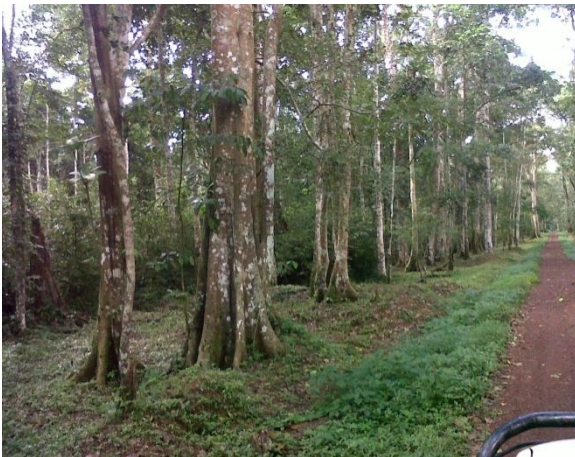




ANNUAL PERFORMANCE REPORT FOR FY 2015/16 (JULY 2015 – JUNE 2016)



NATIONAL FORESTRY AUTHORITY

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JULY 2016

STATEMENT BY THE EXECUTIVE DIRECTOR

The Annual report highlights the achievements of FY 2015/16 against planned activities, targets and performance indicators derived from NFAs Business Plan. During FY 2015/16 NFA generated UGX 16.605bn as compared to anticipated UGX 26bn that represented 64% budget performance which constituted UGX 8.083bn as Non Tax Revenue (NTR), UGX 1.059bn from development Partners of World Bank under REDD++ project and UGX 7.462bn Government of Uganda (GoU) contribution towards the wage bill and other development and recurrent activities.

Key achievements included procurement of 7 Motor vehicles and thirty five(35) Motor Cycles ICT and forest based operations respectively for both field offices and headquarters. Investments were done in forest plantations mainly maintenance of the existing crop, where thinning (1289ha), pruning (277ha) & fire breaks (416.3Km). Establishment of plantations especially in Mafuga, Mbarara, South Busoga, Lendu, North Rwenzori, Mwenge, Katugo and other small plantations across the country. Management focused on development of new plantations as a priority registering 1,175.84ha of forest plantations in various Central Forest Reserves (CFRs) as follows; Mafuga (100), Mbarara (240), Mwenge (600), Lendu (650), South Busoga (20), Lendu (650), NTSC (2.44), other new plantations were established in Kaweri (115). NFA made significant efforts towards forest restoration and maintaining the legal and physical integrity of the CFRs including re-opening a total of 280.5km of forest boundary and marking it with 1,272 concrete pillars in addition to securing over (11,079) ha of encroached forest land and enrichment planting of 448ha of degraded forest and conducted various forest inventory studies. NFA finalized 27 Forest Management Plans (FMPs), 16 ready for printing and 11 waiting for Ministers signature. Forestry related information was disseminated to different stakeholders through participation in workshops, meetings and radio & TV shows, spot messages across the country. Demand driven research continued to be carried out in both plantations and natural forests by NFA, National and International students registering 15 research licenses.

In addition to this NFA doubled its efforts towards stakeholder engagements including Central and Local Governments, Private Sector, Civil Society, International and non-Government Organizations, forest edge communities among others to foster responsible forest management through civic education, advocacy, networking, learning and skills transfer in addition to strengthening forest governance, transparency and accountability.

Lastly, I would like to express my warmest appreciation of NFA's highly committed Board of Directors, stakeholders and hardworking staff for their great contributions and achievements in FY 2015/16.

Forests for Prosperity

Michael Mugisa

EXECUTIVE DIRECTOR

REPORT OF THE DIRECTORS

The Board of Directors presents their report and financial statements for the year ended 30th June 2016 in accordance with the National Forestry and Tree Planting Act, 2003.

Directors

The Board of Directors who held office during the financial year are as shown below;

Mr. Gershom Onyango	Chairman
Dr. Maggie Kigozi	Member
Hon. Ebong David	Member
Mr. Langoya C. Dickson	Member
Mr. Bangonzya Mugumya Stephen	Member
Mr. Michael Mugisa	Secretary/ Executive Director

Principal activities

NFA is mandated to manage 506 Central Forest Reserves (CFRs) throughout the country. Over the last ten years NFA has managed to implement this mandate using internally generated revenue and support from the Government of Uganda, Norwegian Government and World Bank. The end of this financial year also marks the end of the first 12 years of the Business Plan over which NFA has been established.

The authority has performed adequately towards the 4 performance objectives on which it is measured which include; Management of central forest reserves where 280.5km of forest boundary was resurveyed; 670ha of formerly encroached area was replanted. A total of (19,384,630) million seedlings were raised for commercial, community tree programme and NFA own planting; 1,175.84 ha of new plantation were established; 1175.84ha of existing plantation managed through thinning, pruning & fire breaks and 19 stakeholder engagements with partners were held.

Donor Funds

Funds have also been obtained from the private sector through corporate partnerships in restoration of degraded Central Forest Reserves of their choice. The notable ones include; World Bank through REDD++, Tetratek, USAID and Kalagala offset, UNDP which supported Charcoal & Kidepo projects.

Government of Uganda Funds

As part of the commitment of Government of Uganda (GOU) to the forestry programs during the year, the government channeled UGX 6.534billion directly to NFA through its vote 157.

Mr. Gershom Onyango
CHAIRPERSON, BOARD OF DIRECTORS

Michael Mugisa
SECRETARY/EXECUTIVE DIRECTOR

STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors is responsible, under the National Forestry and Tree Planting Act, for the proper management of the funds of the NFA. Section 71 of the Act mandates the Board to perform its functions in accordance with sound financial and commercial practice and ensure that revenue is sufficient to meet expenditure. The Board accepts responsibility for general direction and supervision of the NFA including its finances.

It is the responsibility of the Board to prepare financial statements each financial year that give a true and fair view of the state of affairs of the NFA at the end of each year and of the surplus or deficit for the year. The Board is also responsible for maintaining proper books of account, safeguarding the assets of the NFA, and putting in place adequate systems and internal controls in order to minimize errors, fraud and other irregularities.

The Board accepts responsibility for the Annual Financial Statements set out on pages 14 to 19, which have been prepared using appropriate accounting policies supported by prudent judgment and estimates, in conformity with International Financial Reporting Standards and the requirements of public sector accounting. It is the view of the Board that the financial statements give a true and fair view of the state of affairs of NFA and of the results of its operations for the year ended 30th June 2016.

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

Signed on behalf of the Board by:

Mr. Gershom Onyango
CHAIRPERSON, BOARD OF DIRECTORS

Michael Mugisa
SECRETARY/EXECUTIVE DIRECTOR

ACRONYMS

ACODE	ADVOCATES COALITION FOR DEVELOPMENT AND ENVIRONMENT
AOP	ANNUAL OPERATING PLAN
BN	BILLION
CFM	COLLABORATIVE FOREST MANAGEMENT
CFR	CENTRAL FOREST RESERVE
CSOs	CIVIL SOCIETY ORGANISATIONS
CTPP	COMMUNITY TREE PLANTING PROGRAMME
EU	EUROPEAN UNION
EM	ENVIRONMENTAL MANAGEMENT
FBEs	FOREST BASED ENTERPRISES
FRMCP	FOREST RESOURCE MANAGEMENT AND CONSERVATION PROGRAMME
FY	FINANCIAL YEAR
GIS	GEOGRAPHICAL INFORMATION SYSTEMS
GOU	GOVERNMENT OF UGANDA
IFM	INTERGRATED FINANCIAL MANAGEMENT
IUCN	INTERNATIONAL UNION FOR CONSERVATION OF NATURE
MOU	MEMORANDUM OF UNDERSTANDING
MWE	MINISTRY OF WATER AND ENVIRONMENT
NaFORRI	NATIONAL FORESTRY RESOURCES RESEARCH INSTITUTE
NFA	NATIONAL FORESTRY AUTHORITY
NTSC	NATIONAL TREE SEED CENTRE
REDD	REDUCING EMISSIONS FROM FOREST DEFORESTATION AND DEGRADATION
SHS	SHILLINGS
Ushs	UGANDA SHILLINGS
URA	UGANDA REVENUE AUTHORITY
UWA	UGANDA WILDLIFE AUTHORITY

Background

The Annual Report presents the achievements of Financial Year 2015/16 for activities planned under the four strategic objectives namely: improving management of Central Forest Reserves; expanding partnership arrangements, supplying high quality products and services and attaining organizational sustainability.

Planned activities targets and performance indicators

Planned activities targets and performance indicators

Improved management of CFRs

This reporting period; 280.5 km of forest reserve boundaries were re-surveyed and marked with 1,272 permanent pillars especially in formerly encroached areas.

In a bid to come up with lasting solutions to the encroachment problem, task forces were established in selected Districts across the country and 19 stakeholder sensitization meetings held. 4,990 encroachers were evicted and over 911,000 Ha freed.

The main investment by NFA is the establishment and maintenance of plantations. 1,175.84ha of forest plantations were established during the period. 670ha of encroached forests were restored by planting indigenous tree species. This was successfully achieved through partnerships with corporate organizations such as Serena hotels, Uganda Breweries Limited, New Vision Uganda and Standard Chartered Bank.

404.9 km of Fire breaks were established and 213.5km of forest roads maintained in plantations and natural forests to facilitate easy management of the Plantations and Natural forests. 3,637.69ha were weeded, 277ha pruned and 1,710.08ha thinned in plantation areas.

NFA finalized 27 Forest Management Plans (FMPs), 16 ready for printing and 11 waiting for Ministers signature. Forestry related information was disseminated to different stakeholders through participation in workshops, meetings and radio & TV shows, spot messages across the country.

