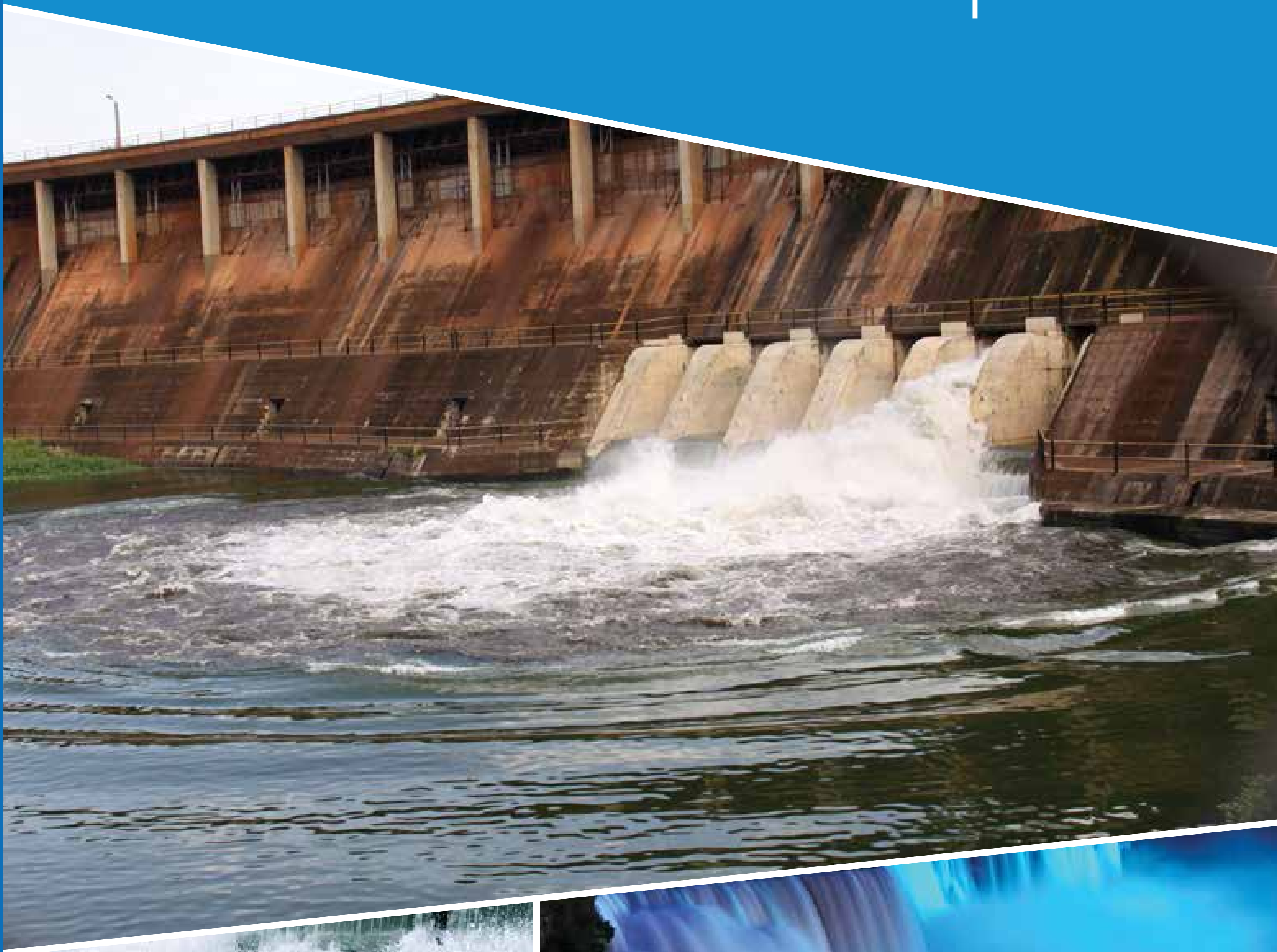
Annual Report 2013



Generating *for* Generations

Uganda Electricity Generation Company Limited

Karuma Hydro Power Project Ground Breaking Ceremony

His Excellency the President of Uganda Gen.Yoweri Kaguta Museveni (center) unveiling the plaque at the Ground Breaking ceremony of the 600MW Karuma Hydropower Project held on 8th August 2013. (Second from right) is the Minister of Energy Hon Eng. Irene Muloni and Eng. Bidasala Igaga from MEMD (first from right).

The Karuma plaque that was unveiled

The Board of Directors at the Ground Breaking Ceremony. From left Mr. Fredrick Matyama, Dr. Stephen Robert Isabalija, Mrs. Georgina KugonzaMusisi(Company Secretary), Dr. Nixon Kamukama

UEGCL in 2013

Our activities continue to make UEGCL stronger and the leading Power Generation Company in the country. We are growing shareholder returns through operational efficiency and financial discipline.

We report on our progress here.

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Corporate Information

Corporate Information

Addresses

Head Office
Plot 18 – 20 Faraday Road, Amberley Estate.
P.O. Box 1101, Jinja Uganda
Tel: +256-434-120891
Uganda
Fax: +256-434-123064

Branch Office
Plot 37, Nakasero Road,
3rd Floor UEDCL Tower
P.O.Box 75831,Kampala
Tel: +256 312372165
Fax: +256 414 251 057

Principal Shareholders

Government of the Republic of Uganda represented by;

- Minister of Finance, Planning & Economic Development
- Minister of State for Finance (Privatization)

Company Secretary

Mrs. Georgina Kugonza Musisi,
Company Secretary
Tel:+256-312-372165
Email: gkmusisi@uegcl.co.ug

External Auditors

Ernst & Young Certified Public Accountants
Certified Public Accountants
Ernst & Young House
Plot 18 Clement Hill Road
P. O. Box 7215, Kampala, Uganda

Principal Shareholders

Government of the Republic of Uganda represented by;

- Minister of Finance, Planning & Economic Development
- Minister of State for Finance (Privatization)

Company lawyers

Sebalu & Lule Advocates and Legal Consultants
S&L Chambers, Plot 14, Mackinnon Road
P.O.Box2255, Kampala Uganda

Main Bankers

Standard Chartered Bank Uganda Limited
Jinja,Uganda

Stanbic Uganda Limited
Corporate Branch, Crested Towers
P.O. Box 7131, Kampala, Uganda

Significant Facts about UEGCL

- UEGCL was incorporated in March 2001.
- The leading Power Generater in Uganda.
- The Government custodian and operator of the first Hydro Power Plant Nalubaale-180MW commissioned in 1954 and Kiira-200MW Hydro Power Plants constructed in 2000.
- Transitioned from mainly concession monitoring to project implementation and operations and maintenance of electricity generation facilities.
- Implementing Government flagship projects of Karuma 600MW, Isimba 183MW and Ayago 840MW.
- Developing NyagakIII 4.5MW and Muzizi 44.7MW Small Power Plants.

Karuma falls

Who we are

Uganda Electricity Generation Company Limited (UEGCL) is the leading Electricity Generating Company.It aims to create long-term value for its shareholders and the Country at large by striving to meet the growing demand for clean and sustainable energy.

Uganda Electricity Generation Company Limited (UEGCL) is a Public Limited liability Company that was incorporated in March 2001 under the Companies Act, Cap. 110. The Company is wholly owned by the Government of the Republic of Uganda with the main objective of taking over and operating as a going concern the generation Power Plants at Nalubaale and Kiira.

UEGCL's mandate changed to concession monitoring in April 2003 when the complex (Nalubaale and Kiira Power Plants) were assigned to ESKOM (U) LTD under a 20 year concession and assigned agreement. However, with the completion of Kiira Power Station UEGCL's mandate expanded from to development of other large and small hydropower stations.

KPS Tailrace

Corporate Vision

To be the most reliable and most efficient electricity generation Company in East Africa that generates adequate electricity to meet the needs of all East Africans in a sustainable manner.

Corporate Mission

To efficiently generate electricity, effectively monitor electricity generation concessions and trade in bulk quality, safe and reliable power at competitive rates in a sustainable manner for accelerating economic development.

Core Values

- Integrity
- Enterprise
- Sustainability
- Courtesy
- Social Responsibility

UEGCL Broad Mandate is to:

- To generate power that will be able to meet the ever growing needs of the domestic market and a surplus that will be exported to neighbouring countries.
- Monitor the operation and maintenance of the existing plants.
- To oversee the efficient production of electricity power in the country
- To monitor the effects of electricity generation on the environment and develop appropriate policies in line with international standards.
- To engage in research and consultancy so as to contribute to the development of the energy sector.
- To develop the organisation to enable it fulfil and deliver on its mandate and project a positive image.

The stone that was unveiled at the Ground Breaking ceremony of the 183MW Isimba Hydro Power project

Isimba Hydro Power Project Ground Breaking Ceremony

H. E. Gen. Yoweri Kaguta Museveni President of Uganda (center) unveiling the plaque(below) together with the Minister of Energy and Mineral Development Hon Eng. Irene Muloni at the Ground Breaking ceremony of the 183MW Isimba Hydro Power project on 5th October 2013 at Nampanyi Parish, Busana Sub-County in Kayunga District.

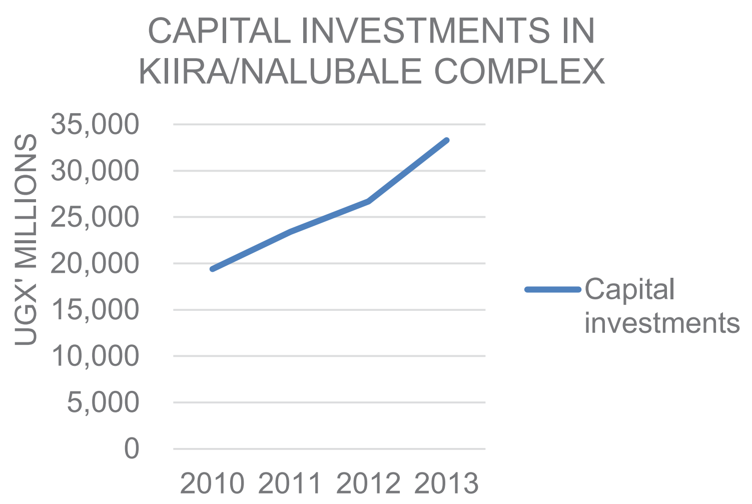
FINANCIAL AND OPERATIONAL HIGHLIGHTS

FINANCIAL STATISTICS	2013 UGX '000	2012 UGX '000
For the year		
Revenue	22,801,187	7,967,063
Operating profit/loss	(4,905,701)	(39,112,296)
Earning before interest,depreciation and tax	21,151,959	(3,978,813)
Profit/loss for the year	(10,038,591)	(43,552,064)
Capital investments	33,300,000	26,700,000
At year-end		
Total Assets	515,715,260	536,249,372
Shareholder's Equity	469,636,003	374,466,426
Outstanding interest bearing debt	-	111,733,962
Cash flow data		
Net cashflows from operating activities	(4,069,311)	3,296,881
Netcashflows used in investing activities	(328,436)	(808,168)
Net cashflows from / (used in) financing activities	(2,849,797)	-
Operating and other statistics	**FY 2013**	**FY 2013**
Total number of customers	1	1
Total number of employees	44	39
Exchange rate: US Dollar to Uganda Shilling (at year end)	2,514	2,647
Exchange rate: US Dollar to Uganda Shilling (average for the year ended)	2,585	2,502

Earnings before interest tax depreciation and amortization (EBITDA) was UGX 21.2 billion in 2013 up from a loss of UGX 4.0 billion in 2012

EBITDA in 2013 of UGX 21.2 billion was boosted by:-

a) **Strong exchange gains (UGX6.8 billion);**
b) **KFW grant for feasibility of Muzizi HPP (UGX 5.0 billion)**
c) **Waiver of corporation tax arrears (UGX5.3 billion)**



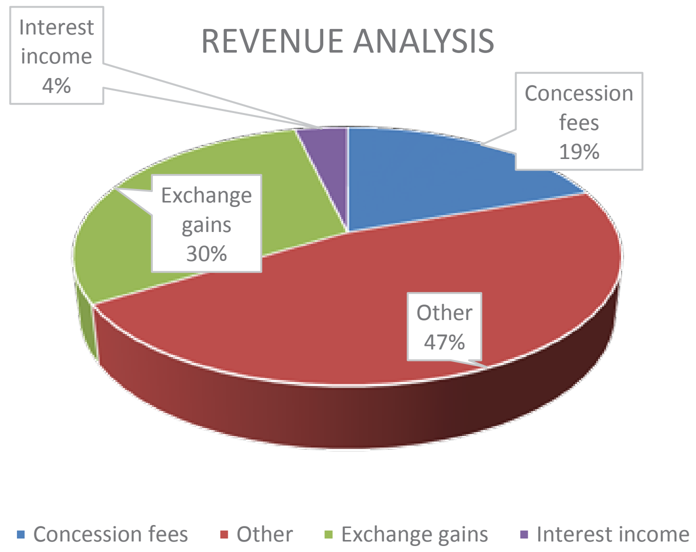
In 2013, the concessionaire invested UGX 6.6 billion in the plants, increasing the total cumulative investments to UGX 33.3 billion.

Significant projects completed in the year include…………

FINANCIAL AND OPERATIONAL CHARTS

The Company at 31 December 2013, is solvent with positive equity of UGX 470 billion

The Equity position improved by conversion of UGX 105 billion debt into equity in 2013.



REVENUES (UGX'000)	2013
Concession fees	4,454,455
Other	10,651,407
Exchange gains	6,850,604
Interest income	844,721
Total incomes	22,801,187

ANALYSIS OF THE FINANCIAL RESULTS

1 Revenue

Revenues increased to UGX 22.8 billion in 2013 compared to UGX 8.0 billion in 2012. Revenues in 2013 were boosted by:-

- Strong exchange gains (UGX6.8 billion);
- KFW grant for feasibility of Muzizi HPP (UGX 5.0 billion)
- Waiver of corporation tax arrears (UGX5.3 billion)

UEGCL is faced with the challenge of ***"Under-billing"*** of Concession Fees ***to ESKOM***

As much as UECGL, under the Concession and Assignment Agreement, has the right to bill Eskom for Debt service, Depreciation, Return on Equity and Administrative costs; because of the tariff structure approved by the Electricity Regulatory Authority ("ERA") UEGCL only bills Eskom for **Administrative costs**. This means that UEGCL Conceded Assets are not able to generate enough revenue / cash to recover their carrying amount.

