

Withdrawals from the Fund shall only be made to the Consolidated Fund to support the annual budget and to the Petroleum Revenue Investment Reserve for investments. In support of the annual budget, Petroleum revenue as per Section 59(4) shall be used for the financing of infrastructure and development projects of Government and not the recurrent expenditure.

#### 1.4 Accounting policies

These are the specific principles, bases, conventions, rules and practices adopted by the Government of the Republic of Uganda in preparing and presenting the financial statements. The principal accounting policies adopted in the preparation of these financial statements 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 compliance with generally accepted accounting principles and the legal and regulatory framework for management of public finances of the Government of Uganda.

The measurement basis applied is the historical cost basis, except where otherwise stated. Under the accrual basis of accounting, revenue is recognized generally in the period in which it is earned, while expenditure is recognized in the period in which it is incurred and not when paid.

**b) Going concern consideration**

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

**c) Presentation currency**

Items included in the financial statements are measured in the currency of the primary economic environment in which the entity operates. The reporting and presentation currency is the Uganda Shilling, which is the legal tender of the Republic of Uganda

**d) Reporting Period**

The reporting period for these financial statements is the financial year of the Government of Uganda that runs from 1 July to the next 30 June. Prior period comparative information has been presented in the current year's financial statements. Where necessary, figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format in the current year's financial statements.

**e) Revenue**

For the purpose of preparing the Statement of Financial Performance, petroleum revenue represents cash received or earned by the Petroleum Fund during the financial year. Petroleum revenue as defined by the Act includes tax paid under the Income Tax Act on income derived from petroleum operations, Government share of production, signature bonus, surface rentals, royalties, proceeds from the sale of Government share of production, any dividends due to Government, proceeds from sale of Government's commercial interests and any other duties or fees payable to Government from contract revenues under a petroleum agreement.

**f) Transfers from the Fund**

*(i) Transfers to the Consolidated Fund*

Transfers to the Consolidated Fund are recognized when disbursement is made from the Petroleum Fund for amount appropriated in accordance with Sections 58 & 59 of the Act.

*(ii) Transfers to the Petroleum Revenue Investment Reserve*

Transfers to the Petroleum Revenue Investment Reserve are recognized when

disbursement is made from the Petroleum Fund for amount appropriated in accordance with Sections 58 & 59 of the Act.

**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 (spot rates). These result into realized gains/losses which are recognized in the Statement of Financial Performance. Foreign currency assets and liabilities of the fund are translated into Uganda Shillings using the period closing rate for reporting purposes resulting into unrealized gains/losses. The unrealized gains/losses are recognized in the statement of changes in Equity through the revaluation reserve.

**h) Expenses**

The Petroleum Fund does not own any property, plant and equipment in its books of accounts. There are also no expenses on the Fund except bank charges. In general, charges to the Fund are withdrawals into the Consolidated Fund or the Petroleum Revenue Investment Reserve and these are recognized at the time of disbursement.

**i) Receivables**

Receivables are carried at original historical cost.

**j) Inventories**

The Petroleum Fund does not own any inventories in its books of accounts. Any inventories are held through the National Oil Company (NOC) and the Petroleum Revenue Investment Reserve for which separate financial statements are prepared by the NOC and Bank of Uganda respectively.

**k) Investments**

Transfers to Bank of Uganda for Petroleum Revenue Investment Reserve are treated as Investments (Non- current assets) in the Statement of Financial Position of the Petroleum Fund. Any incomes from these investments are shown as increases in the Investments in the books of Petroleum Fund.

**l) Investment properties**

The Petroleum Fund does not own any investment properties in its books of accounts.

**m) 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, and bank overdrafts. In the statement of financial position bank overdrafts are included in borrowings.

**n) Contingent liabilities**

Contingent liabilities are disclosed in a memorandum statement (Statement of Contingent liabilities) of the Fund when it's probable that an outflow of economic benefits or service potential will flow from the fund or when an outflow of economic benefits or service potential is probable but cannot be measured reliably.

## Other Notes to the Financial Statements

### Note 2 : Exchange rates

The Exchange rates as per Bank of Uganda as at 31 December 2018 for the Uganda Shilling against the major currencies were as in the table below;-

	Actual 31 December 2018 Shs	Actual 30 June 2018 Shs
United States Dollar	3,715.25	3,589.46

### Note 3: Sale of Petroleum

	Actual 31 December 2018 Shs	Actual 31 December 2018 USD	Actual 30 June 2018 Shs
Sale of Crude oil	0	0	0
Sale of Gas	0	0	0
<b>Total Revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Note 4: Tax Revenues

	Actual 31 December 2018 Shs	Actual 31 December 2018 USD	Actual 30 June 2018 Shs
Income tax levied on Petroleum Companies	6,705,297,545	-	1,394,867,309
Withholding Tax	22,949,556,990	-	44,859,080,830
Capital Gains Tax on transfer of Shares	-	-	-
Other Taxes	667,591,871	-	-
<b>Total Revenue</b>	<b>30,322,446,406</b>	<b>-</b>	<b>46,253,948,139</b>