Expand partnership arrangements

NFA continued to partner with numerous stakeholders and 63 MOUs were initiated, 2 were signed with Better globe and Green Nations, of the above 63, 30 expired and were not renewed, 9 were never signed while 14 are still running. This was aimed at augmenting NFAs capacity to effectively manage the CFRs. 15 licenses were issued across the country to promote research in various CFRs.

Collaborative Forest Management (CFM) arrangements took place throughout the period and 27 CFM agreements were initiated. 8 were signed and 80 total CFM are being implemented in all

Ranges. Through CFM, NFA continued to demonstrate to forest dependants communities the relevance of forests to their livelihood.

Equitable Supply of forest products and non-forest products and services

During the financial year under review the capacity of NTSC was expanded putting all seedling production under the Management of NTSC to ensure effective and efficient supply of quality tree seed and planting materials to meet the increasing demand for afforestation/reforestation programs in the country. NFA raised 19,384,630 high quality tree and fruit seedlings; against a target of 21,507,646 from the NTSC and regional nurseries for community tree planting program (10,316,172), sale (7,247,615) and own planting (1,820,843). 12,500 bamboo calms were produced for own planting also approximately 260.628m³ of round wood from the existing mature plantations were harvested under various concessions. A total of 260.628 m³ of round wood was converted by NFA into running timber for sale.

The number of tourists received increased from 3,214 to 14,596 in the major ecotourism sites of Mabira, Busingiro, Mpanga and Kalinzu compared to the previous financial year 2014/15.

Organizational sustainability

NFA continued to improve its corporate governance portfolio through observing its core values of integrity, excellence and transparency.

It should be noted since 2014/15 financial year, NFA started operating with a new set fully constituted Board of Directors to guide in key policy decisions. Significant efforts were made towards improved corporate governance through targeted engagements and dialogue with stakeholders to address issues related to forestry governance. In addition NFA follows a Client Service Charter on service delivery to the public, initiated mobilization and sensitization for the establishment of Forestry Committees in key areas for improved management and accountability and transparency and participated in the finalization of the good governance action plan for the forest sub-sector.

Management recruited thirty seven (37) new staff to augment the staffing gaps. 55 staff were trained in different fields in order to enhance staff capacities and abilities. NFA procured 30 motorcycles, and five (5) vehicles.

Constraints lessons learnt and recommendations

During the Financial Year, numerous constraints were experienced and lessons learnt; challenges such as increasing conversion of forestland into agricultural land, Illegal timber trade exacerbated by distortion in licensing regimes, unclear forest boundaries which continue to encourage encroachment of forests and increase the cost of law enforcement and litigation, unpredictable weather resulting into unexpected fires given that NFA has limited field equipment and materials to

respond e.g. fire towers, underground water tanks and other fire-fighting equipment. Other challenges include outdated forest cover data which continues to undermine informed planning, decision making and management of forest resources and inadequate infrastructure, transport requirements, stakeholder participation coupled with insufficient human and financial capacity thus limiting effective and efficient forest management in all central forest reserves.

In conclusion the following recommendations will form the main key result areas for the subsequent financial year, including but not limited to; finalizing the establishment of forest committees at forest management area level in consultation with the respective local government, lobbying government to finance forest boundary re-surveying & marking, national biomass study and environment protection police, expedite the proposed urban forest degazettement, operationalize and implement the Client Service Charter, Eco-tourism Development Plan, National Tree Seed Centre Business Plan, Develop, revise and approve additional forest management plans and identify measures to strengthen licensing private commercial tree farming in central forest reserves; in addition, NFA proposes to study the feasibility of public private partnership and develop fundable and bankable proposals to secure financing for forest management operations, investments and procure additional motor vehicles, motorcycles and replace obsolete firefighting equipment and material

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CHAPTER ONE: INTRODUCTION

1.1 Background

The Annual (July 2015 - June 2016) performance report for FY 2015/16, presents achievements against the planned targets for the reporting period under the four strategic objectives:

- a) Improving management of Central Forest Reserves (CFRs);
- b) Expanding partnership arrangements,
- c) Supplying high quality products and services, and
- d) Attaining organizational sustainability.

1.2 Vision

The vision of NFA is “a sufficiently forested, ecologically stable and economically prosperous Uganda”.

1.3 Mission

Central Forest Reserves sustainably managed and high quality forestry related products and other services supplied to government, local communities and the private sector.

1.4 Values

To guide its operations, the Authority believes in: i. Integrity – being honest, reliable and truthful at all times. ii. Excellency – producing highly professional work, outstanding, and exceptional at work. iii. Transparency – openness and non-tolerance to sectarian tendencies and corruption.

1.5 Objectives

During the financial year 2015/16, NFA continued implementation of activities that contribute to the four (4) strategic objectives outlined hereunder: i. Improved Management of all Central Forest Reserves – resulting in improved conservation of biodiversity, sustainable yield of forest products and environmental health through agreed plans, research, investments, and responsible management. ii. Expanded Partnership arrangements – substantial increase of the area of forest reserves under joint management through partnership arrangements, with Private Sector, CSOs, NGOs, Government Institutions and local communities to promote new investments, benefit sharing, and efficient resource utilization. iii. Equitable supply of Forest and non-forest products and services – supply of quality forest and non-forest products and services, like timber, trees planting materials, forest services, maps and technical advice to both public and private consumers on a contractual basis. iv. Organizational sustainability – To be self-sustaining and engender environmentally conscious, economic and social progress through sound technical forestry activities.

CHAPTER TWO: PLANNED ACTIVITIES TARGETS AND PERFORMANCE INDICATORS

2.0 PHYSICAL PERFORMANCE

This Chapter outlines planned activities under each strategic objective, physical achievements against targets and performance indicator as provided in the 2015/16 Annual Operation Plan as detailed below;

2.1 Improved Management of Central Forest Reserves

2.1.1 Plantation establishment:

1,175.84 ha (134.4 %) of forest plantations were established, Mafuga (100), Mbarara (120), NTSC (2.88), Mwenge (600), Lendu (650), South Busoga (20), other new plantations were established in Rwoho carbon block 3&5, Kagorra, Kyehara & Kikumiro, Ngisi block, & Abera plantation. It should be noted that establishment of more forest plantations was affected by the December-mid March dry spell, therefore few new plantations were established between January and March 2016.

Table 1: Increase in area of forest plantations in CFRS

Performance Indicators	2014/15 Achieved	Target 2015/16	Achieved 2015/16	Percentage%
Area in CFRs with new private plantations (ha)	4,875	5000	3057.7	61.7
Area of industrial timber plantation established by NFA (ha)	748	875	1,175.84	134.4
Area of industrial charcoal plantation established by NFA (ha)	0	500	218	43.6
Demonstration plantations established	42.5	0	0	0
Area of forest plantations weeded (ha)	5579.3	3,644	2,497	68.5

Area in CFRs with silvicultural tending (Thinning). (ha)	1,260.14	857.8	562	65.5
Area in CFRs with silvicultural tending (Pruning,). (ha)	1,901	800	277	34.6
Distance of Firebreaks maintained (Km)	150.8	302(442)	324(416.2)	107.3(94.2)
Area demarcated for plantation* development by private sector (ha)	307	0	0	0
Area of private plantations on* CFRs verified and mapped (ha)	32,893.6			



Fig.1: Encroachment on CFRs in kibaale that has degraded most of natural forests in Uganda



Fig.2: A resurveyed boundary for Kagombe CFR and well marked with concrete pillars, one way of resolving conflicts with communities.

2.1.2 Boundary opening and marking with pillars:

Re-opened 280.5 Kms of boundary length out of 275.9, Kagombe (128 km), Bugoma (110) and Morungole (22) Gangu (15), Taala (4) and Kumbu (1.5) CFRs. This is done to create long lasting solutions to boundary conflict between NFA and adjacent neighbourhood/Communities.

173km boundary reconnaissance/verification exercise was carried out in areas of Mpanga and Lwamunda CFRs to assess and establish the correct boundary lines, thereafter boundary re-survey would follow. In addition, 1,272 boundary pillars were erected in areas where re-survey was done.

Table 2: Physical and legal integrity of CFRs restored

Performance Indicators	2014/15 Achieved	Target 2015/16	Achieved 2015/16	Percentage%
Length of Forest Boundary re-survey/ re- opening (km)	359.9	275.9	280.5	101.7
Length of Forest Reserve boundaries maintained	9.6		0	0.0
No of pillars produced to mark the resurveyed boundaries		800	1272	150

A total area of 448Ha was restored through Encroachment planting in (Matiri CFR (100)Ha, Bumudde-Nchwanga CFR (10) Ha, Muhangi CFR (20) Ha, and Singo Hills CFRs (40) Ha .Gangu (100)ha Mabira and Zirimiti (65) ha; Bukaleeba (47)) ha.



Fig.3: Illegally harvested timber in Zoka in Adjumani District.



Fig.4: Charcoal production in Adjumani may lead to desertification soon due to indiscriminate cutting of trees.

2.1.3 Tending:

Slash weeding of 4,250ha planned target of which 3,635ha were realized which is 85.5%, carried out in plantations of Mbarara in Rwoho & Bugamba (973), Lendu (350), Mafuga (130), Mwenge (474), Katuugo (14) NTSC(306), Gangu (100)ha, South Busoga (200), Mbarara (300), Budongo (162), Lakeshore (82.5) ,Bamboo I Lwamunda (23) ; 10 ha in Mabira . 24.5ha in Natyonko, 10 ha in Kizinkuba , Ssozi CFR (5), Kyoga range (65)ha, Muzizi (119)ha while 880ha of young crop was planned to be spot weeded and 1,312ha were achieved registering 201.8%. This was done in Mbarara (528) ha Mafuga (142) ha, Mwenge (213) ha, and Lendu (250) ha and katugo

Thinning: Both first and second thinning were carried out as follows; Out of 1,395) of 1st thinning (1,044) ha were done registering 74.5%. This was carried out in Mbarara (507) ha, south Busoga(100),Muzizi (104),kikumiro block (100),Achwa (9),Budongo (21) and North Rwenzori (36), while out of 857.8 ha of 2nd thinning were targeted where 666.08ha were achieved, registering 77.6%. This was done in Mafuga (107) ha, Mwenge (22), South Busoga (250), Kagorra(25), Kyehara (10), Kyamugongo (11.08), Kikumiro(7) and NTSC (179).