2 Earnings Before interest Taxation Depreciation and Amortization (EBITDA)

EBITDA increased in 2013 to UGX 21.2 billion compared to a loss of UGX 4.0 billion in 2012. This was caused by the increase in revenues due to factors explained above.

3 Balance sheet analysis

Total assets as of 31 December 2013 were UGX 516 billion. The Company at 31 December 2013, was solvent with positive equity of UGX 470 Billion.

There is therefore **NO** material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, so as to be able to realize its assets and discharge its liabilities in the normal course of business

However the Company continues to make losses year on year. UEGCL made a loss for the year 2013 of UGX 10.0 billion bringing its accumulated losses to the level of UGX 190.0 billion. The Equity position improved by conversion of UGX 105 billion debt into equity in 2013.

The above situation is because the tariff structure approved by the Electricity Regulatory Authority ("ERA") allows UEGCL to only bill Eskom for **Administrative costs**; yet UECGL, under the Concession and Assignment Agreement, has the right to bill Eskom for Debt service, Depreciation, Return on Equity and Administrative costs

In 2013, Eskom invested UGX 6.6 billion in the plants, increasing the total cumulative investments since the commencement of the concession to UGX 33.3 billion.

4 Cash flows analysis

The Company used a net cash of UGX 4.1 billion in operations. Closing cash and cash equivalents was UGX 11.5 billion

Our Milestones-2013

Ground Breaking of two Major Government flagship projects in which UEGCL is the Implementing Agency that is;

- *The 600MW Karuma Hydro Power Project on 8th August 2013*
- *The 183MW Isimba Hydro Power Project on 5th October 2013*

UEGCL witnessed the Engineering, Procurement and Construction (EPC) Contract for the Karuma Project signed between the Government of the Republic of Uganda represented by MEMD and Sinohydro Corporation Limited on the 16th of August 2013.

UEGCL was the witness on the Engineering, Procurement and Construction (EPC) Contract for the Isimba Project signed between the Government of the Republic of Uganda represented by MEMD and M/S China International & Water Corporation on the 6th of September 2013.

Recognized with the Platinum Technology Award for Quality and Best Trade Name on the 25thMarch 2013 by Otherways Association in Berlin Germany for putting emphasis on the key elements of Total Quality Management which included Ethics, Integrity, Trust, Training, Team work, Leadership, Recognition and Communication.

A Tripartite Memorandum of Understanding (MoU) between the Government of the Republic of Uganda (GoU) represented by Ministry of Energy and Mineral Development (MEMD), UEGCL, UTECL was signed on 3rd December 2013. The MoU appointed UEGCL as the lead Government Agency overseeing and supervising the implementation of the construction of the Isimba & Karuma Hydro Power Projects.

UEGCL on -going Projects Spread

Karuma HPP-600MW

located along River Nile in the Districts of Kiryadongo and Oyam-

Grand Breaking Ceremony held on August 8th 2013.

-Project set to be complete by 2018

Isimba HPP-183MW

located between Victoria and Kyoga Lakes, on River Nile in the Districts of Kayunga and Kamuli.

Grand Breaking Ceremony held on 5th October 2013

-The project is set to be complete by 2017.

Ayago HPP-600MW

located between Victoria and Kyoga Lakes, 15km downstream from Kalagala falls on River Nile in the Districts of Kayunga and Kamuli.

- At the feasibility study stage

NyagakIII HPP-4.5MW

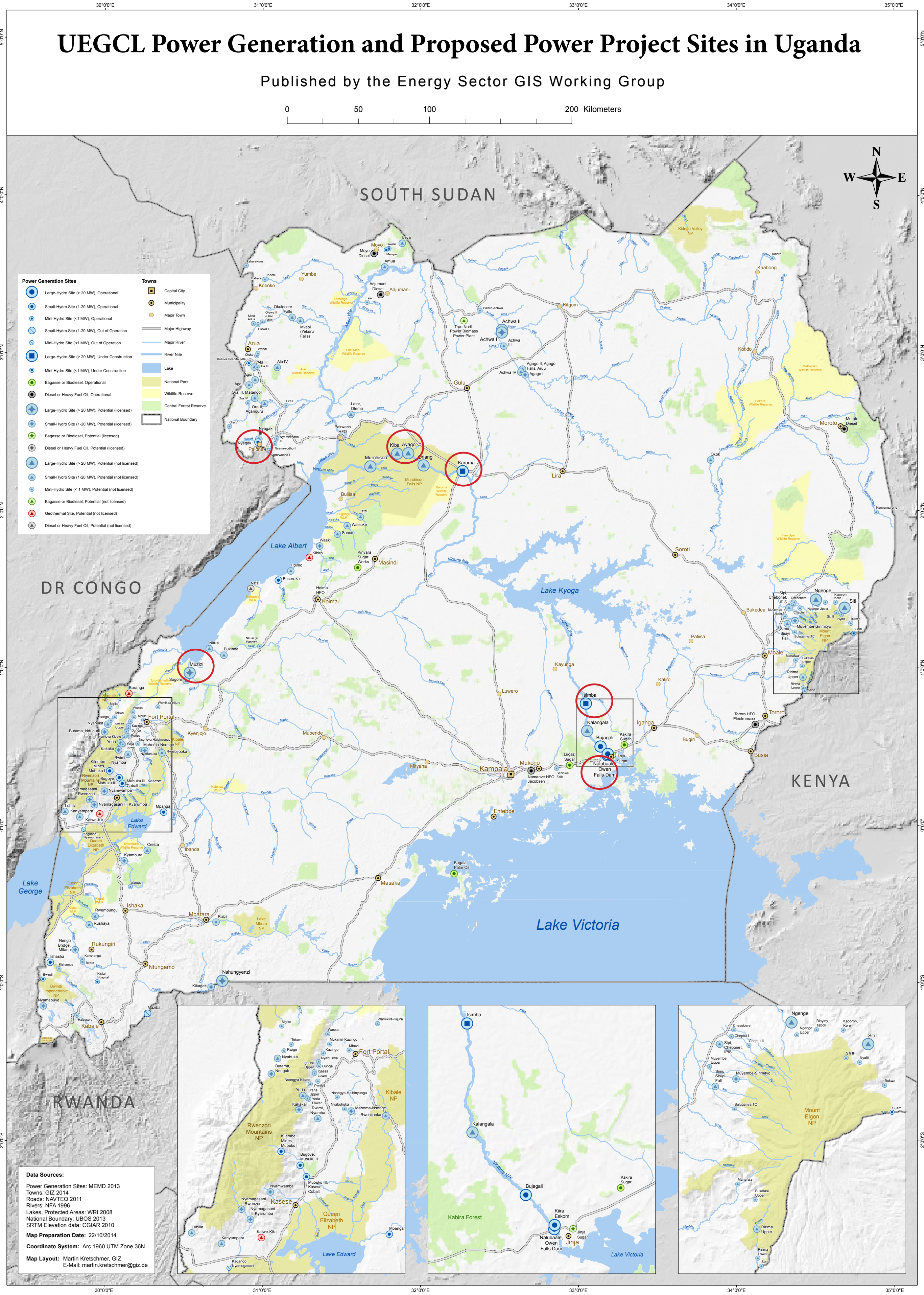
located along Nyagak River in Zombo District.

-Ground breaking is set for September 2015

Muzizi HPP-26MW

located along Muzizi River in the District of Kibaale. The project foot prints however extends to Kabarole, Kyenjojo and Ntooroko districts

-Ground Breaking is set for August 2016



Chairman's Message

> Despite the challenges, UEGCL has been able to maintain steady progress in achieving its mandate of monitoring electricity generation concessions and developing hydropower plants.
>
> *Dr. Stephen Robert Isabalija*

Dear Share Holders

On behalf of the Board of Directors, it is my pleasure and honour to present to you the Annual Report and Financial statements of Uganda Electricity Generation Company Limited for the year ended 31st December 2013.

UEGCL achievements during 2013

1. Monitoring the Operation and Maintenance of the Complex by Eskom Uganda Limited (EUL);
2. Monitoring on behalf of the Government of Uganda the Operation and maintenance of Namanve 50MW HFO power project by Jacobsen
3. The Company has been involved in the following Projects;

a. Karuma Hydro Power Project (600MW) – Engineering, Procuring & Construction Contract (EPC) signed
b. Isimba Hydro Power Project (183MW) : EPC Contract signed
c. Ayago Hydro Power Project (600MW) - ISIMBA HYDROPOWER PROJECT(200MW) - Feasibility study on –going and EPC Contract signed
d. Forestation in Bugungu- situated in Nyenga Sub County, along the shores of Lake Victoria, whose objective is to compensate for the negative environmental effects of the canal construction during the implementation of the Owen Falls extension project.
e. Development of Muzizi SHPP, and Nyagak III SHPP to promote rural electrification
f. UEGCL monitors the operations of Namanve Heavy Fuel Oil (HFO) PlantGoU
g. Biogas Project -A trial project to extract biogas from water hyacinth.

Corporate Governance

The Board of Directors adopted the Board Charter which lays down the core principles of corporate governance. Board Committees were formulated and members appointed.

We strive to ensure compliance with the Laws especially the Companies Act, 2012, Public Enterprises and Reform Divestiture (PERD) Act, Electricity Act, Environmental Act and the Public Procurement & Disposal of Public Assets' Act among others.

The Audit, Risk and Compliance Committee was established to ensure risk Management. The Board intends to have sound Risk Management and Internal Control Policies developed by the Internal Auditor who reports directly to the Board.

Financial Performance

Total expenses including financing costs amounted to 32.9 billion, compared to the total revenues of UGX 22.8 billion- thus the loss of UGX 10 billion. Concession fees of UGX 4.5 billion do not cover administration expenses, debt service and depreciation as provided by C&AA.Based on total revenues of UGX 22.8 billion in 2013 and total expenses of UGX 32.9 billion, UEGCL registered a total loss of UGX 10 billion in 2013.

Challenges:

1. The C&AA needs to be revisited in order to ensure effective concession monitoring. Areas that need to be addressed in the C&AA include: treatment of stock passed on to EUL; asset replacement and disposal; Billing in Uganda Shillings and payment made to USD escrow account; Assets that were not included in the list handed over to EUL; Spare parts for Units 11, 12, and 13; breakdown of Operation and Maintenance (O & M) costs;
2. The budget was insufficient for all the activities necessary for fulfilling our mandate (cuts in the concession fee budget by the Electricity Regulatory Authority (ERA);
3. Low water levels in L.Victoria negatively impacted the power generated from the Complex.
4. There were technical challenges that stemmed from the system stability, demand and hydrological limitations imposed by the Directorate of Water Resources' Development, coupled with the aging plant of Nalubaale PS mainly due to Alkali Silicate Reaction (ASR).
5. Counterpart funding was not disbursed by MEMD for power generation projects and recourse was made to concession fees thus affecting concession monitoring activities.
6. In 2006 Uganda Revenue Authority (URA) sent tax assessments to UEB and the three successor companies i.e. UEGCL, UETCL and UEDCL for taxes purportedly not paid before unbundling. The total claim is UgShs53 billion, of which UgShs13 billion is supposed to be paid by UEGCL. URA contends that when provisional returns were raised and given to UEB, no objection was filed by the official Liquidator. The liability according to URA crystallised, and has to be paid by the successor companies as provided for in the PERD Act. The remedies are either to apply to the ERA to increase the tariff to cover such tax, request GOU to make a special provision in the fiscal budget to meet the liability or waive.
7. Outstanding receivables from UETCL (UgShs32bn) This amount was billed to UETCL between 2001 and 2002 but has remained unpaid. This amount was to be applied to pay GoU (loan repayment on behalf of UEB) and to refund money spent by UEB to pay Power III contractors. It has been a reason for qualifying the UEGCL Financial Statements.

There is need to authorise Management to write off the receivable from UETCL and the payable to GoU and UEB.

8. Outstanding payment to the UEB Liquidator (sUgShshs 1.1bn) This amount was spent by UEB on behalf of UEGCL to pay the Power III contractors. The refund was to come from money to be collected from UETCL but UETCL failed to pay and UEGCL in turn could not pay UEB. The UEB Liquidator has on several occasions written to UEGCL threatening court action.

9. Foreign exchange losses The C&AA states that UEGCL should bill in Dollars but be paid in Shillings at a historical rate hence resulting in severe exchange losses.Hedging against the depreciating shilling could be done with the Shareholders' authorisation.

2014 and beyond

UEGCL has a draft strategic plan for the next 5 years. UEGCL plans to carry out the following activities that will enable the nation realise the National Development plan target of 3,700MW:

1. To continue developing of electricity generating facilities, prioritizing Karuma, Ayago, Isimba, Muzizi and Nyagak III which should be able to deliver over 1430 MW onto the national grid within the next 5 years;
2. Following prudent utility practice in managing electricity generating facilities;
3. Oversee implementation of the power generation disaster preparedness plan ;
4. Monitor and mitigate the impact of the Company's operations on the environment;
5. Engage in research and consultancy in the electricity sector;
6. Develop the Company to enable it fulfil and deliver on its mandate;
7. Setting up of a Hydro Power Training School;
8. Research and Development.

Conclusion

Despite the challenges, UEGCL has been able to maintain steady progress in achieving its mandate of monitoring electricity generation concessions and developing hydropower plants. I thank my fellow Board Members whose unwavering dedication to steering the Company in the right direction has ensured the Company continues to operate despite the challenges experienced. My sincere gratitude also goes to Management and Staff for their untiring efforts in working towards achievement implementing the goals of the Board of Directors.