**Note 5: Non Tax Revenues**

	Actual 31 December 2018 Shs	Actual 31 December 2018 USD	Actual 30 June 2018 Shs
Sale of feasibility data	-	-	-
Production License	-	-	-
Training fees, Surface Rentals & sale of data	2,534,845,625	677,618.67	6,749,624,999
Signature Bonus	-	-	6,243,950,640
Investment Income	-	-	-
Other revenue	-	-	3,740,948,138
<b>Total other revenue</b>	<b>2,534,845,625</b>	<b>677,618.67</b>	<b>16,734,523,777</b>

**Note 6 : Transfers to the Consolidated Fund**

	Actual 31 December 2018 Shs	Actual 31 December 2018 USD	Actual 30 June 2018 Shs
Transfer to UCF	200,000,000,000	-	125,300,000,000
<b>Total transfer to UCF</b>	<b>200,000,000,000</b>	<b>-</b>	<b>125,300,000,000</b>

**Note 7 : Transfers to Petroleum Revenue Investment Reserve**

	Actual 31 December 2018 Shs	Actual 31 December 2018 USD	Actual 30 June 2018 Shs
Transfer to Petroleum Revenue Investment Reserve	-	-	-
<b>Total Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note 8: Bank Charges**

	Actual 31 December 2018 Shs	Actual 31 December 2018 USD	Actual 30 June 2018 Shs
Bank Charges	525,067	141.04	650,824
<b>Total</b>	<b>525,067</b>	<b>141.04</b>	<b>650,824</b>



**Note 9 : Foreign Exchange losses (gains)**

	Actual 31 December 2018 Shs	Actual 30 June 2018 Shs
Realised Foreign exchange losses(gains)(SFP)	120,818,722	-
Un-realised Foreign exchange losses(gains)(Revaluation Reserve)	14,403,821,034	26,093,373,452
<b>Total</b>	<b>14,524,639,756</b>	<b>26,093,373,452</b>

**Note 10 : Cash and Cash Equivalents**

	Actual 31 December 2018 Shs	Actual 31 December 2018 USD	Actual 30 June 2018 Shs
Petroleum Fund Account (USD)- BoU, Uganda	275,184,736,334	74,068,968.80	335,698,201,200
Petroleum Fund Account (UGX)- BoU, Uganda	11,038,224,377	-	121,840,546,088
Petroleum Fund Account (USD)- NY, USA	-	-	-
<b>Total</b>	<b>286,222,960,711</b>	<b>74,068,968.80</b>	<b>457,538,747,288</b>

**Note 11 : Receivables**

	Actual 31 December 2018 Shs	Actual 31 December 2018 USD	Actual 30 June 2018 Shs
Crude oil and gas in kind	-	-	-
Investment income	-	-	-
Due from UCF	-	-	-
Due from URA	2,525,404,963	-	9,721,724,276
Due from PAU	-	-	3,155,691,656
Others	-	-	-
<b>Total</b>	<b>2,525,404,963</b>	<b>-</b>	<b>12,877,415,932</b>

**Note 12 : Investments**

	Actual 31 December 2018 Shs	Actual 31 December 2018 USD	Actual 30 June 2018 Shs
Petroleum Revenue Investment Reserve	-	-	-
Other	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Memorandum Statements

### Statement of contingent liabilities

The Government entered into Production Sharing Agreements (PSAs) with various Oil and Gas companies (licensees) for the exploration of Petroleum in the Albertine Graben. Below are the recoverable costs incurred by the licensees and verified by the Office of the Auditor General for the period 2001 to 2011. These are probable outflows of the fund once production commences.

	31 December 2018 (USD)	31 December 2018 (Shs)	30 June 2018 (USD)	30 June 2018 (Shs)
<b>DOMESTIC</b>				
Legal proceedings				
Guarantees and indemnities (Recoverable costs)	935,692,423	3,476,331,274,551	935,692,423	3,358,630,524,662
Guarantees of bank overdrafts				
Other contingent liabilities				
Total Domestic Contingent liabilities				
<b>FOREIGN</b>				
Legal proceedings				
Guarantees and indemnities				
Guarantees of bank overdrafts				
Guarantees under Public Private Partnerships				
Other contingent liabilities				
Total Foreign Contingent liabilities				
<b>Total Contingent Liabilities</b>	<b>935,692,423</b>	<b>3,476,331,274,551</b>	<b>935,692,423</b>	<b>3,358,630,524,662</b>

## Trial Balance

PETROLEUM FUND TRIAL BALANCE AS AT 31 DECEMBER 2018			
		DR	CR
111201	Income Tax		6,705,297,545
114106	Value Added Tax		667,591,871
111202	With Holding tax		22,949,556,990
141501	Surface Rentals		1,042,870,301
142209	Educational/Instruction related levies		1,491,975,324
221018	Foreign exchange gain (unrealised)	14,524,639,757	
221014	Bank charges	525,067	
263110	Transfers to the Consolidated Fund	200,000,000,000	
321604	URA Revenue Collection	2,525,404,963	
321504	Other Receivables	-	
321112	Petroleum Fund (UGX)	11,038,224,377	
321110	Petroleum Fund (USD)	275,184,736,334	
511201	Reserves		470,416,238,467
	<b>Total</b>	<b>503,273,530,498</b>	<b>503,273,530,498</b>

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