Fire break maintenance: Out of 442km planned, 416.2km were achieved registering 94.2%. This was carried out in Mbarara (48) Muzizi (34), South Budongo (18), North Rwenzori (21.5) and Mafuga (80) ha. It should be noted that fire and regular patrols were conducted against

fire incidences to protect the plantations against fire with no loss reported. At the same time regular patrols were conducted against illegal activities in the plantations throughout the country.

Road maintenance: Out of 220 km of roads planned, 1km were maintained giving 75.5%. This was achieved in Mafuga (142) and Mwenge (15), south Busoga (30) and Lendu (63).

Seed and seedling

Procurement of local seed: Out of 7,110 kg of local seed targeted for the FY, 8,739kgs of seed were procured locally registering 123%. While 526kg of seed were planned to be imported in same FY, only 100kg were achieved registering 19%, which was far below the target. During the reporting period, the NTSC and regional nurseries targeted to raise **21,507,646** seedlings (Twenty one million five hundred seven thousand six hundred forty six seedlings), where **19,384,630 (nineteen million three hundred eighty four thousand six hundred thirty)** were achieved registering 91.8%. Out of this (7,247,615) seedlings were for sale, (1,820,843). for NFA own planting and 10,316,172 for Community Tree Planting Programme (CTPP).

Ecotourism; Mpanga, Mabira Ecotourism site in Najjambe, Busingiro and Kalizu CFR are operational and from these; during the quarter under review, 14,596 tourists were received. 745 visitors were accommodated, 1,041 Visitors participated in Chimpanzee tracking and 62Visitors participated in birding.

Law enforcement and governance; Enforcement unit in conjunction with field staff undertook 36,635 forest patrols across the Ranges during the FY 2015/16. The enforcement team and Ranges impounded 423 cubic metres of timber. 56,747,988Ug.Shs was obtained from saw mills, and thinnings. In addition; the enforcement team also destroyed 1,474Charcoal Kilns and impounded 357 charcoal bags. 1,671 assorted tools were also confiscated.

Improved partnership arrangements; 30 CFM community sensitisation meetings were held; 1 CFM agreements was signed, the CFM plan and agreement was signed for communities around Matiri CFR in Muzizi river range.

Environmental Impact Assessment.

Reviewed the 13(thirteen) EIAs, PBs and reports, participated in 10 (ten) preview site visits and carried out 10 (ten) compliance monitoring site visits.

Climate Change

During the FY 2015/16, the climate unit continued to provide alternate over sight over national REDD+ programme. In this respect, five (5) meetings of the Methodological Taskforce were held; And more than 10 meetings with Selected stakeholders on REDD+ deliverables and other related assignments were held.

The CCC unit attended and participated in the 21st Twenty-first Meeting of the forest carbon partnership facility (FCPF) Participants Committee (PC21) which took place in Washington DC, USA. During the meeting Uganda presented its mid-term progress report (MTR) on our national REDD+ readiness progress and requested for additional funding. The PC adopted a resolution allocating funds of US\$3.75 million, to further support the readiness process in Uganda.

Planning, Monitoring and Evaluation and Reporting

All the quarterly reports for the FY 2015/16 were prepared and shared with relevant stakeholders including Ministry of Finance Planning and Economic Development, Ministry of Water and Environment and Office of the Prime Minister.

Four monitoring field visits were conducted during the FY2015/16. Research activity by students were carried out in Mabira, Mpanga, Zoka and Echuya CFRs. Demand driven research continued to be carried out in both plantations and natural forests by NFA, National and International students registering 15 research licenses. The total revenue collected from this activity for this year was UGX. 860,000 and USD 250.

Inventory and Surveys.

The inventory and surveys Unit carried out exploratory inventory of 9,300ha in Natural Forests of Mabira CFR supported through the MWE-NFA M.o.U as part of the national REDD+ baseline preparation. The team also established and re-measured 69ha of PSPs in Mabira and Budongo CFRs funded by REDD+ Budget.

Under the same REDD+ arrangement, the biomass team established and measured at least 232 clusters of 9 plots each 2,070 plots for Biomass Monitoring were carried out in Mid-western and central regions of Uganda ((Masindi & Nakasongola, Luwero, Kyankwanzi respectively) and under REDD+ Budget.

GIS and Mapping.

The unit undertook ground truthing of 2 scenes, Edgematching 2010 land cover of 320 tiles, validated 240 (27x27km) image tiles and rectified 8 satellite image Composites; 214 digital and hardcopy maps for both Internal use and revenue generation were produced and 18 landsat 8 imagery-2015 were classified and validated.

Public Relations

3 meetings were held; these included a departmental meeting, a meeting to sign an MoU between NFA & Better Globe and a corporate tree planting partnership which was carried out by NFA and Vision group Uganda. To date, a total of 63 MoU's have been initiated. Of these, 30 have expired and not been renewed, 9 were never signed, 2 were signed between NFA and Green Nation and 12 are still running.

Attended the signing of CFM agreement between NFA and Towa Community Conservation Trust in Kalangala and offered support to the Sango Bay Range in management of the event.

Law Enforcement

Enforcement unit in conjunction with field staff, undertook 32,915 forest patrols across the Ranges during the FY2015/16. The enforcement team impounded 423. cubic metres of timber. It also destroyed 726 Charcoal Kilns and impounded 357 charcoal bags. 1001 assorted tools were also confiscated.

2.2 Expand partnership arrangements

Through Collaborative Forest Management (CFM), NFA continued to demonstrate to forest-dependent communities the relevance of forests to their livelihoods. Meetings were held with forest-adjacent communities in Budongo range systems, Muzizi Range, Southwest with Bitooma and MPECA CFMs around Kasyoha-Kitomi CFR, Achwa, and Kyoga and discussed issues relating to encroachment, fire awareness and eighty (80) CFM plans/agreements were implemented for all ranges. Twenty seven (27) CFM agreements were initiated in Achwa (3) Muzizi (4) L.Shore (19) Sangobay(1)

Restoration planting of 448 ha was undertaken through partnerships with corporate organisations such as New Vision Uganda, Uganda Breweries Limited, Serena Hotel and Standard Chartered Bank; in Navugulu CFR and NFA own planting in Kakonwa and Lwamunda CFRs.

Table: 3: Partnership Arrangements

Performance Indicators	2014/15 Achieved	Target 2015/16	Achieved 2015/16	Percentage%
No of Private tree farmers (Licencees) whose crop is mapped (No.)	2365	2365	2407	101.8
Area of forest plantation established by Private Sector in CFRs (cumulative).	57,550	59,900	61,120	102
Partnerships for carbon trade established.	0	0	0	0
Pilot partnerships for integrated water resources management established.	0	0	0	0

2.3 Equitable supply of forest and non-forest products and services

Seed and seedling

Procurement of local seed: Out of 7,110 kg of local seed targeted for the FY, 8,739kgs of seed were procured locally registering 123%. While 526kg of seed were planned to be imported in same FY, only 100kg were achieved registering 19%, which was far below the target. During the reporting period, the NTSC and regional nurseries targeted to raise **21,507,646** seedlings (Twenty one million five hundred seven thousand six hundred forty six seedlings), where **19,384,630 (nineteen million three hundred eighty four thousand six hundred thirty)** were achieved registering 91.8%. Out of this (**7,247,615** seedlings were for sale, (**1,820,843**). for NFA own planting and **10,316,172**for Community Tree Planting Programme (CTPP).

Table 4: Seed and seedlings

Performance Indicators	2014/15 Achieved	Target 2015/16	Achieved 2015/16	Percentage %
Area of seed sources orchards and stands established. (ha)	28.9		90.16	
Area of seed sources & stands marked & maintained in CFRs by the NTSC (ha)	77.25		610.1	
Thin seed stands (ha)	52.25		70	
Amount of quality tree seeds collected (Kg) Imported	25	526	100	19
Amount of seed collected locally (Kg)	4,305	7,110	8,739	123
No. of quality tree seedlings and other planting materials produced.	14,843,215	21,507,646	19,384,630	90



Fig.5: High quality raised pine seedlings in the Nursery at NTSC Namanve



Fig.6: Fruits at NTSC being raised to support NRM wealth creation manifesto.

Round wood : 260.628m³ of Round wood was produced in natural high forests [2,073m³ from way-leaves for electricity and expansion of roads in CFRs of Mpigi (607.2ha), Zirimiti (30.7ha), Nkenda- Hoima (831.6ha), Budongo (34ha) and Kawanda-Masaka (569.7ha). A total of 1,716 trees with a volume of 633m³ of round wood were marked for thinning and milling in Kifu CFR.

Table 5: Round wood & Timber

Performance Indicators	2014/15 Achieved	Target 2015/16	Achieved 2015/16	Percentage%
Volume of timber harvested in plantations under license (m3)	633		0	
Volume of timber harvested in Tropical High Forests under license (m3)	2,104		0	
Volume of sawn timber supplied from NFA sawmill	61.8	-	0	
Volume of timber confiscated law (enforcement)	761.9775	-	423	
No of utility poles	177	12000	444	3.7
No. of construction poles	-	3000	2,006	66.9

Performance Indicators	2014/15 Achieved	Target 2015/16	Achieved 2015/16	Percentage%
Treated fencing posts	2,168	7000	2,209	31.6
Volume of fire wood sold (stacked M3).	-		982.6	
No. of charcoal bags (impounded)	19,358		357	-

1 harvesting license was issued to harvest cypress in Ozuba CFR, West Nile Range. West Nile issued permits to charcoal transporters.