I thank our Shareholders and the Line Ministry for their commitment to supporting the Company to fulfill its vision, mission and objectives.

Dr. Stephen Robert Isabalija
Chairman Board of Directors

Chief Executive Officer's Message

> "The Company registered growth in concession fees revenues of 124% over the period from 2012 to 2015 (UGX 5.4b- 12.1b) driven by ERA providing in the tariff for 2015 for licenses to run Karuma, Isimba, Ayago, Muzizi and Nyagak III."
>
> *Eng.John Eric Mugyenzi*

Dear Share Holders

This was yet another year of continued efforts to deliver electricity to the public at an affordable cost in accordance with the Shareholders' and Line Ministry's goal. In order for UEGCL to focus on Karuma, Isimba, Nyagak III, Muzizi and Ayago, the Line Ministry directed that UEGCL withdraws from execution of the Development Phase of the ORIO Western Uganda Mini-Hydro Power and Rural Electrification Project (ORIO11/UG/2/1).

Achievements

In line with its corporate strategy, the Company implemented its strategic objectives listed below Shareholders at their 3rd Annual General Meeting amended the Memorandum and Articles of Association to include among others the new mandate of development of Hydro Power Plants.

1. Monitoring the Concession which entailed monitoring the Operation and Maintenance of the Complex by Eskom Uganda Limited (EUL); Investments /Modifications undertaken by EUL; Status of civil structures as well as conducting joint Annual 2012 Inspection of the complex with EULat Nalubaale Power Station (NPS) and Kiira Power Station (KPS); UEGCL monitors the operations of the plant and
2. Monitoring on behalf of the Government of Uganda the Operation and maintenance of Namanve 50MW HFO power project by Jacobsen
3. Engagement in Projects' implementation and development activities;

Karuma Hydro Power Project (600MW)

1. Resettlement Action Plan (RAP).
2. The ground breaking ceremony by his Excellency the President of the Republic of Uganda was held on the 8th of August 2013.
3. The Company recruited an Assistant Project Manager to oversee Project implementation.
4. On the 3rd of December 2013, a Tripartite Memorandum of Understanding (MoU) between the Government of the Republic of Uganda (GoU) represented by Ministry of Energy and Mineral Development (MEMD), UEGCL, Uganda Electricity Transmission Company Limited (UETCL) was signed.The MoU appointed UEGCL as lead Government Agency for overseeing and supervising the implementation of the construction of the Isimba&Karumahydropower projects
5. An Engineering, Procurement and Construction (EPC) Contract was signed between Government of the Republic of Uganda represented by MEMD and Sinohydro Corporation Limited on the 16th of August 2013. UEGCL signed as a witness to the Contract.

Isimba Hydro Power Project (183 MW)

a. The feasibility studies were concluded by Fichtner GMBH & CO.KG; the ground breaking ceremony by His Excellency the President of the Republic of Uganda was held on the 5th of October 2013.

b. An Engineering, Procurement and Construction (EPC) Contract was signed between Government of the Republic of Uganda represented by MEMD and M/S China International & Water Corporation on the 6th of September 2013. UEGCL signed as a witness to the Contract.

Nyagak III Small Hydro Power project (4.5 MW)

The International Finance Corporation (IFC) concluded the update of the Feasibility study that had initially been conducted by Lahmeyer International. The project is to be developed as a Public Private Partnership (PPP) .The Company with the assistance of IFC was procuring a Private Partner.

Muzizi Small Hydro Power project (26MW)

FichtnerGMBH & CO.KG concludedthe feasibility studies. The Environmental Impact Assessment (ESIA) and RAP were also concluded. Whereas it was planned to be a PPP, following GoU'snegotiations with the French Agency for Development (AFD), it is likely to be a Public Project.

Ayago (600MW)

Feasibility studies by the Japanese International Corporation Agency (JICA) on-going.

Bugungu Forestation Project

Its objective is to compensate for the negative environmental effects of the canal construction during the Owen Falls extension project.

Valuation of the trees for thinning was done by National Forest Authority (NFA) as part of the disposal process.

The office block was renovated and an underground water tank constructed to ensure availability of water.

Biogas Project. It is a trial project to extract biogas from water hyacinth.

Financial Performance

Revenues

The Company made total revenues of UGX 22.8 billion. 80% (UGX 18.3 billion) of these revenues represented one off items; i.e UGX 5 billion grant from KfW for Muzizi feasibility study; UGX 5.3 billion corporation tax waiver by URA; UGX 6.8 billion exchange gains. The total concession fees accounted for 20% (UGX 4.5 Billion) of total revenues.

Expenses

Total expenses including financing costs amounted to 32.9 billion, compared to the total revenues of UGX 22.8 billion- thus the loss of UGX 10 billion. Key make up of expenses is as summarized as below;

a. Projects administration UGX 5.5 billion- KFW grant for Muzizi feasibility was UGX 5 billion

b. Staff costs 4.4 billion

c. Other administration expenses UGX 4.6 billion compared to UGX 1.9 billion in 2012- 142% increase. The increase is mainly due to provision for penalty of late payment of WHT between 2001-2009 during Nalubaale extension- UGX 813 million: provision for IFC penalty on delayed feasibility of Muzizi UGX 452 million write-off of unsupported VAT.

Concession fees of UGX 4.5 billion don not cover administration expenses, debt service and depreciation as provided by C&AA.

The Company registered growth in concession fees revenues of 124% over the period from 2012 to 2015 (UGX 5.4b- 12.1b) driven by ERA providing in the tariff for 2015 for licenses to run Karuma, Isimba, Ayago, Muzizi and Nyagak III.

However, since 2012 the company's concession fees revenues have significantly been less than total expenses because ERA has never approved depreciation, debt service and return on equity through the tariff contrary to the C&AA.

Based on total revenues of UGX 22.8 billion in 2013 and total expenses of UGX 32.9 billion, UEGCL registered a total loss of UGX 10 billion in 2013.

Human Resource

The Company complied with its Human Resource & Polices Procedure Manual and implemented its strategy aimed at attracting, developing and retaining a skilled workforce.

Some staff trained in key fields such as Public Private Partnerships; FIDIC training on the Silver Book; Geothermal development, Procurement, Drafting, Negotiating and Management of Contracts; Strategic Financial Reporting; Human Resource and Internal Audit among others.

A Public Relations Officer was recruited to project and improve the Company brand image and An Assistant Project Manager was recruited for Karuma HPP to oversee project implementation.

FUTURE OUTLOOK

Next year, there will be continued focus on development of Karuma HPP, Isimba HPP, Ayago HPP, Nyagak III SHPP and Muzizi SHPP that will enable the nation realise the National Development plan target of 3,700MW

Mr. John Eric Mugyenzi
Chief Executive Officer

> "UEGCL was recognized by Otherways INT'L Research and Consultants Business Management Consultants with a Platinum Technology Award for Quality and Best Trade Name on the 25th March 2013 in Berlin Germany"

THE PLATINUM TECHNOLOGY AWARD FOR QUALITY & BEST TRADE NAME

The Board of Directors

1. **Prof. Sandy Stevens Tickodri Togboa**
Independent Non-Executive Director
Board Chairman up to 12th November 2013

2. **Dr. Stephen Robert Isabalija**
Independent Non-Executive Director-Board Chairman from 12th November 2013

3. **Dr. Nixon Kamukama**
Independent Non-Executive Director

4. **Eng.Paul Mubiru**
Non-Executive Director

5. **Mr.Fredrick Matyama**
Non-Executive Director

6. **Mrs. Jennifer Katagyira Lubaale**
Non-Executive Director

7. **Eng.John Eric Mugyenzi**
Executive Director

8. **Mrs.Georgina Kugonza Musisi**
Company Secretary

Management Team

Management Team

1. **Eng.John Eric Mugyenzi**
Managing Director

2. **Mr.Dan W. Mayanja**
Technical Manager

3. **Mr. Emmanuel Lubandi**
Manager Finance &Administration

4. **Mrs.Georgina Kugonza Musisi**
Company Secretary

5. **Mr.Moses Kaizzi**
Assistant Technical Manager

6. **Mr.Milton Kanzira**
Procurement & Finance Specialist

7. **Mrs. Jackie Ahimbisibwe Twijukye**
Human Resource &
Administration Officer

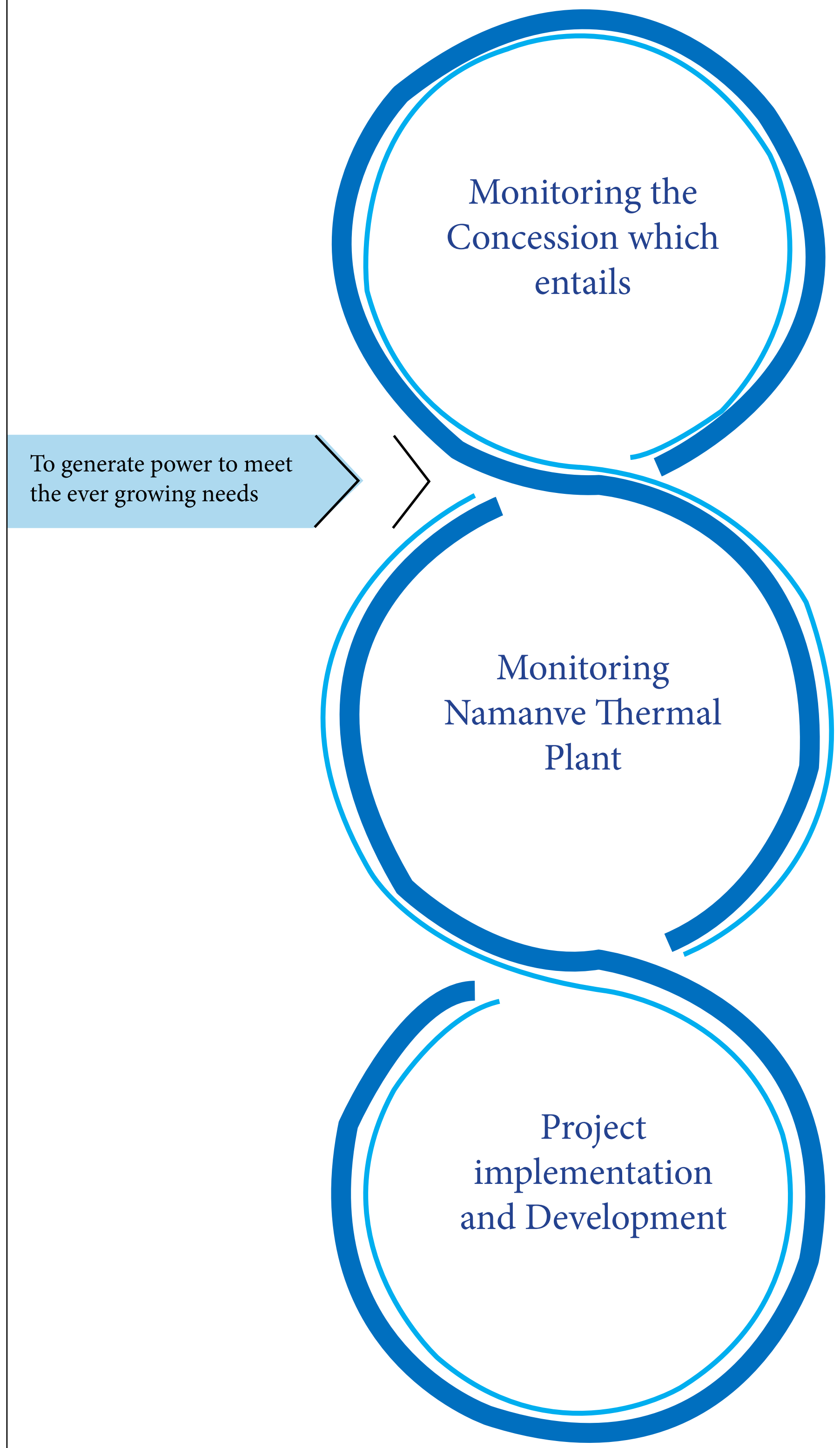
8. **Mr. Sseguya Patrick**
Internal Auditor

9. **Eng. Proscovia Margaret Njuki**
Independent Non-Executive Director
from 12th November 2013

10. **Ms Zerida hZigiti**
Non-Executive Director
From 12th November 2013

Our Strategy in Action

Our ability to deliver against our priorities and build the right portfolio depends on our distinctive capabilities. We rely on our strong relationships with the Government, the proven expertise of the Board, the management team and support of the employees to run smooth Company operations.



- The Operation and Maintenance of the Hydro Plants Complex Nalubaale and Kiira by Eskom Uganda Limited (EUL)
- Investments /Modifications undertaken by EUL
- Status of civil structures as well as conducting joint Annual 2012 Inspection of the complex with EUL at Nalubaale and Kiira Power Stations.

Monitoring on behalf of the Government of Uganda the Operation and maintenance of Namanve 50MW HFO Power Project by Jacobsen.

Project Implementation
- Karuma HPP 600MW
- Isimba HPP 183MW
- Ayago HPP 600MW

Project Development
- NagakIII HPP 5.5MW
- Muzizi HPP 44.7MW

Our strategy

Corporate Social Responsibility

Corporate Social Responsibility

1. *The Bugungu community site office being renovated by UEGCl.*
2. *Water reserve tank under construction to help the community in Bugungu during the dry seasons*
3. *The Assistant Technical Manager of UEGCL(first from left) inspects the works done in Bugungu*
4. *A toilet constructed for the community in Bugungu.*

Bugungu Afforestation Project arose as a compensation for the environmental effects on the canal during the Owen falls Extension Project now Kiira HPP

UEGCL aspires to boost the economic status of the surrounding community and therefore in 2013, the Company chose to renovate the Bugungu Afforestation Project Office and construct a water tank to help during the dry seasons. The Environment Restoration Afforestation project located in Kyaggwe, Nyenga Sub County in Buikwe District is a community Development Project that arose as a compensation for the environmental effects on the canal during the Owen falls Extension Project now Kiira HPP and also as a demonstration tree plantation project in that area to encourage the surrounding community to take up the activity.