Fig.7: A well Managed pine plantation in Mwenge CFR



Fig.8: A shift from woody trees to bamboo because of its enormous advantages such as quick maturity (3-4) years & many other uses.

Ecotourism: 14,596 tourists were received in the different ecotourism sites .510 vistors were accommodated, 369 participated in Chimpanzee tracking and 40 vistors participated in birding.

Table 6: Non-wood products and Services from CFRS

Performance Indicators	2014/15 Achieved	Target 2015/16	Achieved 2015/16	Percentage%
Maps	117			
No of ecotourism sites managed by NFA	4	3	4	133.3
No of ecotourism sites managed by private	5			
No of Bamboo culms sold	15,910		12,500	
Apiary (Honey, beeswax and propolis) (tons)	-			

2.4 Organizational sustainability

Human Resources: The staffing levels of NFA as at 30th June 2016, was at 322 staff; Management recruited 37 staff to fill up the vacant positions. This included Director Finance and Administration (01), Business Development Manager (01), Administrative Accounts Assistants (02), Ecotourism Specialist (01), Boundary Survey Specialist (01), Prosecutors (03), Procurement Assistant (01), Forest Boundary Supervisors (02), Transport Assistants (03), 10 Staff undertook training as part of capacity building in different disciplines such as corporate governance, and risk management, human resource management and development and project management. During FY 2015/16, 14 staff were promoted at different levels in the organization while 64 staff were transferred to different stations around the country and 95 intern students from different universities were given an opportunity to train with NFA

Table 7: Organization Sustainability

Performance Indicators	2014/15 Achieved	Target 2015/16	Achieved 2015/16	Percentage%
Organizational structure reviews (No).	0	0	0	0
Staff trained in various short courses	55		10	

Performance Indicators	2014/15 Achieved	Target 2015/16	Achieved 2015/16	Percentage%
Human resource Manual reviews.	0	0	0	0
Number of Environment Protection Force personnel employed	50		0	
Number of interns taken up annually	212	-	95	-

Infrastructure: Management procured 7vehicles, 30 motorcycles In addition, 01 plotter, 05 printers, 01 laptop power adaptor, 09 USB wireless adaptors, 05computers and 10 UPSs were procured for use in the various units at headquarters and the field.

Financial performance: NFA generated UGX 16.605bn (67%) out of the targeted 25.81bg. Out of which, Non-Tax Revenue contributed UGX 8.083bn from sale of forest products, supply of seeds and seedlings, eco-tourism, sundry incomes and other products and services. Government contributed a subvention of UGX 7.462bn [wage, Non-wage recurrent and Development]; UGX 1.059bn was received as grants. The total expenditure for the Annual amounted to UGX 18.30bnwhich performed at 71%; of which UGX 7.249bn was spent on Payroll and related overheads, UGX 5.060bn on Forest-Based Costs, UGX 1.398bn on Administrative and Operating expenses, UGX 1.398bn on depreciation and UGX 0.69bn on capital expenditures.

CHAPTER THREE:

FINANCIAL STATEMENTS

3.0 Accounting Policies

3.1 REPORT OF THE DIRECTORS

The Directors present their report and financial statements for the year ended 30th June 2016 in accordance with the National Forestry and Tree Planting Act, 2003.

Directors

The Board of Directors who held office during the financial year is as shown below;

Mr. Gershom Onyango	Chairman
Prof. Maggie Kigozi	Member
Hon. Ebong David	Member
Mr. Langoya C.Dickson	Member
Mr. Bangonzya Mugumya Stephen	Member
Mr. Michael Mugisa	Secretary/ Executive Director

Principal activities

NFA is mandated to manage the 506 Central Forest Reserves (CFRs) throughout the country. Over the last ten years NFA has managed to implement this mandate using internally generated revenue and support from the Government of Uganda, Norwegian Government and World Bank. The end of this financial year also marks the end of the first 12 years of the Business Plan over which NFA has been established.

The authority has performed adequately towards the 5 performance objectives on which it is measured which include;

- Management of central forest reserves where 359.9km of forest boundary was resurveyed and marked with 1,272 concrete pillars ;
- 448ha of formerly encroached area was replanted;
- a total of 14.8million seedlings were raised for both commercial and community tree program.
- 892ha of new plantation was established
- 6,839ha of existing plantation managed through thinning, pruning & fire breaks.

Donor Funds

During the financial year funds were received from Ministry of Water & Environment (MWE) in respect to implementation of REDD+ Programme activities (UGX 872m), Ministry of Energy & Mineral Development (MEMD) for GEF-UNDP Green charcoal activities (UGX 134m and GEF-UNDP for the Kidepo Landscape activities (UGX 163m). UNDP-FAO also procured items for inventory activities worth UGX 422m and these were given in kind.

Government of Uganda Funds

As part of the commitment of Government of Uganda (GOU) to the forestry programs during the year, the Government channeled UGX 7.462billion directly to NFA through its vote 157 for wage (5.4bn), Development activities (1.9bn) and recurrent activities (0.13bn).

Gershom Onyango
CHAIRPERSON, BOARD OF DIRECTORS

Michael Mugisa
SECRETARY/EXECUTIVE DIRECTOR

3.2 STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors is responsible, under the National Forestry and Tree Planting Act, for the proper management of the funds of the NFA. Section 71 of the Act mandates the Board to perform its functions in accordance with sound financial and commercial practice and ensure that revenue is sufficient to meet expenditure. The Board accepts responsibility for general direction and supervision of the NFA including its finances.

It is the responsibility of the Board to prepare financial statements each financial year that give a true and fair view of the state of affairs of the NFA at the end of each year and of the surplus or deficit for the year. The Board is also responsible for maintaining proper books of account, safeguarding the assets of the NFA, and putting in place adequate systems and internal controls in order to minimize errors, fraud and other irregularities.

The Board accepts responsibility for the Annual Financial Statements set out on pages 7 to 21, which have been prepared using appropriate accounting policies supported by prudent judgment and estimates, in conformity with International Financial Reporting Standards and the requirements of public sector accounting. It is the view of the Board that the financial statements give a true and fair view of the state of affairs of NFA and of the results of its operations for the year ended 30th June 2016.

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

Signed on behalf of the Board by:

Gershom Onyango
CHAIRPERSON, BOARD OF DIRECTORS
DIRECTOR

Michael Mugisa
SECRETARY/EXECUTIVE

3.3 STATEMENT OF COMPREHENSIVE INCOME

		June 2016	June 2015
	Note	Shs (000)	Shs (000)
Income	9	19,101,422	19,770,358
Operating Expenses			
Administrative expenses		18,130,112	15,684,889
Depreciation		1,400,587	1,092,456
Total Operating Expenses	9	19,530,699	16,777,345
Operating surplus (Deficit)		(429,277)	2,993,013
Finance costs	9	7,463	24,915
Net surplus (Deficit) for the period	9	(436,740)	2,968,097

Gershon Onyango
 CHAIRPERSON, BOARD OF DIRECTORS

Michael Mugisa
 EXECUTIVE DIRECTOR

3.4 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2016

Assets:		Note	Jun-16 Shs (000)	Jun-15 Shs (000)
Non-Current Assets	Property, Plant and Equipment	1	5,013,788	6,002,748
Biological Assets	Plantation Investment	2	105,825,174	104,303,594
	Total Non- Current Assets		110,838,961	110,306,342
Current Assets	Inventory	3	1,041,889	792,783
	Trade and other Receivables	4	8,631,593	10,095,623
	Cash and Bank balances	5	105,951	776,103
			9,779,432	11,664,509
	Non-Current Assets held for Sale	6	22,444	15,440
	Total Current Assets		9,801,876	11,679,949
Total Assets			120,640,837	121,986,291
Financed by:				
Government Equity and Reserves:	Government Equity	7	13,186,906	13,186,906
	Revenue Reserves		97,452,120	97,786,009
	Total Capital and Reserves	7	110,639,026	110,972,915
Non-Current Liabilities	Deferred Income	8	679,972	520,000
	Total Current liabilities		679,972	520,000
Current Liabilities				
	Accounts Payable and Accruals	9	9,321,840	10,493,376
	Total Current Liabilities		10,001,812	11,013,376
Total Equity and Liabilities			120,640,837	121,986,291

Gershon Onyango
 CHAIRPERSON, BOARD OF DIRECTORS

Michael Mugisa
 EXECUTIVE DIRECTOR

3.5 STATEMENT OF CASH FLOWS

	June 2016 Shs (000)	June 2015 Shs (000)
Operating activities:		
Surplus (Deficit) for the period	(436,740)	2,968,097
Net amount debited directly to Reserves	102,851	88,374,656
Profit on disposal of assets	(13,444)	(33,630)
Adjustments not involving movement of cash:		
Depreciation	1,400,587	1,092,456
Fair value increase in plantation growing stock	2,555,741	(89,863,577)
Cash generated from operations before working capital changes	3,608,995	2,538,002
Working capital changes:		
(Increase)/decrease in debtors and prepayments	1,464,030	(2,552,711)
(Increase)/Decrease in inventories	(249,106)	709,939
(Decrease)/increase in creditors and accruals	(1,171,536)	2,525,262
(Decrease)/Increase in deferred income	159,972	(50,294)
Cash generated from operations after working capital changes	203,360	632,196
Investing activities:		
Purchase of fixed assets	(443,113)	(2,700,422)
Proceeds from assets held for sale	37,927	83,970
Impairment of assets	0	46,183
Investment in plantation stock	(4,077,321)	(1,087,561)
Net cash outflow during the period	(4,482,508)	(3,657,830)
Financing activities		
Net cash outflow during the period	0	0
Increase/(decrease) in cash and cash equivalents	(670,152)	(487,632)
Cash and cash equivalents at the beginning of the period	776,103	1,263,733
Cash and cash equivalents at the end of the period	105,951	776,103

3.6 STATEMENT OF CHANGES IN EQUITY

	Notes	Government Contribution Shs (000)	Grants & Donations Shs (000)	Revenue Reserve Shs (000)	Total Shs (000)
Balance at 1 st July 2015		0	13,186,906	97,786,009	110,972,915
Prior year adjustment	7	0	0	102,851	102,851
Deficit for the year	7	0	0	(436,740)	(436,740)
Balance at 30th June 2016		0	13,186,906	97,452,120	110,639,026

		Government Contribution Shs (000)	Grants & Donations Shs (000)	Revenue Reserve Shs (000)	Total Shs (000)
Balance at 1 st July 2014	7	0	13,186,906	6,443,256	19,630,162
Prior year adjustment	7	0	0	88,374,656	88,374,656
Surplus for the year	7	0	0	2,968,097	2,968,097
Balance at 30th June 2015		0	13,186,906	97,786,009	110,972,915

3.7 NOTES TO THE ACCOUNTS

Accounting Policies

(a) - Basis of Accounting

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), using the accrual and historical cost conventions.