Nalubaale Hydro Power Plant-180MW the first Hydro Power plant comissioned in 1954

Corporate Governance Statement

The Company is managed on the principles of sound corporate governance. The Board of Directors adopted the UEGCL Board Charter which lays down the core principles of corporate governance. Board Committees were formulated and members appointed.
The Audit, Risk and Compliance Committee was established to ensure risk Management. The Board has sound Risk Management and Internal Control Policies developed by the Internal Auditor who reports directly to the Board.

Annual General Meeting

TThe 3rd Annual General Meeting (AGM) of the Company was successfully held on the 12th of November 2013. The Shareholders resolved and agreed to change the title of the Managing Director to Chief Executive Officer and the holder of the position would no longer be part of the Board of Directors.

There were seven directors before the AGM. Two Directors were appointed. These included Director Zeridah Zigiti an expert in finance from Ministry of Finance, Planning & Economic Development (MFPED). She is also the liaison between UEGCL and MFPED on financial issues. The second was Eng. Proscovia Margaret Njuki, an Independent Non-Executive Director. She beefs up the Board expertise in Engineering as well as bringing a balanced opinion to the Board.

Constitution of the Board of Directors Before and After the 3rd AGM (12th November 2013)

NO	Director	Category
1.	Dr. Sandy Stevens TickodriTogboa	Chairman/ Independent Non- Executive Director
2.	Eng. Paul Mubiru	Non- Executive Director
3.	Mrs. Jennifer LubaaleKatagyira	Non- Executive Director
4.	Mr. Fredrick Maytama	Non- Executive Director
5.	Dr. Robert Stephen Isabalija	Independent Non- Executive Director
6.	Dr. Nixon Kamukama	Independent Non- Executive Director
7.	Mr. John Eric Mugyenzi	Executive Director
	Status after the 3rd Annual General Meeting (12th November 2013)	
1	Dr. Robert Stephen Isabalija	Chairman/ Independent Non- Executive Director
2	Eng. Paul Mubiru	Non- Executive Director
3	Dr. Nixon Kamukama	Independent Non- Executive Director
4	Mrs. Jennifer LubaaleKatagyira	Non- Executive Director
5	Miss. ZeridahZigiti	Non- Executive Director
6	Eng. Proscovia Margaret Njuki	Independent Non- Executive Director

Amendment of Memorandum and Articles of Association

The Shareholders amended the Memorandum and Articles of Association to include among others the new mandate of the capture of development of Hydro Power Plants. The Articles were brought in line with the Companies Act 2012 and the Corporate Governance Code incorporated.

Board of Directors' Orientation

A Board orientation program was conducted on the 14th to 15th of February 2013 following the appointment of two Directors in December 2012 - Dr. Stephen Robert Isabalija and Dr. Nixon Kamukama. They also visited the project sites.
The Directors were availed key Company governing documents for their familiarization and presentations made to them on Corporate Governance principles by a Consultant.
Committees of the Board were set up and appointments made in accordance with the Board Charter. These included; Technical; Audit, Risk & Compliance; Finance; Remuneration and Board Planning and General Purpose Committee.

Board Site Visits

Annually, the directors go for site visits to help develop an understanding of UEGCL's business. During 2013, the board made a number of visits to muzizi, Karuma,andisimba.

Board, Management and Staff tour Muzizi Hydro Power site. In the center is the Assistant Technical Manager explaining to the team the way the geography of the area.

Record of Board Meetings Held

Meeting	Number of Meetings Held	Meeting Date	Apologies
Ordinary (35th – 38th)	4	4.4.13	Nil
		18.7.13	1
		31.10.13	1
		6.12.13	Nil
Special (43rd – 47th)	5	10.5.13	Nil
		31.5.13	Nil
		14.8.13	Nil
		26.9.13	3
		11.11.13	2
		Board Committees	
Audit Risk & Compliance	2	27.6.13	Nil
		17.10.13	Nil
Finance	3	19.10.13	Nil
		25.10.13	1
		28.10.13	1

Directors' Development

The Directors attended training during the year save for Prof. Sandy Stevens TickodriTogboa who was unable to undertake training due to financial constraints that the Company was facing. Below is a record;

		Board Committees	
Audit Risk & Compliance	2	27.6.13	Nil
		17.10.13	Nil
Finance	3	19.10.13	Nil
		25.10.13	1
		28.10.13	1

Relations with Shareholders

There is dialogue with shareholders based on the mutual understanding of objectives. The Board as a whole has responsibility for ensuring satisfactory dialogue with Shareholders and MEMD. This improves shareholder value and relationships. The Company is committed to ensuring that shareholders and the Line Ministry are provided with full, accurate and timely information on performance

Company secretary

The Company Secretary ensures that the Board remains cognisant of its duties and responsibilities.The Company Secretary acts as secretary to the Board and its committees. The Company Secretary assists the Chairman in ensuring that all Directors have full and timely access to relevant information and ensuring that the correct board procedures and applicable laws are followed.
The Company Secretary keeps the Board abreast of relevant changes in legislation and Governance best practices. The Company Secretary also oversees the induction of new Directors as well as the ongoing education of Directors.

All directors have access to the services of the Company Secretary.

Compliance

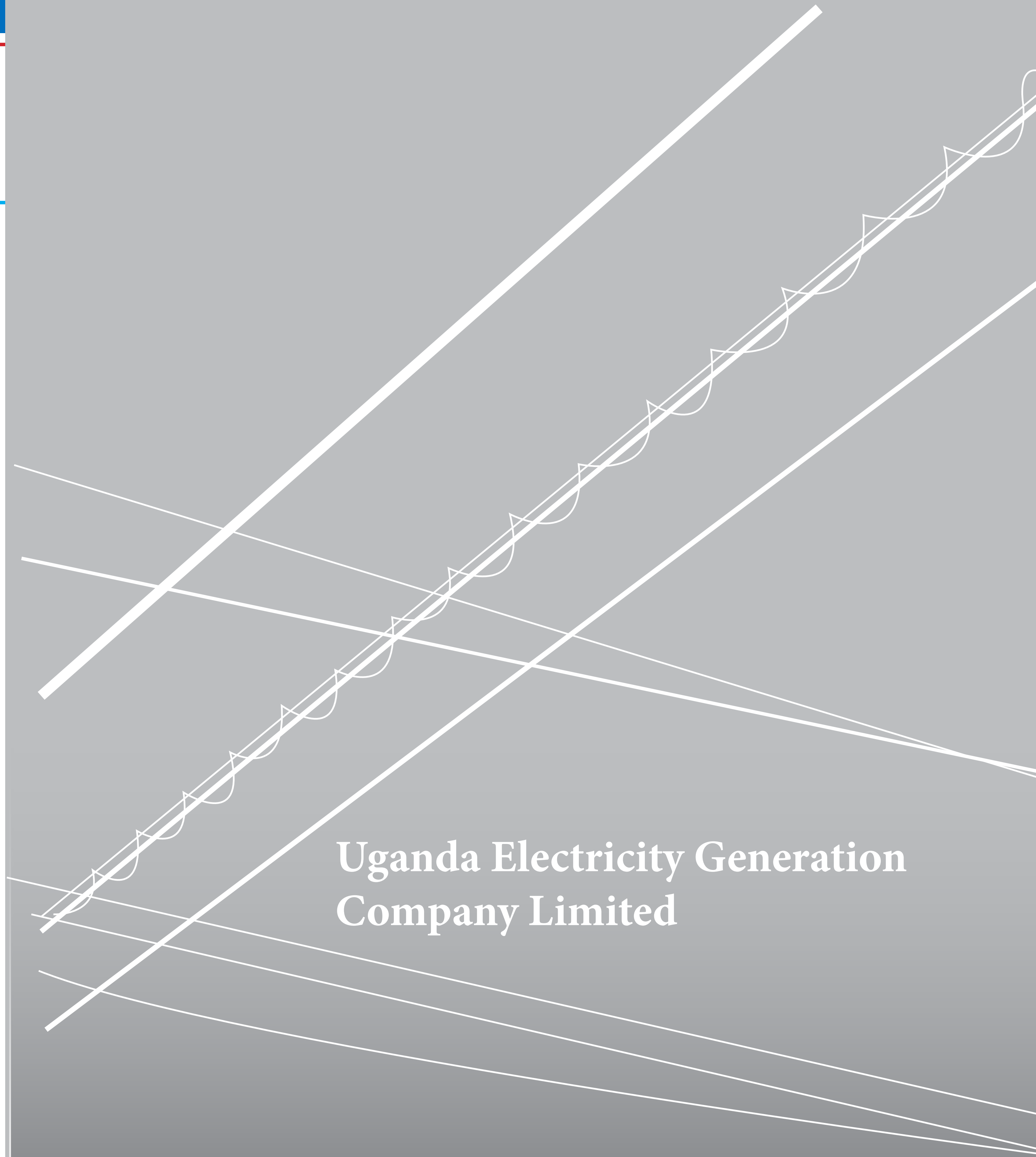
UEGCL conducts business in accordance with relevant laws and regulations. The Companies Act 2012 came into force during the year and the Corporate Governance Code was among the additions to the amended Memorandum and Articles of Association.Annual returns were filed while requisiteBoard and shareholder resolutions were registered.

Going concern

From the Directors' analysis, the Company will remain a going concern for at least the next twelve months from the date of this statement.

2014 Outlook

- Continue developing electricity generating facilities, prioritizing Karuma, Ayago, Isimba, Muzizi and Nyagak III which should be able to deliver over 1430 MW onto the national grid within the next 5 years;
- Monitoring the Eskom Concession and the operations of Namanve;
- Follow prudent utility practice in managing electricity generating facilities;
- Oversee implementation of the power generation disaster preparedness plan ;
- Monitor and mitigate the impact of the Company's operations on the environment;
- Engage in research and consultancy in the electricity sector;
- Develop the Company to enable it fulfil and deliver on its mandate;
- Setting up of a Hydro Power Training School.



Uganda Electricity Generation Company Limited

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

UGANDA ELECTRICITY GENERATION COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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UGANDA ELECTRICITY GENERATION COMPANY LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2013

1. DIRECTORS

The directors who held office during the year and to the date of this report were:

Name	Designation
Prof. Sandy Stevens Tickodri Togboa	Chairperson (Resigned on 11 November 2013)
Dr. Robert Stephen Isabalija	Member/Chairperson (Appointed on 12 November 2013)
Mr. Fredrick Matyama	Member (Resigned on 11 November 2013)
Eng. Paul Mubiru	Member
Mrs. Jennifer Katagyira Lubale	Member
Dr. Nixon Kamukama	Member
Ms. Zeridah Zigiti	Member (Appointed on 12 November 2013)
Eng. Proscovia Margaret Njuki	Member (Appointed on 12 November 2013)
Eng. John Eric Mugyenzi	Chief Executive Officer (Left on 30 July 2014)
Dr. Eng. Harrison .E. Mutikanga	Chief Executive Officer (Appointed on 1 December 2014)

2. REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Branch office
Plot 18-20 Faraday Road
P. O. Box 1101
Jinja-Uganda

Head office
3rd Floor, UEDCL Towers
Plot 37, Nakasero Road
P.O. Box 75831
Kampala – Uganda

3. COMPANY SECRETARY

Mrs. Georgina Kugonza Musisi (Resigned 31 October 2014)

Mr. Martin Mark Obia (Joined on 12 January 2015)
3rd Floor, UEDCL Towers
Plot 37, Nakasero Road
P.O. Box 75831
Kampala-Uganda

UGANDA ELECTRICITY GENERATION COMPANY LIMITED
COMPANY INFORMATION (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

4. BANKERS

Standard Chartered Bank Uganda Limited
P.O. Box 1583
Jinja-Uganda

Bank of Uganda
P.O. Box 7120
Kampala-Uganda

Stanbic Bank Uganda Limited
17 Hannington Road
Crested Towers
P.O. Box 7131
Kampala, Uganda

UGANDA ELECTRICITY GENERATION COMPANY LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2013

The directors submit their report together with the audited financial statements for the year ended 31 December 2013 which disclose the state of affairs of Uganda Electricity Generation Company Limited ("the company" or 'UEGCL').

1. PRINCIPAL ACTIVITIES

The company was established by the Public Enterprises Reform and Divestiture Act Cap 98 and the Electricity Act, Cap. 145 under the Companies Act, 2012 with the main objective of taking over, as a going concern, the generation activities of Uganda Electricity Board (UEB) established under Cap 135 of the laws of Uganda together with all or any part of the property, assets and liabilities associated with it.

The company's principal business is the generation of electricity and operation and maintenance of generation plants in addition to other roles assigned by the Ministry of Energy and Mineral Development from time to time and the roles incidental to the objectives set out in its Memorandum of Association. By virtue of a Concession and Assignment Agreement ('concession agreement') signed between the company and Eskom Uganda Limited ('EUL' or 'Eskom' or 'the Concessionaire'), the company's two assets, Nalubaale and Kira Power Stations, ('the complex') were concessioned out to the concessionaire, for a term of twenty five (25) years effective April 2003, with a contractual responsibility of operation and maintenance of the complex. As a result, the company also plays a vital role in the monitoring of the performance of the concessionaire against the agreed performance parameters.

2. RESULTS

The results for the year are set out on page 7. The loss for the year of Ushs 10.9 billion (2012: loss: Ushs 48.8 billion) has been transferred to accumulated losses.

3. DIVIDEND

The directors do not recommend payment of a dividend for the year ended 31 December 2013 (2012: Nil).

4. AUDITORS

In accordance with Article 163 of the Constitution of the Republic of Uganda, Section 17 of the Public Enterprises Reform and Divestiture Act, Cap.98 and Sections 13 (1) (a), 17 and 23 of the National Audit Act, 2008 , the financial statements of the company shall be audited once every year by the Auditor General. Section 23 of National Audit Act, 2008 permits the Auditor General to appoint private auditors to carry out such audit on his/her behalf. For the year ended 31 December 2013, M/s Ernst & Young Certified Public Accountants were appointed to act on behalf of the Auditor General.

5. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 20th February 2015.

By order of the Board,

Company Secretary

20th February 2015

UGANDA ELECTRICITY GENERATION COMPANY LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2013

The Companies Act, 2012 and Electricity Act, 1999 (Cap 145) of Uganda require the directors to prepare financial statements for each financial year, which give a true and fair view of the state of the financial affairs of the company as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure the company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors are ultimately responsible for the internal control of the company. The directors delegate responsibility for internal control to management. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of the company's assets. Appropriate accounting policies supported by reasonable and prudent judgements and estimates, are applied on a consistent basis and using the going concern basis. These systems and internal controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

The directors accept responsibility for the year's financial statements, which have been prepared using accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act, 2012. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The directors have made an assessment of the company's ability to continue as a going concern and are satisfied that the company will have adequate resources to continue in business for the foreseeable future. This assessment is based on the fact that the company is established under laws of Uganda to provide a service in the power sector and there is no indication that this arrangement will be changed in the foreseeable future. The company's main source of revenue is the concession fee billed to Eskom Uganda Limited which is expected to cover the company's operating costs at a minimum. As such, the directors are not aware of any material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

The financial statements were approved by the Board of Directors on 20th February 2015 and signed on its behalf by:

Director **Director**

Building a better working world

Ernst & Young
Certified Public Accountants of Uganda
Ernst & Young House
Plot 18, Clement Hill Road
Shimoni Office Village,
P. O. Box 7215
Kampala, Uganda

Tel: +256 414 343520/4
Fax: +256 414 251 736
Email: info.uganda@ug.ey.com
www.ey.com

REPORT OF THE INDEPENDENT AUDITORS TO THE AUDITOR GENERAL

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Uganda Electricity Generation Company Limited, which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 8 to 41.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2012, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

Except as discussed below, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

i. **Impairment of assets**
   As indicated in note 13 to the financial statements, the average electricity capacity generated by the company's plant during the year was below the installed capacity of the plant. While this is an indicator of impairment, the company has not performed an impairment assessment as required by IAS 36 *Impairment of assets*. We were therefore unable to satisfy ourselves as to whether the company's plant whose carrying value is Ushs 467 billion is impaired.

REPORT OF THE INDEPENDENT AUDITORS TO THE AUDITOR GENERAL (CONTINUED)

Basis for qualified opinion (continued)

ii. **Debt service and depreciation fee components**
The Concession and Assignment Agreement between the company and the operator of the plant, Eskom Uganda Limited, gives the company a right to charge debt service and depreciation components as part of the concession fees charged by the company to the operator. These components were not billed during the year because they were not included in the tariff methodology for the year approved by Electricity Regulatory Authority. However, the Concession and Assignment Agreement was not amended to remove this right and the fees are therefore billable and should be accrued for. The company has not accrued for the fees billable during the year. As a result, the revenue for the year is understated and the interest and depreciation expenses are not matched with revenue.

iii. **Long outstanding balance**
As disclosed in note 20, the financial statements include a long outstanding amount due to Government of Uganda of Ushs 33.828 billion. We did not obtain sufficient audit evidence to support the correctness of the balance as no confirmation was received from Government of Uganda.

iv. **Conversion of Government of Uganda loans to equity**
As indicated in note 21, as at 31 December 2013, the Government of Uganda loans were converted to equity. However, the conversion is not adequately supported with the necessary approvals including shareholders' resolutions and Parliament approval.

Qualified opinion

In our opinion, except for the possible effects on the financial statements of the matters referred to in the basis for qualified opinion paragraphs above, the accompanying financial statements present fairly, in all material respects, the financial position of Uganda Electricity Generation Company Limited as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012 of Uganda.

REPORT OF THE INDEPENDENT AUDITORS TO THE AUDITOR GENERAL (CONTINUED)

REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Companies Act, 2012 of Uganda we report to you, based on our audit that, except for the matters referred to in the basis for qualified opinion paragraphs above:

i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit;

ii. in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and

iii. the company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Ernst & Young
KAMPALA
17 March 2015

UGANDA ELECTRICITY GENERATION COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 Ushs '000	2012 Ushs '000
Concession fees	3	4,454,455	5,385,370
Other operating income	4	10,651,407	531,592
Total income		**15,105,862**	**5,916,962**
Staff costs and employee benefits	5	(4,360,738)	(3,416,841)
Project administration expenses	6	(5,483,768)	(707,616)
Other administration expenses	7	(4,632,937)	(1,916,983)
Depreciation and amortization charge	8(a)	(12,384,724)	(26,593,513)
Foreign exchange gains/(losses)	8(b)	6,849,608	(12,394,305)
Gain on disposal of assets		996	-
Total operating expenses		**(20,011,563)**	**(45,029,258)**
Operating loss		**(4,905,701)**	**(39,112,296)**
Interest income	9	844,721	2,050,101
Interest expense	10	(5,977,611)	(6,489,869)
Loss before tax	**11**	**(10,038,591)**	**(43,552,064)**
Income tax expense	12(a)	-	(5,289,362)
Loss for the year		**(10,038,591)**	**(48,841,426)**
Other comprehensive income		-	-
Total comprehensive loss for the year, net of tax		**(10,038,591)**	**(48,841,426)**

UGANDA ELECTRICITY GENERATION COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 Ushs '000	2012 Ushs '000
ASSETS			
Non-current assets			
Property, plant and equipment	13	469,178,393	481,146,283
Prepaid operating lease rentals	14	943,795	1,006,946
		470,122,188	482,153,229
Current assets			
Due from related parties	15(ii)	31,295,241	31,238,621
Trade and other receivables	16	2,800,751	4,112,898
Fixed deposits at amortized cost	17	5,462,087	12,457,670
Cash and bank balances	18	6,034,993	6,286,954
		45,593,072	54,096,143
TOTAL ASSETS		**515,715,260**	**536,249,372**
EQUITY AND LIABILITIES			
Equity			
Issued capital	19	105,208,169	1
Capital contributions	19	554,861,676	554,861,676
Accumulated losses		(190,433,842)	(180,395,251)
		469,636,003	374,466,426
Non-current liabilities			
Due to Government of Uganda	20	33,827,934	33,827,934
Government of Uganda loans: non-current portion	21	-	44,054,743
Grants	22	-	703,325
		33,827,934	78,586,002
Current liabilities			
Provision for current income tax	12(b)	-	5,289,362
Due to other related parties	15(iii)	1,330,866	1,493,668
Government of Uganda loans: current portion	21	-	67,679,219
Due to Electricity Regulatory Authority	23	6,129,813	6,129,813
Trade and other payables	24	3,500,700	1,354,113
Gratuity payable	25	1,289,944	1,250,769
		12,251,323	83,196,944
TOTAL EQUITY AND LIABILITIES		**515,715,260**	**536,249,372**

The financial statements were approved for issue by the Board of Directors on 20th February 2015 and signed on its behalf by:

Director **Director**

UGANDA ELECTRICITY GENERATION COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Issued capital Ushs '000 (Note 19)	Capital contributions Ushs '000 (Note 19)	Accumulated losses Ushs '000	Total Ushs '000
At 1 January 2012	1	554,861,676	(131,553,825)	423,307,852
Loss for the year	-	-	(48,841,426)	(48,841,426)
Other comprehensive income	-	-	-	-
Total comprehensive loss, net of tax	-	-	(48,841,426)	(48,841,426)
At 31 December 2012	**1**	**554,861,676**	**(180,395,251)**	**374,466,426**
At 1 January 2013	1	554,861,676	(180,395,251)	374,466,426
Loss for the year	-	-	(10,038,591)	(10,038,591)
Other comprehensive income	-	-	-	-
Total comprehensive loss, net of tax	-	-	(10,038,591)	(10,038,591)
Conversion of Government of Uganda loans to equity	105,208,168	-	-	105,208,168
At 31 December 2013	**105,208,169**	**554,861,676**	**(190,433,842)**	**469,636,003**

UGANDA ELECTRICITY GENERATION COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 Ushs '000	2012 Ushs '000
OPERATING ACTIVITIES			
Loss before tax		(10,038,591)	(43,552,064)
Adjustments for:			
Interest income	9	(844,721)	(2,050,101)
Interest expense	10	5,977,611	6,489,869
Depreciation and amortization	8(a)	12,384,724	26,593,513
Unrealised exchange (gains)/losses		(7,613,743)	8,743,009
Waiver of tax arrears	4	(5,289,362)	-
(Gain)/loss on disposal of assets		(996)	79,553
		(5,425,078)	**(3,696,221)**
Working capital adjustments:			
Decrease in trade and other receivables		1,312,645	2,819,340
Increase in trade and other payables		2,146,594	31,813
Increase in gratuity payable		39,175	540,487
Increase in amounts due to Government of Uganda		0	983,412
(Decrease)/increase in grants		(703,325)	703,325
Increase in amounts due from related parties		(56,620)	-
(Decrease)/increase in amounts due to related parties		(162,802)	140,766
Cash (used in)/generated from operations		**(2,849,411)**	**1,522,922**
Interest received		956,303	1,773,959
Interest paid		(2,176,203)	-
Net cash flows (used in)/generated from operating activities		**(4,069,311)**	**3,296,881**
INVESTING ACTIVITIES			
Proceeds from sale of assets		3,276	-
Purchase of property, plant and equipment	13	(331,712)	(808,168)
Net cash flows used in investing activities		**(328,436)**	**(808,168)**
FINANCING ACTIVITIES			
Loan repayments	21	(2,849,797)	-
Net cash flows used in financing activities		**(2,849,797)**	**-**
Net (decrease)/increase in cash and cash equivalents		(7,247,544)	2,488,713
Cash and cash equivalents at 1 January		18,744,624	16,255,911
Cash and cash equivalents at 31 December	18	**11,497,080**	**18,744,624**

1. REPORTING ENTITY AND GOING CONCERN

1.1. Reporting entity

Uganda Electricity Generation Company Limited (the 'company' or 'UEGCL') is a corporate body, incorporated under the Companies Act, 2012 and in conformity with the Electricity Act, 1999. The company was incorporated in March 2001 to operate and maintain the generation plants at Nalubaale and Kiira power stations that were formally owned and operated by UEB. The company is primarily involved in the monitoring of the 20 year concession arrangement with Eskom Uganda Limited and construction of electricity power plants.

1.2. Going concern

The directors have made an assessment of the company's ability to continue as a going concern and are satisfied that the company will have adequate resources to continue in business for the foreseeable future. This assessment is based on the fact that the company is established under laws of Uganda to provide a service in the power sector and there is no indication that this arrangement will be changed in the foreseeable future. The company's main source of revenue is the concession fee billed to Eskom Uganda Limited which is expected to cover the company's operating costs at a minimum. As such, the directors are not aware of any material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the principal accounting policies used in preparation of these financial statements. The policies have been applied consistently to all periods presented and are set out below.

a) Basis of accounting and statement of compliance

The financial statements are prepared on the historical cost basis unless otherwise stated. The financial statements are presented in Uganda Shillings which is the company's functional currency, rounded to the nearest thousands (Ushs '000).

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and the requirements of the Companies Act, 2012 of Uganda.

b) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the company and that revenue can be measured reliably. Revenue is measured at the fair value of the consideration received excluding Value Added Tax, discounts, commissions, rebates and other sales taxes.

Concession fees receivable from the concessionaire (Eskom) for operating and maintaining the complex (the two dams of Kiira and Nalubaale) is recognized in the statement of comprehensive income on a monthly basis. The concession fees are based on the amount pre-approved by Electricity Regulatory Authority on annual basis and comprise of the components specified in the concession agreement, debt service, depreciation of the concession assets and administration expenses.

Concession fees comprise of the amounts invoiced on a monthly basis and are stated net of VAT and discounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Interest income and expenses

Interest income comprises of income on funds invested in fixed deposits. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Interest expense comprises of interest charges on the company's borrowings and is recognised using the effective interest rate method.

d) Translation of foreign currency transactions and balances

Transactions in foreign currencies are translated into Uganda Shillings using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Uganda Shillings at the exchange rates ruling at that date. Foreign currency differences arising on translation are recognized in profit or loss except for differences arising on translation of available-for-sale equity instruments.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into Uganda Shillings at the exchange rate at the date when the fair value was determined.

e) Service concession arrangements

A service concession arrangement is typically an arrangement involving a private sector entity (the operator) constructing and/or upgrading, operating and maintaining infrastructure used to provide a public service for a specified period of time. The operator is paid for its services over the period of the arrangement. The arrangement is governed by a contract that sets out performance standards, mechanisms for adjusting prices and arrangements for arbitrating disputes. The grantor (the party that grants the service arrangement) controls the infrastructure and the operator is required to return the infrastructure to the grantor at the end of the concession period.

The company (the grantor) entered into a service concession arrangement where it is the grantor. On 26 November 2002, the company entered into a service concession agreement with Eskom Uganda Limited to operate two hydro power dams at Kiira and Nalubaale power stations. Under the terms of the agreement, Eskom is to operate and maintain the dams for a period of 20 years. Eskom is responsible for any maintenance services required during the concession period.

The company is charged with the responsibility of managing the concession on behalf of Government of Uganda which owns the assets constituting these dams.

The standard rights of the grantor to terminate the agreement include poor performance by Eskom and in the event of a material breach in the terms of the agreement. The standard rights of Eskom to terminate the agreement include failure of the grantor to make payment under the agreement, a material breach in the terms of the agreement, and any changes in law which would render it impossible for Eskom to fulfil its requirements under the agreement.

The concession agreement assigns the company the right of ownership to all modifications incorporated into the complex by Eskom during the concession term. The concession assets handed over to Eskom are recognised as property, plant and equipment of the company because the contractual service arrangement does not convey the right to control the use of the public service infrastructure to Eskom. However, the company does not recognise the modifications and upgrades as assets because the company does not incur any costs on these modifications. Eskom recovers the cost incurred from Uganda Electricity Transmission Company including a return on investment of 12% per annum. At the end of the concession, the company will assess the recognisability of the remaining book value of the modifications

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Recognition and measurement
Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

When part of the item of property, plant and equipment has different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent cost
The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefit embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is de-recognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss.

De-recognition
An item of the property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is de-recognised. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amounts of property, plant and equipment. When revalued assets are disposed off, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

Depreciation
Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and useful lives unless it is reasonably certain that the company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives are as follows:

Nalubaale & Kiira Power Station – Civil	1.25%
Nalubaale & Kiira Power Station – Others	2.50%
Nalubaale & Kiira Power Station Plant	8.30%
Furniture and fittings	12.5%
Office machinery and equipment	20%
Computers	20%
Buildings	2.5%
Motor vehicles	20%
Tools and equipment	12.5%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Property, plant and equipment (continued)

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.
No depreciation is charged for property, plant and equipment in the course of construction (capital work-in-progress). Upon completion of the project, the accumulated cost is depreciated using the depreciation rate of the appropriate property, plant and equipment category set out above.

g) Prepaid operating lease rentals

Leasehold land is recognised as an operating lease. Any upfront payments are recognised as prepaid lease rentals and recorded under non-current assets and are amortised over the remaining period of the lease on a straight-line basis.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

h) Cash and cash equivalent

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks that are due within three month, and investments in money market instruments, net of bank overdrafts, if any.

i) Provisions

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

j) Dividends

Dividends are recognised as a liability in the period in which they are declared. Proposed dividends are disclosed as a separate component of equity until ratified at the Annual General Meeting.

k) Tax

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, in accordance with the provisions of the Income Tax Act (Cap 340) of Uganda. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income and not in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Tax (continued)

Deferred income tax
Deferred income tax is provided for in full at the reporting date, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

Deferred income tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income and not in profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset, if there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity in the same taxation authority.

Value Added Tax (VAT)
Revenues, expenses and assets are recognised net of the amount of VAT except:

- where the VAT incurred on a purchase of goods and services is not recoverable from Uganda Revenue Authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense for the item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Financial Instruments

i) Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial instruments at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial assets and financial liabilities are recognised initially at fair value plus transaction costs, except in the case of financial instruments recorded at fair value through profit or loss. The company's financial assets include cash and short-term deposits, trade and other receivables, amounts due from related parties and staff loans, and the company's financial liabilities include trade and other payables, amounts due to related parties and borrowings (Government of Uganda loans).

ii) Subsequent measurement

Bank balances, trade receivables and other receivables and amounts due from related parties
These financial assets are classified as loans and receivables, as they are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'financial assets held-for-trading', designated as 'financial investments available-for-sale' or financial assets designated 'at fair value through profit or loss'. After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest rate method, less allowances for impairment. Amortisation is calculated by taking into account any discount or premium on acquisition fees and costs that are an integral part of the effective interest rate. The amortization is included in profit or loss. The losses arising from impairment are recognized in profit or loss.

Borrowings, amounts due to related parties and trade payables
After initial measurement, these financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortisation is calculated by taking into account any discount or premium on acquisition fees and costs that are an integral part of the effective interest rate. The amortization is included in profit or loss.

iii) De-recognition of financial assets and financial liabilities

Financial assets
A financial asset is de-recognised where:
- The rights to receive cash flows from the asset have expired; or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and Either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Financial Instruments (continued)

iii) De-recognition of financial assets and financial liabilities (continued)

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

m) Impairment of assets

Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Non-financial assets
The carrying amounts of the company’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent of what the asset’s carrying amount would have been net of depreciation or amortization if no impairment loss was recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Employee benefits

Gratuity scheme
The company operates a gratuity scheme where the employees’ benefits are measured as follows:

i) Permanent staff - for each year worked, 25% of the gross annual salary.
ii) Contract staff - for each month worked, 25% of the gross monthly salary.

The employee benefits arising from the gratuity scheme are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

National Social Security Fund
The company also makes contributions to a statutory scheme, the National Social Security Fund (NSSF). Contributions to NSSF are determined by applicable statute and are shared between employer and employee. The company’s contributions of 10% on employee emoluments are charged to profit or loss in the year to which they relate.

2.1. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year. Amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the company except for some additional disclosure requirements under IFRS 13 *Fair Value Measurements*:

- IFRS 1 First time Adoption of IFRS (Amendment) - Government Loans
- IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interest in Other Entities.
- IFRS 13 Fair Value Measurement
- IAS 19 Post employee benefits (Amendment)
- IAS 27 Separate Financial Statements (as revised in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- Improvements to IFRSs (issued in 2012)

The adoption of the new or revised standards or interpretations that could be relevant to the company's operations is described below.

IFRS 7 Disclosures-Offsetting Financial Assets and Financial Liabilities-Amendments to IFRS 7
The amendment is effective for annual periods beginning on or after 1 January 2013. These amendments require an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32. The amendments had no impact on the company's financial statements as the company has no financial assets and financial liabilities that it offsets.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single framework for all fair value measurement (financial and non-financial assets and liabilities) when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value but rather describes how to measure fair value under IFRS when it is permitted or required by IFRS. There are also consequential amendments to other standards to delete specific requirements for determining fair value. The standard had no impact on the company's financial position or performance as the company has no assets and liabilities that are measured at fair value. However, the standard has additional disclosure requirements regarding fair value disclosures.

Improvements to IFRSs: 2009-2011 Cycle (issued in 2012 effective for annual periods beginning on or after 1 January 2013)

IAS 1 Presentation of Financial Statements (Amendments). The amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period.

2.1. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

Improvements to IFRSs: 2009-2011 Cycle (issued in 2012 effective for annual periods beginning on or after 1 January 2013) (continued)

- IAS 16 Property, Plant and Equipment (Amendment). The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

- IAS 32 Financial Instruments: Presentation. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

The above improvements did not have an impact on the company's financial statements as there were no accounting items that are the subject of the improvements.

The new and amended standards and interpretations that are not described above are not relevant to the company's operations.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the company's financial statements are described below. This description is of standards and interpretations issued, which the company reasonably expects to be applicable at a future date. The company intends to adopt those standards when they become effective. The company expects that adoption of these standards, amendments and interpretations in most cases not to have any significant impact on the company's financial position or performance in the period of initial application but additional disclosures will be required. In cases where it will have an impact, the company is still assessing the possible impact.

Standard	Pronouncement	Description	Effective date
IAS 32 Financial Instruments: Presentation	Amendments relating to the offsetting of assets and liabilities	The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.	Annual periods beginning on or after 1 January 2014
IAS 24 Related Party Disclosures	Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is effective retrospectively. ***Impact:*** Even though an entity incurs key management personnel expenses, detailed key management personnel compensation disclosures (IAS 24.17) do not apply if the individual is part of a separate management entity. Less information on the individual's remuneration is required.	Annual periods beginning on or after 1 July 2014

2.1. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

Standards issued but not yet effective (continued)

Standard	Pronouncement	Description	Effective date
IFRS 7 Financial Instruments: Disclosures	Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	The IASB has published an amendment to IFRS 9, 'Financial instruments,' that delays the effective date to annual periods beginning on or after 1 January 2018. The original effective date was for annual periods beginning on or after from 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.	Applies when IFRS 9 is applied (1 January 2018)
IFRS 9 Financial Instruments	Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	- Mandatory effective date for IFRS 9 is 1 January 2018. - Amendments to IFRS 7 depend on when IFRS 9 is adopted and affect the extent of comparative information required to be disclosed.	Annual periods beginning on or after 1 January 2018
	Original issue (Classification and measurement of financial assets)	- This, the first phase of the IASB's project to replace IAS 39 in its entirety, addresses the classification and measurement of financial instruments. Financial assets - All financial assets are initially measured at fair value. - Subsequent measurement of debt instruments is only at amortised cost if the instrument meets the requirements of the 'business model test' and the 'characteristics of financial asset test'. - All other debt instruments are subsequently measured at fair value. - Embedded derivatives contained in non-derivative host contracts are not separately recognised. Unless the hybrid contract qualifies for amortised cost accounting, the entire instrument is subsequently recognised at fair value through profit and loss.	Annual periods beginning on or after 1 January 2018.

2.1. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

Standards issued but not yet effective (continued)

The following standards, interpretations and improvements were issued but were not yet effective as at the date of issuance of the company's financial statements and are not expected to have an impact on the company's financial statements.

Standard	Pronouncement
IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets	Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)
IAS 19 Employee Benefits	Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service
IAS 27 Separate Financial Statements (as amended in 2011)	Amendments for investment entities
IAS 36 Impairment of Assets	Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 Financial Instruments: Recognition and Measurement	Amendments for novations of derivatives
	Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception
IAS 40 Investment Property	Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)
IFRS 10 Consolidated Financial Statements	Amendments for investment entities
IFRS 12 Disclosure of Interests in Other Entities	Amendments for investment entities
IFRS 13 Fair Value Measurement	Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)
IFRS 3 Business Combinations	Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration)
	Amendments resulting from Annual Improvements 2011-2013 Cycle (scope exception for joint ventures)
IFRS 7 Financial Instruments: Disclosures	Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9
IFRS 9 Financial Instruments	Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9
	Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements
IFRIC 21	Levies
IFRS 8 Operating Segments	Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)
IFRS 2 Share-based Payment	Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')

3. CONCESSION FEES

	2013 Ushs '000	2012 Ushs '000
Administration component	4,454,455	5,385,370

The debt service and depreciation component was not accrued for during the year under review because it was not included in the tariff methodology approved by Electricity Regulatory Authority.

4. OTHER OPERATING INCOME

	2013 Ushs '000	2012 Ushs '000
Grant income from KFW - Muzizi feasibility study	4,902,899	450,032
Interest on staff loans	51,966	48,585
Staff loan notional interest income	-	18,302
Sale of bid documents	20,168	12,998
Other income	97,218	1,675
Write-off of amounts due to related parties (note 15(iii))	37,493	-
Waiver of corporation tax arrears	5,289,362	-
Repair of access roads to Nalubaale dam	252,301	-
	10,651,407	**531,592**

5. STAFF COSTS AND EMPLOYEE BENEFITS

	2013	2012
Salaries	2,386,920	1,874,196
Company contributions to NSSF and other funds	387,070	215,720
Other staff benefits and allowances	1,586,748	1,326,925
	4,360,738	**3,416,841**

The average number of persons employed by the company during the year was 44 (2012: 39).

6. PROJECT ADMINISTRATION EXPENSES

	2013 Ushs '000	2012 Ushs '000
Nkusi	4,853	-
Ngenge	7,155	-
Muzizi – feasibility study and transaction advisory	4,907,877	23,374
Isimba	19,066	554
Nyagak	533,657	468,496
Ayago	7,350	69,521
Bujagali	-	1,343
Buseruka	3,810	3,839
Maziba	-	2,363
UETCL project management fees	-	138,126
	5,483,768	**707,616**

6. PROJECT ADMINISTRATION EXPENSES (CONTINUED)

Project administration expenses mainly related to costs incurred by UEGCL in the monitoring and supervision of the on-going projects.

Muzizi
On 27 October 2010, UEGCL engaged a consultant, Fichtner GMBH & Co. to carry out a feasibility study and transaction advisory for Muzizi small hydropower project at Euro 1.5 million. The study was completed in 2013.

7. OTHER ADMINISTRATION EXPENSES

	2013 Ushs '000	2012 Ushs '000
Transport expenses	337,771	248,551
Operational expenses	1,833,338	64,850
Audit fees and related expenses	33,875	39,973
Directors allowances	157,801	91,557
Directors expense	310,905	156,779
Professional fees	13,102	16,940
Consultancy fees	30,159	19,985
Legal fees	24,400	150,412
Legal expenses	27,490	30,152
Other costs	1,864,096	1,097,784
	4,632,937	**1,916,983**

8. DEPRECIATION AMORTISATION CHARGE AND FOREIGN EXCHANGE LOSSES

a) Depreciation and amortisation charge

	2013 Ushs '000	2012 Ushs '000
Depreciation charge	12,297,323	26,494,111
Amortisation charge	87,401	99,402
	12,384,724	**26,593,513**

b) Net foreign exchange gains/(losses)

	2013 Ushs '000	2012 Ushs '000
Net foreign exchange gains/(losses)	6,849,608	(12,394,305)

The net foreign exchange gains include foreign exchange gains of Ushs 7.6 billion (2012: losses of Ushs 8.5 billion) arising from translation of Government of Uganda loans as indicated in note 21, and other foreign exchange differences arising from translation of monetary transactions, assets and liabilities denominated in foreign currencies.

	2013 Ushs '000	2012 Ushs '000
9. INTEREST INCOME		
Interest income from fixed deposit accounts	844,721	2,050,101
10. INTEREST EXPENSE		
Government of Uganda loan	1,615,937	1,851,256
World Bank-IDA loan	4,361,674	4,638,613
	5,977,611	**6,489,869**

11. LOSS BEFORE TAX

	2013 Ushs '000	2012 Ushs '000
The following items have been charged to the loss before tax:		
Depreciation and amortization charge (note 8(a))	12,384,724	26,593,513
Staff costs and employee benefits (note 5)	4,360,738	3,416,841
Auditors' remuneration	33,875	29,826
Directors' remuneration	157,801	248,336
Foreign exchange gain/(losses) (note 8(b))	6,849,608	(12,394,305)

12. TAX

The tax rate is set at 30% on the results for the year as adjusted for tax purposes in accordance with the Income Tax Act (Cap 340) of Uganda.

	2013 Ushs '000	2012 Ushs '000
a) Income tax charge		
Current income tax charge for the year	-	-
Understatement of current income tax in prior years	-	1,602,211
Understatement penalties	-	3,687,151
	-	**5,289,362**

No current income tax has been recognised in these financial statements because the company had accumulated tax losses of Ushs 111.5 billion as at 31 December 2013 (2012: Ushs 104.8 billion). The tax losses will be carried forward and utilised against future taxable profits in accordance with the Income Tax Act of Uganda.