NFA management treats donor funds that are channeled through the Government as a grant. This is because the funds are given as a loan to the Government which bears the repayment liability. NFA therefore implements the related activities on behalf of Government.

(b) - Income and Expenditure

Income is recognized in the Income and Expenditure statement in the year in which it is earned and expenditure is recognized in the year in which it is incurred. Income consists of Non Tax Revenue (NTR) collected at source, subventions from Government and disbursements from development partners.

(c) - Stock

Items in stock are stated at the lower of cost or net realizable value.

(d) - Non Current Assets

All Non- current assets are stated at cost less depreciation except fleet (Motor Vehicles) which are held at revalued amount less depreciation. The cost of purchased non-current assets is the value of consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended use.

(e) - Biological Assets

The Plantation growing stock has been measured in line with IAS41-Agriculture. The assets have been measured at their fair values less point of sale costs. The biological assets meet the basic recognition requirements of control as a result of past events, probable that future economic benefits shall flow and fair value of the asset can be measured reliably.

(f) - Depreciation

Depreciation is provided to write-off the cost of non-current assets on a straight-line basis using annual rates determined by considering their estimated useful lives. The annual rates used are:

Buildings	4%
Vehicles	20%
Plant and machinery	10%
Computer and IT equipment	33%
Furniture, fittings & office equipment	25%

Fixed assets are depreciated in the year of acquisition commencing in the quarter following acquisition.

(g) - Foreign Currencies

The financial statements are expressed in Uganda shillings. Assets and liabilities expressed in foreign currencies are translated into Uganda shillings at the rate of exchange ruling on the Statement of Financial Position date. Transactions during the period are translated at the rates ruling on the date of the transactions. Gains and losses on exchange are dealt with in the Comprehensive Income and Expenditure account for the year.

(h) - Bad and Doubtful Debts

Specific provision is made for all known bad and doubtful debts. Debts are written off when all reasonable steps to recover them have been taken without success.

(i) - Components of Cash and Cash Equivalents

For the purpose of the Statement of Cash flows, cash and cash equivalents comprise cash at hand and all deposits held at call with banks.

(j) - Use of Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts and balances reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(k) - Grants

All grants received directly from Government or indirectly through donors are recognized as income in the period in which the grants are utilized. The revenue from the grant is matched with the expenditure or commitments for which the grant was given. The unutilized balance of the grant is accounted for as Deferred Income to be recognized as revenue in future periods.

(l)-Prior Year Comparison

It is the authority's policy to present the accounts with prior year comparative figures.

(m)-Non-Current Assets held for sale

Non-current assets that have been identified for disposal have been reclassified as held for sale and disclosed as current assets. These assets will be available for immediate sale and the intention and ability to transfer the asset to a buyer in its present condition has been approved.

3.8 NOTES TO THE ACCOUNTS

Note 1 – Property, Plant and Equipment

		Plant &	Motor	Computer	Furniture		
	Buildings	Machinery	Vehicles	& IT Equip.	Fittings &	Capital Work	Total
Cost/Valuation:	Shs (000)	Shs (000)	Shs (000)	Shs (000)	Off. Equip.	in Progress	Shs (000)
	Shs (000)	Shs (000)	Shs (000)	Shs (000)	Shs (000)	Shs (000)	Shs (000)
Opening balance	3,058,660	1,165,405	8,434,695	2,271,675	954,201	27,192	15,911,829
Additions during the period	0	10,095	55,897	206,566	170,555	0	433,113
Disposals	0	0	(10,020)	0	0	0	(10,020)
Transferred to Held for sale	0	0	(57,676)	0	0	0	(57,676)
At 30 June 2016	3,058,660	1,175,501	8,422,897	2,478,241	1,124,756	27,192	16,287,247
Depreciation:							
Opening balance	1,100,111	616,392	5,277,113	2,036,491	878,974	0	9,909,081
Disposals	0	0	(1,837)	0	0	0	(1,837)
Transferred to Held for sale	0	0	(34,373)	0	0	0	(34,373)
Charge for the period	124,716	111,754	944,004	158,103	62,010	0	1,400,587
At 30 June 2016	1,224,828	728,146	6,184,908	2,194,594	940,984	0	11,273,459
Net Book Value							
At 30 June 2016	1,833,833	447,354	2,237,989	283,647	183,773	27,192	5,013,788

Note 2 – Biological Assets (Plantation Investment)

Reconciliation of changes in the carrying amount of biological assets

	June 2016	June 2015
	Shs (000)	Shs (000)
Opening balance at July 2015	104,303,564	13,352,456
Add: Gain from changes in fair value less costs to sell-reserves	(2,555,341)	89,863,577
Increases in area planted during the year (1,130ha)	4,077,312	1,087,561
Less :Decreases due to harvest	0	0
Decreases attributable to assets classified as held for sale	0	0
Total deferred at 30th June 2015	105,825,174	104,303,564

Significant assumptions made in determining the fair value of biological assets are;

1. The average maturity period of plantations is twenty (20) years of all the species planted.
2. The survival rate per hectare of a plantation is 75%.
3. The initial spacing of all the trees is 3metres by 3 metres giving 1,111 seedlings planted per hectare. The plantations are thinned twice; 1st thinning at 3-4 years (34%) and 2nd at 9-10 years representing 24%.
4. Management's objective of establishing and maintaining plantations is for generation of timber or round wood.
5. A discount rate of 11.786% per annum benchmarked on the treasury bill rate has been applied to the expected net cash flows arising from the assets to arrive at the net present values..

The Authority does not anticipate that round wood prices will decline significantly in the foreseeable future and, therefore has not entered into derivative or other contracts to manage the risk of a decline in round wood prices. NFA reviews its outlook for round wood prices regularly in considering the need for active financial risk management.

The total area planted to-date is 11,621.20ha in all the seven (7) Plantation areas and other plantations in the Ranges. The fair value is shown in the Table below;

Note 2a)- Biological assets categorized according to Management area

	2016		2015	
<i>Management Area</i>	<i>Area Planted (Ha)</i>	<i>Fair Value('000)</i>	<i>Area Planted (Ha)</i>	<i>Fair Value('000)</i>
Mbarara	2,401.23	21,494,353	2,161.23	20,496,944
South Busoga	1,733.42	17,268,001	1,713.42	17,615,550
Mafuga	1,919.25	15,168,984	1,799.25	16,869,892
Mwenge plantations	1,485.93	12,248,874	1,135.93	11,296,711
Kyoga	629.5	7,773,209	629.5	7,262,962
Lendu	1323.51	7,871,776	923.51	6,886,189
Katugo	501.69	6,514,996	501.69	6,440,313
Muzizi River	371.8	4,555,957	371.8	4,505,131
North Rwenzori	474.86	3,084,952	474.86	3,372,321
Achwa River	199.89	3,124,313	199.89	2,217,351
Budongo System	188.6	2,209,048	188.6	2,172,219
West Nile	183.5	1,957,693	183.5	2,133,758
Lakeshore	123	1,149,814	123	1,653,403
South West	115.02	1,403,204	115.02	1,380,849
Grand Total	11,651.2	105,825,174	10,521.20	104,303,594

Note 2b)- Biological assets categorized according to species

The category of the plantations held comprise of mainly pines (90%), eucalypts (8%) and other species comprising of 2%. Table below illustrates the total area planted for all the species across the management units.

Category	Opening (Ha)	Addition (Ha)	Closing (Ha)
Pines	9,431.3	176	9,607.3
Eucalypts	849.4	954	1,803.4
Teak	193.5		193.5
Terminalia	15		15
Other Broadleaved	32		32
Grand Total	10,521.2	1130	11,651.2

Table 3 below illustrates the age of the plantation stock by showing the year of planting, area planted, total standing volume, expected year of harvest (based on the rotation age of 20 years) and projected volume at harvest

Note 2c)- Biological assets categorized according to age

Table 3:

<i>Planting year</i>	<i>Age by 2015(June)</i>	<i>Area (Ha)</i>	<i>Vol per ha (m3)</i>	<i>Total standing Volume (m3)</i>	<i>Year of harvest (Rotation age of 20 years)</i>	<i>Projected Volume (m3) at harvest (335m3 per ha)</i>
1993	23	8	250	2,000	-	2,680
1994	22	37	50	1,850	-	12,395
1997	19	13	250	3,250	2016	4,355
1998	18	5.1	250	1,275	2017	1,709
2000	16	50.7	250	12,675	2019	16,985
2001	15	87.2	234	20,405	2020	29,212
2002	14	63	234	14,522	2021	21,105
2003	13	406.3	231	93,652	2022	136,111
2004	12	807.8	227	183,371	2023	270,613
2005	11	1,858.5	194	353,815	2024	612,548
2006	10	561.3	160	89,808	2025	188,036
2007	9	1,135.9	150	170,385	2026	380,527
2008	8	1,453.7	140	203,518	2027	486,990
2009	7	1402	108	150,715	2028	469,670
2010	6	424	75	31,800	2029	142,040
2011	5	619.8	55	34,089	2030	207,633
2012	4	193.3	35	6,766	2031	64,756
2013	3	494.8	21	10,143	2032	165,758
2014	2	669.1	6	4,015	2033	224,149

2015	1	229.9	0	0	2034	77,017
2016	0	1,130.8	0	0	2035	
						378,550
TOTAL		11,651.2		1,388,273		3,892,834

Note 3 – Inventory	June 2016 Shs (000)	June 2015 Shs (000)
Seeds & seedlings	667,648	584,931
Office stationery & consumables	148,532	122,761
Plantations Items stock	173,117	69,620
Timber	52,592	15,471
Total	1,041,889	792,783

Inventory consist of stocks of stationery, computer consumables; plantation items stock such as fertilizers and tools; Own milled timber all disclosed at the lower of cost and net realizable value (IAS 2).

Note 4 – Trade and Other Receivables

	June 2016 Shs (000)	June 2015 Shs (000)
These consist of:		
Staff salary advances	51,104	67,361
Staff imprest	237,173	261,885
Staff loans and other receivables	25,744	25,744
Trade Receivables	7,199,008	8,598,325
Sundry and other receivables	1,118,564	1,142,308
	8,631,593	10,095,623

Included in Trade Receivables is Shs 1.079bn in relation to compensations for way leaves and road constructions through CFRs, Shs 1.16bn.

Also herein included is Shs 2.707bn due from Uganda Telecom Ltd in relation to license fees as at end of the period which is under litigation in the civil court awaiting judgment.

Included in Trade Receivables are;

	June 2016	June 2015
	Shs (000)	Shs (000)
Sundry debtors include:		
Input VAT recoverable	4,578	15,148
Withholding Tax Credits	94,714	94,714
MW&E-Farm Income Project	706,882	963,085
Others	291,769	50,869
Total	1,097,943	1,123,816

	June 2016	June 2015
	Shs (000)	Shs (000)
Note 5 - Cash and Bank Balances		
Petty cash	0	18
Bank balances	105,951	776,103
Total	105,951	776,103
Balances on Account per Banks		

Stanbic Bank	81,000	771,303
Bank of Uganda	22,904	2,738
Standard Chartered Bank	1,606	1,606
Citi Bank	437	437
	105,951	776,084

There 2 revenue collection (Non Tax Revenue) and 12 imprest Accounts operational with Stanbic Bank. The imprest accounts are holding accounts for funds remitted to the field offices for operational activities. Accounts held in Bank of Uganda are operational accounts and one is a forex (US\$) used for collections, 1 is forex (US\$) Project and the other UGX Project Account.

Note 6 – Non-current assets held for sale

Included in assets held for sale are old obsolete Motor vehicles and cycles due for boarding off.

	June 2016 Shs (000)	June 2015 Shs (000)
Assets held for sale		
Opening balance at July 2015	15,440	0
Add: NBV for Motor vehicles & cycles approved for disposal	23,304	15,440
Less :Disposed off during the year	(16,300)	0
	22,444	15,440

Note 7 – Government Equity and Reserves

	June 2016 Shs(000)	June 2015 Shs (000)
At 1 st July	110,972,915	19,630,162
Adjustments to opening Reserves	102,851	88,374,656
Movement in revenue reserves for the year	(436,740)	2,968,097
Total Capital and Reserves as at 30th June	110,639,026	110,972,915

Included in the adjustments of opening reserves are expenditure in relation to previous years' worth UGX 45million now recognized, transfers back to the Norwegian Embassy (30.2m, returned FK funds from NCAA of Tanzania (46.7m). The breakdown is illustrated below;

	June 2016	June 2015
Debits		
Prior year expenses	121,752	719,516
Returned funds to Norwegian Embassy	30,192	769,405
	151,944	1,488,921
Credits		
Effects of prior year commitments written off	(254,795)	(89,863,577)
Net credits balance	(102,851)	(88,374,656)

The debits to the reserves relate to expenses for the previous periods that had not been recognized in their respective periods and now being recognized.

Included in effects of prior year commitments include FK funds returned from NCAA of Tanzania (46.6m), termination of Wemo contract that had been previously provided for

(120.7m), issuance of Credit Note to Farm Income a debtor in the records (32.2m) and write off of a liability previously provided for in favor of Total Ltd for supply of fuel (43.2m); this supply was questionable and Management resolved not to honor it.

Note 8- Deferred Income	June 2016	June 2015
	Shs (000)	Shs (000)
Opening balance at July	570,294	570,294
Add: Foreign exchange adjustment	159,972	0
Sub-total	679,972	570,294
Less: Amounts recognized during the year	0	(50,294)
	0	(50,294)
Sub-total	0	520,000
Total deferred Income	679,972	520,000

Deferred Income is in relation to a consent judgment entered between NFA and Beachside Development Services to offset US\$ 200,000 to cater for annual license fees over a period of 25years. However to date the licensee is yet to commence operations thus revenue cannot be recognized yet. The difference is as a result of depreciation of the Uganda shilling against the US dollar during the period.

Note 9 - Accounts Payable and Accruals	June 2016	June 2015
	Shs (000)	Shs (000)
Trade creditors	6,048,913	6,739,444
Payroll creditors	586,355	701,792
Other creditors	2,686,572	3,052,140
Total	9,321,840	10,493,376

Included in other creditors is gratuity to employees of Shs 1.852billion in relation to staff contracts that have been successfully completed and a provision for the period.

NOTE 10 – Comprehensive Income and Expenditure

Income and Expenditure Statement			30th June 2016	30th June 2015
		Note	Shs.(000)	Shs.(000)
Income	Sale of forest products		5,588,010	7,585,573
	Sale of seeds & seedlings		1,868,679	2,345,257
	Eco-tourism revenue		626,741	467,526
	Other products & services		10,816	8,546
	Sundry revenue		456,430	2,529,763
	Non Tax Revenue		8,550,676	11,849,104
	Government subvention		7,462,202	6,534,492
	Recurrent grants from donors	10(b)	1,521,580	299,201
	GoU & Grants		9,029,167	6,833,692
	Fair value change-Plantations		1,521,580	1,087,561
	Total Income		19,101,422	19,770,358
Expenditure	Administration expenses			
	Payroll costs		6,233,034	6,073,451
	Other personnel costs		1,138,967	1,281,065
	Direct forest based costs		6,719,806	5,331,320
	Printing & stationery		164,350	78,811
	Utilities		217,699	189,018
	Vehicle running costs		1,537,107	1,289,013
	Repairs and maintenance		329,908	209,493
	Advertising & promotion		152,401	195,328
	Consultancy & legal fees		312,821	216,865
	Other expenses		877,605	639,473
	Board expenses		413,699	181,051
	Administration expenses		18,130,112	15,684,889
	Depreciation		1,400,587	1,092,456
	Total operating expense		19,530,699	16,777,345
	Finance Cost		7,463	24,915

	Total Expenditure		19,538,162	16,802,260
Surplus for the year			(436,740)	2,968,097

Note 10 (a) – Government funding

	June 2016 Shs (000)	June 2015 Shs (000)
Wage Bill	5,400,000	5,400,000
Development (Taxes inclusive)	1,948,830	1,021,131
Recurrent costs	113,372	113,361
	7,462,202	6,534,492

Note 9 (b) – Grants:

	Other Grants Shs (000)	June 2016 Total Shs (000)	June 2015 Total Shs (000)
At 1 st July	0	0	0
Cash received during the year	1,566,965	1,566,965	299,201
Returned to partner	0	0	0
Total Grant recognized for the year at 30th June	1,566,965	1,566,965	299,201