12. TAX (CONTINUED)

a) Income tax charge (continued)

Reconciliation between the income tax expense and the product of accounting profit and the tax rate:

	2013 Ushs '000	2012 Ushs '000
Loss before tax	(10,038,591)	(43,552,064)
Tax calculated at 30% (2012: 30%)	(3,011,577)	(13,065,619)
Tax effect of expenses not deductible	3,449,125	11,594
Unrecognized deferred income tax (charge)/credit	(437,548)	12,968,912
Prior year under/(over) provision of deferred income tax	-	85,113
Prior year under-provision of current income tax	-	1,602,211
Penalties on prior year under-provision	-	3,687,151
Income tax charge	**-**	**5,289,362**
b) Current income tax provision		
At 1 January	5,289,362	-
Provision for the year	-	5,289,362
Tax waiver	(5,289,362)	-
At 31 December	**-**	**5,289,362**

The income tax provision related to tax arrears which arose from the unbundling of the Uganda Electricity Board (UEB) in 2001.

On 8 August 2014, UEGCL received communication from Uganda Revenue Authority (URA) that the company's tax arrears were waived by the Minister of Finance, Planning and Economic Development.

c) Deferred income tax

Deferred income tax is calculated on all temporary differences using the liability method at a principal tax rate of 30%. As at 31 December 2013, the company had a deferred tax asset of Ushs 29.52 billion (2012: Ushs 29.97 billion). The deferred tax asset is attributable to the following:

	1 January 2013 Restated Ushs '000	Movement for the year Ushs '000	31 December 2013 Ushs '000
Deferred income tax asset			
Accelerated tax depreciation	4,474,351	1,479,924	5,954,275
Provision for bad debts	-	(19,684)	(19,684)
Provision for terminal benefits	(375,231)	(11,752)	(386,983)
Net unrealized foreign exchange losses	(2,622,903)	1,014,386	(1,608,517)
Tax losses carried forward	(31,438,183)	(2,025,326)	(33,463,509)
	(29,961,966)	**437,548**	**(29,524,418)**

12. TAX (CONTINUED)

c) Deferred income tax (continued)

	1 January 2012	Movement for the year	31 December 2012 Restated
	Ushs '000	Ushs '000	Ushs '000
Deferred income tax asset			
Accelerated tax depreciation	47,522,914	(43,048,563)	4,474,351
Provision for bad debts	(65,303)	65,303	-
Provision for terminal benefits	-	(375,231)	(375,231)
Net unrealized foreign exchange losses	(1,432,133)	(1,190,770)	(2,622,903)
Tax losses carried forward	(104,479,462)	73,041,279	(31,438,183)
	(58,453,984)	**28,492,018**	**(29,961,966)**

The 2012 deferred income tax asset has been restated as follows:

	31 December 2012 As previously stated	Adjustment	31 December 2012 As restated
	Ushs '000	Ushs '000	Ushs '000
Deferred income tax asset			
Accelerated tax depreciation	49,394,121	(44,919,770)	4,474,351
Provision for bad debts	(65,303)	65,303	-
Provision for terminal benefits	-	(375,231)	(375,231)
Net unrealized foreign exchange losses	(3,967,826)	1,344,923	(2,622,903)
Tax losses carried forward	(116,783,888)	85,345,705	(31,438,183)
	(71,422,896)	**41,460,930**	**(29,961,966)**

The deferred income tax asset as at 31 December 2012 has been restated mainly as a result of overstated tax losses and the deferred tax liability from assets.

Deferred income tax assets are recognised only to the extent that realisation of the related tax benefit is highly probable. The deferred income tax asset of Ushs. 29.52 billion as at 31 December 2013 has not been recognised in these financial statements due to uncertainty of its recoverability. The unrecognised deferred income tax asset will be reassessed at each reporting date and recognised to the extent that it has become highly probable that future taxable profits will be available against which the deferred tax asset can be utilized.

13. PROPERTY, PLANT AND EQUIPMENT

	Plant & Machinery	Buildings	Furniture & Fittings	Computers	Tools & Equipment	Communication Equipment	Motor Vehicles	Office Machinery	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
COST									
At 1 January 2012	845,932,483	1,590,661	107,719	343,427	733,836	50,742	1,095,587	215,172	850,069,627
Additions	-	-	32,110	67,202	-	-	687,754	21,102	808,168
Write offs	-	-	-	-	-	-	(91,426)	-	(91,426)
At 31 December 2012	**845,932,483**	**1,590,661**	**139,829**	**410,629**	**733,836**	**50,742**	**1,691,915**	**236,274**	**850,786,369**
Additions	-	-	-	138,286	13,715	138,932	-	40,779	331,712
Write offs	-	-	-	(4,309)	-	-	-	-	(4,309)
At 31 December 2013	**845,932,483**	**1,590,661**	**139,829**	**544,606**	**747,551**	**189,674**	**1,691,915**	**277,053**	**851,113,772**
DEPRECIATION									
At 1 January 2012	340,652,903	697,764	56,005	241,330	684,581	31,307	646,886	147,072	343,157,848
Charge for the year	26,139,082	39,766	12,457	38,843	8,026	5,122	227,688	23,127	26,494,111
Write offs	-	-	-	-	-	-	(11,873)	-	(11,873)
At 31 December 2012	**366,791,985**	**737,530**	**68,462**	**280,173**	**692,607**	**36,429**	**862,701**	**170,199**	**369,640,086**
Charge for the year	11,918,364	39,767	13,506	50,672	7,555	5,122	257,204	5,133	12,297,323
Write offs	-	-	-	(2,030)	-	-	-	-	(2,030)
At 31 December 2013	**378,710,349**	**777,297**	**81,968**	**328,815**	**700,162**	**41,551**	**1,119,905**	**175,332**	**381,935,379**
NET CARRYING VALUE									
At 31 December 2013	**467,222,134**	**813,364**	**57,861**	**215,791**	**47,389**	**148,122**	**572,010**	**101,721**	**469,178,393**
At 31 December 2012	**479,140,498**	**853,131**	**71,367**	**130,456**	**41,229**	**14,313**	**829,214**	**66,075**	**481,146,283**

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Testing of the complex assets for impairment
The installed capacity of the power complex (Nalubaale and Kiira) is 380 MW. However, the average capacity generated during the year was about 140 MW (2012: 107.6 MW). The low generating capacity is attributed to the varying water levels, which resulted in restricted amount of water released to the complex. The company has no control over the amount of water released through the complex. However, the complex is being operated and maintained in accordance with the laws of Uganda and prudent utility best practice. Management believes that operationally the complex is still intact and is not impaired. However, no impairment assessment was carried out as at the end of the year. The company plans to undertake the impairment assessment in the subsequent period.

Modifications to the complex by Eskom Uganda Limited
Under section 2.8 of the concession agreement with Eskom Uganda Limited (the operator), the company is entitled to a right of ownership on all modifications to the complex. However, the Power Purchase Agreement (PPA) between the operator and Uganda Electricity Transmission Company Limited (UETCL) entitles the operator to fully recover the cost of the modifications plus a 12% return-on-investment from UETCL. Therefore, although the company has a legal right of ownership, all the economic benefits arising out of the modifications are enjoyed by the operator. As such, the company has not recognised the value of the modifications in these financial statements. As at 31 December 2013, the operator had made a total investment in relation to modification of the complex amounting to Ushs 33.3 billion (2012: Ushs 26.7 billion).

14. PREPAID OPERATING LEASE RENTALS

	2013 Ushs '000	2012 Ushs '000
Cost		
At 1 January	1,997,514	1,997,514
Additions	24,250	-
At 31 December	2,021,764	1,997,514
Amortization		
At 1 January	990,568	891,166
Charge for the year	87,401	99,402
At 31 December	1,077,969	990,568
Net carrying amount	**943,795**	**1,006,946**

14. PREPAID OPERATING LEASE RENTALS (CONTINUED)

The prepaid operating lease rentals are made up as follows:

	Nalubaale Ushs' 000	Kiira Ushs' 000	Total Ushs' 000
Cost			
At 1 January 2012	1,556,320	441,194	1,997,514
Additions	-	-	-
At 31 December 2012	**1,556,320**	**441,194**	**1,997,514**
Additions	24,250	-	24,250
At 31 December 2013	**1,580,570**	**441,194**	**2,021,764**
Amortization			
At 1 January 2012	838,758	52,408	891,166
Charge for the year	94,527	4,875	99,402
At 31 December 2012	**933,285**	**57,283**	**990,568**
Charge for the year	83,027	4,374	87,401
At 31 December 2013	**1,016,312**	**61,657**	**1,077,969**
Net carrying value			
At 31 December 2013	**564,258**	**379,537**	**943,795**
At 31 December 2012	**623,035**	**383,911**	**1,006,946**

At inception of the leases, the lease obligations were paid up front. As such, the obligation resulting from the minimum lease payment was expunged at the beginning of the leases in a single payment.

15. RELATED PARTIES

Following the restructuring of Uganda Electricity Board (UEB), three Government of Uganda fully owned successor companies were created including the company. The other two companies, Uganda Electricity Transmission Company Limited (UETCL) and Uganda Electricity Distribution Company Limited (UEDCL) are related to the company through common shareholding.

The following are the transactions were carried out with related parties and the balances due to/from related parties:

	2013 Ushs '000	2012 Ushs '000
i) Transactions with directors		
Fees for services as directors	157,801	248,336
ii) Amounts due from related parties		
Uganda Electricity Transmission Company Limited (UETCL)	31,111,351	30,989,118
Uganda Electricity Board (UEB)	183,891	183,891
Uganda Electricity Distribution Company Limited (UEDCL)	65,612	65,612
	31,360,854	**31,238,621**
Provision for doubtful debts - UEDCL *	(65,613)	-
	31,295,241	**31,238,621**

15. RELATED PARTIES (CONTINUED)

ii) Amounts due from related parties (continued)

*The amounts have been provided for because they have been long-outstanding in the company's books.

	2013 Ushs '000	2012 Ushs '000
iii) Amounts due to related parties		
Uganda Electricity Transmission Company Limited (UETCL)	10,194	10,194
Uganda Electricity Transmission Company Limited-Project management fees	-	138,127
Uganda Electricity Board (UEB)	1,318,048	1,318,048
Uganda Electricity Distribution Company Limited (UEDCL)	40,117	27,299
	1,368,359	**1,493,668**
Write-offs:		
Uganda Electricity Transmission Company Limited (UETCL)	(10,194)	-
Uganda Electricity Distribution Company Limited (UEDCL)	(27,299)	-
	1,330,866	**1,493,668**

Write-offs
The balances have been long-outstanding in the company's books of account. As part of the year-end financial reporting process, a request was sent to UETCL and UEDCL to confirm the amounts owed by UEGCL. UETCL and UEDCL confirmed that those amounts are not owed to them. As such, the balances have been written off.

16. TRADE AND OTHER RECEIVABLES

	2013 Ushs '000	2012 Ushs '000
Trade receivables-Eskom	892,126	1,059,802
Advance for inventories-Eskom	1,191,288	1,191,288
Prepayment of current income tax	-	40,950
Advance payment for feasibility study	-	703,325
Withholding tax recoverable	397,674	254,301
Staff salary advances and Loans	63,217	307,910
Deferred staff cost	-	21,794
VAT receivables	-	524,163
Staff debtors-advances not yet accounted for	841	-
Karuma pre-development costs	34,727	
Other receivables – prepayments and performance bonds	220,878	9,365
	2,800,751	**4,112,898**

Advance for inventories
The advance for inventories of Ushs 1.19 billion relates to critical inventories that were transferred to Eskom Uganda Limited at commencement of the concession period. At the completion of the concession period, Eskom is required to hand over the complex to the company with adequate stocks required to keep the complex operating for some time as required by the best utility practices.

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Karuma pre-development costs
Section 8 of the Tripartite Memorandum of Understanding (MoU) between Government of Uganda represented by the Ministry of Energy and Mineral Development (MEMD) and UEGCL and UETCL stipulates that the parties will meet, discuss and reconcile accounts for UEGCL's previous development cost expenses relating to the Pre-EPC contractor appointment period in respect of all its activities on the project and MEMD will facilitate the requisite refund of monies to UEGCL. UEGCL had incurred Ushs 34.7 million on the project activities as at 31 December 2013.

Other receivables
Other receivables are comprised of prepayments of Ushs. 209.3 million and a performance bond for Nyagak of Ushs 11.6 million.

17. FIXED DEPOSITS AT AMORTISED COST

	2013 Ushs '000	2012 Ushs '000
At 1 January	12,457,670	8,205,528
Purchased during the year	5,135,696	23,403,393
Interest income	844,721	2,050,101
Amount redeemed during the year	(12,976,000)	(21,201,352)
At 31 December	**5,462,087**	**12,457,670**

The weighted average effective interest rate on fixed deposits at 31 December 2013 was 6% (2012: 16.77%).

The interest income that was reversed resulted from accrued interest income that was realised during the year 2013.

The maturities of the fixed deposits is analysed as below:

	2013 Ushs '000	2012 Ushs '000
0-3 months	5,462,087	8,462,751
3-6 months	-	3,994,919
	5,462,087	**12,457,670**

18. CASH AND BANK BALANCES

	2013 Ushs '000	2012 Ushs '000
Cash at bank	454,100	407,434
Stanbic Bank Uganda Limited Escrow Account	5,580,893	5,879,498
Cash at hand	-	22
	6,034,993	**6,286,954**

18. CASH AND BANK BALANCES (CONTINUED)

Escrow Account

In accordance to section 5.1 of the Concession and Assignment Agreement, the company is required to open and maintain an escrow account. The required amount to be deposited on this account was established by the company and Eskom Uganda Limited as of the transfer date and there after received every six months, equal to the equivalent of Eskom Uganda Limited's revenue requirements for a four-month period exclusive of the company's concession fees. However, in no event shall the amounts required to be deposited in the escrow account exceed USD 3 million. As at 31 December 2013, the balance on this account was Ushs 5,580,893,000 equivalent to USD 2,220,983.