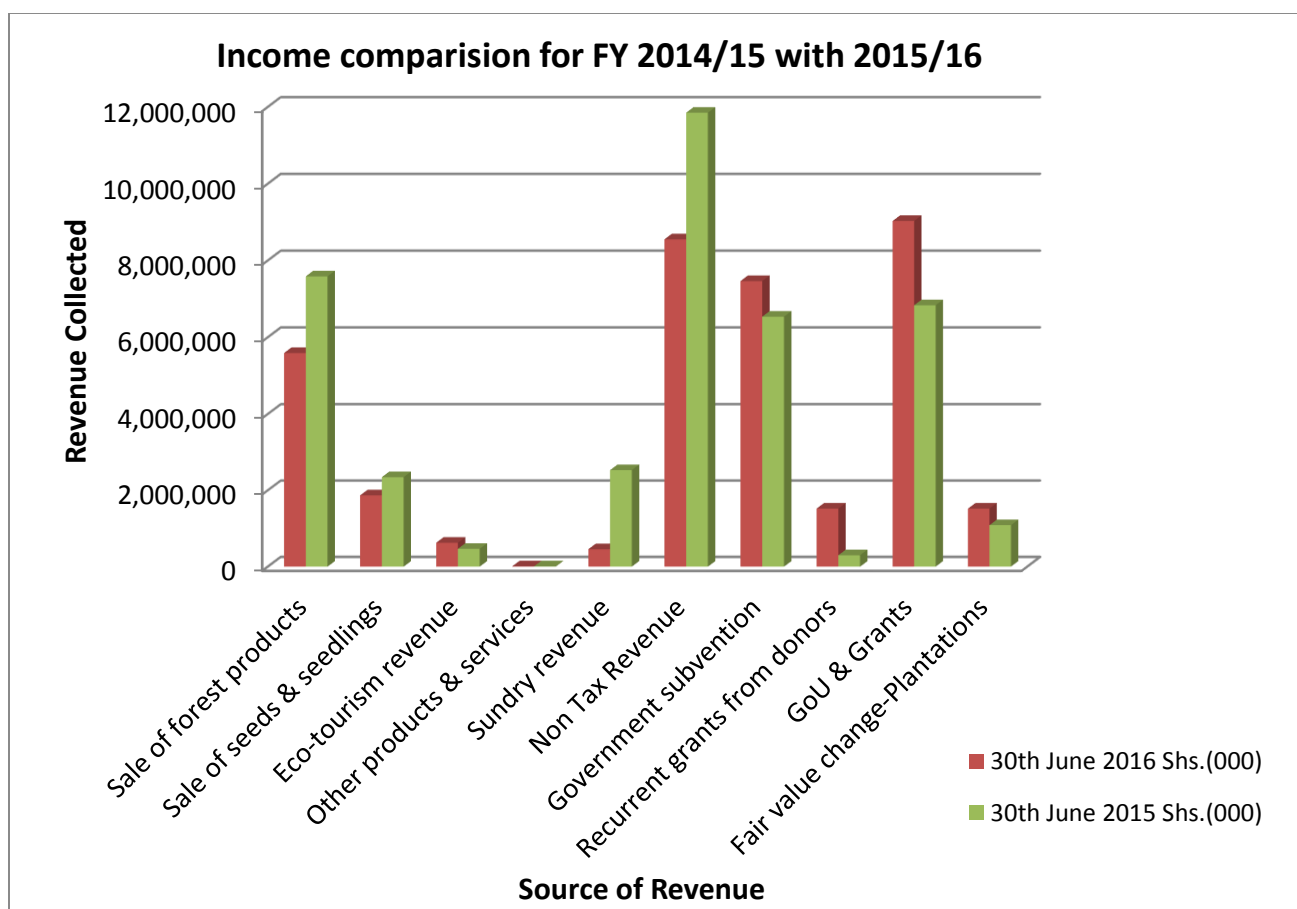


Fig 9: Revenue comparison for sale of forestry products for the period 2014/15 & 2015/16

Sale of forest products: The NTR for the financial year 2014/15 was slightly higher than that of 2015/16, due to sale of thinnings in most plantations at a competitive price. There was also increased fees collection from private tree farmers and occupation permits.

Sale of seed & seedlings: There was more revenue generated from sale of seed during FY 2015/16 compared to 2014/15 due to a contract signed between NFA and Ministry of Water and environment for supply of seedlings worth 0.5 billion shillings.

Ecotourism services: More revenue was generated from ecotourism services due to increased vigilance and monitoring of licensees such as great safaris.

Government subvention: The government subvention of FY 2014/15 almost doubled that of 2015/16 due to increased revenue that increased AIA by government of Uganda.

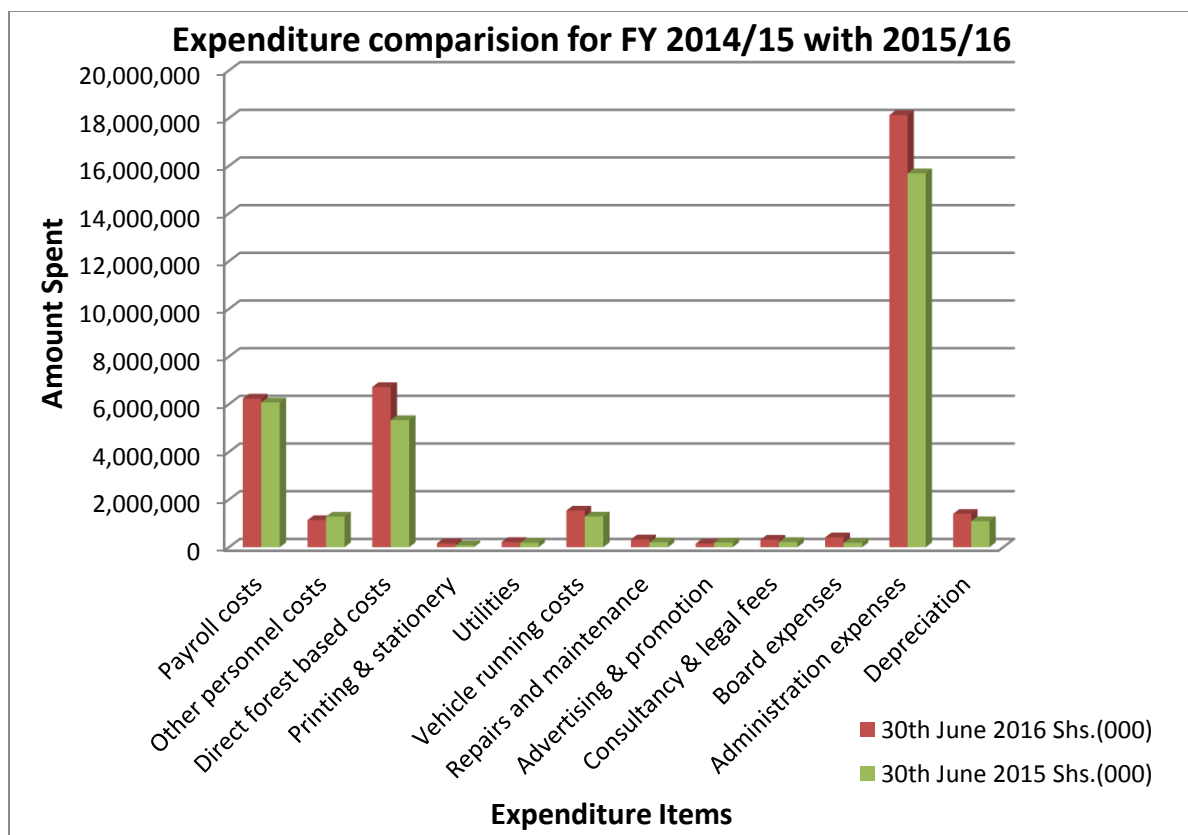


Fig 10: Comparison of expenditure performance for FYs 2014/15 & 2015/16

Payroll Costs: Payroll costs for FY 2015/16 increased compared to FY 2014/15 due to recruitment of middle managers and employees on short term contract.

Direct Forest based Costs: Direct Forest based costs increased during FY 2015/16 compared to FY 2014/15 due to Boundary contracts and replanting of formerly encroached areas.

Administration Expenses: Administration costs for FY 2015/16 were too high compared to those of FY 2014/15 due to middle staff recruitment and payments of salaries and medical expenses.

Vehicle running costs: The cost of vehicles expenses increased due to old fleet which required high maintenance costs

Note 11- Contingent Liability

NFA received a demand Note from Kampala Capital City Authority (KCCA) in 2014 worth UGX 280m in respect to unpaid property rates from 2004 to date. NFA is in contention with the amount charged as the assets valued cannot be identified by KCCA despite several engagements. However it is also known that NFA will have to pay property rates once the buildings have been identified and related costs/arrears inclusive properly computed and agreed upon by both parties.

5. 1 CONSTRAINTS AND LESSONS LEARNT

- Encroachment and illegal timber/tree extraction have continued to be the main threats to forests in protected areas leading to degradation of natural forests.
- Forestry management activities have been negatively affected by unclear forest boundaries and the encroachers have continued to use this as an opportunity to illegally claim forest land. Boundary re-opening exercise in Omier and Luwunga was interrupted by politicians in both districts, which led to delays in completing the remaining distance of 10 Kms.
- Inadequate forest management infrastructure and equipment for example forest roads, staff accommodation & forest management stations are still a challenge and continue to limit effective and efficient forest management in all central forest reserves.
- Planned activities such as Permanent Sample Plots establishment, procurement of ICT equipments including computers/UPSs and internet services were not achieved due to limited funding.
- Outdated forest cover data continue to undermine informed planning, decision making and management of forest resources.

5.2 LESSONS LEARNT

1. The implementation of the AOP fell below the expected performance due to challenges above.
2. Failure to meet contractual obligations can undermine the future performance of NFA activities.
3. Mobilization of leaders and communities can create positive change for action.
4. Private Sector and CSOs are willing to Partner with NFA if we can demonstrate seriousness.
5. Mobilization of leaders and communities can create positive change for action.
6. Private Sector and CSOs are willing to Partner with NFA if we can demonstrate seriousness.

5.3 RECOMMENDATIONS

- Mobilize and lobby District leaders, Communities and Development Partners to actively support forest conservation and tree-planting efforts.
- Continue encouraging people to plant trees on private and public land.
- Reduce forest illegalities such as encroachment and illegal produce harvesting through public awareness, mobilization and enforcing law.
- Develop, revise and approve additional forest management plans
- Rehabilitate infrastructure and replace equipment e.g. transport (vehicles, boats and motorcycles) and forest stations/offices.