19. ISSUED CAPITAL AND CAPITAL CONTRIBUTIONS

a) Share capital	**Number of shares**	**Amount Ushs '000**
Authorised, issued and fully paid ordinary shares of Ushs 500 each:		
At 1 January 2013	2	1
Conversion of Government of Uganda loans to equity	210,416,336	105,208,168
At December 2013	**210,416,338**	**105,208,169**

The Government of Uganda (GoU) is in the process of developing many hydro sites with other partners. The partners require that the Government takes up all outstanding loan obligations from other on lenders. GoU through the Ministry of Finance, Planning and Economic Development Permanent Secretary agreed in principle to covert the debt of all UEB successor companies into zero-return equity in order to support the electricity tariff. The loan balance in note 21 was converted into shares each valued at Ushs 500. The effective date of conversion is 31 December 2013.

b) Capital contributions	**2013 Ushs '000**	**2012 Ushs '000**
Government of Uganda	554,861,676	554,861,676

This balance relates to the Government of Uganda consideration in respect to the net assets and liabilities taken over by the company from Uganda Electricity Board. The amount is not repayable to the shareholder.

20. DUE TO GOVERNMENT OF UGANDA

	2013 Ushs '000	**2012 Ush'000**
Uganda Government-Dues	14,897,779	14,897,779
Accrued interest	18,930,155	18,930,155
Accrued interest	**33,827,934**	**33,827,934**

These balances relate to the depreciation charge on property, plant and equipment for the year 2001 and accumulated accrued interest taken over from Uganda Electricity Board. The amount is payable to Government of Uganda.

21. GOVERNMENT OF UGANDA LOANS

	2013 Ushs '000	**2012 Ushs '000**
UEB refinancing loan	-	37,712,226
World Bank- IDA loan	-	74,021,736
	-	**111,733,962**
Non-current portion		
UEB refinancing loan	-	17,363,485
World Bank- IDA loan	-	26,691,258
	-	**44,054,743**
Current portion		
UEB refinancing loan	-	20,348,741
World Bank- IDA loan	-	47,330,478
	-	**67,679,219**
Total	**-**	**111,733,962**
Movement on account		
At 1 January	111,733,962	96,777,226
Interest expense	5,977,611	6,489,869
Repayment of principle	(2,849,797)	-
Interest paid	(2,176,203)	-
Foreign exchange (gains)/losses	(7,477,405)	8,466,867
	105,208,168	**111,733,962**
Conversion to equity (note 19)	(105,208,168)	-
At 31 December	**-**	**111,733,962**

UEB refinancing loan

On 1 January 2002, an undertaking of a 7.1% per annum long-term loan of US$ 23,976,496 payable in two semi-annual instalments over 15 years was vested in the company under Statutory Instrument No. 27 of April 2002, in pursuance of section 25A(i) of the Public Enterprises Reform and Divesture Statute of 1993. This loan is the subject of a loan agreement dated 1 January 2002 signed by the Government of Uganda and the company. The purpose of this loan is to refinance previous loans made by the Government of Uganda to Uganda Electricity Board in connection with its operations and capital expenditure on the Owen Falls Dam extension. The loan is unsecured.

The loan repayments are expected to be financed by the debt component of the concession fees that are billed to Eskom. During the year, no debt service component was included in the tariff methodology by the Electricity Regulatory Authority (regulator) and the company was instructed not to bill this component by the regulator. As such, there were no repayments during the year following the removal of the debt service component from the tariff methodology.

At 31 December 2013, the outstanding loan amount was converted to equity.

21. GOVERNMENT OF UGANDA LOANS (CONTINUED)

World Bank – International Development Agency loan
On 5 February 2002, the Government of Uganda signed a subsidiary loan agreement, as amended by an agreement dated 23 February 2005, with the company equivalent to US$ 48,900,000 on terms and conditions satisfactory to the International Development Agency (IDA). The loan is repayable over 16 years, with a 3.5 year grace period, at an interest rate of 7.1% per annum on amounts withdrawn and outstanding from time to time. The subsidiary loan agreement is binding upon all successors of the company in whatever forms constituted and their assigns. The total amount drawn down at 31 December 2013 was US$ 40,265,943. The loan is unsecured.

At 31 December 2013, the outstanding loan amount was converted to equity.

Conversion of the loans to equity
The Government of Uganda is in the process of developing many hydro sites with the support of other partners. The partners require that the Government takes up all outstanding loan obligations from other on lenders. The Government of Uganda through the Permanent Secretary Ministry of Finance, Planning and Economic Development/Secretary to the Treasury agreed in principle to covert the debt of all UEB successor companies into zero-return equity in order to support the electricity tariff. As such, outstanding loan balance was converted into equity shares effective 31 December 2013.

22. GRANTS

	2013 Ushs'000	2012 Ushs '000
KFW grant-Muzizi project		
At 1 January	703,325	-
Feasibility study expenses during the year	3,824,736	703,325
Release to grant income	(4,528,061)	-
At 31 December	**-**	**703,325**

KFW agreed to finance the feasibility study of Muzizi project at a cost of Euro 1,500,000. During the year, the feasibility study was completed and thus the deferred grant income was released to the statement of comprehensive income under grant income.

23. DUE TO ELECTRICITY REGULATORY AUTHORITY

This relates to a provision for a tariff stabilization fund set up by the Electricity Regulatory Authority under the provisions of the Electricity Act, 1999.

24. TRADE AND OTHER PAYABLES

	2013 Ushs '000	2012 Ushs '000
Trade and other payables	1,946,319	1,354,113
Withholding Tax (WHT) payable	1,102,041	-
Accrual for IFC retainer fees	452,340	-
	3,500,700	**1,354,113**

The WHT payable is comprised of the following:

i) An assessment of penal interest from Uganda Revenue Authority (URA) of Ushs 814 million. The penal interest was as a result of late payment of WHT for the period 2001-2009. The principal WHT was paid in 2010.

ii) WHT payable on the consultancy services rendered for the feasibility study at Muzizi amounting to Ushs 288 million.

<u>IFC retainer fees</u>
IFC retainer fees relate to penal fees for non-compliance with the advisory agreement between IFC and the company.

25. GRATUITY PAYABLE

	2013 Ushs '000	2012 Ush'000
At 1 January	1,125,692	710,282
Gratuity expense for the year	608,633	586,930
Loan repayments	(327,196)	-
Gratuity payments made	(234,453)	(171,520)
Gratuity obligation excluding the NSSF provision	**1,172,676**	**1,125,692**
10% NSSF provision	117,268	125,077
At 31 December	**1,289,944**	**1,250,769**

The terms of the company's gratuity scheme are summarized as follows:

a) Permanent staff: Gratuity is earned at a rate of 25% of the gross annual salary for each year worked, where 'salary' implies one's gross monthly salary as at the point of exit from the company. Permanent employees are entitled to gratuity in the following circumstances:
   i) Retirement/early retirement
   ii) Expiry of contract
   iii) Termination for medical incapacity
   iv) Redundancy
   v) Death
   vi) Termination with notice

b) Contract staff: Gratuity is earned at a rate of 25% of the gross monthly salary for each month worked and is paid at the end of each year.

26. USE OF ESTIMATES AND JUDGEMENTS

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company bases its assumptions and estimates on parameters available when the financial statements are prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the company. Such changes are reflected in the assumptions when they occur.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Company and the tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing.

Impairment losses on receivables

The company reviews its receivables at each reporting date to assess whether an allowance for impairment should be recorded. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and the actual may differ from the estimation, resulting in future changes to the allowance.

Provisions

Provisions are recognised based on a reliable estimate of the amount that the company expects to incur and involve an element of judgement.

Impairment of tangible assets

The company regularly reviews its assets and makes judgements in determining whether an impairment loss should be recognized in respect of observable data that may impact on future estimated cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows and value-in-use amounts are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

27. FINANCIAL RISK MANAGEMENT

The company has exposure to credit, market and liquidity risks from its use of financial instruments. The company's Board of Directors has overall responsibility for the establishment and oversight of the company risk management framework.

a) Credit risk

Credit risk is the risk of financial loss to the company if a counterparty or customer fails to meet its contractual obligations, and arises primarily from concession fee billings and other amounts due from related parties and other stakeholders. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as indicated below:

	2013 Ushs '000	2012 Ushs '000
Amount from related parties	31,295,241	31,238,621
Fixed deposits at amortized cost	5,462,087	12,457,670
Trade receivables	892,126	1,059,802
Staff advances and loans	64,058	307,910
Bank balances	6,034,993	6,286,932
	43,748,505	**51,350,935**

Trade receivables relate to billed but unpaid concession fees due from Eskom Uganda Limited and were neither past due nor impaired.

b) Market risk

Market risk is the risk that movements in market risk factors, including foreign exchange rates and interest rates will reduce the company's revenue or increase the operational and capital costs. The objective of the company's market risk management is to manage and control market risk exposures in order to minimize the impact of adverse market movements with respect to revenue protection and to optimise the funding of the business operations and capital expansion.

Currency risk

The company manages its foreign exchange exposure by maintaining a reserve of about USD 2.228 million (2012: USD 2.265 million) on its US Dollar Escrow Account in order to pay for obligations that are denominated in that currency. In addition, the company negotiates rates with its bankers before transactions are affected.

The company had the following currency exposures to United States Dollar at year-end. All amounts are in Ushs '000.

	2013 Ushs '000	2012 Ushs '000
Financial assets		
Stanbic Bank Uganda Limited Escrow Account	5,580,893	5,879,498
Financial liabilities		
Amounts due to UETCL	-	(138,127)
Government of Uganda loans	-	(111,733,962)
	-	**(105,992,591)**
Net currency exposure	**5,580,893**	**(100,113,093)**

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following significant exchange rates applied during the year:

	Reporting date Spot rate		Average rate	
	2013	2012	2013	2012
US$:Ushs	2,513.54	2,647.25	2,585.09	2,502.39

Interest rate risk
The company's exposure to interest rate risk is not significant as the company's interest bearing borrowings and investments have fixed interest rates.

c) Liquidity risk
Liquidity risk is the risk that the company does not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows from revenue and capital and operational outflows. The objective of the company's liquidity and funding management is to ensure that all foreseeable operational, capital expansion and loan commitments can be met under both normal and stressed conditions.

The following are the contractual maturities of financial liabilities and financial assets, including estimated interest payments and excluding the impact of netting off agreements.

	Carrying amount	< 6 months	6-12 months	Over 1 year
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Financial assets				
Due from related parties	31,360,854	-	-	31,360,854
Trade and other receivables	2,800,751	-	2,800,751	-
Fixed deposits	5,462,087	5,462,087	-	-
Cash and bank balances	6,034,993	6,034,993	-	-
	45,658,685	**11,497,080**	**2,800,751**	**31,360,854**
Financial liabilities				
Due to Government of Uganda	33,827,934	-	-	33,827,934
Due to Electricity Regulatory Authority	6,129,813	-	-	6,129,813
Due to related parties	1,330,866	-	-	1,330,866
Trade and other payables	3,500,700	3,500,700	-	-
Gratuity Payable	1,289,944	-	1,289,944	-
	46,079,257	**3,500,700**	**1,289,944**	**41,288,613**
Net liquidity gap	**(420,572)**	**7,996,380**	**1,510,807**	**(9,927,759)**

28. NON-FINANCIAL RISK MANAGEMENT

i. Compliance risk

Compliance risk is the risk of non-compliance with the contractual obligations and other statutory requirements of the Government of Uganda. The contractual obligations are contained in the concession agreement with Eskom Uganda Limited.

The approach adopted to manage these risks includes a combination of adequate procedures to assist management in achieving adherence to the legislative requirements and effective monitoring and reporting mechanism to ensure compliance. The company's top level management is charged with the responsibility of monitoring and ensuring adherence to the concession agreement.

ii. Operational risk

Operational risk is the risk of the company not being able to operate if certain uncertainties occurred. These are caused by environmental factors, political, social factors and machine breakdown such as floods, wars, strikes and fire.

The company recognises operational risk, inclusive of information risk and business continuity, as a significant risk category and manages it within acceptable levels. The company's management continues to develop and expand its guidelines, standards, methodologies and systems in order to enhance the management of operational risk. Actual and potential risks are reviewed regularly and proper systems are put in place to avoid and reduce such uncertainties.

Acronyms

ASR	Alkali silicate reaction
BOOT	Build Own Operate and Transfer
CAA	Concession and Assignment Agreement
DLP	Defects Liability Period
DWD	Directorate of Water Development
ECTAPIA	Environmental Conservation, Agriculture and Tree Planting Initiative Association
ESIA	Environment and Social Impact Assessment
ERA	Electricity Regulatory Authority
EUL	Eskom Uganda Limited
GOJ	Government of Japan
GOU	Government of Uganda
GOMC	Generation Operation and Maintenance Costs
HFO	Heavy Fuel Oil
HOA	Heads of Agreement
HPDU	Hydro Power Development Unit
JICA	Japan International Corporation Agency
JUPPCL	Jacobsen Uganda Power Plant Company Ltd
KPS	Kiira Power Station
KV	Kilo volts
MOFPED	Ministry of Finance, Planning and Economical Development
MEMD	Ministry of Energy and Mineral Development
MW	Mega Watts
NPS	Nalubaale Power Station
OFE 14/15	Owen Falls Extension - Units 14 and 15
O&M	Operations and Maintenance
RAP	Resettlement Action Plan
SHE	Safety Health and Environment
SHPP	Small Hydro Power Project
UEB	Uganda Electricity Board
UEDCL	Uganda Electricity Distribution Company Ltd
UEGCL	Uganda Electricity Generation Company Ltd
UETCL	Uganda Electricity Transmission Company Ltd
UGSHS	Uganda Shillings
USD	United States Dollar

Addresses

Head Office
Plot 18 – 20 Faraday Road, Amberley Estate.
P.O. Box 1101, Jinja Uganda
Tel: +256-434-120891
Uganda
Fax: +256-434-123064

Branch Office
Plot 37, Nakasero Road,
3rd Floor UEDCL Tower
P.O.Box 75831,Kampala
Tel: +256 31203720165
Fax: +256 414 251 057

For more information, please visit our website –www.uegcl.com