ANNEX 1: PERFORMANCE AGAINST PLANNED ACTIVITIES FOR THE FY2015/16

Activity	Indicator	FY 2015/16 Annual target(Planned)	FY 2015/16 ACHIEVED	% performance	REMARKS
Boundary re-survey and opening	No of Kms maintained	275.9	280.5	101.4	Kagombe (128 km) , Bugoma(110) and Morungole (22) and Gangu (15) Kumbu(1.5) 4kms Opened in Taala CFR to solve a boundary conflict btn NFA and adjacent neighbour.and 20 kms in Morongole CFR,
Boundary reconnaissance & control survey	No of Kms reconnaissance	173	173	100	173kms in Mpaga Sector and Lwamunda sector
Boundary survey pillars supplied	No. of pillars supplied	800	1,272	159	L/Shore 130; Budongo 800,Mulongole 10***
No of encroachers evicted with (limited force & sensitization)	No of encroachers evicted	0	4,990		Achwa 524, Budongo1,500, Kyoga 33, Muzizi 290,Karamoja 34,L/shore 552, W/Nile 2057
Plantation establishment	No of hectares planted	651	1,175.84		Plantations were established in Mafuga (20), Mbarara (240),NTSC (1.44),Mwenge (350),Lendu(325) Mafuga (80), South Busoga (20), Lendu (75), NTSC (1.44), Kaweri (115) other new plantations were established in Rwoho carbon block 3&5,

					Kagorra,kyehara&7Kikumiro, Ngisi block,& Abera plantation
Total CFR area free from Encroachment	No. of hectres	0	911,000	913,000	2,000ha achieved in quarter four, Achwa 100, Budongo2,000, Kyoga 31, muzizi 248, Karamoja 40, LS 7560, W/Nile 2000(2331.9ha achieved in quarter three,Muzizi (117), Achwa (170),Lake-shore (1,695), Karamoja (0.9)
Total area restored through restoration/Encroachment planting	No of hectares planted	405	670	165.4	Restoration planting in Matiri CFR (100 Ha), Bumudde-Nchwanga CFR (10 Ha), Muhangi CFR (20 Ha), and Singo Hills CFRs (40 Ha).Gangu (100) Mabira and Zirimiti (65); Bukaleba (47),Gangu(35),Kabindo(72),Kafumbi(10) ha of Mbambo Muzizi (15), Kyoga (13), Achwa(5), South West and Lake Shore Ranges.(45 Lake shore, 6 Kyoga and 5 Achwa)
Liberation tending/Weeding for encroachment/restoration planting	No of hectares planted	265	564.5		Gangu (300) , Bukaleba (40) others Lakeshore (65ha),Matiri CFR***
Weeding by slashing	No of hectares weeded	4,250	3,637.69	85.6	Slashing weeding in Mbarara in Rwoho&Bugamba (220), Lendu (250), Mafuga (130), Mwenge (355),Katuugo (14)NTSC(267) 100ha in Gangu, Mbarara in Rwoho&Bugamba (753), South Busoga (150), NTSC(27) Mbarara (300), Mwenge (119), South Busoga (50), Lendu (100). NTSC(12), Budongo (162), Muzizi (15), Lakeshore (82.5); Bamboo I Lwamunda (23) ; 10

					ha in Mabira . 24.5 ha in Natyonko, 10 ha in Kizinkuba , Ssozi CFR (5), Kyoga range 65 ha, Muzizi 104_ha .
Weeding of the Demonstration plots	No of hectares weeded	400	206.3	51.6	Slashing weeding in Kilak and Achwa6.3ha
Weeding by spot hoeing	No of hectares weeded	654	1,312	200.6	Spot weeding was done in Mbarara (180), Mafuga (71),Lendu (250) Bugamba (178) Rwoho (220)and Mwenge (213) and Katuugo
1 st Thinning	No of hectares thinned	1,395	1,044	74.8	Mbarara (230), Achwa 9, Budongo 21 (Marking146 Ha for thinning on going in Pingire and Lukuga) Rwoho block 2,(277) and South Busoga (100), Budongo (40) Rwoho block 1, Kikumiro and Kyehara, .Muzizi (104) , Eucalyptus regeneration, In Kikumiro in Block 100, 36Ha)
2 ND Thinning	No of hectares thinned	857.8	666.08	77.6	South Busoga (150), NTSC (109), , Mwenge (22), Mafuga (107), (Rwoho carbon block 3&5, 25ha Kagorra,10 kyehara & 7Kikumiro, Ngisi block, Abera plantation) Rwoho block 2,(135) and South Busoga (100), NTSC (70), Kyamugogo (11.08)

Pruning	No of hectares pruned	800	277	34.6	In Rwoho Carbon blocks 3 & 5(277)
Climber cutting	No of Km	413	0	0	Planned in subsequent quarters
Road maintenance	No of Km maintained	220	213.5	97	This was done in Mafuga (30) ,Lendu (21.5) Mafuga (41) , Mwenge (15), S. Busoga (30), Lendu (20) Mafuga (41) and Mwenge (15).
Fire break management and opening	No of Kms maintained	442	416.2	163.7	Was done in Mafuga (40), N.Rwenzori (20),and NTSC (13.9), Achwa (30) Budongo (18) Kyoga(32)Muzizi (31), W/Nile (37) Mafuga (40), Mbarara (48) and N.Rwenzori (1.5), Muzizi (31), Budongo (18),Kyoga (12.5), Achwa (2) Mwenge (33), South Busoga (15) aN.Rwenzori (20),and NTSC (13.9)
Fire awareness meetings	No of meetings	43	(19)	44.2	South west 2 , Achwa 3,West Nile 6, Muzizi 2, Kyoga 3, S.west 3
Timber Volume impounded	M ³	0	423		Field Ranges 381 and LEU 42

Charcoal bags impounded	No of bags	0	357		West Nile (106), Muzizi (15), Lakeshore (86), Sango Bay (102), Kyoga (23), Achwa (25)
No of Charcoal Kilns destroyed	No of Kilns	0	2,015		West Nile (106), Muzizi (64), Lakeshore (279), Sango-bay (74), Kyoga (68), Achwa (31)
Full Board meetings	No of meetings convened	8	7	87,5	Held on 01/04/2016, 13/4/2016, 2/06/2016, 11/2/2016, 07/08/2015, 03/09/2015 and 29/09/2015
Board Committees and Special Assignments.	No of committee meetings convened	30	8	26.7	8 board committee meetings held on 31/5/2016, 01/06/2016, 16/07/2015, 06/08/2015, 06/08/2015 and 28/09/2015
Field visits & familiarization	No of Field visits made	12	1	8.3	The board members visited Costa Rica
PSPs to be established in various Ranges for Growth Monitoring and Site Index evaluation.	No of plots established	15	69	460	PSPs were established in Mabira(45) and Budongo (24) under REDD+ budget
Maintenance of PSPs	No of PSPs maintained	43	0		-

Forest Patrols conducted	No. of patrols conducted	18,000	36,635	203.5	Budongo(2831), West Nile (2800), Southwest(2880) Achwa (2304) Muzizi(2700), Lakeshore (4521) Sangobay (1728), Karamoja(413) & Kyoga(1920).Mafuga(3), Mbarara (3), Mwenge (3), Katuugo (3), S.Busoga (3), Opit (3) , Lendu (3) ,N.Rwenzori(3 Muzizi (725), Budongo (934), Achwa (766), Lakeshore (1168), South Western (730), Kyoga (716), West Nile (642), Karamoja (606), Sango Bay (537) & law enforcement Unit (48))
No of people arrested in illegal activities	No of people	0	1,068		Budongo, (158) West Nile,18;Southwest,76;Achwa, 101; Muzizi156 ; Lakeshore, 450 & Sangobay ,35.Kyoga 13, W/Nile 61
No of court cases	No of Cases	0	267		Achwa 20; Budongo 126, Kyoga 6, Muzizi33,L/shore 45, S/Bay 4 S/West5, W/Nile 2 Achwa (10), Lake shore (19), South West Range (3), Karamoja (1)
CFM initiation groups	No of groups initiated in CFM	27	27	100	Achwa (3) Muzizi (4) L.Shore (19) Sangobay(1)
CFM agreements implementation	No of CFM agreements implemented	55	80	145.5	All ranges

No. CFM Community Meetings	No of CFM community meetings	57	154	270.2	Budongo range Systems, (10), Kyoga (2), South West (8), Achwa (3), Muzizi (7)
Key meetings with partners	No of meetings held	89	47	52.8	
Volume of wood harvested by NFA*	No. M ³	4,000	260.628	6.5	Natural Forest round wood
Seed procurement (local)	No of kgs purchased	7,110	5,167	72.7	Both indigenous seed and local pine
seed procurement (imports)	No of kgs purchased	526	100	19	Pine, Eucalyptus from Brazil&SA
Purchase of Imported exotic seeds (Pine/Brazil-F1)	No of kgs purchased	455	0		-
Production of seedlings for sale	No of seedlings produced	8,939,646	7,247,615	81.1	Seedlings were produced in Mafuga, Mbarara, Mwenge, Muzizi, Katugo, SouthBusoga, Achwa, WestNile, Kyoga, Lakeshore, Lendu, North Rwenzori, Southwest, Budongo, NTSC

Production of seedlings for CTPP	No of seedlings produced	10,765,000	10,316,172	95.8	Seedlings were produced in Mafuga(276,380)Mbarara(206,501), Mwenge(300,000), Muzizi(400,000), Katugo(200,000), SouthBusoga(200,000), Achwa(0), WestNile(540,000), Kyoga(400,000), Lakeshore(174,000), Lendu(150,000), North Rwenzori(288,000), Southwest(237,000), Budongo(542,288), NTSC(1,525,000)
Production of seedlings for own planting	No of seedlings produced	1,803,000	1,820,843	101	Seedlings for NFA own planting were produced in Mbarara,(150,000) and Mafuga (233,000)
Renovation of eco-tourism bandas and others	No renovated	3	4	133.3	Mpanga,Mabira Eco tourism site in Najjembe,Busingiro and Kalinzu CFR
Number tourists received in ecotourism site	No of tourists		14,596		Budongo (3,186), South West (473), Achwa (50), Lakeshores (4,493), Budongo (2043), (Kyoga (144), South West (145), Achwa (50), Lakeshores (2398), Sango Bay (150), Kalamoja (88)